

## TEESSIDE PENSION BOARD

<b>Date:</b> Monday 17th November, 2025 <b>Time:</b> 2.00 pm <b>Venue:</b> Spencer Room, Town Hall
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### AGENDA

1. Welcome and Fire Evacuation Procedure

In the event the fire alarm sounds attendees will be advised to evacuate the building via the nearest fire exit and assemble at the Bottle of Notes opposite MIMA.

2. Apologies for Absence

3. Declarations of Interest

To receive any declarations of interest.

4. Minutes - Teesside Pension Board - 7 July 2025 3 - 8

5. Minutes - Teesside Pension Fund Committee - 18 June 2025 9 - 14

6. Minutes - Teesside Pension Fund Committee - 23 July 2025 15 - 16

7. Teesside Pension Fund Committee - 24 September 2025

Verbal Report

8. Board Membership 17 - 22

9. Government Consultation LGPS Access and Protections 23 - 78

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| 10. | Draft Teesside Pension Board Annual Report 2024-25   | 79 - 168  |
| 11. | Update on Work Plan Items  | 169 - 176 |
| 12. | Any other urgent items which in the opinion of the Chair, may be considered  |           |
| 13. | Exclusion of Press and Public  |           |
|     | To consider passing a Resolution Pursuant to Section 100A (4) Part 1 of the Local Government Act 1972 excluding the press and public from the meeting during consideration of the following items on the grounds that if present there would be disclosure to them of exempt information falling within paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information. |           |
| 14. | Pension Administration Report  | 177 - 198 |

Charlotte Benjamin  
Director of Legal and Governance Services

Town Hall  
Middlesbrough  
Friday 7 November 2025

#### MEMBERSHIP

Councillors C Massey (Chair), J Stubbs, J Bell, P Thompson and N Walker

#### **Assistance in accessing information**

**Should you have any queries on accessing the Agenda and associated information please contact Tabitha Frankland 01642 726241/ Claire Jones 01642 729112, [tabitha\\_frankland@middlesbrough.gov.uk](mailto:tabitha_frankland@middlesbrough.gov.uk)/[claire\\_jones@middlesbrough.gov.uk](mailto:claire_jones@middlesbrough.gov.uk)**

## TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on Monday 7 July 2025.

**PRESENT:** P Thompson (Chair), J Bell, C Massey (Deputy Chair) and N Walker

**ALSO IN ATTENDANCE:** H Chambers (South Tyneside)

**OFFICERS:** W Brown, C Jones and Ju Weston

**APOLOGIES FOR ABSENCE:** J Stubbs

### 25/30 WELCOME AND FIRE EVACUATION PROCEDURE

The Chair welcomed all present to the meeting and read out the Building Evacuation Procedure.

### 25/31 DECLARATIONS OF INTEREST

Name of Member	Type of Interest	Item/Nature of Interest
J Bell	Non pecuniary	Member of Teesside Pension Fund
Councillor C Massey	Non pecuniary	Deferred Member of Teesside Pension Fund

### 25/32 MINUTES - TEESSIDE PENSION BOARD - 26 FEBRUARY 2025

The minutes of the meeting of the Teesside Pension Board held on 26 February 2025 were taken as read and approved as a correct record.

### 25/33 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 12 MARCH 2025 AND 11 DECEMBER 2024

A copy of the minutes of the meetings of the Teesside Pension Fund Committee held on 12 March 2025 and 11 December 2024 was submitted for information.

A Member raised concerns around the inquorate meeting scheduled on 12 March 2025. The Democratic Services Officer explained that this was due to a combination of last-minute apologies and a vacancy on the Committee at that time. The Board was assured that expected attendance is always taken into account, ahead of each meeting and appropriate actions taken to assist with quoracy.

### 25/34 TEESSIDE PENSION FUND COMMITTEE - 18 JUNE 2025 - DISCUSSION

The Deputy Head Pensions of provided a verbal update on agenda items considered at a meeting of the Teesside Pension Fund Committee held on 18 June 2025.

The standard investment activity report had been presented and it was noted that as at 31 March 2025, the Fund had £455.9m invested with approved counterparties.

The Government's Fit for Future Consultation report had been presented. It was explained that this had generated discussion at the Committee in respect of pooling and of additional funds joining Border to Coast.

It was acknowledged that the meeting on 18 June 2025 was the final meeting for CBRE. The Committee had expressed thanks to CBRE representatives for their work and updates at meetings, during their time of working with the Fund

**AGREED** that the information provided was received and noted.

25/35

## **PENSION FUND BUSINESS PLAN 2025/28**

A report of the Director of Finance and Transformation was presented to Members which outlined the Business Plan including the 2025/26 Pension Fund budget.

The 2025/26 forecast income and expenditure were set out in the Business Plan, which was appended to the report.

In order to comply with the recommendations of the Myners Review of Institutional Investment, it was agreed that an annual Business Plan would be presented to the Teesside Pension Fund Committee for approval. The Business Plan contained financial estimates for the Fund, including the budgeted costs for investment and management expenses.

The Teesside Pension Fund Business Plan had been designed to set out how the Pension Fund Committee operated, what powers were delegated and provided information on key issues. The Business Plan was delivered in conjunction with the Fund's other governance documents, which set out the delegated powers and responsibilities of officers charged with the investment management function.

The Business Plan for 2025/28 was appended to the report and included:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise.
- The current governance arrangements for the Fund.
- The performance targets for the Fund for 2025/26, and a summary of the performance for 2024/25.
- The arrangements in place for managing risk and the risk register for the Fund.
- Membership, investment and funding details for the Fund.
- An estimated outturn for 2024/25 and an estimate for income and expenditure for 2025/26.
- An annual plan for key decisions and a forward work programme for 2025/26 and an outline work plan for 2027 – 2028.

A Member highlighted the £2m increase in management expenses for external management, rising to £13m in 2025/26. The Board was informed that the Teesside Pension Fund Committee had also expressed concern regarding this increase. It was agreed that this would be explored further, and an update would be provided in due course.

A Member drew attention to the decrease in scores within Appendix C of the report; the risk register. The Board was informed that, regrettably, outdated data had been used. Audit had since reviewed the risk register, and the matter would be revisited.

**AGREED:** that the information presented be noted.

25/36

## **GOVERNMENT FIT FOR THE FUTURE - UPDATE**

A report was provided to advise Members of the response to the Government's Fit for the Future consultation.

The government confirmed on 4 September 2024 that it would carry out a pensions review. A call for evidence relating to defined contribution schemes and the LGPS was issued that covered:

- Scale and consolidation
- Costs vs Value
- Investing in the UK

Within the document reference was made to Asset Pooling and following this, the Government issued the "Fit for the Future" consultation in November 2024. The Head of Pensions Governance and Investments had submitted a response on behalf of the Fund and had worked with Border to Coast and partner funds to agree a collective response.

The Government published its response to the consultation at the end of May 2025. Border to Coast, as part of their 2030 strategy, had been working on developing new capabilities to



deliver the requirements of the consultation relating to:

- Advisory Services
- Management of legacy assets
- Local Investment

As well as responding to the consultation, all pools were required to submit their proposals indicating how they would develop their current arrangements to meet Government requirements of a pool as set out in the “Fit for the Future” consultation.

In April 2025 the Government announced that the responses from two pools, ACCESS and Brunel, did not meet the requirements of their proposed pooling model, the 21 Funds within these pools now need to find a new pool.

Within the Border to Coast 2030 Strategy there were three strands: 1) delivering its current remit as efficiently and effectively as possible, 2) developing additional capabilities to further support Partner Funds, and 3) enabling Partner Funds to take advantage of, and manage potential risks of, additional scale opportunities. Strand 3 – “enabling Partner Funds to take advantage of, and manage potential risks of, additional scale opportunities” covered the possibility of additional funds joining the partnership. Border to Coast and Partner Fund officers are engaging with several potential additional partners. The 21 funds from ACCESS and Brunel had until September 2025 to have an “in principle” agreement with which Pool they would join.

Members were advised that Officers would continue to work with Border to Coast on the development of new capabilities to meet the requirements of the Government’s consultation response. Officers would also be involved in ongoing discussions with regards to additional funds joining Border to Coast.

A Member queried whether the additional responsibilities associated with Border to Coast would impact the Local Authority’s Pension and Investments staffing structure. It was noted that this would potentially have an impact, due to the removal of investment responsibility.

**AGREED** that the information provided be noted.

25/37

## **TEESSIDE PENSION BOARD ANNUAL REPORT 2024-25**

A Teesside Pension Board Annual Report 2024-2025 was presented. The report was the ninth Annual Report of the Board, for the period 1 April 2024 to 31 March 2025.

Over the 11 months to the end of February 2025, global equity market performance had been volatile but positive overall. The US in particular had performed well, although as in the previous year US stock market growth was significantly dependant on a small range of technology stocks which had benefited from investor interest in artificial intelligence and its potential current and future applications. Market concentration in the US had continued to be a factor during the period, with the largest five stocks in the S&P 500 (Apple, Nvidia, Microsoft, Amazon and Alphabet) making up nearly a quarter of its total market capitalisation. Returns in Japan were negative over the period but were positive in the UK and Europe. The overall value of the Fund’s assets had improved and had been on course to remain over £5 billion. Interest rates were reduced three times by the Bank of England over the year from 1 April 2024 but remained at 4.5%, similar to rates seen before the 2007/2008 global financial crisis. This had influenced market views on long-term return rates which in turn reduced the value the actuary places on the Fund’s liabilities

Although the Board had no role in deciding how the Fund was invested, it did have a role in overseeing the Committee’s actions in this respect. As the global economy continued its progress to a more challenging, volatile and less benign period, the Fund’s investment approach was likely to face challenges and the Board’s oversight role would remain important during the coming months and years. Over the course of 2024/25 planned meetings were held although one was inquorate. The Board had been able to continue in its role and carry out its responsibilities to ensure effective governance. As well as continuing to receive minutes and verbal updates from the Pension Fund Committee, over the course of the year the Board had considered papers or had oral reports covering the following areas:

- The Fund’s annual Business Plan
- The Board’s own Annual Report

- The Draft Annual Report for the Fund (containing the Fund's accounts).
- Board membership and training
- Administration reports from XPS – these included performance against service level agreement targets, information on general administration activity, statistics on appeals cases and details of current and future issues impacting, or potentially impacting, on the administration of the Fund.
- Pensions Regulator General Code of Practice Compliance Assessment and Review
- Updates on work programme items which included; Internal controls and managing risks, Pension Dashboards, Pension Board conflicts of interest and Pension Board Statutory Responsibilities.

The Teesside Pension Board Annual Report also included details on the Board Membership and Meeting Attendance.

A Member praised the excellent performance of the fund but raised concerns about communication with Fund members, highlighting some recent issues experienced by his constituents. Members were informed that the Fund's administrator had an Engagement Strategy in place and that communication was delivered through various channels including annual benefits statements, surveys, FAQs and more.

A Member raised a query regarding the assumptions used by the Fund Actuary during the triennial valuation, as well as discussions held with S151 Officers. It was explained that while S151 Officers were focused on achieving stability for local authority budgets, the actuary was taking a more prudent approach concerning contribution levels. Although there was a delicate balance between these positions, the matter would be revisited during the next revaluation. Further information was expected from both Hymans Robertson and the S151 Officers.

**AGREED** that the information provided be noted.

**25/38 UPDATE ON WORK PLAN ITEMS**

A report of the Director of Finance was presented to provide Members with information on items scheduled in the work plan for consideration at the current meeting and to present the Board with an updated work plan covering the next two calendar years.

The items scheduled for consideration in the work plan for this meeting were managing risk and internal controls, a review of the risk register and a review of internal and external audit reports. The work plan at Appendix A of the report, set out the planned activity for the Board. This was brought to each Board meeting and would be updated in line with suggestions from the Board and to take account of any changes to best practice or the regulations and guidance for the Scheme.

**AGREED** that the information provided be noted.

**25/39 ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED**

None.

**25/40 EXCLUSION OF PRESS AND PUBLIC**

A Member suggested that further detail be added to agendas when excluding press and public. The Democratic Services Officer explained that she would bring this to the attention of the Monitoring Officer for further consideration.

**ORDERED** that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as defined in Paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

**25/41 EXEMPT - PENSION ADMINISTRATION REPORT**

**Monday 7th July, 2025**

A report was presented to update Members on issues relating to the production of Annual Benefit Statements.

**AGREED** that the information provided be noted.

25/42

**EXEMPT - REAL ESTATE TRANSFER**

A report was presented to update Members on the progress of the transfer of the Fund's direct property portfolio to the Border to Coast (Real Estate) UK Main Fund.

**AGREED** that the information provided be noted.

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## TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 18 June 2025.

**PRESENT:** Councillors J Kabuye (Chair), J Rostron (Vice-Chair), J Ewan, D Branson, D Coupe, T Furness, D Jackson, J Beall, M Fairley, Ms J Flaws and Mr T Watson

**ALSO IN ATTENDANCE:** W Bourne (Independent Adviser), A Owen (CBRE), D Knight (Border to Coast), H Chambers (South Tyneside), E Ezeah (CBRE) and Rutter (CBRE)

**OFFICERS:** Wendy Brown, Claire Jones and Andrew Humble

**APOLOGIES FOR ABSENCE:** M Saunders and M Scarborough

### 25/1 **WELCOME AND FIRE EVACUATION PROCEDURE**

The Chair welcomed all present to the meeting and read out the Fire Evacuation Procedure.

### 25/2 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item / Nature of Business
Councillor Beall	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Branson	Non-Pecuniary	Spouse – Member of Teesside Pension Fund
Councillor Coupe	Non-Pecuniary	Non-Executive Director of Border to Coast Pensions Partnership LTD.
Councillor Ewan	Non-Pecuniary	Member of Teesside Pension Fund and Member of South Tyneside Pension Fund.
Councillor Jackson	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non-Pecuniary	Member of Teesside Pension Fund
B Foulger	Non-Pecuniary	Member of Teesside Pension Fund

### 25/3 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 12 MARCH 2025 AND 11 DECEMBER 2024**

The minutes of the meetings of the Teesside Pension Fund Committee held on 12 March 2025 and 11 December 2024 were taken as read and approved as correct records.

### 25/4 **INVESTMENT ACTIVITY REPORT**

A report of the Director of Finance was presented to inform Members of how the Investment Advisors' recommendations were being implemented and provided a detailed report on transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's Valuation. The treasury management of the Fund's cash balances and the Forward Investment Programme were also presented.

The Fund continued to favour growth assets over protection assets. For the period under discussion, bonds were still not considered value for the Fund. The cash level at the end of March 2025 was 8.22%.

The Fund purchased a Sainsbury Store in Wantage at a price of £38.1m in February. Investment in Alternatives, such as infrastructure and private equity, offer the Fund diversification from equities and bonds. They came with additional risks of being illiquid, traditionally they have costly management fees and investing capital could be a slow process.

An amount of 19.1m was invested in the quarter.

It was a requirement that all transactions undertaken were reported to the Committee. Appendix A of the report detailed transactions for the period January – March 2025; there were net purchases of £58.9m in the period.

As of 31 March 2025, the Fund had £455.9m invested with approved counterparties. This was a decrease of £49.6m over the last quarter. Delegated authority was given to the Director of Finance and Transformation by the Teesside Pension Fund Committee to authorise/approve any changes made to the Treasury Management Principles (TMPs), with subsequent reporting to the committee.

The Fund Valuation detailed all the investments of the Fund as at 31 March 2025, and was prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, was £5,539 million. This compared with the last reported valuation, as at 31 December 2024 of £5,565 million.

As at 31 March 2025 the Fund's equity weighting was 52.83% compared to 53.11% at the end of December 2024.

At the December 2024 Committee it was agreed that the Fund's Direct Property would transfer to Border to Coast, when the transfer was complete, the Fund would own units in Border to Coast's UK Real Estate Main Fund.

Members queried if the fund had investments in tobacco products and arms, stating that there are a number of Pension Funds in the country who have disinvested due to their requirements of ethical investment. Members were advised that as of 31 March 2024, 2.86% of investments were in these categories; further information would be provided to the Committee.

**AGREED** that the information provided was received and noted

25/5

## **PENSION FUND BUSINESS PLAN 2025-2028**

A report of the Director of Finance and Transformation was presented to Members of the Teesside Pension Fund Committee which sought approval of the Business Plan including the 2025/26 Pension Fund budget.

The 2025/26 forecast income and expenditure were set out in the Business Plan. The Director of Finance and Transformation advised that the report was delayed due to the inquorate meeting of the Committee in March 2025 and some figures may have changed slightly.

In order to comply with the recommendations of the Myners Review of Institutional Investment, it was agreed that an annual Business Plan would be presented to Members for approval. The Business Plan contained financial estimates for the Fund, including the budgeted costs for investment and management expenses.

The Teesside Pension Fund Business Plan had been designed to set out how the Pension Fund Committee operated, what powers were delegated and provided information on key issues. The Business Plan sat alongside the Fund's other governance documents, which set out the delegated powers and responsibilities of officers charged with the investment management function.

The Business Plan for 2025/28 was attached and included:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise.
- The current governance arrangements for the Fund.
- The performance targets for the Fund for 2025/26, and a summary of the performance for 2024/25.
- The arrangements in place for managing risk and the risk register for the Fund.
- Membership, investment and funding details for the Fund.
- An estimated outturn for 2024/25 and an estimate for income and expenditure for 2025/26.
- An annual plan for key decisions and a forward work programme for 2025/26 and an outline work plan for 2027 – 2028.

**ORDERED:** that the Business Plan including the 2025/26 Pension Fund budget be approved.

25/6

## **GOVERNMENT FIT FOR THE FUTURE CONSULTATION UPDATE**

A report of the Director of Finance and Transformation was presented to advise Members of the response to the Government's Fit for the Future consultation.

The government confirmed on 4 September 2024 that it would carry out a pensions review. A call for evidence relating to defined contribution schemes and the LGPS was issued that covered:

- Scale and consolidation
- Costs vs Value
- Investing in the UK

Within the document reference was made to Asset Pooling and following this, the Government issued the "Fit for the Future" consultation in November 2024. The Head of Pensions Governance and Investments had submitted a response on behalf of the Fund, they also worked with Border to Coast and partner funds to agree a collective response.

The Government published its response to the consultation at the end of May 2025. Border to Coast, as part of their 2030 strategy, had been working on developing new capabilities to deliver the requirements of the consultation relating to:

- Advisory Services
- Management of legacy assets
- Local Investment

As well as responding to the consultation, all pools were required to submit their proposals indicating how they would develop their current arrangements to meet Government requirements of a pool as set out in the "Fit for the Future" consultation.

In April 2025 the Government announced that the responses from two pools, ACCESS and Brunel, did not meet the requirements of their proposed pooling model, the 21 Funds within these pools now need to find a new pool.

Within the Border to Coast 2030 Strategy there were three strands: 1) delivering its current remit as efficiently and effectively as possible, 2) developing additional capabilities to further support Partner Funds, and 3) enabling Partner Funds to take advantage of, and manage potential risks of, additional scale opportunities. Strand 3 – "enabling Partner Funds to take advantage of, and manage potential risks of, additional scale opportunities" covered the possibility of additional funds joining the partnership. Border to Coast and Partner Fund officers were engaging with several potential additional partners. The 21 funds from Access and Brunel had until September 2025 to agree "in principle" which Pool they would join.

Officers would continue to work with Border to Coast on the development of new capabilities to meet the requirements of the Government's consultation response. Officers would also be involved in ongoing discussions with regards to additional funds joining Border to Coast.

Members expressed concerns in regard to potential valuations and the effects this would have on the credits of the Teesside Pension Fund within the pool.

A Member queried how the pooling may impact the governance and the Committee going forward. It was agreed that a discussion paper may be required and this would be included in this year's work programme, for consideration.

**AGREED** that the information was received and noted.

25/7

## **EXTERNAL MANAGER REPORTS**

A report of the Director of Finance and Transformation was presented to provide Members with Quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited.

At 31 March 2025 the Fund had investments in the following three Border to Coast listed

equity sub-funds:

- The Border to Coast UK Listed Equity Fund, which has an active UK equity portfolio aiming to produce long term returns of at least 1% above the FTSE All Share index.
- The Border to Coast Overseas Developed Markets Equity Fund, which has an active overseas equity portfolio aiming to produce total returns of at least 1% above the total return of the benchmark (40% S&P 500, 30% FTSE Developed Europe ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan).
- The Border to Coast Emerging Markets Equity Fund, which has an active emerging markets equity portfolio aiming to produce long term returns at least 1.5% above the FTSE Emerging markets indices. Part of the Fund is managed externally (for Chinese equities) by FountainCap and UBS, and part managed internally (for all emerging markets equities excluding China) by the team at Border to Coast.

The Fund also had investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. To date, total commitments of £900 million had been made to these sub-funds (£500m to infrastructure and £400m to private equity). In addition, a commitment to invest £80 million over a three-year period to the Border to Coast Climate Opportunities Fund had been made.

The Border to Coast report showed the market value of the portfolio at 31 March 2025 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast's UK Listed Equity Fund's returns were 2.43% below benchmark over the last year, the Overseas Developed Markets Equity Fund's return was 0.78% below benchmark over the last year. Since inception, the UK fund has delivered performance of 0.18% a year above benchmark, and the overseas fund has delivered performance of 1.26% above benchmark. The performance of the Emerging Markets Equity Fund has been below benchmark throughout much of the period of our Fund's investment. The recent position remains disappointing, with performance over the quarter and the year to 31 March 3.94% below benchmark. Since inception the Fund is 1.81% a year behind benchmark.

**ORDERED** that the information provided was received and noted.

25/8

## **BORDER TO COAST PRESENTATION**

The Committee received a summary and update on the Fund's investments with Border to Coast.

The presentation provided information on the following:

- Listed Investments as at 31st March 2025:
  - UK Listed Equity £610m
  - Overseas Developed Markets £2,087m
  - Emerging Markets Equity £228m
- Commitment to Border to Coast's private market strategies
- Macro outlook – as at end Q1 2025
- Listed investments – performance to Q1 2025
- Private Equity
- Infrastructure
- Climate Opportunities
- Notable Exits

**ORDERED** that the information provided was received and noted.

25/9

## **INVESTMENT ADVISOR REPORTS**

The Independent Investment Advisors had provided reports on current capital market conditions to inform decision-making on short-term and longer-term asset allocation, which were attached as Appendices A and B to the submitted report.

Further commentary was provided at the meeting.

William Bond commented that a significant amount had occurred over the past three months, particularly in the United States. There were clear signs that globalisation was in retreat, which was notable given that global prosperity is largely underpinned by trade. Another key



emerging theme was the increase in taxation. Looking ahead, low economic growth alongside higher bond yields was anticipated. Despite this outlook, the resilience of equity markets had been somewhat unexpected. It was considered inevitable that some pressure point, potentially inflation would materialise, and it was likely that governments would need to increase their financing activity in response.

**AGREED** that the information provided was received and noted.

25/10

#### **CBRE PROPERTY REPORT**

A report of CBRE was submitted that provided an overview of the current property market and informed Members of the individual property transactions relating to the Fund.

As of 25th March 2025, the portfolio comprised of 35 properties located throughout the UK, with a combined value of £524.7m. This reflected an overall Net Initial Yield of 5.57%, and an Equivalent Yield of 5.76%. High Street retail, retail warehouse, food stores and industrial comprised 98.6% of the Portfolio by capital value. There were 92 demises and a total net lettable area of 2,813,264 sq ft. The portfolio had a current gross passing rent of £31,161,368 per annum against a gross market rental value of £29,309,722 per annum. The weighted average unexpired lease term was 9.4 years to the earlier of the first break or expiry and 10.1 years to expiry, ignoring break dates.

The Fund had successfully completed the simultaneous Regear and Acquisition of Sainsbury, Limbrough Road, Wantage — a dominant, index-linked food store in Oxfordshire. The acquisition was completed at a purchase price of £38,100,000, equating to a Net Initial Yield of 4.50%.

The Chair and Committee Members noted that this would be the final Committee meeting that CBRE would attend. Members thanked representatives for their work and updates at meetings, during their time of working with the Fund.

**AGREED** that the information provided was received and noted.

25/11

#### **AUDIT REPORT**

The Director of Finance and Transformation presented a report on behalf of Mazars. It was noted that the Draft Audit Strategy Memorandum - Teesside Pension Fund – Year ending 31 March 2025 had been provided as part of the agenda pack, for information only and that update reports would be presented to the Committee at a later date.

The report included:

- Engagement and responsibilities summary
- Your audit team
- Audit scope, approach, and timeline
- Materiality and misstatements
- Significant risks and other key judgement areas
- Audit fees and other services
- Confirmation of our independence

A Member raised a query in respect of Mazar's correspondence with Internal Audit. It was proposed that Mazar's attend the July meeting of the Teesside Pension Fund Committee to provide further information.

**AGREED** that the information provided was received and noted.

25/12

#### **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

25/13

#### **EXCLUSION OF PRESS AND PUBLIC**

**ORDERED** that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as

defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

25/14      **EXEMPT - FUND ACTUARY PRESENTATION - 2025 ASSUMPTION SETTING**

Deferred

25/15      **EXEMPT - REAL ESTATE TRANSFER UPDATE**

A report was presented to update Members on the progress of the transfer of the Fund's direct property portfolio to the Border to Coast (Real Estate) UK Main Fund.

**AGREED** that the information provided was received and noted.

25/16      **EXEMPT - PENSION ADMINISTRATION REPORT**

A report was presented to update Members on issues relating to the production of Annual Benefit Statements.

**AGREED** that the information provided was received and noted.

## TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 23 July 2025.

**PRESENT:** Councillors J Kabuye (Chair), J Rostron (Vice-Chair), J Ewan, D Branson, D Coupe, D Jackson, J Beall, M Fairley, M Scarborough and Ms J Flaws

**ALSO IN ATTENDANCE:** W Bourne (Independent Adviser), P Moon (Independent Adviser), J Baillie (Hymans Robertson) and M Galloway (Hymans Robertson)

**OFFICERS:** Andrew Humble, Wendy Brown, Claire Jones, Tabitha Frankland and Andrew Lister

**APOLOGIES FOR ABSENCE:** Mr T Watson and Mr B Foulger

### 25/17 **WELCOME AND FIRE EVACUATION PROCEDURE**

The Chair welcomed all present to the meeting and read out the Building Evacuation Procedure.

### 25/18 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item / Nature of Business
Councillor Beall	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Branson	Non-Pecuniary	Spouse – Member of Teesside Pension Fund
Councillor Coupe	Non-Pecuniary	Non-Executive Director of Border to Coast Pensions Partnership LTD.
Councillor Ewan	Non-Pecuniary	Member of Teesside Pension Fund and Member of South Tyneside Pension Fund.
Councillor Jackson	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non-Pecuniary	Member of Teesside Pension Fund

### 25/19 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 18 JUNE 2025**

The minutes of the meeting of the Teesside Pension Fund Committee held on 18 June 2025 were taken as read and approved as a correct record.

### 25/20 **DRAFT ANNUAL PENSION FUND ACCOUNTS 2024/25**

The Head of Pensions, Governance & Investments presented Members of the Teesside Pension Fund Committee with a summary of the 2024/25 draft unaudited accounts for the Teesside Pension Fund.

The overall financial performance of the Fund for the year to 31 March 2025 was positive and the Fund's value had risen to £5.58 billion, an increase over the year of approximately £87 million.

The Fund was three years into the current triennial valuation cycle. The Fund's asset value as at 31 March 2025 would be used by the Fund actuary when calculating the three-yearly valuation of the Fund. It was important to recognise the long-term nature of the Fund and the volatility of many of its assets meant that the actuary would look beyond just the immediate value of the assets when carrying out the valuation. In addition, the size of the Fund's liabilities (the cost of paying current and future benefits) was just as important when carrying out the valuation and setting employer contribution rates. Factors such as the actuary's view of future inflation rates, future investment returns and life expectancy expectations would play

a key part in the actuary's valuation calculations.

Total membership of the Fund had increased by 1,505, with total membership at the year-end now standing at 83,718. The number of active members had remained broadly similar, increasing by just 121 or 0.46% over the year. The number of pensioners increased by 1,072 or 3.9% over the year and the number of deferred members had increased by 312 or 1.1% over the year.

Every three years the Fund actuary carried out a full actuarial valuation of the Fund, the purpose of which was to calculate how much employers in the scheme would need to contribute going forward to ensure that the Fund's liabilities would be covered. Unlike all the other major public sector schemes the Local Government Scheme was a funded scheme which meant there was a pool of investments producing income which met a significant part of the liabilities.

The last actuarial valuation of the Fund was as at 31 March 2022, with the final report published at the end of March 2023. The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a funding level. The aim of the Fund was to be 100% funded, and at the latest valuation the actuary was able to declare a funding level of 116%. The 31 March 2025 valuation was underway, the final report was due to be published in March 2026 and any changes required to employer contribution rates would come into force from April 2026.

Members were advised that the Pension Fund Accounts were presented in draft form and, whilst the main numbers and outcomes were not expected to change, changes may be needed as further review took place. In addition, the audit process was not complete and further changes may be required.

**AGREED** that the information was received and noted.

25/21 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

25/22 **EXCLUSION OF PRESS AND PUBLIC**

**ORDERED** that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

25/23 **EXEMPT - FUND ACTUARY 2025 ASSUMPTIONS**

A report was presented to provide Members with an update from the Fund Actuary, relating to the main recommended financial and demographic assumptions to be used in the ongoing triennial valuation of the Fund.

**AGREED** that the information was received and noted.

.

25/24 **EXEMPT - REAL ESTATE TRANSFER**

A report was presented to update Members on the transfer of the Fund's direct property portfolio to the Border to Coast (Real Estate) UK Main Fund

**AGREED** that the information was received and noted.

**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

**TEESSIDE PENSION BOARD REPORT****17 NOVEMBER 2025****DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE****Pension Board Membership****1. PURPOSE OF THE REPORT****1.1 The purpose of the report is**

- to ask the Chair to appoint a Deputy Chair from the scheme-member representatives;
- to update the Members of the Teesside Pension Board (the Board) on progress and proposals to fill vacancies on the Board;
- to remind the Board Members of their terms of office and that that the Deputy Chair will become the Chair (by rotation).

**2. RECOMMENDATIONS****2.1 That the Board notes the report.****2.2 That the Chair appoints a Deputy Chair from the Board's member representatives.****2.3 That Board discuss the proposed change in Board composition.****2.4 That the Board agrees to extend the term of office by two years for scheme-member Representative Mr Jeff Bell.****3. FINANCIAL IMPLICATIONS****3.1 There are no financial implications resulting from this report.****4. APPOINTMENT OF CHAIR****4.1 The term of office of the previous Board Chair expired following the last meeting. This created the vacancy of Chair of the Local Pension Board which under the Board's terms of reference is then filled by the Deputy Chair.****5. APPOINTMENT OF DEPUTY CHAIR**

- 5.1 This means there is a vacancy for Deputy Chair which needs to be filled from the scheme-member Board representatives.
- 5.2 Under the Board's terms of reference, the role of Deputy Chair is appointed by the Chair, hence recommendation 2.2 above. It is worth noting that Deputy Chair will become the Chair through rotation which happens every two years as set out in the terms of reference. The new Chair is required to select a Deputy Chair from the scheme-member Board representatives.

## **6 BOARD VACANCIES**

- 6.1 There were two vacancies on the Local Pension Board following the last meeting;

A vacancy for a scheme-member Board representatives drawn from the recognised trade unions representing employees who are scheme members of the Fund and,

A vacancy for an employer-member Board representatives drawn from an employer other than the four main Councils (Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton Councils).

- 6.2 A request was made to the trade unions to nominate a scheme member representative to the Board with a closing date for nominations of 7<sup>th</sup> November 2025. The trade unions that can nominate employer representatives are GMB, UNISON and UNITE. Previous scheme member representatives were able to apply. If there was more than one nomination the candidates would have been invited to interview, which would have been conducted by a selection panel consisting of Middlesbrough Council's Chief Finance Officer, Monitoring Officer and Head of Pensions Governance and Investments.
- 6.3 Only one nomination was received from the trade unions for Paul Thompson of Unison whose nomination was also supported by GMB. Paul is welcomed back onto the Board with a new four year term.
- 6.4 In relation to the employer-member Board representatives drawn from the four main Councils we have received a request from a Councillor at Hartlepool Borough Council to consider altering the Local Pension Board's terms of reference to change the membership composition of the Board. The suggestion is that each of the four main councils should have a representative on the Board which would enable Hartlepool Borough Council to retain a member on the Board.
- 6.5 The recruitment to the employer-member Board representatives has been paused until this request has been considered by the Local Pension Board so it can be determined how many vacancies to fill.

## **7 PROPOSED CHANGE IN BOARD COMPOSITION**

- 7.1 There is a request that the terms of reference are amended so that each of the four main councils have representation on the Local Pension Board. This would mean increasing the number of employer nominated Board members by two to allow each council to send a representative.
- 7.2 The regulations under which Local Pension Board's are constituted, namely [Local Government Pension Scheme Regulations 2013 \[SI 2013/2356\]](#), regulations (106 to 108) and regulation 109 state that;
- the administering authority must appoint an equal number of employer and Scheme member representatives, which must be no less than 4 in total, to the local Pension Board and must be satisfied that the employer and Scheme member representatives have the capacity to represent, respectively, employers and Scheme members.
- 7.3 This suggests that should we increase the employer member representatives by two to accommodate the request outlined above we would also have to increase the Scheme member representatives on the Local Pension Board by two. We would also have to consider if the new make up of the Board has the capacity to represent employers and scheme members.
- Is there too much representation being afforded to the council scheme employers at the expense of other groups?
  - Do we need to expand the other employer representation to balance the Board composition?
- 7.4 We would also have to consider the quorum requirements of an enlarged Board. Current quorum is one board member representing each of the scheme member and employer side. Increasing the quorum requirements would increase the risk of inquorate meetings when there have been several inquorate meetings since the inception of the Board. Recently council employer member representatives' attendance has been less good than other groups. Increasing the number of representatives from this group may therefore increase the likelihood of inquorate meetings.
- 7.5 It is a requirement that all members of the Board have the requisite skills and knowledge. Increasing the size of the Board will increase the burden on the Fund to develop training programmes to allow Board Members to attain the required knowledge and skills.
- 7.6 A larger Board size will further limit the committee rooms which are able to accommodate the Board meeting constraining the potential meeting arrangements.
- 7.7 Whatever the Board composition the members are representatives for their constituent group. One might question what increasing the size of Board membership can add to achieve the purpose of the Board which is responsible for assisting the Administering Authority:

- to secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and
- to ensure the effective and efficient governance and administration of the Scheme.

The Council considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund. The Board makes recommendations and provides assurance to assist in the management of the Fund.

- 7.8 Following discussion over this request the Board Secretary will put in place the recruitment process to fill the vacancy or vacancies and put in place the process to amend the terms of reference of the Local Pension Board if required.

## **8 TERMS OF OFFICE**

- 8.1 The term of office for members of the Board is four years from the date of the first Board meeting after their appointment. Extensions to terms of office up to a maximum of two years may be made by the Appointment Panel with the agreement of the Board or a Board member may be appointed for further terms of office using the usual appointment process.
- 8.2 The terms of office for the current members of the Board are detailed below.

### **June Stubbs – Member Representative**

Appointed 14 October 2022 for four years (2026)  
First Board meeting after appointment was 14 November 2022

### **Paul Thompson - Member Representative**

Appointed 7 November 2025 for four years (2029)  
First Board meeting after appointment is 17 November 2025

### **Mr Jeffrey Bell – Member Representative**

Appointed 28 January 2022 for four years (2026)  
First Board meeting after appointment was 21 February 2022



### **Councillor Christopher Massey – Employer Representative**

Appointed 4 July 2023 for four years (2027)

First Board meeting after appointment was 11 Sep 2023

### **Councillor Nicky Walker – Employer Representative**

Appointed 4 July 2023 for four years (2027)

First Board meeting after appointment was 11 Sep 2023

### **Vacancy – Employer Representative (Non-Council)**

## **9 EXTENSION TO TERM OF OFFICE**

- 9.1 As set out in section 8, the term of office for the member representative – pensioner Mr Jeff Bell runs up to February 2026 which is likely to be before the next meeting of the Local Pension Board.
- 9.2 Extensions to terms of office up to a maximum of two years may be made by the Appointment Panel with the agreement of the Board or a Board member may be appointed for further terms of office using the usual appointment process.
- 9.3 Jeff has been asked if he would like to continue on the Board and has kindly agreed to extend his membership.
- 9.4 Agreement of the Board to an extension of the term of office of two years for Jeff Bell is therefore sought.

## **10 NEXT STEPS**

- 10.1 The Head of Pensions Governance and Investments will coordinate the recruitment process set out in paragraph 6 and report back on progress to the next Board meeting.
- 10.2 Put in place an extension to the terms of office of Jeff Bell for two years following agreement by the Board.

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

TEL NO.: 01642 726328

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**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

**TEESSIDE PENSION BOARD REPORT****17 NOVEMBER 2025****DIRECTOR OF FINANCE AND TRANSFORMATION– ANDREW HUMBLE****Government Consultation - LGPS: Scheme improvements (access and protections)****1. PURPOSE OF THE REPORT**

- 1.1 To inform Members of the consultation issued by the Government the Local Government Pension Scheme (LGPS) in England and Wales: Scheme improvements (access and protections), outline some key points from that consultation and how the Teesside Fund could be impacted by the eventual outcome.

**2. RECOMMENDATIONS**

- 2.1 That Members note this report.

**3. FINANCIAL IMPLICATIONS**

- 3.1 There are no financial implications resulting from this report.

**4. BACKGROUND**

- 4.1 MHCLG are consulting on restoring access to the Local Government Pension Scheme for councillors in England and extending it to mayors. The consultation comes off the back of the Access and Fairness consultation earlier this year and covers further administration and benefits related issues, some of which have long been in the offing (like Fair Deal) and some which are more recent proposals (like the re-admission of councillors into the scheme).

- 4.2 The proposed reforms would align England with Scotland, Wales and Northern Ireland where elected members already have access. MHCLG state “The proposals will show locally elected leaders the respect they deserve as dedicated public servants. This comes as local government reorganisation and devolution continue to reshape councils across England, the responsibilities held by mayors and councillors are expanding significantly.”

- 4.3 Other measures being consulted on include:

- Making it simpler for Multi-Academy Trusts to apply for their staff from different schools to be in the same pension fund.
- Implementing new Fair Deal protections ensuring workers outsourced from local government keep seamless access to the Local Government Pension Scheme.

- 4.4 The consultation follows earlier reforms announced by the government this year focusing on investment pooling and local investment, designed to unlock the scheme's full investment potential as it approaches £1 trillion in assets by 2030.
- 4.3 There is a nine-week deadline for responses. The Head of Pensions Governance and Investments will work with colleagues in Border to Coast and its Partner Funds to produce a response for discussion at Pension Committee on the 10<sup>th</sup> December 2025.

## **5. GOVERNMENT CONSULTATION**

### **LGPS 'Access and protections' consultation launched**

- 5.1 On 13 October 2025, MHCLG launched a consultation on changes to the LGPS in England and Wales. The proposals relate to access to the Scheme and its benefits and cover four main areas:

- normal minimum pension age (NMPA)
- pension access for mayors and councillors
- academies in the LGPS
- new Fair Deal.

- 5.2 Links to all documents are on this page:

[Local Government Pension Scheme in England and Wales: Scheme improvements \(access and protections\) - GOV.UK](#)

- 5.3 The Government published draft regulations for comment covering new Fair Deal and pension access for mayors and councillors alongside the consultation.

Links to the separate documents are as follows:

**LGPS Consultation** – [Local Government Pension Scheme in England and Wales: Scheme improvements \(access and protections\) - GOV.UK](#)

The full text of this consultation document is also attached as Appendix A.

**Mayors and Councillors** - [The Local Government Pension Scheme \(Elected Member Pensions\) Regulations 2026](#)

**New Fair Deal** – [The Local Government Pension Scheme \(Fair Deal\) Regulations 2026](#)

**Best Value Direction** - [SI/SR Template](#)

- 5.4 The consultation will run until 22 December 2025.

## **Normal minimum pension age**

- 5.5 Provisions of the Finance Act 2022 mean that some LGPS members have a protected pension age (PPA). The PPA rules do not give members an overriding right to take benefits from their PPA, they simply determine whether benefits paid under the pension scheme rules before the NMPA are authorised. Members can only take benefits from their PPA if the pension scheme rules allow it.
- 5.6 The Government is proposing changes that will allow certain members to continue to access their LGPS benefits before age 57 after the NMPA rises in April 2028. The Local Government Association understanding of the four categories of members is:
- Category 1: members immediately before 4 November 2021. These members have a protected pension age (PPA) and will continue to be able to take LGPS benefits from age 55.
  - Category 2: members who joined the LGPS after 3 November 2021 and transferred in benefits with a PPA from a different scheme. These members do not have a PPA in respect of their LGPS pension and will not be able to access their transferred in pension from age 55. From April 2028, the earliest a Category 2 member will be able to access their LGPS pension, other than on ill health grounds, will be age 57. The transferred in benefits retain a PPA. If the member transfers out of the LGPS, the transfer value of their pension with a PPA must be identified separately.
  - Category 3: members who join the LGPS after 3 November 2021 do not have a PPA in the LGPS. Their NMPA will increase to 57 in April 2028.
  - Category 4: members with a PPA below age 55. No change – members who are already able to take benefits between age 50 and 55 will continue to be able to do so.

## **Access for councillors and mayors**

- 5.7 Mayors and deputy mayors of combined authorities and combined county authorities, and mayors of single authorities (in their capacity as councillors not their role as mayors) will have access to the LGPS

Councillors of county councils, district councils, London Boroughs, the Common Council of the City of London and the Council of the Isles of Scilly will have access to the LGPS

The Mayor of London, deputy mayors and London Assembly Members will have access to the LGPS

Mayors and councillors will be able to opt in to the 2014 Scheme, membership will not be automatic

- 5.8 Not all Scheme rules will apply to elected members in the same way that they apply to employees. There will be changes to the rules covering aggregation, redundancy,

flexible retirement, shared cost additional contributions and awarding additional pension

- 5.9 It is the Local Government Association's understanding that a unitary council, depending on its structure, is either a county or district council. This means councillors of unitary councils will have access to the LGPS.

### **Academies**

- 5.10 The Government is proposing changes to the rules covering applications by academies for a direction to substitute a different administering authority:
- removing the requirement for Secretary of State consent where criteria set out in regulations are met
  - those criteria will include:
    - a value for money assessment in favour of the application
    - a pre-existing relationship between the multi academy trust and the administering authority it wishes to consolidate into
    - all administering authorities and employers involved agree to the change
    - the receiving authority is able to administer the transfer effectively
  - applications to the Secretary of State will still be required if the criteria are not met.

### **New Fair Deal**

- 5.11 Following consultations in 2016 and 2019, the Government is committed to extending protections set out in 2013 Fair Deal guidance to LGPS members and individuals eligible for LGPS membership who are transferred to a new employer when a local government contract is outsourced. The proposals are summarised below and would apply to all LGPS employers except admission bodies and higher education corporations:
- the removal of the option to offer transferred employees membership of a broadly comparable scheme, but allowing existing schemes to continue in exceptional circumstances
  - on re-tender, staff who were outsourced under existing rules and are in a broadly comparable scheme will rejoin the LGPS. Transfers of benefits from the broadly comparable scheme to the LGPS for this group will operate under preferential terms
  - the option to give access to the LGPS to staff hired after the initial outsourcing
  - the removal of the admission body option when a contract is outsourced, replacing it with the deemed employer route
  - the organisation that has outsourced the service would be the 'deemed employer' and have continued pension responsibilities relating to the transferred staff

- the service provider or ‘relevant contractor’ would have some responsibilities as an LGPS Scheme employer, such as dealing with applications to join or leave the Scheme, automatic enrolment duties, ill health retirement decisions and payment of any strain cost related to early retirements or award of additional pension
- employer contribution rates would be based on the primary contribution rate of the deemed employer. This would either be fixed for the term of the contract or subject to change in line when the rate changes following the triennial valuation
- protection for members with an ongoing shared cost additional pension contribution or shared cost additional voluntary contribution contract when they are compulsorily transferred to a new employer. The Government is seeking views on different options
- a six-month transitional period during which contracts could be agreed under the existing rules rather than the new ones.

## **6. NEXT STEPS**

- 6.1 The Head of Pensions Governance and Investments will work with colleagues in Border to Coast and its Partner Funds to produce a response for discussion at Pension Committee on the 10<sup>th</sup> December 2025.

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

TEL NO.: 01642 726328

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Ministry of Housing,  
Communities &  
Local Government

Open consultation

# Local Government Pension Scheme in England and Wales: Scheme improvements (access and protections)

Updated 13 October 2025

**Applies to England and Wales**

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About this consultation

Personal data



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# Ministerial foreword

Across England and Wales, millions of individuals working in local government and beyond have contributed to improving the places we live in and to building public trust. From delivering frontline services to shaping local decisions, those individuals play a vital role in the social and economic wellbeing of our communities.

The government knows that those individuals who serve our communities through giving their work lives to public service deserve a pension scheme that reflects their dedication and rewards their work. A good pension is not just about financial security, but also about fairness, equality, efficiency and access. The government cares about making the Local Government Pension Scheme (LGPS) work better for the people it serves.

For these reasons, the government is launching this consultation, ‘Local Government Pension Scheme in England and Wales – Scheme Improvements (Access and Protections)’, which represents the next phase in its efforts to improve access to and fairness in the scheme. It follows the launch earlier this year of the ‘Local Government Pension Scheme in England and Wales: Access and fairness’ consultation (<https://www.gov.uk/government/consultations/local-government-pension-scheme-in-england-and-wales-access-and-fairness>), which covered proposals to begin to address the gender pension gap, ensure fairness in survivor benefits and death grants, begin work to better understand opt-outs, and a number of other changes.

This consultation sets out proposals across 4 key policy areas. These are amending the normal minimum pension age to reflect legislative changes, simplifying the process for applications for directions, applying new Fair Deal protections to outsourced workers, and bringing pension fund access to mayors and councillors in England in line with Scotland, Wales and Northern Ireland.

Several of these proposals respond to a range of long-standing concerns raised by the sector, particularly in relation to Fair Deal, which has been an area of interest in the scheme since 2016. We have considered those previous calls for changes that have been sought over many years whilst preparing these current proposals.

This consultation is our opportunity to hear from you about the government’s proposals to further improve and shape the LGPS in a way that works for those who serve our communities and the wider public sector. Together, we can draw on our experiences to strengthen the LGPS today and in the future. Your voices matter.

# **About this consultation**

## **Topic of the consultation**

This is a consultation on the Local Government Pension Scheme for England and Wales. It covers a number of proposals relating to pension benefits in the scheme and access to the scheme.

## **Geographical scope**

Unless otherwise specified, these proposals relate to England and Wales.

## **Impact assessment**

The government will have regard to the potential impact of any proposal on the Public Sector Equality Duty, as well as any potential impacts on business, local authorities, and communities.

## **Basic information**

### **Body/bodies responsible for the consultation**

Ministry of Housing, Communities and Local Government

### **Duration**

This consultation will last for 10 weeks, opening at 3:00pm on 13 October 2025 and closing at 11:59pm on 22 December 2025.

## Enquiries

For any enquiries about this consultation please contact the Local Government Pension Scheme team at [memberbenefitsconsultation@communities.gov.uk](mailto:memberbenefitsconsultation@communities.gov.uk).

## How to respond

All members of the public are invited to respond, although the government recognises that the consultation is mostly relevant to members of the LGPS, employers with members in the scheme, and those involved in the running of the scheme, such as administering authorities.

The government strongly encourages responses via the [online survey](https://consult.communities.gov.uk/local-government-pensions/local-government-pensions-scheme-in-england-and-wa/) (<https://consult.communities.gov.uk/local-government-pensions/local-government-pensions-scheme-in-england-and-wa/>). Using the online survey greatly assists analysis of the responses, enabling more efficient and effective consideration of the issues raised for each question.

If you are providing a response, please refer to the privacy notice. If answering any questions using a free text box, please do not include any sensitive personal information in your answer. Please only respond to this consultation if you are over 18.

If you are unable to respond via the online survey, printed proformas can be requested from and returned to:

Consultation on LGPS Scheme Improvements – Scheme Improvements  
(Access and Protections)  
FAO Local Government Pensions Team  
Ministry of Housing, Communities and Local Government  
Local Government Finance Directorate  
2nd Floor, Fry Building  
2 Marsham Street  
London  
SW1P 4DF

# Introduction

1. This consultation covers 4 areas relating to the Local Government Pension Scheme in England and Wales ('the LGPS'). It follows on from the Local Government Pension Scheme in England and Wales: Access and Fairness consultation (<https://www.gov.uk/government/consultations/local-government-pension-scheme-in-england-and-wales-access-and-fairness>) launched by government earlier this year.
2. Subject to consideration of responses to the consultation, the government intends to proceed with statutory instruments to implement changes to the LGPS Regulations. Draft regulations for two of the proposals – LGPS access for mayors and councillors and New Fair Deal – have been published alongside this consultation. Draft regulations for the other two proposals – Normal Minimum Pension Age and applications for directions – will be published for consultation later in the year, and in this consultation we invite views on the principles behind our proposals.
3. The government welcomes comments on the legal drafting and will continue to work with the Scheme Advisory Board and others before laying a statutory instrument.
4. In summary, the policy areas in this consultation are:
  - a) Normal Minimum Pension Age – proposals to amend the Normal Minimum Pension Age to age 57, following the Finance Act 2022, and to ensure that members with a Protected Pension Age can still take pension benefits at that age except for members that have transferred benefits into the LGPS
  - b) Mayors and councillors – proposals to extend access to the scheme for councillors and mayors in England
  - c) Academies and applications for directions – proposals to put criteria for applications for directions into legislation, and to remove SoS consent where all criteria are met
  - d) New Fair Deal – proposals to implement Fair Deal protections in the LGPS, aligning across government in ensuring continued access to the LGPS for outsourced workers.

## About you

Please tell us a bit more about you:

What is your name?

What is your email address or telephone number?

Type of respondent (choose one)

- Administering authority
- LGPS employer
- LGPS member
- Local Government Pension Scheme Advisory Board
- Local Government Association
- Government department
- Union
- Software/service provider
- Other (please specify)

What is the first part of your postcode?

Are you responding to this consultation as an individual or submitting a collective response from a group?

- Individual
- Collective response as part of a group

(If responding a collective response) What is the name of the group or organisation you are submitting a response for?

(If submitting a collective response) Please provide a summary of the people or organisations you represent and who else you have consulted to reach your responding conclusions.

## Glossary

**Finance Act** – The Finance Act 2022

**LGPS** – The Local Government Pension Scheme in England and Wales

**LGPS NI** – The Local Government Pension Scheme in Northern Ireland, as defined in legislation

**LGPS Scotland** – The Local Government Pension Scheme in Scotland, as defined in legislation

**LGPS Regulations** – The regulations in law that define the LGPS in England and Wales.

**2013 Regulations** – The Local Government Pension Scheme Regulations 2013 (S.I. 2013/2356)

# 1. Normal Minimum Pension Age

## Background

5. The Normal Minimum Pension Age (NMPA) is the minimum age at which most people can access their pensions unless they are retiring due to ill-health. Registered pension schemes – those registered with HMRC after 2006, including the LGPS – should not pay any benefits until members reach NMPA, except in cases of ill health.

6. Parliament has legislated in the Finance Act 2022 to increase the NMPA from 55 to 57, effective from 6 April 2028, for all registered pension schemes in the country. This section sets out how the government proposes to update the LGPS regulations to reflect this change.

7. To smooth the transition, the Finance Act 2022 provided for a Protected Pension Age (PPA). A member of any UK pension scheme has a PPA if 3 conditions are met:

- immediately before 4 November 2021, the member had an actual or prospective right to any benefit from an age of less than 57
- the rules of the pension scheme on 11 February 2021 included provision conferring such a right on some or all of the persons who were then members of the pension scheme
- the member either had such a right under the scheme on 11 February 2021 or would have had such a right had the member been a member of the scheme on 11 February 2021



8. LGPS regulations as at 11 February 2021 did confer the right to take pension benefits from age 55 to all members, and so the second and third conditions are met. If the member was in the LGPS immediately before 4 November 2021, meeting the first condition, the member will therefore have a PPA. There are also other circumstances where a member would have a PPA, such as by transferring an entire pension arrangement into the LGPS from a relevant registered pension scheme where the member previously had an actual or prospective right to take pension benefits from an age before 57.

9. In the LGPS, the government proposes to implement the protections related to the pension age as established by the Finance Act 2022, with an exception for members who transfer previous pension benefits into the LGPS, as outlined in category 2 below. The government believes that the intentions behind the changes to the Finance Act are clear, in that the changes clearly established a protection regime. There are 3 categories of members:

**Category 1 – PPA from membership in the LGPS immediately before 4 November 2021**

10. For those members who were in the LGPS immediately before 4 November 2021, the member will still be able to take pension benefits from their protected pension age, which will be age 55. This will also apply to other regulations that refer to age 55, such as Regulation 30(6) of the LGPS Regulations 2013 (flexible retirement) and Regulation 30(7) (redundancy).

**Category 2 – PPA from transferring a pension arrangement into the LGPS**

11. For those members who transferred a pension arrangement into the LGPS from a relevant registered pension scheme where the member previously had an actual or prospective right to take pension benefits from an age before 57, whilst the member will have a PPA in respect of the transferred benefits, the government proposes that the member would not be able to take the benefits from their PPA. The NMPA for such members would rise to 57 in line with the Finance Act.

12. The government understands that a member in this category who wished to take transferred benefits at 55 may disagree with their NMPA rising to age 57. Members will not lose out over the whole period they receive their pension by taking their benefits at 57 rather than 55, due to the way that benefits following early retirement are calculated to be actuarially neutral using early retirement factors. The government proposes this exception on the basis of LGPS scheme design. The scheme design of most public pension schemes, including the LGPS, requires members to take all their benefits in one pension account at the same time. This helps facilitate how protections in the scheme work such as the McCloud underpin or when someone retires on ill-health. At the point that a member may have decided to transfer in, there was no mechanism within the LGPS regulations to facilitate “ring-fencing” of different pension benefits.

13. Were government to allow members in this category to “ring-fence” their transferred in benefits and so take the benefits from age 55, the LGPS regulations would need to be redesigned in multiple areas, allowing members to take different benefits at different times and it would be very complex and costly. The government believes it would be disproportionate to re-design the scheme regulations for all members in this way.

### **Category 3 – no PPA**

14. For those members who do not meet the cut-off point of immediately before 4 November 2021 and so do not have a PPA, the NMPA will rise to age 57, in line with the Finance Act 2022.

### **Category 4 – members with a PPA below age 55**

15. There is no intention to change current policy towards those members who have already existing protections from paragraph 22 of schedule 36 to the Finance Act 2004. Those already able to draw benefits between age 50 and 55 will continue to be able to do so.

## **Administration and regulation changes**

16. Government recognises that creating the protections for category 1 is administratively complex. Administrators will need to go back to immediately before 4 November 2021 and confirm if at that time the member had an unqualified or prospective right to take any benefit before age 57. The government views this complexity as necessary to meet the overall policy intent to establish a protection regime.

17. In order to incorporate the proposed changes above the government proposes amending regulations 30(5), (6), (7) and (12) of the LGPS Regulations 2013, changing the references to age 55 to refer to Normal Minimum Pension Age, as defined by the Finance Act 2022.

18. The government also intends to amend relevant regulations to give effect to the protections of the Finance Act, including the protections for category 1 members above. This will include amending earlier regulations to confirm no changes to current policy for members who already have existing protections. The government intends to publish draft regulations later in the year, once we have received responses on the principles proposed in this consultation.

**Q1.** Do you agree with keeping the NMPA at below 57 for members with a PPA?

**Q2.** Do you agree with increasing the NMPA to 57 for members without a PPA?

**Q3.** Do you have any views on the design of the regulations to incorporate this change?

## **2. Access for councillors and mayors**

### **Background**

19. Neither mayors nor councillors are eligible for the LGPS in England. This contrasts with all other countries of the UK, where councillors are eligible for the LGPS Scotland and LGPS NI, and councillors in Wales are eligible for membership of a modified version of the LGPS England & Wales.

### **Summary of proposal**

20. The government is progressing numerous policies with the aim of re-building and re-shaping local government. These range from local government reorganisation, to getting audit back on track, to reforming how we fund councils, to a new standards regime and to deeper devolution with more responsibility for mayors. Re-building local government requires the very best people working in local government.

21. Under these planned changes to local government, more will be asked of mayors and councillors. Mayors will also in many parts of the country be taking on the role of Police and Crime Commissioner- a role that is eligible for access to the LGPS. The government view is that councillors and mayors offer a vital public service, and should receive appropriate remuneration and suffer no financial disadvantage for their service.

**Therefore, the government intends to re-instate access to the LGPS for councillors in England, and to offer access for mayors.**

22. The government views the proposal as key to enabling and encouraging talented people to come into public service. The government also believes it important to have a consistent position for locally elected representatives across the UK.

## **Mayors**

23. The proposal is that all mayors will have access to the LGPS. This includes:

- mayors and deputy mayors of combined authorities
- mayors and deputy mayors of combined county authorities
- mayors of single authorities (although their access will be as councillors, rather than in their role as mayors)

## **Councillors**

24. The proposal is that all councillors of all principal local authorities will have access to the LGPS. This includes:

- County councils
- District councils
- London Boroughs
- The Common Council of the City of London
- The Council of the Isles of Scilly

25. The proposal is that the Mayor of London, deputy mayors and London Assembly Members will have access to the LGPS.

26. Welsh councillors will continue to have the same access to the scheme as they currently have. Government recognises that this access is to a different, modified version of the scheme, but there is no intention to compel Welsh councillors to align with the English proposals. Should Welsh stakeholders wish to align with the English proposals, the government will consider any such proposals in consultation responses.

27. Since the proposal is to cover all councillors of principal local authorities, both councillors who are a member of the combined authority or combined county authority and are remunerated for a role, and councillors who take up roles on scrutiny or audit committees for which they are remunerated, would be eligible for pension benefits on this remuneration.

## Greater London Authority

28. The proposal is that both the Mayor of London and London Assembly Members will have access to the LGPS.

**Q4.** Do you agree with the proposal to give mayors access to the scheme?

**Q5.** Do you agree with the proposal to give councillors access to the scheme?

## Principles

29. The government intends to develop new regulations to give effect to the proposal. Since mayors and councillors are not local government workers, the new regulations will need to cover numerous areas where the existing regulations would not function correctly. A draft set of regulations has been published alongside this consultation and we welcome views. The draft regulations categorise mayors and councillors as “elected members”.

30. The government plans to use 2 key principles in developing the regulations:

- as far as possible, elected members should be treated the same as other members of the LGPS
- as far as possible, elected members should be treated in a way that is consistent with the LGPS in Scotland, Northern Ireland and pre-2014 England & Wales

31. Specifically, these principles lead to the following proposals:

- elected members will not be subject to auto-enrolment and, whilst each individual will have the right to join the scheme, elected members will need to assess whether they wish to do so
- an employer will not be allowed to award additional pension, make shared additional voluntary contributions or fund additional pension contributions to an elected member
- a new definition of pensionable pay will be used, to cover both basic allowances and special responsibilities allowances paid to elected

members

- elected members will pay employee contributions at the same rates as other members, using the same bandings applied to their pensionable pay
- a member will not be permitted to combine any LGPS membership they may have as an elected member with any other type of LGPS membership
- flexible retirement (where a member over the age of 55 can start to receive their pension whilst still working, if the member reduces hours or grade) will not be permitted for an elected member
- early access on redundancy will not be permitted for an elected member
- elected members will be permitted to transfer benefits in and out of the LGPS in the same way as other members, with the exception of final salary benefits
- early and late retirement will be permitted in the same way as for other members
- elected members will be in scope of forfeiture regulations
- elected members will have access to the 50:50 scheme
- elected members will have the same protections around Assumed Pensionable Pay as other members

32. The government also intends to make consequential amendments, both to the Local Authorities (Members' Allowances) (England) Regulations 2003, and to establishment orders for combined authorities. These are considered necessary changes to give authorities the powers to pay pensions to elected members. The draft statutory instrument published alongside this consultation shows the proposed changes. Access to the pension scheme for elected members is intended to be an automatic right, and so the draft amendment requires that where an allowance is paid to an elected member, the authority must provide the member is entitled to a pension in accordance with the Public Service Pensions Act 2013 (i.e. must be offered access to the LGPS).

## **Cost**

33. The Government Actuary's Department has estimated the potential increase in employer contributions at between £40-45 million per year, across England. This estimate relies on assumptions about the structure of local government, how many councillors and mayors will choose to join the scheme, the demographics of those in office, and the level of allowances

paid locally. As changes to local government are made through reorganisation, the number of councillors will decrease.

34. The government will not provide funding for employer contributions for the proposal. There is no funding for pension access for councillors in Scotland, Northern Ireland or Wales. The proposal should be seen in the context of the LGPS 2025 revaluation, where actuarial assessments suggest that there may be reductions in employer contribution rates.

**Q6.** Do you agree with the two principles of how the government plans to develop regulations?

**Q7.** Do you have any specific comments on the draft regulations?

## 3. Academies

### Background

35. Over half of schools in England are now academies, and the vast majority of those academies are in Multi-Academy Trusts (MATs), with individual academy schools spread across the country. Because the LGPS Regulations 2013 (Schedule 3, Part 2) state that the appropriate administering authority for an academy is the administering authority in the geographical area where the academy is located, MATs often have academies spread across multiple administering authorities. Being spread like this can be inefficient and cause unnecessary administrative costs for employers.

36. Employers can apply for a direction from the Secretary of State under Schedule 3 part 2, paragraphs 3 and 4 of the LGPS Regulations 2013, which substitutes a different administering authority as the appropriate authority. For example, an academy in South Shields, which belongs to a MAT whose head office is in Barnsley, would automatically be in the Tyne & Wear Pension Fund, which is administered by South Tyneside Borough Council. The academy can apply for its LGPS members to be transferred instead to the South Yorkshire Pension Authority, which includes Barnsley, where the head office is.

37. Such directions, when granted, can also allow employers to consolidate their LGPS members into a single administering authority, and can include

requirements on adjustments between funds, the transfer of assets and liabilities, and any other consequential matters. Most applications for directions to date have been from academies, and so whilst our proposals below focus on academies, any employer can make an application.

38. Consolidation of academies into one administering authority may bring benefits for MATs and administering authorities such as potential administrative savings through a reduction in duplication of work and efficiency in approach. These benefits should be weighed against risks of consolidation at the local level, in particular the transfer of assets and member records. Existing LGPS information pages already encourage MATs to consider any effect that consolidation may have on their contribution rate as well as the cost of actuarial assessments required to consolidate. LGPS funds should also consider the balance between longer term investment strategy, competitiveness and the impact of contribution rates on cash flow.

39. Once an application is made, directions are at the discretion of the MHCLG Secretary of State, who is required to consult with bodies that would be affected by the direction. The 2013 LGPS Regulations do not limit the discretion or set criteria for approval.

## **Proposal 1: Establishing criteria and removing the requirement for SoS consent where criteria are met.**

### **Establishing criteria**

40. The lack of criteria for applications for a direction makes it difficult for employers and administering authorities to know how to construct their case and what the process will be for assessment. The government therefore intends to update the LGPS 2013 Regulations to establish criteria. The criteria build on the framework that MHCLG currently use. The proposal is for the following criteria:

- a. There must be a clear and evidenced value-for-money assessment in favour of the consolidation (such as to achieve administrative efficiencies that outweigh the cost of transfer and actuarial fees).
- b. There should be a pre-existing relationship with the administering authority that the MAT wishes to join or consolidate into (i.e. the MAT already has schools in that administering authority).



- c. All administering authorities involved should agree to the change.
- d. The receiving administering authority must be able to administer the transfer effectively.

41. For employers considering an application for a direction to consolidate into one administering authority, we specifically want to limit so-called “contribution rate shopping”, where an employer is seen to select the administering authority primarily based on where it can get the lowest contribution rate.

## **Removing the requirement for SoS consent where criteria are met**

42. For situations where all of these criteria are clearly met, the government also proposes to remove the requirement to seek Secretary of State consent. The majority of applications received are straightforward and clearly meet all of the criteria above. In line with the government’s desire for greater devolution, we believe that Secretary of State consent is unnecessary in this situation and administering authorities and employers should be able to take decisions locally.

43. The government’s proposal to remove SoS consent in these situations relies on administering authorities and employers collaborating at the local level. The government however also proposes to create a process for unsatisfied parties to have the local decision, made without SoS consent, to be reviewed. For example, if a direction is made under this new proposal, i.e. without Secretary of State consent, but it later transpires that actually not all parties were in agreement, application to the Secretary of State for the direction would still be required. We expect that this will be very rare. MHCLG intends to provide guidance on when and how this new power should be used.

**Q8.** Do you agree with the proposal to establish the criteria above in legislation?

**Q9.** Do you have any views on how contribution rate shopping can be discouraged?

**Q10.** Are there any other criteria that should be included?

**Q11.** Do you have any other comments or considerations relating to establishing the criteria in legislation?

**Q12.** Do you agree to the removal of the requirement to seek Secretary of State consent for standard direction order applications?

**Q13.** What would be the most helpful information to include in guidance?

**Q14.** Do you have any other comments or consideration on the removal of the requirement to seek SoS consent for standard order applications?

## **Proposal 2: Process for applications where criteria are not met.**

44. For situations where the criteria are not met, the government proposes that applications to the Secretary of State will continue to be required. Based on recent applications for directions, this would most likely be situations where the current administering authority does not agree to the transfer.

45. The government supports applications for directions to consolidate within a single administering authority, where analysis shows that benefits clearly outweigh the costs in a particular case. The government wishes to avoid that an administering authority can veto otherwise sensible consolidation. Whilst government understands that no administering authority wants to lose the active members, it is for government to arbitrate in cases where local agreement cannot be reached.

46. Some administering authorities have raised cashflow as a potential issue. Losing active members as a result of a direction would mean fewer contributions coming in. The government would consider this on a case-by-case basis and consider evidence of significant adverse cashflow impacts.

47. We also recognise that there are many practical considerations were such a direction application to be approved, such as the transfer of assets or member records. Government expects to see robust evidence against the criterion that the receiving fund must be able to administer the transfer effectively.

**Q15.** Do you agree that non-standard applications will continue to require Secretary of State approval?

**Q16.** What would be the most helpful information to include in the guidance in relation to nonstandard applications that will require Secretary of State approval?

## 4. New Fair Deal

### Definitions

48. For the purposes of this chapter:

- **“Deemed employer”** has the meaning given by Part 4 of Schedule 2 in the 2013 Regulations. It has the effect that for specific groups of employees, their ‘Scheme employer’ is not their employer in employment law but is instead their deemed employer.
- **“Fair Deal employer”** means a Scheme employer listed in paragraphs 1 to 13 or 15 to 29 of Part 1, or in Part 2, of Schedule 2 in the 2013 Regulations, or a further education corporation or sixth form college corporation as per section 90 of the Further and Higher Education Act 1992. It has the effect of identifying the original employer of individuals who have since been outsourced.
- **“Relevant contractor”** means a contractor to whom an employee’s contract of employment is compulsorily transferred under regulation 4 of “The Transfer of Undertakings (Protection of Employment)” (TUPE) regulations from a Fair Deal employer (or a previous contractor). It has the effect of identifying the employer of protected transferees.

### Introduction

49. The government consulted in 2016

(<https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>) and 2019 (<https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection>) on the introduction of greater pensions protection for eligible employees of Local Government Pension Scheme (LGPS) employers who had been compulsorily transferred to service providers. The 2019 consultation proposed that, in line with the government’s Fair Deal guidance of October 2013 (<https://www.gov.uk/government/publications/fair-deal-guidance>) (which specifically did not apply to local government), most LGPS members in this position should have continued access to the LGPS in their employment

with the service provider. In doing so, it was proposed that the current option to provide transferring staff with access to a broadly comparable scheme should be removed.

50. In 2022, the government responded to the 2019 consultation by stating that it was reconsidering its approach to Fair Deal in the context of the LGPS and would take account of representations made in response to the [2019 consultation \(https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection) in its next consultation.

51. The government is committed to bringing pension protections in local government in line with the government's Fair Deal guidance of 2013 and this consultation sets out updated policy proposals for introducing Fair Deal in the LGPS, taking account of responses to previous consultations. The aim of these proposals is to ensure that transferred employees retain the security which comes with membership of the LGPS, a statutory scheme with benefits set out in law, and to enable LGPS employers to obtain better value from outsourced service contracts.

## Background

52. The Fair Deal policy was first introduced in 1999, setting out how pensions issues should be dealt with when staff are compulsorily transferred from the public sector to service providers delivering public services. Under the original Fair Deal guidance, transferred staff had to be given continued access to their public service pension scheme or access to a scheme certified by an actuary in accordance with the [Government Actuary's Statement of Practice \(https://www.gov.uk/government/publications/assessment-of-broad-comparability-of-pension-rights\)](https://www.gov.uk/government/publications/assessment-of-broad-comparability-of-pension-rights) as being 'broadly comparable' to their previous public service pension scheme.

53. Following the publication of the original Fair Deal guidance, pensions protection for local government employees in England and Wales was provided through:

- the [Best Value Authorities Staff Transfers \(Pensions\) Direction 2007 \(https://webarchive.nationalarchives.gov.uk/ukgwa/20120919132719/www.communities.gov.uk/documents/localgovernment/pdf/pensions-direction-2007.pdf\)](https://webarchive.nationalarchives.gov.uk/ukgwa/20120919132719/www.communities.gov.uk/documents/localgovernment/pdf/pensions-direction-2007.pdf) ('the 2007 Direction' – covering employees of English authorities and Welsh Police authorities); and
- the [Welsh Authorities Staff Transfers \(Pensions\) Direction 2012 \(https://www.gov.wales/sites/default/files/publications/2019-06/staff-transfers-pensions-direction-2012.pdf\)](https://www.gov.wales/sites/default/files/publications/2019-06/staff-transfers-pensions-direction-2012.pdf) ('the 2012 Direction' – covering employees of

Welsh improvement authorities and community councils), which has since been replaced with the Welsh Authorities Staff Transfers (Pensions) Directions 2022 (<https://www.gov.wales/sites/default/files/publications/2022-09/welsh-authorities-staff-transfers-directions-2022.pdf>) ('the 2022 Direction'). To note, Welsh Police Authorities were abolished in 2012 and replaced with Police and Crime Commissioners. Employees of Police and Crime Commissioners are not protected by any of the directions.

54. Under these Directions, protected employees who are transferred to a service provider following the contracting-out of a service or function must be given either continued access to the LGPS, or access to a scheme certified by an actuary to be 'broadly comparable' to the LGPS at the time of the transfer. It is the understanding of government that this certification has previously been done in accordance with the aforementioned Government Actuary's Statement of Practice, and in more recent years in accordance with the principles of the 2013 Fair Deal guidance.

55. HM Treasury published updated Fair Deal guidance (<https://www.gov.uk/government/publications/fair-deal-guidance>) in October 2013. It improved pension protection for outsourced central government workers by setting out that they should receive continued access to their public sector pension scheme after a transfer, rather than be provided with access to a broadly comparable scheme. It covers central government departments, agencies, the NHS, maintained schools (including academies) and any other parts of the public sector under the control of government ministers where staff are eligible to be members of a public service pension scheme. It does not cover authorities listed in section 1 of the Local Government Act 1999.

56. The 2016 consultation proposed that, in line with the 2013 Fair Deal guidance, most compulsorily transferred LGPS members should have continued access to the LGPS in their employment with the service provider. In doing so, it was proposed that the option to provide transferring staff with access to a broadly comparable scheme should be removed.

57. The government response to the 2016 consultation (<https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>) confirmed a commitment to introduce the strengthened Fair Deal in the LGPS but noted that respondents had raised several concerns regarding the specific approach proposed. The government considered the points raised and the 2019 consultation contained updated proposals to implement a strengthened Fair Deal. The government has not published a detailed government response to the 2019 consultation, so those responses have been considered when drafting the updated proposals in this consultation.

58. The 2019 consultation proposed to align with the 2013 Fair Deal guidance by removing the option for broadly comparable schemes to be offered to outsourced local government workers and providing for them to

receive continued access to the LGPS instead. It also proposed to offer an alternative route to becoming an LGPS employer for service providers, the 'deemed employer route', where the original employer (and not the service provider) would be the Scheme employer. This was proposed as an alternative to admission agreements, which allow service providers to participate in the LGPS as individual Scheme employers.

59. The main aim of introducing the deemed employer route was to simplify pension requirements in outsourced contracts by encouraging further use of pass-through arrangements. Under pass-through, a service provider may pay a fixed contribution rate for the life of the contract or agree to pay contributions within a certain range.

60. The proposals also included an option for staff who were covered by the 2007 and 2012 Directions and had become members of broadly comparable schemes, to transfer their benefits back into the LGPS at the next retender of the contract.

61. Responses to the 2019 consultation were mixed. Whilst many respondents were supportive of the aim to improve pension protections for outsourced local government workers, there were a variety of concerns on the detail of the proposals. Some of the key concerns raised about the 2019 proposals were:

- that inward transfer terms for those who transfer their benefits from broadly comparable schemes back into the LGPS should be fair to members by honouring any benefits they have accrued with a final salary link
- that removing the option for broadly comparable schemes to continue without allowing for any exceptional circumstances could lead to legal issues for outsourcing bodies or service providers e.g., where there is a contractual obligation to provide a broadly comparable scheme
- that the draft regulations were a missed opportunity to consider introducing more explicit risk sharing provisions between service providers and outsourcing bodies
- that statutory guidance would be needed alongside Scheme Advisory Board guidance

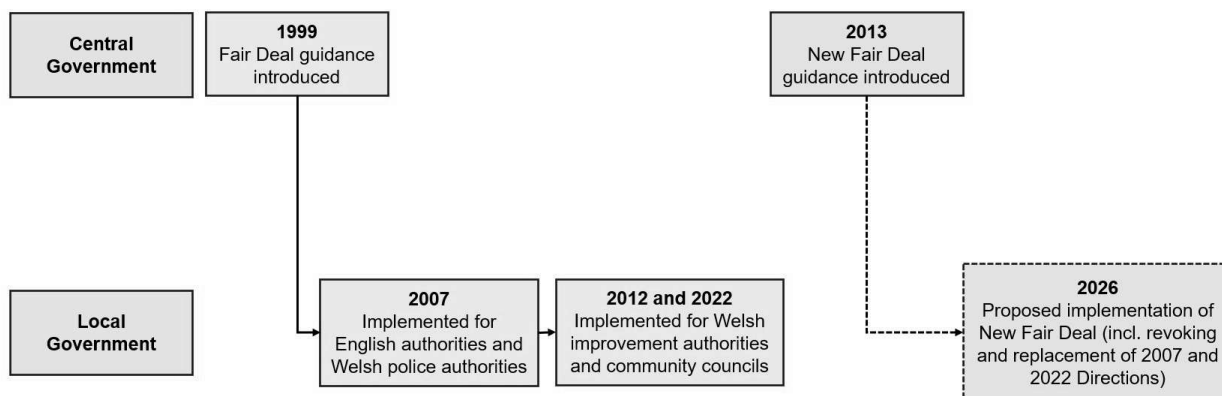


Figure 1 – Background of Fair Deal

## Summary of proposals

62. This section sets out the detail of the updated proposals (see Table 1 below) to implement the strengthened Fair Deal pension protections in local government. In drafting the updated proposals, the government has fully considered the responses to both the 2016 and 2019 consultations. Where responses to the 2016 or 2019 consultations have directly impacted proposals in this consultation, it is made clear in the text.

63. The draft regulations that would deliver the changes are published alongside this consultation. They would apply in both England and Wales (unless clearly specified) and provide for the introduction of a new Schedule 2A to the 2013 Regulations (<https://www.legislation.gov.uk/ukxi/2013/2356>). Where necessary, new statutory guidance will be published alongside the regulations to provide further detail on how the regulations should be applied. Further detail of what the government is planning to include in this guidance can be found in the section “Implementation of New Fair Deal proposals.”

**Table 1 - Summary of effect of New Fair Deal proposals**

	Before Proposals	After Proposals
<b>Access route</b>	There are <b>two ways</b> to provide outsourced workers with a pension: granting them access to the LGPS through the admission body option or enrolling them in another pension scheme	There is only <b>one way</b> to provide outsourced workers, now protected transferees, with a pension; granting them access to the LGPS in accordance with the deemed employer approach.

	Before Proposals	After Proposals
	that is broadly comparable to the LGPS.	The responsibilities of the Fair Deal Employer and the relevant contractor will be clarified accordingly.
<b>Post-outsourcing staff</b>	Staff hired by a relevant contractor after the initial outsourcing do not have the same pension rights as staff who transferred during an initial outsourcing. The former <b>do not have to be offered the LGPS or a broadly comparable scheme.</b>	Staff hired by a relevant contractor after the initial outsourcing <b>can be granted access to the LGPS.</b> Before the contract is put out to tender, the Fair Deal employer would need to decide whether the protected transferee status also applies to staff employed after the initial outsourcing.
<b>Protections of accrued rights</b>	Current regulations <b>do not allow outsourced workers to transfer a final salary pension into the LGPS and become entitled to final salary benefits under the LGPS</b> , when those benefits were provided as part of an outsourcing agreement.	The draft regulations <b>allow protected transferees to transfer their final salary pension from broadly comparable schemes into the LGPS</b> and ultimately preserve the value of those benefits. Any future pension accrual within the LGPS would still be on a CARE basis.
<b>Continuity of responsibilities across contractors</b>	<b>Pension agreements</b> , such as additional pension contributions or shared cost additional voluntary contributions, <b>end when the service contract is transferred to a new contractor.</b>	<b>Pension agreements</b> , such as additional pension contributions or shared cost additional voluntary contributions, <b>would ideally be honoured by the new contractor when the service contract is transferred.</b>

## Removal of broadly comparable schemes



64. As the government now intends to introduce the strengthened Fair Deal protections in the LGPS, it is proposed that for future outsourcing exercises all service providers would be required to provide transferred staff with continued access to the LGPS rather than a broadly comparable scheme, other than in exceptional circumstances (set out in “Exceptional arrangements – continuation of broadly comparable schemes”).

65. This would strengthen existing protections significantly. Protected employees would have increased confidence and security in knowing that, despite their transfer, they would retain a right to all the benefits that come with membership of the LGPS, not least that it is a statutory scheme with benefits set out in law. Moreover, so long as the protected employees continue to work wholly or mainly on the activities which are being carried out by the service provider on the Fair Deal employer’s behalf, they would continue to have that protection even if the service is retendered or transferred again.

66. The removal of broadly comparable schemes as an option, other than in exceptional circumstances, is in line with the adoption of the 2013 Fair Deal guidance by other central government schemes and would also simplify pension requirements for outsourcing bodies and service providers. The Treasury’s update to Fair Deal guidance in 2013 removed the option of broadly comparable schemes in response to the Interim Report from the Independent Public Service Pension Commission ([https://www.ucu.org.uk/media/4328/Independent-Public-Service-Pensions-Commission---interim-report-7-Oct-10/pdf/hutton\\_pensionsinterim\\_071010.pdf](https://www.ucu.org.uk/media/4328/Independent-Public-Service-Pensions-Commission---interim-report-7-Oct-10/pdf/hutton_pensionsinterim_071010.pdf)), which found that offering a broadly comparable scheme can be a significant barrier for service providers considering bidding for government contracts because of the high cost and risk levels involved.

67. The scale of the barrier of broadly comparable schemes in the LGPS is unknown, partly because most service providers involved in local government outsourcings have avoided the cost and risk of offering a broadly comparable scheme by applying to join the LGPS as an admission body via an admission agreement. However, the Government Actuary’s Department is aware of two broadly comparable schemes (Mercer DB Master Trust and the Dolce Limited Retirement Benefits Scheme) providing benefits to active members who have been outsourced under contract from local government. These had an estimated total of around 230 members in September 2024 with some members currently accruing benefits. Therefore, removing the option for broadly comparable schemes to be offered in the future should mean that pension requirements are simplified for service providers and all outsourced local government workers eligible for Fair Deal protection will have access to the LGPS, rather than a broadly comparable scheme.

68. The government is aware that there may be other broadly comparable schemes and is seeking further details on these schemes, to better understand any potential impact of the proposals in this consultation.

**Q18.** Do you agree that the option to offer broadly comparable schemes should be removed, except in exceptional circumstances, to align with the 2013 Fair Deal guidance?

**Q19.** Are you aware of any other broadly comparable schemes that are currently in operation and have active members covered by the 2007 and/or 2012/2022 Directions? If so, please provide details of these.

## **Removal of admission body option for future local government outsourcings**

### **Background on the admission body option**

69. As stated above, the government understands that most service providers have looked to meet the requirements of the 2007, 2012 and 2022 Directions, not by offering broadly comparable schemes, but instead using admission body agreements to join the LGPS as employers and therefore be able to provide staff with continued membership of the LGPS. However, this process is not always smooth for affected staff - it can be prolonged and costly, with delays meaning that admission agreements may not be in place before the contract starts and can be left unsigned for several years. This leaves transferred staff in limbo without accurate information about their benefits, and where affected individuals are approaching retirement age these delays can affect their retirement plans.

70. Unfinished admission agreements also generate a significant administrative burden for funds and outsourcing bodies who must chase service providers to get them finalised. Where an admission body agreement is not in place once the contract has begun, funds are unable to invest contributions for affected staff, which results in a loss of investment returns and additional costs, which could in turn fall to the outsourcing body at the end of the contract.

71. The increased use of admission body agreements for service providers has also contributed to the increasing number of employers in the scheme (13,033 in 2014-15 ([https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F5a815023e5274a2e87dbcf13%2FPension\\_1415\\_local\\_authority\\_drop\\_down\\_table\\_-\\_revised.xlsx&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F5a815023e5274a2e87dbcf13%2FPension_1415_local_authority_drop_down_table_-_revised.xlsx&wdOrigin=BROWSELINK)) compared with 21,131 in 2023-24 ([https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F6846dd1c0392ed9b784c01c1%2FTables\\_1-6\\_-\\_England\\_and\\_Wales\\_23-24\\_-\\_June\\_2025\\_-\\_ecomms.ods&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F6846dd1c0392ed9b784c01c1%2FTables_1-6_-_England_and_Wales_23-24_-_June_2025_-_ecomms.ods&wdOrigin=BROWSELINK)). This creates an additional administrative burden for funds who Page 54 regularly engage with individual

employers, sometimes with very few LGPS members on their staff. It also increases actuarial fees at fund valuations because actuaries need to assess each admission body and set their contribution rates.

72. Where the admission body route is used there is also a risk of a significant payment being due at the end of a contract in the form of an exit payment or credit. This is because at the end of a contract the service provider will cease to be an employer in the LGPS (unless they retain the contract), and will become an exiting employer, meaning an actuarial valuation is required and any surplus or deficit needs to be settled. This is a significant risk for both the outsourcing body and the service provider, which can lead to service providers charging a risk premium, adding costs for the outsourcing body.

73. Except under recent pass-through arrangements (see below), admission bodies have their own individual contribution rates. They will generally have a weaker covenant than outsourcing bodies (as they do not have tax-raising powers) and so the employer contribution rate they pay will often be higher than the rate of the outsourcing body. This leads to higher pension contributions and risk for service providers bidding for local government contracts. Admission agreements set out how that risk is transferred from the outsourcing body to the service provider, but the outsourcing body will either act as a guarantor, meaning they are ultimately still responsible for the pension liabilities if the service provider was unable to meet those liabilities, or the fund will require a bond or indemnity from the service provider. Even where the latter is used, this cost will often be passed on to the outsourcing body through the contract price, meaning that a very limited transfer of risk takes place. That risk reduces competition and means that those providers that do bid for services need to build in a significant buffer for pension costs into their contract price. This in turn makes outsourcing services more costly for outsourcing bodies.

### **Introduction of the Deemed Employer route in the 2019 consultation**

74. In the 2019 consultation, the government wished to encourage the use of pass-through agreements between Fair Deal employers and service providers. Under pass-through, a service provider may pay a fixed contribution rate for the life of the contract or pay the contributions within a certain range. The funding risk largely remains with the Fair Deal employer, who may retain responsibility for any shortfall in contributions, as well as the benefit of any surplus.

75. Pass-through arrangements simplify the pension requirements for service providers and reduce the level of risk, which reduces the pension costs and could open the market for local government contracts.

76. To encourage further use of pass-through the government proposed a new route for service providers to access the scheme, called the deemed employer approach. As already referred to, deemed employer status means that, for specific groups of employees, their 'Scheme employer' is not their

employer in employment law but is the deemed employer (the Fair Deal employer) instead.

77. In other terms, the contracting authority would remain as the deemed employer for pension purposes for any transferred staff. As stated earlier, the deemed employer is considered to have the meaning given by Part 4 of Schedule 2 in the 2013 Regulations. For example, under the 2013 Regulations, the deemed employer for the employees of voluntary schools is the local authority.

### **Removal of the admission body option and adoption of the deemed employer route**

78. Responses to the inclusion of the deemed employer route were mixed. Some respondents felt that further clarity of the deemed employer route was needed in regulations, whilst others felt that it should be included as a default approach where agreement had not been reached prior to the start date of a contract.

79. These concerns have been taken into account and the government is now proposing to create a clearer path for Fair Deal employers and service providers to consider when negotiating a service contract involving the transfer of protected transferees. Under these proposals, the deemed employer approach would be used for all future outsourcings by Fair Deal employers, except in exceptional circumstances. This would mean that admission body status would no longer be permitted for future contract outsourcing and/or re-awards.

80. The government is proposing that future contracts adopt a clearly defined pass-through arrangement. The effect of that arrangement would be that the Fair Deal employer would be deemed to be the Scheme employer, whilst the relevant contractor would still take on some of the responsibilities of the Scheme employer. The detail of how those responsibilities are proposed to be split is further in “Responsibilities for relevant contractors”.

81. The government considers this approach would have a number of benefits:

- over time this should halt the growth in, and ultimately reduce, the number of employers in the scheme
- it would ensure that in the future transferred staff would benefit from seamless access to the LGPS during and after a transfer because their employer for pension purposes would not change – nor would their scheme
- it would remove the administrative burden of chasing admission body agreements that are not signed by the contract start date, and should yield savings in both administrative and actuarial costs

- whilst the funding risk would remain with outsourcing authorities, in the current system, where admission body agreements are used, risk is in theory transferred to the service provider but will have often been priced into the contract, meaning that it is the outsourcing authority who bears the risk of non-payment of pension contributions or financial failure of the service provider

**Q20.** Do you agree with the proposals on deemed employer status and the removal of admission body option for service providers who deliver local government contracts?

## Fair Deal employers

82. To clarify which employers the strengthened Fair Deal protections will apply to, the draft regulations define a new type of Scheme employer, a 'Fair Deal employer'. In effect, these employers are to be viewed as the deemed employer of protected transferees (those to whom the New Fair Deal protections will apply). For those individuals who have been transferred to service providers, the deemed employer mechanism means that for various purposes and functions, the Fair Deal employer (and not their outsourced employer – “relevant contractor”) will be deemed to be their employer. Further information on that split of responsibilities is in the “Responsibilities for relevant contractors” section.

83. In the 2019 consultation, it was proposed that all LGPS Scheme employers would become Fair Deal employers, except for:

- further education corporations, sixth form college corporations and higher education corporations (i.e. post-1992 universities)
- admission bodies

84. These employers were omitted from the Fair Deal employer definition as at the time of consultation they were not classified as public sector bodies.

85. However, in November 2022, further education colleges, sixth form colleges and designated institutions in England were reclassified by the Office of National Statistics (<https://www.gov.uk/government/publications/reclassification-of-fe-colleges-sixth-form-colleges-and-designated-institutions-in-england-to-the-central-government-sector>) as being part of the central government sector. Therefore, it is now proposed that they should be in scope of these proposals and included in the definition of a Fair Deal employer, whilst higher education corporations

and admission bodies remain as non-public sector bodies and therefore out of scope.

**Q21.** Do you agree with the proposed definition of a Fair Deal employer?

## Protected transferees

86. To clarify who will be eligible for the improved Fair Deal pension protections, the draft regulations refer to a group of members with protected rights – protected transferees. Protected transferees would have a right to continued access to the LGPS, even where the contract they are working on is compulsorily transferred under TUPE to a service provider (defined in the draft regulations and from this point on as a relevant contractor).

87. Protected transferees would retain their protected transferee status and access to the LGPS so long as they remain working ‘wholly or mainly on the outsourced activities which are being carried out by the relevant contractor on the Fair Deal employer’s behalf’. This protection would also apply if the protected transferee is involved in a subsequent compulsory transfer of employment or retender, in line with the Best Value Directions.

88. To implement this, the draft regulations provide that any active member or person eligible to be an active member of the LGPS working for a Fair Deal employer directly before a TUPE service provision transfer to a relevant contractor, will become a protected transferee. They also provide that protected transferees will retain their protection where they are involved in subsequent TUPE transfers, so long as they remain working ‘wholly or mainly on the activities which are being carried out by the subsequent relevant contractor on the Fair Deal employer’s behalf’.

89. There could be occasions where Fair Deal employers may wish to provide all staff working on an outsourced contract with the same pension protections, regardless of whether they were involved in an eligible TUPE transfer. This could, for example, be applied to those who join the contract after outsourcing due to staff turnover. The draft regulations allow this, so long as the staff remain working ‘wholly or mainly’ on the activities which are being carried out by a relevant contractor on the Fair Deal employer’s behalf. This would enable the Fair Deal employer to avoid a two-tier workforce on contracts that they have outsourced.

90. The government plans to work with the Scheme Advisory Board, Local Government Association, and other stakeholders, to develop and publish statutory guidance alongside these regulations that will include further detail

on the definition of the term ‘protected transferee’, the responsibilities and requirements for the Fair Deal employer and the relevant contractor, and further detail on the option to allow all staff working on a contract outsourced by a Fair Deal employer to be protected transferees. More information on the guidance that is planned can be found in the “Implementation of New Fair Deal proposals”.

**Q22.** Do you agree with the proposed definition of a protected transferee?

**Q23.** Do you agree with the proposal to allow the Fair Deal employer to provide protected transferee status for all staff working on a contract outsourced by a Fair Deal employer, which would enable Fair Deal employers and relevant contractors to avoid creating a two-tier workforce on outsourced contracts?

## Responsibilities for relevant contractors

91. Currently, admission body agreements include details of the responsibilities and requirements for service providers. However, as it is proposed that admission body agreements for local government outsourcings would be removed, it is important that there is clarity around the responsibilities for relevant contractors moving forward. Whilst the Fair Deal employer would remain as the deemed employer for protected transferees for pension purposes, the relevant contractor would still be their legal employer and so in practice have a range of pension-related responsibilities.

92. The government’s proposal for how those responsibilities would be split between Fair Deal employer and relevant contractor are seen in full in the draft Regulations and in summary in the table below.

**Table 2 - Proposed split of responsibilities between RC and FDE**

Responsibility	Relevant Contractor (RC) or Fair Deal employer (FDE)
Receipt and handling of applications to join or leave the LGPS, or move in and out of 50:50	RC
Decisions on contribution rate to apply to members	FDE to make these decisions by default, but RC can agree with FDE to take them

<b>Responsibility</b>	<b>Relevant Contractor (RC) or Fair Deal employer (FDE)</b>
	on.
Decisions on assumed pensionable pay and ill-health retirement	RC to make these decisions (with support of the FDE for ill-health retirement)
Payment of contributions	Further detail below
Decisions about Shared Cost Additional Pension Contributions and Shared Cost Additional Voluntary Contributions	Further detail below
Forfeiture applications and associated powers	RC and FDE to both have involvement, as per the draft Regulations
Decision on time limits for members to make elections	RC to decide, with option to follow FDE policy where applicable
Late payments to administering authorities and payments of additional costs	FDE to take responsibility in cases where RC has failed to make timely payment (within 1 month) and where additional costs are due to administering authorities because of the RC's performance in carrying out scheme functions.
Decision-making and dispute process	The same processes which apply to the FDE will apply to the RC, and the RC may appoint the same independent adjudicator as the FDE

93. In summary, the main responsibilities of the relevant contractor would be to give protected transferees access to the LGPS and to pay regular contributions for the duration of the contract. The relevant contractor would need to pay the full primary contribution rate, of the Fair deal employer, for all protected transferees. This is the rate determined by the Scheme Actuary in accordance with regulation 62(5), including the cost of administration and before any reductions for insured death or ill-health benefits selected by an employer. The Fair Deal employer would need to pay the secondary contribution rate, which would include any deficits or surpluses that might accrue over time.

94. It would be for the relevant contractor and Fair Deal employer to decide if the primary contribution rate would be fixed (set at the rate of the most



recent valuation at time of contract agreement) or floating (based on an agreement between relevant contractor and Fair Deal employer). If the fixed option were to be taken, then the Fair Deal employer would be taking on the risk that if the contract duration runs into a new valuation period and in that period contribution rates were to be increased, they would be liable for any increased payments (unless otherwise agreed with the relevant contractor). Alternatively, if contribution rates were to be decreased, the relevant contractor would be overpaying contributions, which would be reflected in the original contract price, and so the administering authority, Fair Deal employer and relevant contractor would need to agree at contract stage the mechanism by which those overpayments would be addressed.

95. Additionally, that decision of a fixed or floating contribution would need to be decided before the contract is put out to tender, to allow all involved parties to understand their obligations before bids are made and judged.

96. The expectation of the above arrangements is that they would lead to lower contribution rates for relevant contractors. This would be because the rates applied to them would be based on the rates of the Fair Deal employer, which would be expected to be lower due to their typically stronger covenant.

97. The relevant contractor would also be liable for any costs arising from pension-related decisions they take, including but not limited to:

- a. A active member being awarded early retirement or early flexible retirement.
- b. A member over the age of 55 being offered redundancy.
- c. A decision to waive any reduction in pension benefits.
- d. Any award of additional pension, or employer contributions to shared cost additional pension contributions or shared cost additional voluntary contributions.
- e. A decision to 'switch on' the 85-year rule when the member retires from active status (if the member is under 60).

98. Whether the primary contribution rate is fixed or floating, the deemed employer approach would reduce the level of risk for service providers (relevant contractors), which should enable more contractors (particularly SMEs) to enter the market for local government contracts. It would also mean that contractors would be likely to build in less of a risk premium into their contract price because they have more certainty about their pension costs and liabilities.

99. The draft regulations also set out the consequences for late payment of member and employer contributions by relevant contractor. It is proposed

that if a contribution payment is overdue by a month, the administering authority can require the Fair Deal employer to pay it and the Fair Deal employer would then be able to recover it as a debt from the relevant contractor, including any applicable interest.

100. Furthermore, relevant contractors would have a responsibility to provide their administering authority and/or Fair Deal employer with all necessary data relevant to comply with their pension-related obligations.

101. The general principle that would apply to all agreements is that the roles and responsibilities of the relevant contractor should be made clear in the service contract. The government plans to work with stakeholders to develop statutory guidance that clarifies what should be included as standard. Additionally, the government is also considering commissioning the Scheme Advisory Board to produce supportive guidance in this area. Further detail of this is given in “Implementation of New Fair Deal proposals”.

**Q24.** Do you agree with the overall approach on responsibilities for relevant contractors and Fair Deal employers? If you do not, with which proposals do you disagree?

## **Continuity of responsibilities across contractors**

102. Under existing rules, when members enter into shared cost additional pension contribution (APC) or shared cost additional voluntary contribution (AVC) agreements, those agreements end when that member moves to a new employer, including in cases of compulsory transfers. The government recognises that this disrupts the continuity of pension arrangements for affected members and is seeking views on how such agreements should be handled in the future.

103. One option is that any subsequent relevant contractor should be required to honour the original agreement. This would simplify pension arrangements for the protected transferee and ensure that pension arrangements are unaffected by any outsourcing of the contract they are working on. It would, however, complicate decisions to outsource contracts as potential new relevant contractors would have to include considerations of any such arrangements in their decision to take on those contracts. This is the government’s preferred option, to best protect the rights of working members.

104. A second option would be that the initial agreement is only binding on the relevant contractor it is made with, or, in the case of lost pension, the

contractor at the time the pension loss occurred and who would otherwise be responsible for meeting the obligation. This would have the benefit of simplifying outsourcing for relevant contractors, whilst impacting the pension arrangements of protected transferees who have no say in whether the contract they are working on is outsourced.

105. A third option is that the responsibilities of the original relevant contractor would be taken on by the Fair Deal employer, allowing the pension arrangements of the protected transferee and the outsourcing process to be unaffected, but at cost of the relevant contractor that made the original agreement.

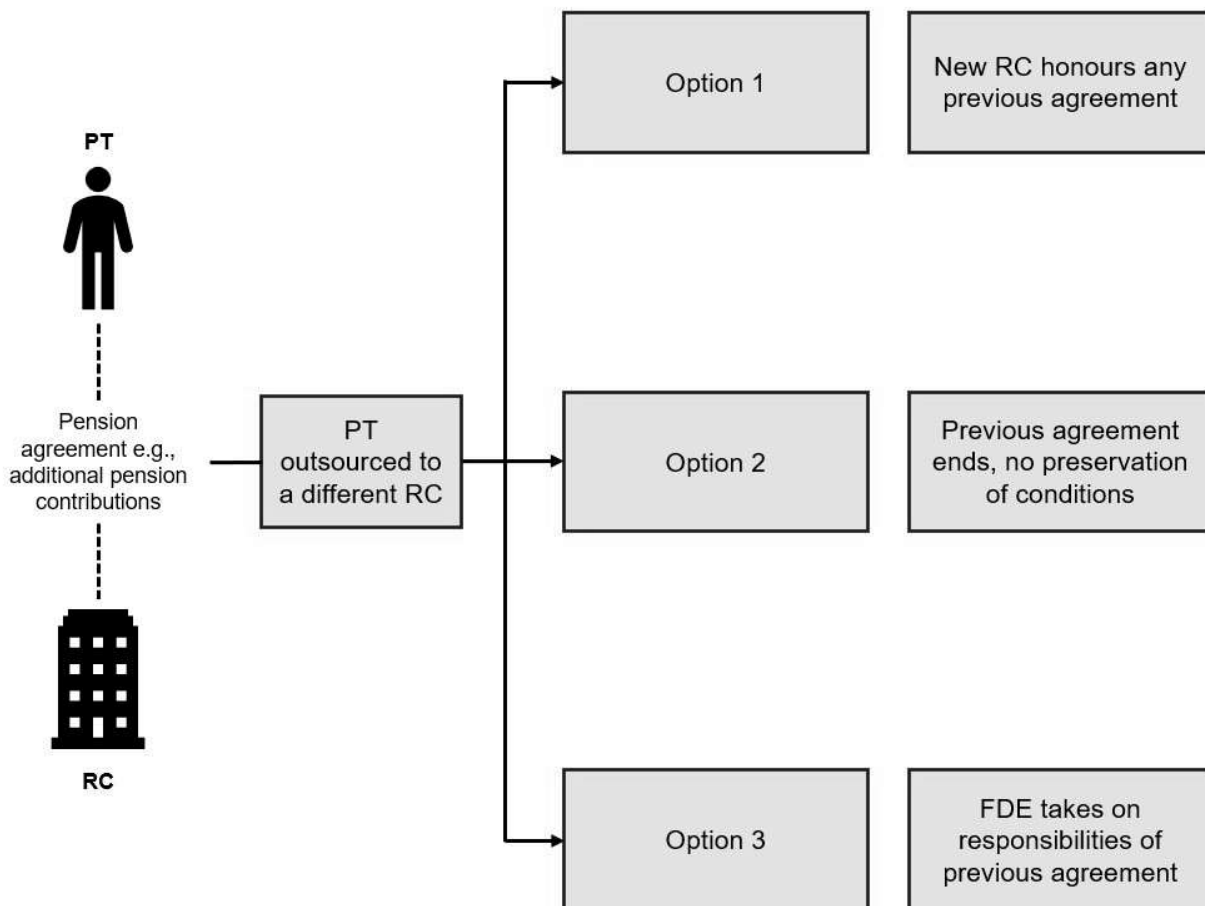


Figure 2 – Options for continuation of previous agreements between PT and RC

**Q25.** Do you agree that Option 1 should be applied to how agreements between protected transferees and relevant contractors should be treated in the case of subsequent outsourcings? Please give the reasons for your answer.

## **Exceptional arrangements – continuation of broadly comparable schemes**

106. It is important to the government that those who have previously worked in local government and who are protected under either the 2007 or 2022 Directions are offered protected transferee status at the earliest possible opportunity. The draft regulations accompanying the 2019 consultation provided that when contracts that fell under the 2007 or 2012 Directions were next re-tendered, protected staff would become protected transferees under the 2013 Regulations and gain a right to membership of the LGPS.

107. Respondents were generally supportive of this approach in 2019, but some highlighted the lack of flexibility in not allowing broadly comparable schemes to continue in any circumstances.

108. The government has a strong preference for staff to be transferred back into the LGPS wherever possible. However, where (1) the Fair Deal employer would be unable to meet the requirement set out in subsection 12(2) of the Procurement Act 2023 to treat all suppliers the same, and (2) the difference between suppliers does not justify different treatment, the draft regulations provide that staff may be offered membership to a broadly comparable scheme. Nonetheless, the government considers that, in most cases, difference between suppliers with respect to continued LGPS access do justify different treatment, particularly in light of the issues outlined in the section “Removal of broadly comparable schemes”. Where those exceptional circumstances apply, staff would continue to be protected by the 2007 or 2022 Directions (and any replacements to them).

109. The government encourages respondents to share their views on the exception described above and on any other exceptional circumstances that should be considered. Subject to responses, statutory guidance will be published to set out further detail on the process that should be followed where exceptional circumstances arise. Further detail of this is given in “Implementation of New Fair Deal proposals”.

**Q26.** Do you agree with the approach to allow broadly comparable schemes to continue only in exceptional circumstances?

**Q27.** Do you have any views on what the exceptional circumstances, where broadly comparable schemes may need to continue, could be?

## **Transitional arrangements – inward transfers from broadly comparable schemes**

110. In 2019, it was proposed that transferred employees who were entitled to pension protection under the 2007 or 2012 Directions and were given access to a scheme certified as broadly comparable to the LGPS, should have a right to transfer their benefits from their broadly comparable scheme to the LGPS. It was proposed that the value of these transfers would proceed on a Cash Equivalent Transfer Value (CETV) basis, using factors contained in actuarial guidance issued by the Secretary of State.

111. Whilst respondents were broadly supportive of the proposal for these staff to have the option of transferring their benefits back into the LGPS, several respondents pointed out that using CETV factors for the inward transfers would mean staff with final salary benefits would lose out. This is because the inward CETV would reflect the value of a deferred pension in the broadly comparable scheme, with pre-retirement revaluation in line with price increases, whereas the CETV-in factors used by the receiving LGPS fund would take into account the expected future salary increases (generally assumed to be higher than price increases). This would then result in a loss of final salary benefits measured in terms of years of pensionable service.

112. The government has considered these responses and is now proposing to align more closely with the updated 2013 Fair Deal guidance which sets out that inward transfer values from broadly comparable schemes should be calculated using bulk transfer values, which would protect any final salary benefits accrued. The intention, which would be set out in the accompanying guidance, is that the bulk transfer terms would be non-negotiable, and would provide a year for year service credit without any additional shortfall contribution being required at the time.

113. To implement this, the draft regulations allow for inward bulk transfers into the LGPS. This sets out that where one or more people who have accrued benefits in another occupational pension scheme become members of the LGPS and agree to transfer their benefits from their other occupational pension scheme into the LGPS, the administering authority may accept the transfer value.

114. In addition, the draft regulations allow for the transfer of final salary benefits, from a broadly comparable pension into the LGPS, in a way that ensures that those transferred benefits continue to provide final salary benefits. To be clear, this would preserve the value of previously accrued final salary benefits, whilst providing that any future accrual within the LGPS would be a CARE accrual, in line with the 2013 Regulations, regardless of

whether the member has final salary benefits from previously accrued service.

115. The government is proposing that it would work with the Government Actuary's Department and the Scheme Advisory Board to draft guidance that would set out clear expectations for how these transfers should be calculated and processed where the transfer includes members covered by the 2007 or 2022 Directions. Further detail of this is given in "Implementation of New Fair Deal proposals".

**Q28.** Do you agree with the proposed approach to inward transfers from broadly comparable schemes?

## **Early re-negotiation of contracts**

116. There may be circumstances under the proposed system where it would be beneficial to renegotiate a contract with a relevant contractor before it ends. For example, this could be to bring staff back into the LGPS early where a broadly comparable scheme is currently being used. In these renegotiations, it would be the responsibility of the parties involved to seek advice on their legal rights and obligations.

**Q29.** Do you agree with the approach of including a mechanism in the draft regulations that allows for staff to become protected transferees where there is an early re-negotiation of a service contract using the new Fair Deal regulations?

## **Optional expansion of New Fair Deal beyond originally outsourced workers**

117. The draft regulations outline that when a contract is renegotiated or retendered, all staff working on an outsourced contract (at that point) can be granted protected transferee status. This protection would apply provided the staff continue to work "wholly or mainly on the activities which are being carried out by a relevant contractor on the Fair Deal employer's behalf". To ensure the contract is retendered on an equal basis, the Fair Deal employer would need to decide before the contract is put out to tender if the protected transferee status would also apply to workers who join after the contract is

initially outsourced. That protected transferee status would then be maintained in the event of any subsequent transfers, in the same way it would for the originally outsourced workers. This differs from the current situation where staff who join after an initial outsourcing are not protected or covered by the Best Value Directions, whilst noting that those staff may still be offered LGPS membership, via an “open” admission agreement.

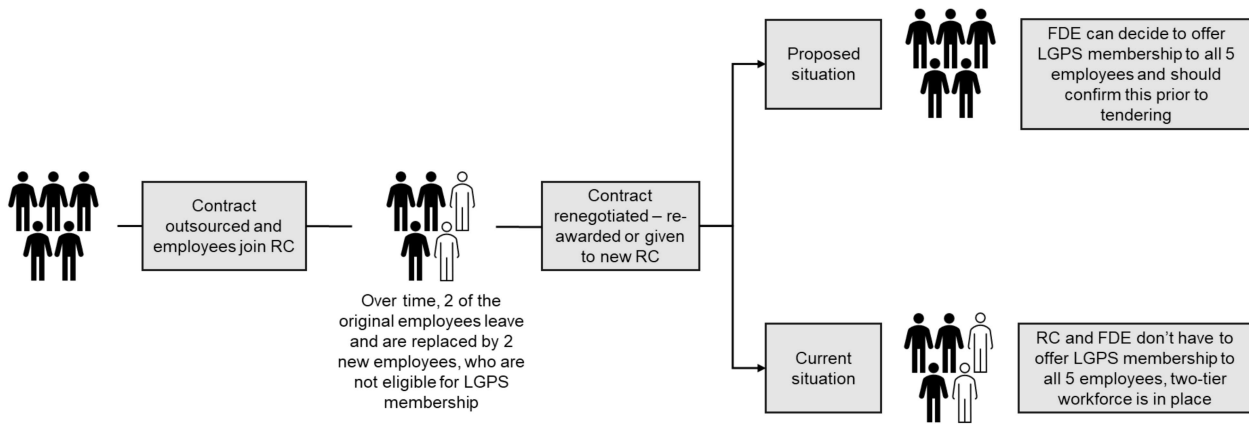


Figure 3 – Proposed approach to allow extended LGPS membership

**Q30.** Do you agree with the proposal that all staff (including those joining a contract after first outsourcing) would be eligible for protected transferee status, providing all relevant parties agree?

## Implementation of New Fair Deal proposals

118. To enable the sector to negotiate contracts under the new regulations as quickly as possible but also give flexibility and adequate time to prepare for these changes, the draft regulations are proposed to come into force at the date the parliamentary timetable allows the statutory instrument to be laid. From the date the statutory instrument is laid, outsourced staff will receive protected transferee status and have to be transferred back into the LGPS when the following happens:

- when an outsourcing body enters into a new contract with a contractor for the provisions of services (first outsourcings)
- when currently outsourced contracts are renewed, extended or re-procured; or
- If the relevant contractor and the Fair Deal employer decide that it would be beneficial to renegotiate the contract before it ends

However, the new regulations include an optional 6-month transitional period from the date they come into force. This is intended to avoid

unnecessary and unexpected costs being placed on funds and employers. During this 6-month transitional period, for any contract that is newly signed, reviewed, re-procured or re-negotiated, there is the possibility to opt out of the new provisions. In cases involving a tender process, the Fair Deal employer would need to decide before the service contract is put out to tender if the specific contract will make use of the transitional period, enabling all relevant parties to understand their obligations before bids are made.

119. The government is also proposing that the 2007 Direction is to be revoked and replaced by a new Direction, aligned with the proposals in this consultation. That proposed Direction can be found attached to this consultation. The main difference in the new Direction is that it allows for the transfer back into the LGPS of all eligible members, by deeming the LGPS pension rights they are being provided with as broadly comparable to or better than the pension rights they had, or had a right to acquire, if they had remained with the Fair Deal employer.

120. A corresponding process would also take place regarding the 2022 Direction, to the same effect.

121. The group of particular interest to the government in this case is those individuals currently outsourced, with access to final salary benefits, who would now be being moved back into the LGPS, into a non-final salary benefits scheme. The government understands there to only be a small number of people in such a situation, but wishes to understand their views in particular.

122. Subject to responses, the government is also proposing to work with the Scheme Advisory Board, the Government Actuary's Department, the LGA, and other stakeholders, to develop and publish statutory guidance based on the 2013 Fair Deal guidance to aid the implementation of the proposals. This will replace the current 2009 admission body guidance ([https://www.lgpsregs.org/timelinereggs/Statutory%20Guidance%20and%20circulars/CLG\\_AdmittedBody\\_guidance\\_Dec09.pdf](https://www.lgpsregs.org/timelinereggs/Statutory%20Guidance%20and%20circulars/CLG_AdmittedBody_guidance_Dec09.pdf)) and could include the following sections:

- a. Definition of a Protected Transferee
- b. New staff joining a local government contract
- c. Definition of a Fair Deal employer
- d. Deemed employer status and employer responsibilities
- e. Exceptional arrangements
- f. Transitional arrangements for staff currently covered by the 2007 or 2022 Directions

123. The government is also considering commissioning the Scheme Advisory Board to draft and publish additional guidance which could include sections on:



- g. The procurement process
- h. Employer responsibilities
- i. Administration

124. The government also intends to update the relevant sections of the Model Services Contract to ensure it aligns with the updated New Fair Deal proposals for the LGPS.

125. The government recognises that the proposals would have impact on members, particularly in the potential cases of those being moved from broadly comparable final salary benefit schemes back into the LGPS as a CARE scheme. As such, the government wishes to understand if any respondents consider this, or other impacts, should be considered and whether additional protections would be necessary.

**Q31.** Do you agree with the proposal for the draft regulations to come into force on the date the relevant SI is laid, with a 6-month transitional period during which there is the possibility to decide to not apply the new provisions?

**Q32.** If you are an individual who is currently outsourced from a local authority and part of a final salary scheme, do you agree with the proposed updating of the 2007 and 2022 Directions to deem the LGPS as broadly comparable to or better than final salary schemes? Please give the reasons for your answer.

**Q33.** Do you agree with the proposal to develop and publish statutory guidance and Scheme Advisory Board guidance to support with the implementation of the updated Fair Deal proposals?

**Q34.** Are there any additional topics that you would like to be covered?

**Q35.** What impact do you think these proposals would have on members?

**Q36.** Do you support the proposal to bring all eligible individuals back into the LGPS, including those in broadly comparable final salary schemes? Please explain your reasons.

**Q37.** On balance, do you agree with the proposals in this chapter?

## 5. Public Sector Equality Duty

126. Under the Public Sector Equality Duty (“PSED”), the government is required to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people who share a protected characteristic and people who do not share it
- foster good relations between people who share a protected characteristic and people who do not share it

127. The protected characteristics which should be considered are:

- age
- disability
- sex
- gender reassignment
- marriage or civil partnership
- pregnancy and maternity
- race
- religion or belief
- sexual orientation

128. The government has access to up-to-date data on the age and sex of LGPS members, but not complete or up-to-date data on the other protected characteristics. Outlined below are the PSED considerations arising from the data the government does have, but respondents to this consultation are encouraged to share any evidence they may have on the potential impact of the proposals on any of the above protected characteristics.

## **Normal Minimum Pension Age**

129. Members of the scheme who are approaching their NMPA, such as those in their early 50s, are those most affected by the government’s proposals, since they are closest to their NMPA and have less time to plan ahead. The most relevant protected characteristic is age.

130. The proposals in this document follow from the decision to raise the NMPA, taken through the Finance Act 2022. For members without a protected pension age, such as a member in their early 50s who joined the LGPS after November 2021, proposals will mean that pension benefits

cannot be taken at 55 anymore. This is a long-known change, originally announced in 2014.

131. The proposals will impact men and women equally as the NMPA is the same for both genders. The government does not expect any particular impacts on other groups sharing protected characteristics, as the NMPA applies equally to all.

## **LGPS for mayors and councillors**

132. The proposals for mayors and councillors are about extending pension access to persons who did not previously have access to the scheme. As such the government considers the proposals to have positive impacts only. These positive impacts will be on those who are councillors and mayors in England, and so reflect the characteristics of that cohort. The LGA 2022 census of councillors showed that 59% of councillors were male, 92% white and the average age is 59.5. The proposal is intended to encourage more younger councillors to serve.

## **Academies**

133. The proposals for academies and direction orders are about efficient administration, and do not impact pension benefits for individuals. Therefore, the government does not consider there to be impacts on groups sharing protected characteristics.

## **New Fair Deal**

134. The decision to outsource contracts is taken by local authorities, within the rules and spirit of the LGPS, but without government intervention or influence.

135. The proposals in this document would apply to all workers outsourced from local government and as such, which the government does not believe affects particular groups disproportionately. As such, the proposed changes are not seen to affect any groups in particular.

by any of the proposals? If so, please provide relevant data or evidence.

**Q39.** Do you agree to being contacted regarding your response if further engagement is needed?

## About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 and UK data protection legislation. In certain circumstances this may therefore include personal data when required by law.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the information access regimes and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will at all times process your personal data in accordance with UK data protection legislation and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included below.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](https://www.gov.uk/government/organisations/ministry-of-housing-communities-local-government/about/complaints-procedure) (<https://www.gov.uk/government/organisations/ministry-of-housing-communities-local-government/about/complaints-procedure>).

## Personal data

The following is to explain your rights and give you the information you are entitled to under UK data protection legislation.

Note that this section only refers to personal data (your name, contact details and any other information that relates to you or another identified or identifiable individual personally) not the content otherwise of your response to the consultation.

### 1. The identity of the data controller and contact details of the Data Protection Officer

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at [dataprotection@communities.gov.uk](mailto:dataprotection@communities.gov.uk) or by writing to the following address:

Data Protection Officer  
Ministry of Housing, Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF

### 2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

We will collect your IP address if you complete a consultation online. We may use this to ensure that each person only completes a survey once. We

will not use this data for any other purpose.

### **Sensitive types of personal data**

Please do not share special category personal data or criminal offence data if we have not asked for this unless absolutely necessary for the purposes of your consultation response. By 'special category personal data', we mean information about a living individual's:

- race
- ethnic origin
- political opinions
- religious or philosophical beliefs
- trade union membership
- genetics
- biometrics
- health (including disability-related information)
- sex life; or
- sexual orientation

By 'criminal offence data', we mean information relating to a living individual's criminal convictions or offences or related security measures.

## **3. Our legal basis for processing your personal data**

In most cases the legal bases under data protection legislation will be those below. If the consultation is likely to collect special category data you should contact [dataprotection@communities.gov.uk](mailto:dataprotection@communities.gov.uk) as additional lawful bases will need to be specified.

The collection of your personal data is lawful under article 6(1)(e) of the UK General Data Protection Regulation as it is necessary for the performance by MHCLG of a task in the public interest/in the exercise of official authority vested in the data controller. Section 8(d) of the Data Protection Act 2018 states that this will include processing of personal data that is necessary for the exercise of a function of the Crown, a Minister of the Crown or a government department i.e. in this case a consultation.

Where necessary for the purposes of this consultation, our lawful basis for the processing of any special category personal data or 'criminal offence' data (terms explained under 'Sensitive Types of Data') which you submit in response to this consultation is as follows. The relevant lawful basis for the

processing of special category personal data is Article 9(2)(g) UK GDPR ('substantial public interest'), and Schedule 1 paragraph 6 of the Data Protection Act 2018 ('statutory etc and government purposes'). The relevant lawful basis in relation to personal data relating to criminal convictions and offences data is likewise provided by Schedule 1 paragraph 6 of the Data Protection Act 2018.

#### **4. With whom we will be sharing your personal data**

MHCLG may appoint a 'data processor', acting on behalf of the Department and under our instruction, to help analyse the responses to this consultation. Where we do we will ensure that the processing of your personal data remains in strict accordance with the requirements of the data protection legislation.

#### **5. For how long we will keep your personal data, or criteria used to determine the retention period.**

Your personal data will be held for 2 years from the closure of the consultation, unless we identify that its continued retention is unnecessary before that point.

#### **6. Your rights, e.g. access, rectification, restriction, objection**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have your data corrected if it is incorrect or incomplete
- d. to object to our use of your personal data in certain circumstances
- e. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with

the law. You can contact the ICO at <https://ico.org.uk/> (<https://ico.org.uk/>), or telephone 0303 123 1113.

Please contact us at the following address if you wish to exercise the rights listed above, except the right to lodge a complaint with the ICO:

[dataprotection@communities.gov.uk](mailto:dataprotection@communities.gov.uk) or

Knowledge and Information Access Team  
Ministry of Housing, Communities and Local Government  
Fry Building  
2 Marsham Street  
London SW1P 4DF

## **7. Your personal data will not be sent overseas**

## **8. Your personal data will not be used for any automated decision making**

## **9. Your personal data will be stored in a secure government IT system**

We use a third-party system, Citizen Space, to collect consultation responses. In the first instance your personal data will be stored on their secure UK-based server. Your personal data will be transferred to our secure government IT system as soon as possible, and it will be stored there for two years before it is deleted.







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**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

**TEESSIDE PENSION BOARD REPORT****17 NOVEMBER 2025****DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE****Draft Pension Fund Annual Report 2024/25****1. PURPOSE OF THE REPORT**

- 1.1 To present Members of the Teesside Pension Board (the Board) with a draft Pension Fund Annual Report and Accounts for the Teesside Pension Fund.

**2. RECOMMENDATION**

- 2.1 That Board Members note this report and the draft Teesside Pension Fund Annual Report and Accounts 2024/25 (Appendix A).

**3. FINANCIAL IMPLICATIONS**

- 3.1 There are no specific financial implications arising from this report.

**4. BACKGROUND**

- 4.1 The audit process for the Council, and so for the Pension Fund, has been protracted in recent years. This has led to the external auditor signing off the 2023/24 accounts with a 'disclaimed' opinion.
- 4.2 This means there remains some uncertainty over starting position within the enclosed draft accounts, although no significant changes are expected. The audit of the 2024/25 accounts is underway now and is expected to be completed by the end of February 2026.

**5 DRAFT ANNUAL REPORT**

- 5.1 The Annual Report and Accounts presented here are in draft form and, whilst the main numbers and outcomes are not expected to change in any significant way, changes may be needed as further review takes place. Some highlighted text from the previous year exist in this draft where further input is required. In addition, the audit process for the Council's accounts (which include the Pension Fund accounts this Report is based on) is not complete and further changes may be required because of this. When complete the Annual Report and Accounts will be published on the Pension Fund's website.

- 5.2 XPS who were the pensions administrator for the period covered by the Annual Report have not provided any performance information for inclusion in the Annual Report.

**6. NEXT STEPS**

- 6.1 The Draft Pension Fund Annual Report 2024/25 will be published prior to the 1<sup>st</sup> December deadline.
- 6.2 A final version of the Annual Report will be produced and published once the audit of the 2024/25 accounts is complete.

**AUTHOR:** Andrew Lister (Head of Pensions Governance and Investments)

**TEL NO:** 01642 726328



**Teesside Pension Fund**

**Annual Report and Accounts**  
**for the year ended**

**31 March 2025**

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## Section 1 – Overall Fund Management

### Scheme Management and Advisors

<b>1.1 Senior officers responsible for the Fund</b>	
Chief Finance Officer	Andrew Humble
Head of Pensions Governance and Investments	Andrew Lister
Pensions Administration Manager	Graeme Hall, XPS Administration(until 30 <sup>th</sup> May 2025) Paul McCann, Tyne and Wear Pension Fund (from 1 <sup>st</sup> June 2025)
Solicitor to the Fund	Charlotte Benjamin
<b>1.2 Asset Pool and Asset Pool Operator</b>	Border to Coast Pensions Partnership Limited

### 1.3 Investment managers used by the Fund

<b>Manager</b>	<b>Asset class</b>	<b>Website</b>
Border to Coast Pensions Partnership Limited	UK Equities	<a href="http://www.bordertocoast.org.uk/">www.bordertocoast.org.uk/</a>
	Overseas Equities	
	Alternatives	
State Street Global Advisors	Overseas Equities	<a href="http://www.ssga.com/uk/en_gb/institutional/ic">www.ssga.com/uk/en_gb/institutional/ic</a>
Internal Team	Cash	<a href="#">Link to Pension Fund Committee papers</a>
	Overseas Equities	
	UK Equities	
	Alternatives	
Aberdeen Standard Life	Property / Property Debt	<a href="http://www.abrdn.com/en-gb/">www.abrdn.com/en-gb/</a>
Access Capital Partners	Alternatives	<a href="http://www.access-capital-partners.com/en">www.access-capital-partners.com/en</a>
Ancala	Alternatives	<a href="http://www.ancala.com">www.ancala.com</a>
Blackrock Fund Managers Ltd	Alternatives	<a href="http://www.blackrock.com/uk">www.blackrock.com/uk</a>
Bridges	Alternatives	<a href="http://www.bridgesfundmanagement.com">www.bridgesfundmanagement.com</a>
Capital Dynamics	Alternatives	<a href="http://www.capdyn.com">www.capdyn.com</a>
CBRE - Direct Property Portfolio	Property / Property Debt	<a href="http://www.cbre.co.uk/">www.cbre.co.uk/</a>
CCLA Investment Management	Property / Property Debt	<a href="http://www.ccla.co.uk">www.ccla.co.uk</a>
Darwin Leisure	Alternatives	<a href="http://www.darwinalternatives.com">www.darwinalternatives.com</a>
Foresight Group	Alternatives	<a href="http://www.foresight.group">www.foresight.group</a>

<b>Manager</b>	<b>Asset class</b>	<b>Website</b>
Gresham House	Alternatives	<a href="http://www.greshamhouse.com">www.greshamhouse.com</a>
Hearthstone	Alternatives	<a href="http://www.hearthstone.co.uk/">www.hearthstone.co.uk/</a>
Hermes	Property / Property Debt	<a href="http://www.hermes-investment.com">www.hermes-investment.com</a>
Innisfree	Alternatives	<a href="http://www.innisfree.co.uk">www.innisfree.co.uk</a>
Insight Investments	Alternatives	<a href="http://www.insightinvestment.com/uk/">www.insightinvestment.com/uk/</a>
JP Morgan IIF UK LP	Alternatives	<a href="http://am.jpmorgan.com/gb">am.jpmorgan.com/gb</a>
La Salle	Alternatives	<a href="http://www.lasalle.com">www.lasalle.com</a>
Legal & General	Property / Property Debt	<a href="http://www.lgim.com">www.lgim.com</a>
LGT Capital Partners	Alternatives	<a href="http://www.lgtcp.com">www.lgtcp.com</a>
Pantheon Ventures (UK)	Alternatives	<a href="http://www.pantheon.com">www.pantheon.com</a>
Threadneedle	Property / Property Debt	<a href="http://www.columbiathreadneedle.co.uk">www.columbiathreadneedle.co.uk</a>
Unigestion	Alternatives	<a href="http://www.unigestion.com">www.unigestion.com</a>

<b>1.4 Fund Custodian</b>	The Northern Trust Company	<a href="http://www.northerntrust.com/united-kingdom/home">www.northerntrust.com/united-kingdom/home</a>
<b>1.5 Fund Actuary</b>	Hymans Robertson	<a href="http://www.hymans.co.uk">www.hymans.co.uk</a>
<b>1.6 Additional Voluntary Contribution (AVC) Providers</b>	Prudential Assurance, Phoenix Life	<a href="http://www.mandg.com/pru/hub/en-gb">www.mandg.com/pru/hub/en-gb</a> <a href="http://www.phoenixlife.co.uk">www.phoenixlife.co.uk</a>
<b>1.7 Fund Legal Advisors</b>	CMS LLP Freeth LLP	<a href="http://www.cms.law/en/gbr/">www.cms.law/en/gbr/</a> <a href="http://www.freeths.co.uk">www.freeths.co.uk</a>
<b>1.8 Fund Bankers</b>	The NatWest Bank Plc	<a href="http://www.natwest.com">www.natwest.com</a>
<b>1.9 Director of Finance</b>	Andrew Humble	<a href="http://www.middlesbrough.gov.uk">www.middlesbrough.gov.uk</a>
<b>1.10 External Auditor</b>	Forvis Mazars LLP	<a href="http://www.forvismazars.com/uk/en">www.forvismazars.com/uk/en</a>
<b>1.11 Pensions Administrator</b>	XPS Administration (until 30 <sup>th</sup> May 2025) Tyne and Wear Pension Fund (from 1 <sup>st</sup> June 2025)	<a href="http://www.xpsgroup.com">www.xpsgroup.com</a> <a href="http://www.twpf.info">www.twpf.info</a>
<b>1.12 Independent Investment Advisors</b>	Peter Moon William Bourne	



## **Risk Management**

### **1.13 How risk management is integrated within the governance structure.**

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Funding Strategy Statement and the Investment Strategy Statement identify and analyse the risks faced by the pension's operations. These policies are reviewed regularly to reflect changes in activity and market conditions.

#### **Market Risk**

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The Fund identifies, manages and controls market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

1. The actuarial valuation of the Fund which is carried out every three years and resets the employer contribution rates. The valuation also assesses, and analyses risks associated with the liabilities and future pension costs, such as longevity risks, inflation risks and expected future investment returns.
2. The asset liability study which is carried out every three years or more frequently if required considers alternative asset allocations for the Fund and the long-term impact on employer contribution rates.
3. Quarterly monitoring of the performance of the Fund against selected benchmarks, and annual performance reports to the Pension Fund Committee.

## Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to asset price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Funding Strategy Statement and the Investment Strategy Statement.

### 1.14 How risks are identified, managed, and reviewed.

The Fund maintains a risk register which is regularly reviewed to ensure mitigations for existing risks remain appropriate, any emerging risks are assessed, and the overall scoring remains appropriate.

The risk register is presented to the Committee at least annually and more frequently where significant emerging risks need to be presented.

### 1.15 What actions are being taken to mitigate the key risks (covering investment, governance, and administration)

Some of the key risks taken from the Fund's risk register are as follows:

#### Investment risks

Risk	Mitigation
<b><i>INFLATION</i></b> Price inflation is significantly more than anticipated: an increase in long-term inflation of 0.2% a year will increase the liability valuation by 3%.	In assessing the member liabilities, the triennial Fund Actuary assumptions made for inflation are "conservatively" set based on independent economic data and hedged against by setting higher investment performance targets.
<b><i>ADVERSE ACTUARIAL VALUATION</i></b> Impact of increases to employer contributions following the actuarial valuation.	Interim valuations provide early warnings. Actuary has scope to smooth impact for most employer liabilities.

<b>Risk</b>	<b>Mitigation</b>
<p><b>GLOBAL FINANCIAL INSTABILITY</b></p> <p>Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.</p>	<p>Increasing investment diversification will allow the Fund to be better placed to withstand this type of economic instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.</p>
<p><b>INVESTMENT CLASS FAILURE</b></p> <p>A specific industry investment class/market fails to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.</p>	<p>Increasing investment diversification will allow the Fund to be better placed to withstand this type of market class failure. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.</p>
<p><b>CLIMATE CHANGE</b></p> <p>The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors. The Fund's policy in relation to how it takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Responsible Investment Policy</p>	<p>In relation to the funding implications, the administering authority keeps the effect of climate change on future returns and demographic experience, e.g. longevity, under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.</p>
<p><b>ESG REPUTATIONAL DAMAGE</b></p> <p>Insufficient attention to environmental, social and governance (ESG) leads to reputational damage and/or negative financial impact</p>	<p>Border to Coast provides increased focus on Responsible Investment / ESG.</p>

Risk	Mitigation
<p><b><i>TPF INVESTMENT UNDERPERFORMANCE</i></b></p> <p>Investment Managers fail to achieve performance targets over the longer term: a shortfall of 1% on the investment target will result in an annual impact of £50m.</p>	<p>1) The asset allocation made up of equities, bonds, property, alternatives, cash etc. funds, is sufficiently diversified to limit exposure to one asset category.</p> <p>2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal asset allocation.</p> <p>3) Actuarial valuation and asset/liability study take place every three years.</p> <p>4) Interim valuation data is received annually and provides an early warning of any potential problems.</p> <p>5) The actuarial assumption regarding asset outperformance of a measure over CPI over gilts is regarded as achievable over the long-term when compared with historical data.</p>

## Governance / Pooling risks

Risk	Mitigation
<p><b>HIGHER THAN EXPECTED COSTS OF INVESTMENT POOLING</b></p> <p>Higher setup and ongoing costs of Border to Coast and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs).</p>	<p>Border to Coast's budget is set annually with the agreement of at least 9 of the 11 partner funds. Expenditure is monitored and reported to the Officer Group and Joint Committee meetings. Tenders for suppliers ensure value for money ethos applies.</p>
<p><b>KEY PERSON RISK</b></p> <p>Concentration of knowledge &amp; skills in small number of officers and risk of departure of key staff - failure of succession planning.</p>	<p>Two Deputy positions were created in 2018/19 (although one remains to be filled). These act to support deputise as required for the Head of Investments, Governance and Pensions.</p>
<p><b>POOLING SYSTEMIC RISKS</b></p> <p>Systemic and other investment risks not being properly managed within the investment pool; for example, appropriate diversification, credit, duration, liquidity and currency risks.</p>	<p>Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review Border to Coast sub-fund investment elements on an on-going basis, and report to TPF Committee and Board.</p>
<p><b>GOVERNANCE SKILLS SHORTAGE</b></p> <p>Lack of knowledge of Committee &amp; Board members relating to the investment arrangement and related legislation and guidance</p>	<p>Pension Fund Committee and Board new members have an induction programme and have access to on-line training based on the requirements of CIPFA Knowledge and Skills Framework including Pooling.</p>
<p><b>BORDER TO COAST FAILURE</b></p> <p>Failure of the operator itself, or its internal risks and controls failure of corporate governance, responsible investment, or the failure to exercise voting rights according to policy.</p>	<p>Ongoing oversight and close working with Border to Coast and the other Partner Funds will provide advance warning of any issues in this area and an opportunity to rectify them</p>
<p><b>INADEQUATE POOLING INVESTMENT EXPERTISE</b></p> <p>Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets.</p>	<p>Border to Coast has completed recruitment of experienced and capable management team, alongside its expanding complement of over 100 staff.</p>

## Administration risks

<b>Risk</b>	<b>Mitigation</b>
<b><i>INACCURATE DATA RECORD COLLATION</i></b> Failure to maintain proper, accurate and complete data records leading to increased errors and complaints.	Administration data quality is assessed as part of the triennial valuation process, as well as being assessed regularly in order to meet Pensions Regulator requirements on scheme data.
<b><i>THIRD PARTY SUPPLIER FAILURE</i></b> Financial failure of third-party supplier results in service impairment and financial loss.	New supplier's financial strength is assessed through the procurement process. Existing suppliers are obliged to report any issues.
<b><i>INSECURE DATA</i></b> Failure to hold personal data securely - i.e data stolen.	XPS Administration have advised they have robust data security and are not aware of any attempted hacking events
<b><i>LIQUIDITY SHORTFALLS</i></b> Risk of illiquidity due to difficulties in realising investments and paying benefits to members as they fall due.	Daily monitoring of cash position, cash-flow planning
<b><i>CASH INVESTMENT FRAUD</i></b> Financial loss of cash investments from fraudulent activity.	Approval processes and systems (audited)
<b><i>SCHEME MEMBER FRAUD</i></b> Fraud by scheme members or their relatives (e.g. identity, death of member).	XPS checking processes – e.g. mortality screening
<b><i>CONTRIBUTION COLLECTION FAILURE</i></b> Failure to collect employee/er member pension contributions.	Ongoing monitoring of contribution collection at employer level
<b><i>STRUCTURAL CHANGES TO EMPLOYER MEMBERSHIP</i></b> Risk that TPF are unaware of structural changes to an employer's membership, or changes (e.g. closing to new entrants) meaning the individual employer's contribution level becomes inappropriate.	The XPS Administration employer liaison team will improve this by working closely with employers

## Other risks

Risk	Mitigation
<b>LONGEVITY</b> Pensioners living longer than anticipated: adding one year to life expectancy will increase the future service rate by 0.8%.	In assessing the member longevity and pension liabilities, the Triennial Actuary assumptions made for longevity are "conservatively" set based on the latest life expectancy economic data. They are reviewed and updated at each three-year Actuarial valuation. If required, further investigation can be carried out of scheme specific/employer longevity data.
<b>EMPLOYER FAILURE</b> An employer ceasing to exist with insufficient funding, or being unable to meet its financial commitments, adequacy of bond or guarantee. Any shortfall would be attributed to the fund as a whole.	1) Fund employers should monitor own experience. 2) Triennial Actuarial Assumptions will account for the possibility of employer(s) failure (for the purposes of IAS19/FRS102 and actuarial valuations). Any employer specific assumptions above the actuaries long-term assumption, would lead to further review. 3) Employer's rates are set taking into account the covenant strength of an employer and any underwriting by other employers in the Fund.

### 1.16 Managing cyber risk

Cyber risk includes, for example, the risk that the Fund's data and / or systems could be infiltrated or taken over by criminals for financial gain and is covered across several of the risks listed above. An assessment of the Fund's approach to cyber risk also forms part of the Teesside Pension Board's workplan.

### 1.17 The approach taken to risks relating to investment and pooling arrangements

These risks are included within the Fund's risk register – see sample "Governance / Pooling Risks" above. Mitigation relating to risks around investment and pooling arrangements includes:

- The effective partnership arrangements developed with the pool company and with the other partner funds within the Border to Coast Pensions Partnership ensures any issues will be quickly identified and collectively addressed
- As an equal shareholder in Border to Coast, the Council as administering authority to the Fund has joint control over specific company matters relating to

the operation of the pooling company, as set out in documents establishing the company.

- The Fund has both a seat on the Joint Committee overseeing Border to Coast and, currently, a member of the Pension Committee sits as a shareholder director on Border to Coast's company board.
- Investment performance issues are considered at least quarterly through officer group meetings and each Border to Coast investment proposition is more formally and thoroughly assessed at least annually.

**1.18 The approach taken to managing third party risk such as late payment of contributions and provision of data by scheme employers and overall performance by scheme employers.**

See "Administration Risks" above. In addition, the Fund shares the approach it expects scheme employers to take in ensuring prompt provision of data and contributions through its Administration Strategy.

**1.19 The approach taken to risks which arise because of the fund's relationship to the administering authority, such as where reliance is put on shared policies and resources**

In common with almost all LGPS funds, the Fund is not a separate legal entity from the administering authority. This means, for example, all the investments the Fund makes are made in the name of Middlesbrough Council, and the Fund's accounts are part of Middlesbrough Council's accounts, albeit as a separate appendix. Middlesbrough Council also employs the Pensions Governance and Investments team and holds most of the places on the Pension Fund Committee. Measures in place to ensure there is clear separation where necessary between the Fund and Middlesbrough Council include the following:

- Middlesbrough Council's Constitution, the Pension Fund's Governance Policy and Compliance Statement and Conflicts Policy all emphasise the need for the Fund, where necessary, to be treated separately from the administering authority. For example, the Pension Fund Committee's responsibilities include the following: "In its role as the administering authority, Middlesbrough Council owes fiduciary duties to the employers and members of the Teesside Pension Fund and must not compromise this with its own particular interests".
- There is a defined procedure around evaluating any potential local investments designed to ensure input from the Fund's independent investment advisors together with external independent validation, where possible, before agreeing to any such investment.
- Officer and member codes of conduct, together with procedures in place at Pension Fund Committee and Teesside Board meetings require the declaration of any identified conflicts.
- The Fund's accounts identify the administering authority as a related party and require relevant transactions to be reported.



## **Section 2 - Governance and Training**

### **2.1 Governance Structure and compliance with the Governance Compliance Statement**

The Teesside Pension Fund (the Fund) is part of the Local Government Pension Scheme is governed by Public Service Pensions Act 2013 and the following 'secondary' legislation (all as amended):

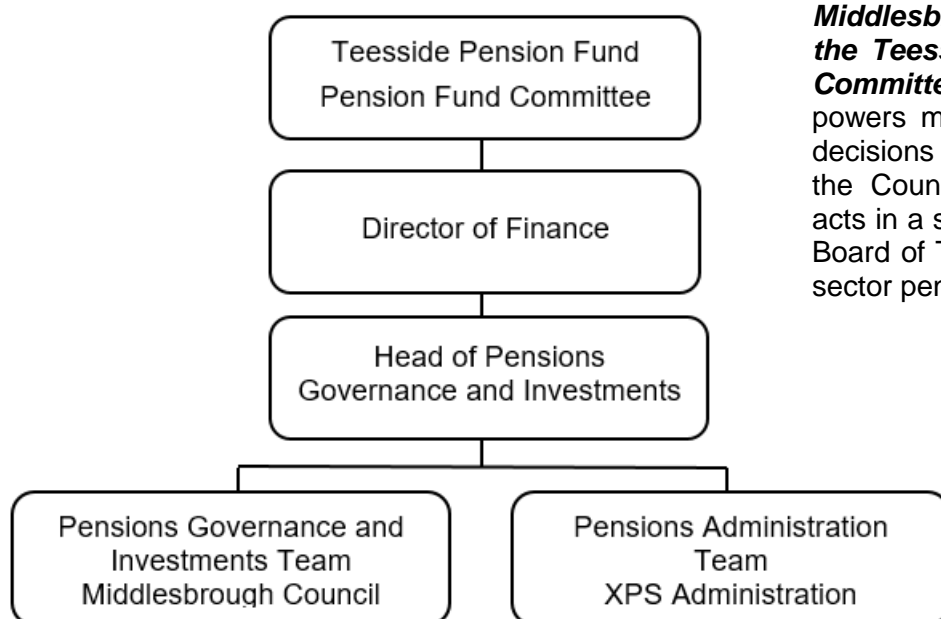
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme Regulations 2013; and
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

The regulations have changed over the years as the nature of the scheme has changed – the most significant recent change applied from April 2014 when the scheme moved (for future benefits) to a career average revalued earnings scheme from a final salary scheme. More information about the scheme, including updated scheme guides and details of scheme member benefits and contributions can be found on the national scheme member website [www.lgpsmember.org](http://www.lgpsmember.org).

The Regulations specify the pensions and other benefits payable and fix the rates of member contributions. Employer contributions are set every three years by the Fund Actuary. The purpose of the Fund is to provide retirement benefits for local authority employees in the Teesside area and other bodies admitted by agreement. The Fund is administered by Middlesbrough Council on behalf of all participating employers. A full list of participating organisations is given in the Membership section below.

The Fund is financed by way of contributions from employers and employees, based upon a percentage of pensionable pay, and supplemented by earnings from Fund investments. The Fund's assets, after payment of benefits, are invested as directed by the Pension Fund Committee. The Committee comprises elected members of Middlesbrough Council, representatives of the other unitary authorities, a representative of the other employers in the Fund and two scheme member representatives provided by the Trade Unions. The Committee is advised by relevant Council officers supported by external experts including the Fund's Investment Advisors.

## Management of the Fund



The Fund is administered by **Middlesbrough Council** via **the Teesside Pension Fund Committee** which has plenary powers meaning it can make decisions without reference to the Council. This Committee acts in a similar manner to the Board of Trustees of a private sector pension fund.

The day to day running of the Teesside Pension Fund is delegated to the Director of Finance of Middlesbrough Council who is responsible for implementing the strategies and policies set by the Pension Fund Committee. Supporting the Director is the Head of Pensions Governance and Investments who oversees two groups: The Pensions Administration Team is responsible for the calculation and payment of pension benefits and for looking after employer interests in the Fund. This function was outsourced and delivered by XPS Administration during 2024/2025. The Pensions Governance and Investments Team manages the investment of the Fund in conjunction with the advice of the Fund's external Investment Advisors, as well as providing support to the Pension Fund Committee and Teesside Pension Board.

### The Teesside Pension Fund Committee

Committee membership and meeting attendance during the year 2024/25

	Members (all have voting rights)	12/06/2024	17/07/2024	25/09/2024	11/12/2024	12/03/2025
<b>Middlesbrough Council</b>	Councillor John Kabuye (Chair)	✓	✓		✓	✓
	Councillor Julia Rostron (Vice-Chair)	✓	✓	✓	✓	✓
	Councillor Jill Ewan	✓	✓	✓	✓	✓
	Councillor David Branson	✓		✓		✓
	Councillor David Coupe	✓	✓	✓	✓	
	Councillor Theo Furness		✓	✓		

	Councillor David Jackson	✓		✓	✓	
	Councillor Stephen Hill					
	Councillor Graham Wilson (Substitute)	✓				
	Councillor Jackie Young	✓		✓	✓	
	Councillor Dennis McCabe					✓
<b>Hartlepool BC</b>	Councillor Martin Scarborough		✓	✓	✓	
<b>Redcar &amp; Cleveland BC</b>	Councillor Marian Fairley	✓		✓	✓	✓
<b>Stockton BC</b>	Councillor Jim Beall	✓	✓	✓	✓	
<b>'Other' Employers Representative</b>	Julie Flaws (Teesside University)			✓	✓	
<b>Scheme Members Representative</b>	Tony Watson (UNISON)		✓		✓	
<b>Scheme Members Representative</b>	Brian Foulger (GMB)					

The committee comprises representatives from all the district councils in the former Cleveland County area as well as a representative from the other employers in the Fund and representatives from the Trade Unions. The committee held five meetings during the year. The quorum for the meeting of the 12<sup>th</sup> March 2025 was not achieved, the meeting was abandoned with remaining business considered at the next meeting on 18<sup>th</sup> June 2025.

The size and political make-up of the committee is determined annually by Middlesbrough Council, and the Councillors are then nominated by each political party. Representatives of the other district Councils are nominated by them. The 'Other Employers' representative, is chosen by election by the other employers with active members in the Fund.

### **Terms of Reference – Teesside Pension Fund Committee**

Terms of Reference:

The Pension Fund Committee's principal aim is to carry out the functions of Middlesbrough Council as the Scheme Manager and Administering Authority for the Teesside Pension Fund in accordance with Local Government Pension Scheme and any other relevant legislation.

In its role as the administering authority, Middlesbrough Council owes fiduciary duties to the employers and members of the Teesside Pension Fund and must not compromise this with its own particular interests. Consequently, this fiduciary duty is a responsibility of the Pension Fund Committee and its members must not compromise this with their own individual interests.

The Pension Fund Committee has the following specific roles and functions, taking account of advice from the Chief Finance Officer (the Strategic Director of Finance Governance and Support) and the Fund's professional advisors:

- a) Ensuring the Teesside Pension Fund is managed, and pension payments are made in compliance with the Local Government Pension Scheme Regulations, Her Majesty's

Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.

- b) Ensuring robust risk management arrangements are in place.
- c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Teesside Pension Fund.
- d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
  - i) Governance – approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Middlesbrough Council and making recommendations to Middlesbrough Council about any changes to that framework.
  - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.
  - iii) Investment strategy - approving the Fund's Investment Strategy Statement and Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.
  - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.
  - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.
  - vi) Discretions – determining how the various administering authority discretions are operated for the Fund.
- e) Monitoring the implementation of these policies and strategies on an ongoing basis.
- f) In relation to the Border to Coast; the asset pooling collaboration arrangements:
  - i) Monitoring the performance of the Border to Coast and recommending actions to the Border to Coast Joint Committee, The Mayor or his Nominee (in his role as the nominated person to exercise Shareholder rights and responsibilities), Officers Groups or Border to Coast, as appropriate.
  - ii) Undertake the role of Authority in relation to the Inter Authority Agreement, including but not limited to:
    - Requesting variations to the Inter Authority Agreement
    - Withdrawing from the Inter Authority Agreement
    - Appointing Middlesbrough Council officers to the Officer Operations Group.
- g) Considering the Fund's financial statements and the Fund's annual report.
- h) Selection, appointment, dismissal and monitoring of the Fund's advisors, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, independent professional advisors and AVC provider.
- i) Liaison with internal and external audit, including providing recommendations in relation to areas to be covered in audit plans, considering audit reports and ensuring appropriate changes are made following receipt of audit findings
- j) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.

- k) Agreeing the terms and payment of bulk transfers into and out of the Fund.
- l) Agreeing Pension Fund business plans and monitoring progress against them.
- m) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
- n) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
- o) Receiving ongoing reports from the Chief Finance Officer, the Head of Pensions Governance and Investments and other relevant officers in relation to delegated functions.

Draft

## Teesside Pension Board

The Public Service Pensions Act 2013 introduced a requirement for public service pension schemes to have pension boards. The pension board for the Teesside Pension Fund is the Teesside Pension Board. The Teesside Pension Fund Committee is still the sole decision-making body for the Fund, whereas the Teesside Pension Board assists Middlesbrough Borough Council, as the Administering Authority, to:

- a) Secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pension Regulator in relation to the Scheme; and
- b) To ensure the effective and efficient governance and administration of the Scheme.

The Teesside Pension Board is made up of six voting members as follows:-

3 employer representatives; and 3 scheme member representatives.

Teesside Pension Board membership and meeting attendance during the year 2024/25

	Members (all have voting rights)	8 April 2024	8 July 2024	25 November 2024	26 February 2025
Scheme member representative (UNISON)	Paul Thompson <i>Chair</i>	✓	✓	✓	✓
Scheme member representative (UNISON)	June Stubbs		✓		
Scheme member representative (pensioner)	Jeffrey Bell	✓	✓	✓	✓
Employer representative (Hartlepool Council)	Councillor Martin Dunbar				
Employer representative (Redcar & Cleveland Council)	Councillor Christopher Massey <i>Deputy Chair</i>		✓		✓
Employer representative (Middlesbrough Council)	Councillor Nicky Walker			✓	

The meeting due to be held on the 8<sup>th</sup> April 2024 was inquorate and was therefore abandoned.

## Pension Fund Committee and Teesside Pension Board Training

All Pension Fund Committee members are invited to annual refresher training covering the investment governance and administration of the Fund. All Pension Fund Committee and Teesside Pension Board members attend induction training, either as part of a small group or on a one-to-one basis prior to their first meeting.

Other training was carried out during the year by Committee and Board members as follows:

Border to Coast Annual Conference investment training September 2024 – Cllrs Coupe and Kabuye from the Pension Fund Committee.

The regular Committee and Board meetings provide an opportunity for ongoing training throughout the year as shown below:

<b>Pension Fund Committee</b> <b>Date of Meeting</b>	<b>Training opportunities</b>
12 <sup>th</sup> June 2024	Market-related updates from Border to Coast and the Independent Investment Advisors. The revised Pensions Regulator General Code of Practice. Pensions administration updates.
	The draft Pension Fund Annual Report and Accounts.
25 <sup>th</sup> September 2024	Market-related updates from Border to Coast and the Independent Investment Advisors. The Government Actuary Section 13 Results of the 2022 LGPS Valuation. LGPS National Knowledge Assessment. The draft Pension Fund Annual Report and Accounts. Pensions administration updates.
11 <sup>th</sup> December 2024	Market-related updates from Border to Coast and the Independent Investment Advisors. Review of Governance Policies. Preparation for 2025 Actuarial valuation. Border to Coast presentation on Responsible Investment. LGPS Fit for the Future consultation.

<b>Teesside Pension Board</b> <b>Date of Meeting</b>	<b>Training opportunities</b>
8 <sup>th</sup> July 2024	Update on recent Committee meetings. Pooling Consultation. Update on Workplan Items . Pensions Regulator Single Code of Practice Compliance Assessment. Pension administration updates.
25 <sup>th</sup> November 2024	Update on recent Committee meetings. Update on Workplan Items – draft Annual Pension Fund Report and Accounts 2023/24. Pensions Administration Procurement. Pension administration updates.
26 <sup>th</sup> February 2025	Update on recent Committee meetings. Update on Workplan Items – Conflicts of Interest. Pooling consultation. Pension administration updates

In addition, all Committee and Board members have access to the LGPS On-Line Learning Academy, a series of short videos designed to cover the range of knowledge and understanding Committee members are expected, and Board members are required to acquire and maintain.

#### **Pension Fund Committee and Teesside Pension Board Activity**

During the year the Pension Fund Committee met four times. Each meeting included:

- An investment activity report, detailing how the Fund was implementing its strategic asset allocation, and including trades carried out during the quarter, a fund valuation and details of returns on cash investments.
- Reports from Border to Coast and State Street Global Advisors including Environmental Social and Governance reports in relation to the Fund's investments with both these managers.
- A presentation from Border to Coast (our pooling company partner), typically highlighting topical investment issues.
- A presentation from the Fund's direct property manager CBRE detailing performance, market-related issues and any trading during the past quarter.
- Presentations from the Fund's two independent investment advisors giving their views on investment markets, the Fund's performance and any investment strategy recommendations.
- A presentation from XPS Administration setting out relevant current issues in pensions administration as well as providing statistics on activity and performance against targets.

Other issues considered during the year included:

- LGPS National Knowledge and Skills Assessment of the Committee and Board training needs.
- LGPS National Knowledge and Skills Assessment of the Committee and Board training needs.
- Preparation for the 2025 Actuarial Valuation of the Fund's assets and liabilities.
- Details of government Fit for the Future consultation on the future of the LGPS.
- Updates on progress of some of the Fund's local investments.
- Response to Government Letter on complying with Pooling expectations.
- An update on the Strategic Asset Allocation and revised Investment Strategy Statement.
- Updates to Border to Coast's Responsible Investment Policy, Corporate Governance & Voting Guidelines and Climate Change Policy.
- Border to Coast's 2030 Strategy to evolve as a centre of investment expertise to help deliver the propositions and service needed to support Partner Funds.
- The Pensions Regulator's revised General Code of Practice including a gap analysis to identify the degree of compliance the Fund has to the Code and an action plan to address any gaps.
- The draft Pension Fund Annual Report and Accounts for 2023/24.
- Final Audit Results report for years ending March 2022 and March 2023.
- Review of the Fund's Governance Policies.

During the year the Teesside Pension Board met four times. Each meeting included:



- Reports and feedback from recent Pension Fund Committee meetings
- Reports and updates in relation to the Teesside Pension Board's work plan – a rolling schedule designed to ensure the Board keeps its focus on key Local Pension Board areas identified within statutory (and other) guidance.
- A presentation from XPS Administration setting out relevant current issues in pensions administration as well as providing statistics on activity and performance against targets.

Other issues considered during the year included:

- Details of government LGPS Fit for the Future consultation.
- The Pensions Regulator's General Code of Practice Compliance Assessment and an action plan to address any gaps.
- The draft Pension Fund Annual Report and Accounts for 2023/24
- The Pension Fund Business Plan 2024/27
- Conflicts of interest policy
- A review of training arrangements for the Board
- 
- Pension Fund Administration procurement outcome.

The Board produces an annual report, typically published at its April meeting. The annual report for 2024-25 can be found at the following link: [Report - Teesside Pension Board Annual Report 2024-25.pdf](#)

### **Conflicts of interest**

All Pension Fund Committee and Teesside Pension Board members are given induction training, with annual refresher training available. This includes information on considering and declaring conflicts of interest in relation to their roles. Ongoing guidance and support on this issue is available from the Fund officers. Members of both bodies are asked to declare any conflicts of interest at the start of each meeting – guidance is available from the Council's Monitoring Officer in addressing any conflicts identified.

### **Oversight and Governance of Border to Coast**

Border to Coast was formed to enable the pooling of assets of certain Administering Authorities of the Local Government Pension Scheme ("Partner Funds"). In order to effect the pooling, the Partner Funds established a Financial Conduct Authority (FCA)-regulated operator of collective investment vehicles, which is also appointed as the Asset Manager for those vehicles. This company is Border to Coast Pensions Partnership Ltd ("Border to Coast"). Border to Coast is wholly owned by the Partner Funds who are its customers and also its shareholders.

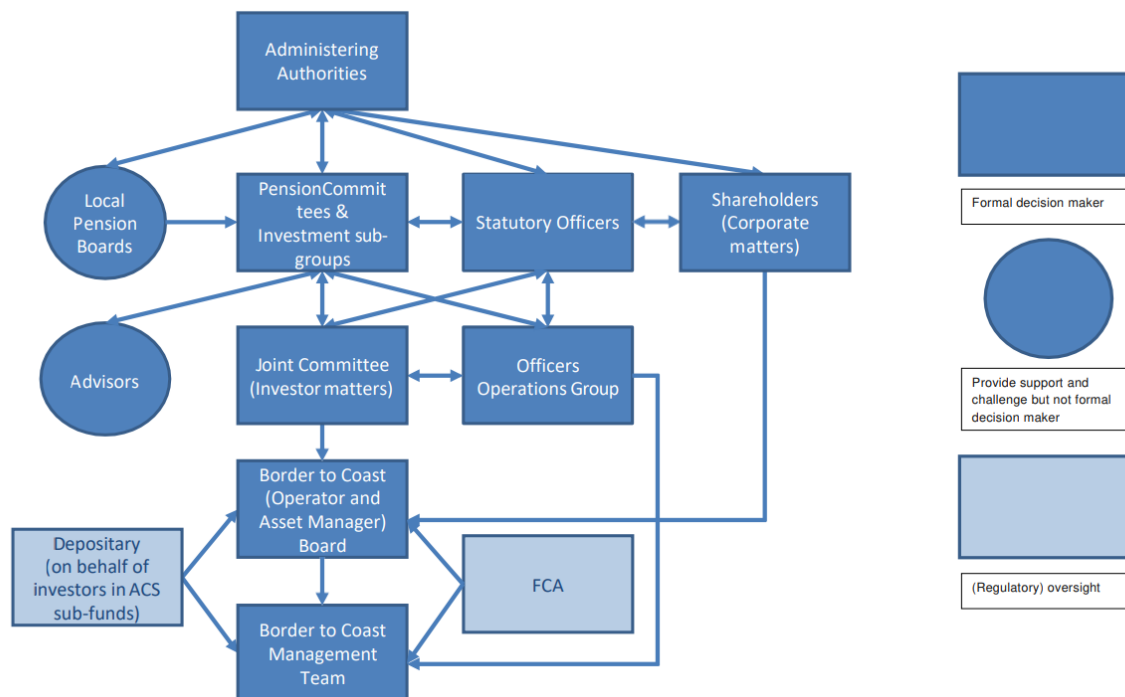
The original guiding principles set out by the Partner Funds have been reflected in the governance structure:

1. Meeting central Government's aims for governance, responsible investing, infrastructure and value for money
2. One fund, one vote
3. Funds retaining governance role and ownership of asset allocation
4. Generating improved net-of-fees risk adjusted performance
5. Border to Coast internal management capability
6. Improved resilience and capacity over existing structures
7. A shared team in one location

Border to Coast's investment performance and capability is overseen by the Partner Funds on a day-to-day basis by the Senior Fund Officers and formally on a quarterly basis by the Border to Coast Joint Committee, which is constituted of elected member representatives from each of the Partner Funds. Border to Coast's performance as a company is overseen by shareholder representatives from the Administering Authorities of the Partner Funds both on an ongoing basis and formally once a year at its AGM.

The Partner Funds and Border to Coast work collaboratively to build the investment capabilities required to ensure that the Partner Funds are able to efficiently and effectively deliver their Strategic Asset Allocations in line with the guiding principles. However, in order to hold Border to Coast to account and to meet FCA requirements for a regulated asset manager, the governance structure is designed to ensure sufficient independence between the Partner Funds and Border to Coast during implementation and ongoing management of the sub-funds.

The diagram below shows the governance structure in place to ensure that appropriate oversight of Border to Coast is carried out both from a shareholder and an investor perspective. (Regulatory) oversight Provide support and challenge but not formal decision maker Formal decision maker Border to Coast Management



More detailed information on Border to Coast's governance arrangements can be found in Border to Coast's Governance Charter, which is available at the following link:  
<https://www.bordertocoast.org.uk/publication/governance-charter/>

### Other key elements of the governance structure (e.g. key officers)

Key officers involved in the governance of the Fund are listed in Section 1.1 above.

### The Pensions Landscape

All of the major public sector schemes changed radically from April 2015, with new public sector schemes established and operated in accordance with the Public Service Pensions Act 2013. This change shifted the methodology of calculation from Final Salary to Career Average for future benefits. However, due in part to its unique 'funded' status amongst these schemes, the LGPS changed a year earlier from April 2014. Whereas the other Public Sector Pension Schemes created new schemes, the LGPS changed the method of calculation for all members from 1st April 2014. More detail on how the current LGPS compares to previous versions of the scheme is contained in the "Summary of LGPS benefits" section.

Government changes to the wider pensions landscape were also introduced from April 2015, promoting "Freedom and choice"; granting greater flexibility in how and when members can access their pension savings. These changes largely impact upon defined contribution schemes and, due to the nature of the LGPS, do not have major impact upon the scheme or its operation. However, members making Additional Voluntary Contributions can now potentially access monies from these funds from age 55, whilst still contributing to the LGPS, on transfer to another provider.

Changes to the limits on tax relief available for pension savings were announced which came into effect on 6 April 2023. The standard annual allowance figure increased from £40,000 to £60,000, with the tapered annual allowance increasing from £4,000 to £10,000.

Lifetime allowance tax charges were removed for retirement events from 6 April 2023. However, a cap on the Pension Commencement Lump Sum (PCLS) amount remained, which broadly mirrored the LTA excess tax charge with the tax now calculated at the members marginal rate rather than 55%. This meant that annual pension payments were no longer subject to lifetime allowance charges.

The Lifetime Allowance was then abolished from 6 April 2024, with the revised regime broadly mirroring the rules from 6 April 2023. The lifetime allowance was only breached by a very small proportion of members. The increase to the annual allowance means that fewer members will face a potential tax charge in the future.

### **Scheme specific changes**

On 1 April 2014 the new look LGPS came into force, reflecting the changes required to public sector schemes derived from the Public Service Pension Commission recommendations.

From 1 April 2014:

- The LGPS became a Career Average Revalued Earnings (CARE) scheme using price inflation – the Consumer Prices Index (CPI) as the revaluation factor (the previous scheme was a final salary scheme).
- The rate pension builds up within the main scheme is 1/49<sup>th</sup> of pensionable pay each year where the previous scheme rate was 1/60<sup>th</sup> calculated on a final salary basis.
- There is no fixed scheme pension age, instead each member's Normal Pension Age (NPA) is their State Pension Age, with a minimum of 65 (the former scheme had a fixed pension age of 65).
- Member contributions to the scheme are set at one of nine different contribution bands, between 5.5% and 12.5% of pensionable pay, set based on the level of actual pensionable pay the scheme member receives.
- There is a facility for members to choose to pay half contributions for half the pension. This is known as the 50/50 option (earlier schemes had no such option). The intention was to provide a lower cost option for members who were perhaps considering opting-out of the scheme.
- Members' benefits for service prior to 1 April 2014 are protected, including protecting the earliest age a scheme member could receive a pension without early retirement reductions applying. Protected past service continues to be based on final salary and age 65 NPA.

Following the reformation of public service pension schemes, which were introduced to the LGPS from 1 April 2014, transitional protections were introduced for older members. In respect of the LGPS, older members received an underpin calculation where, if the benefits they would have received under the final salary scheme would be higher, these higher benefits would be awarded. In December 2018, the court of appeal ruled that younger members of the Judicial and Firefighters Pension Schemes had been unlawfully discriminated against as they did not benefit from these protections. This meant that the discrimination must be removed; this ruling is widely known as the McCloud Judgment. The Public Services Pensions and Judicial Officers Act 2022 provided the framework for the changes required and on 1 October 2023 the LGPS regulations were amended to extend the statutory underpin to all applicable members. It is worth noting that unlike other public sector schemes, most members of the LGPS receive higher benefits under the Career Average arrangement, therefore the impact on benefits across the scheme on a whole is expected to be minimal.

In September 2022 the CPI rate was at an unprecedented high of 10.1%. This increase would have applied to CARE pensions from 1 April 2023. As the closing pension in respect of Annual Allowance calculations is calculated as at 6 April, the significant increase in CARE pensions would have seen an increased level of Annual Allowance breaches across the LGPS. On 31 March 2023 the revaluation date used for career average benefits in the LGPS was changed to 6 April each year instead of 1 April. This slight technical change had no impact on the value of scheme members' benefits but prevented significant numbers of LGPS members from exceeding their 'annual allowance' and having to potentially make a tax payment.

### **Promoting Scheme Membership**

The Fund continues to promote Scheme membership and much of this work over the past twelve months has been directed at our newer employers and employees.

Employers have a very important role to play in the operation of the pension scheme, and in giving reassurance to their employees with regards to the scheme's short and long term benefits.

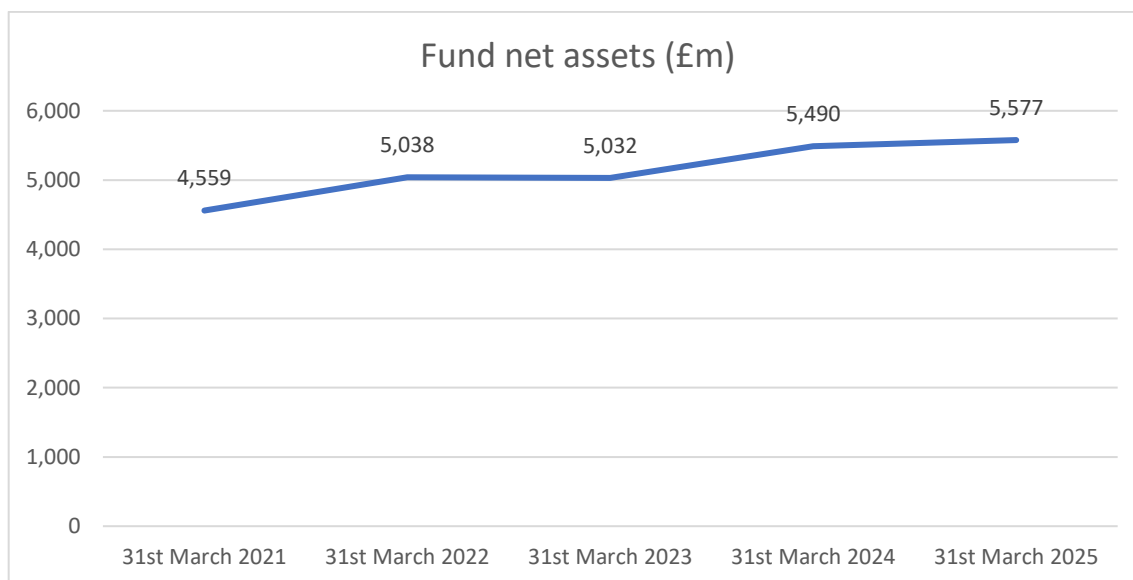
A variety of methods are used here such as workplace posters, presentations and staff briefings and also employer awareness courses that assist the employer to understand and impart general knowledge of the scheme to their staff.

With more people looking towards technology these days, we have continued to promote our Member Self Service (MSS) throughout the year. This facility allows scheme members to view their pension record(s) on-line as well as being able to run their own pension calculations.

## Section 3 - Financial Performance

### Income, Expenditure and Fund value

The Fund's Financial Statements show that the Net Asset Value has increased by 2% compared to the previous year. Over the last 5 years, from the 2021 value of £4,559 million, the value of Net Assets has increased by 18%.



## Finance Performance Report

	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000
Fund Value at the start of the year	3,705,473	4,559,485	5,037,574	5,032,352	5,489,867
Income	117,772	153,596	161,417	196,736	237,210
Expenditure	(165,427)	(167,860)	(193,263)	(206,956)	-225,825
Change in Market Value of Investments	901,667	492,353	26,624	467,735	75,744
Increase/(Decrease) in Fund during the year	854,012	478,089	(5,222)	457,515	87,129
<b>Fund Value at the end of the year</b>	<b>4,559,485</b>	<b>5,037,574</b>	<b>5,032,352</b>	<b>5,489,867</b>	<b>5,576,996</b>
<b>Change in Fund Value %</b>	<b>23%</b>	<b>10%</b>	<b>0%</b>	<b>9%</b>	<b>2%</b>

### Financial Highlights

	£000	£000	£000	£000	£000
Pensions Paid	123,640	127,421	134,792	150,993	164,845
Administration Costs	1,938	2,238	2,470	2,234	1,953
Investment Management Costs	4,955	5,474	7,331	9,269	6,062
Oversight and Governance Costs	553	397	672	623	441

### Membership

	2021	2022	2023	2024	2025
	No	No	No	No	No
Active	24,238	25,434	26,198	26,220	26,341
Deferred	23,322	26,249	27,225	28,180	28,492
Pensioner	25,366	26,212	26,915	27,813	28,885
<b>Total</b>	<b>72,926</b>	<b>77,895</b>	<b>80,338</b>	<b>82,213</b>	<b>83,718</b>

### Fund Averages

	£	£	£	£	£
Fund value per member	62,522	64,671	63,032	66,615	66,616
Average Pension Paid	4,874	4,861	5,012	5,429	5,707
Total management expenses cost per member	102	104	130	146	101
Administration Cost per member	27	29	31	27	23
Investment Management cost per member	68	70	91	113	
Oversight and Governance costs per member	8	5	8	6	72

## Analytical review of the financial year

The financial performance of pension funds can vary significantly year on year - the total Fund value can undergo large movements resulting from the change in the market value of investments, and within the fund account the “net additions (withdrawals) from dealings with members” can vary due to external factors affecting the Fund itself or the principal employers within it.

The significant impact of unforeseeable and unquantifiable external factors have resulted in the policy of the administering authority not to set a budget for future periods for the Fund. It was felt that any budget would contain too many unknowable variables to be of any practical use and analysis of budget variances would contain inaccurate assumptions.

For this reason, it was felt that a much more meaningful analysis of the financial performance of the Fund could be gained from comparison with the performance in the previous year and the principal variances and movements in the financial performance of the fund in comparison with the previous year were as follows:

### Summary of Analytical Review 2024/25

Fund Account	Notes	2023/24 £ ' 000	2024/25 £ ' 000	Change
<b>Contributions and Other Income</b>				
Employers Normal & Deficit	1	79,598	87,023	9%
Employers Additional	2	16	15	(6%)
Employees Normal	3	36,714	38,245	4%
Transfers in	4	8,055	10,977	36%
Capital Costs of Early Retirements	5	1,255	2,293	83%
Other Income		805	280	(65%)
<b>Total Income</b>		<b>126,443</b>	<b>138,833</b>	<b>10%</b>
<b>Benefits and Other Expenditure</b>				
Benefits	6	150,993	164,845	9%
Benefits - Basic Lump Sum	7	27,950	33,222	19%
Benefits - Lump Sums on Death		3,569	2,421	(32%)
Individual Transfers to other Schemes	8	11,774	16,523	40%
Administrative Expenses	11	2,234	1,953	(13%)
Investment Management Expenses	11	9,269	6,062	(35%)
Oversight and Governance Costs	11	623	441	(29%)
Other Expenditure	10	545	358	(28%)
<b>Total Expenditure</b>		<b>206,957</b>	<b>225,825</b>	<b>9%</b>
<b>Return on Investments</b>				
Dividends	13	22,361	52,749	63%
Rents	14	27,631	27,840	1%
Interest	15	10,384	17,788	71%
Unrealised gain / (loss) on Revaluation		477,652	75,744	(84%)
<b>Total Return on Investments</b>		<b>538,028</b>	<b>174,121</b>	<b>(68%)</b>
<b>Net Increase in the Fund in the Year</b>		<b>457,514</b>	<b>87,129</b>	<b>(81%)</b>



## Explanation of variances

	2023/24	2024/25	
<b>1 Employers' Normal Contributions &amp; Deficit contributions - £000</b>	<b>79,598</b>	<b>87,023</b>	<b>increase of 9%</b>

Employers normal contributions have increased by £7.4m, and deficit contributions have decreased by £0.1m, which has given an overall increase of £6.1m in the year.

	2023/24	2024/25	
<b>2 Employers' Additional Contributions - £000</b>	<b>16</b>	<b>15</b>	<b>decrease of (6%)</b>

Payments of additional contributions for authorised leave and maternity from 2023/24 to 2024/25 have decreased by £0.04m.

	2023/24	2024/25	
<b>3 Employees' Normal Contributions - £000</b>	<b>36,714</b>	<b>38,245</b>	<b>increase of 4%</b>

Auto enrolment continues to encourage contributions to the scheme, and the ability for employees to pay 50% contributions instead of opting-out completely continues to have a positive effect for the year.

	2023/24	2024/25	
<b>4 Transfers In - £000</b>	<b>8,055</b>	<b>10,977</b>	<b>increase of 36%</b>

Increase in the volume of transfers in over the 169 transfers at an average value of £47.7k in 2023/24.

	2023/24	2024/25	
<b>5 Capital Cost of Early Retirements - £000</b>	<b>1,255</b>	<b>2,293</b>	<b>increase of 83%</b>

The number of early retirements has increased compared to the previous year, and the average cost per retirement has increased. The retirements from the Councils processed in the year were as follows;

	Number	Total Cost	Average
Hartlepool Borough Council	1	£55,617	£55,617
Middlesbrough Council	7	£507,899	£72,557
Stockton Borough Council	6	£105,374	£17,562
Redcar & Cleveland Borough Council	8	£546,051	£68,256
<b>Total</b>	<b>22</b>	<b>£1,214,941</b>	<b>£55,225</b>

**6 Benefits - £000**

2023/24	2024/25	
150,993	164,845	increase of 9%

At the year-end there were 28,885 Pensioner Members / Dependents receiving pension benefits, at an average of £5,707 a year (2023/24 27,813 receiving benefits at an average of £5,429 a year). This significant increase is a reflection of the 6.7% increase to pensions paid in April 2024 (in line with high inflation, based on the increase in the Consumer Prices Index at September 2023).

**7 Benefits - Basic Lump Sum - £000**

2023/24	2024/25	
27,950	33,222	increase of 19%

There has been an increase of 19% in the value of Lump Sums paid by the Fund during the year, again mainly a consequence of high inflation.

**8 Individual Transfers to Other Schemes - £000**

2023/24	2024/25	
11,820	16,523	increase of 40%

Transfers out can vary quite markedly year on year depending on both numbers and the type of people transferring. For 2024/25, the individual transfers out was £16,523k (2023/24 £11,820k), an increase from the previous year. In term of numbers, the transfers out for 2024/25 were 261 (2023/24 184).

	Number	Total Cost	Average
2024/25	261	£16,523,297	£63,308
2023/24	184	£11,820,324	£64,241

**9 Administrative Expenses - £000**

2023/24	2024/25	
2,234	1,953	decrease of (13%)

There has been a decrease of 13% in Administration costs in 2023/24.

**10 Investment Management Expenses - £000**

2023/24	2024/25	
9,269	6,062	decrease of (35%)

The decrease in investment management expenses reflects the levelling off of diversification in investments away from more expensive asset classes, such as private equity and infrastructure.

	2023/24	2024/25	
<b>11 Oversight and Governance Costs - £000</b>	<b>623</b>	<b>441</b>	<b>decrease of (29%)</b>

	2023/24	2024/25	
<b>12 Other Expenditure - £000</b>	<b>499</b>	<b>358</b>	<b>decrease of 28%</b>

A decrease in Other Expenditure reflects the decrease in refunds to leaving members.

	2023/24	2024/25	
<b>13 Income from Pooled Investment Vehicles - £000</b>	<b>22,361</b>	<b>52,749</b>	<b>increase of 136%</b>

The long-term goal of the fund following the transfer of equity assets to Border to Coast was to increase the income received into the fund on an annual basis to offset expenditure levels.

	2023/24	2024/25	
<b>14 Rent - £000</b>	<b>27,631</b>	<b>27,840</b>	<b>increase of 1%</b>

	2023/24	2024/25	
<b>15 Interest on cash deposits - £000</b>	<b>10,384</b>	<b>17,788</b>	<b>increase of 71%</b>

The base rate for the year to 31 March 2025 has averaged at 4.83%. This has increased the amount of interest received on cash deposits throughout the year, having spent most of the year at higher rates and an increased cash balance across the period has leant itself to more interest returned.

	2023/24	2024/25	
<b>16 Investments - £000</b>	<b>5,285,962</b>	<b>5,107,228</b>	<b>decrease of (3%)</b>

Investment values for the portfolio showed a 3% decrease in value, down by £179 million for the year. However, this was due to the sale of passive State Street equities of £600m with part of the sale value added to cash.

	2023/24	2024/25	
<b>17 Cash - £000</b>	<b>196,652</b>	<b>461,079</b>	<b>increase of 134%</b>

Cash levels have increased over the year. This is mainly due to the sales of State Street equity funds to help with continued investment into new funds for example Other Debt. Also continued investments in Private Equity and Infrastructure.

## Cashflow Statement

	£000 2023/24	£000 2024/25
<b>Cashflow from Operating Activities</b>		
Cash received for Contributions	114,713	125,523
Cash received for Early Retirements	4,179	783
Cash Received from Transfers In	8,055	10,977
Cash Received from Investments	132,206	94,363
Cash Received from Sales of Investments	27,368	314,687
Cash from Other Income	805	280
<b>Total Cash Received</b>	<b>287,326</b>	<b>546,613</b>
Cash paid for Benefits	182,512	200,488
Cash paid for Transfers Out	12,318	16,881
Cash paid for Management Expenses	17,174	8,937
<b>Total Cash Paid</b>	<b>212,004</b>	<b>226,306</b>
<b>Net Cash Inflow from Operating Activities</b>	<b>75,322</b>	<b>320,307</b>
<b>Application of Cash</b>		
Net Sales / Purchases of Investments	213,188	56,538
Increase in Cash with Custodian	0	0
Increase in Cash on Deposit	(140,910)	262,750
Decrease in Cash at Bank	2,849	2,361
Increase in Other Debtor Balances	385	(1,222)
Increase in Other Creditor Balances	(190)	(120)
	<b>75,322</b>	<b>320,307</b>

## Amounts due to the Fund from Employers

	2023/24 £ ' 000	2024/25 £ ' 000
<b>Current Assets</b>		
Contributions in Respect of Employers	6,823	6,720
Contributions in Respect of Members	3,102	2,965
	<b>9,925</b>	<b>9,685</b>

The Contributions due are in respect of March 2025 and were received in April 2025.

## Payment of Contributions to the Fund

Employers are required to pay employers and employees contributions to the Fund within 19 days of the end of the month to which they relate. The payment of contributions is monitored for timeliness and accuracy of payment.

### Analysis of Contribution rates and amounts received 2024/25

	Body	Employers Rate %	Employees £0	Employers £0
Ad Astra Academy Trust	S	17.50%	-292	-875
All Saints Academy	S	17.50%	-48	-141
Ash Trees Academy	S	17.50%	-71	-212
Aspens - Dales	A	17.50%	-3	-9
Aspens Services Ltd - Green Lane (LLT)	A	17.50%	-5	-3
Atomix Educational Trust	S	17.50%	-178	-504
Badger Hill Academy	S	17.50%	-18	-53
Beamish Museum Ltd	A	15.70%	-181	-436
Beyond Housing	A	23.40%	-407	-1,442
Bikeability – Middlesbrough BC	A	11.50%	-2	-4
Bikeability – Stockton BC	A	13.10%	-1	-2
Billingham Town Council	A	17.70%	-8	-23
Bullough's - Outwood	A	17.50%	-3	-9
Bullough's - Priory Woods	A	11.50%	-4	-9
Bulloughs - 1Excellence	A	17.50%	-20	0
Bulloughs - Outwood Bishopsgarth	A	17.50%	-2	-7
Bulloughs - TVCT	A	17.50%	-2	-7
Bulloughs Cleaning Services	A	17.90%	-3	-11
Bulloughs Cleaning Services - VALT	A	18.90%	-7	-25
Caldicotes Primary Academy	S	17.50%	-11	-36
Care and Custody Health Ltd	A	19.40%	-2	-7
Care Quality Commission	A	17.90%	-748	-1,731
Carmel Education Trust	S	17.50%	-497	-1,498
Catcote Academy	S	17.50%	-177	-527
Caterlink - NPCAT	A	18.90%	-81	-266
Caterlink - Priory Woods - Outwood Ormesby	A	11.50%	-17	-17
Caterlink - St Oswald's	A	27.90%	-4	-18
Caterlink - VALT	A	17.50%	-75	-12
Chartwells - One Excellence	A	18.90%	-6	-22
Churchill's (Outwood Grange)	S	20.60%	0	0
Churchills AET	A	20.60%	-2	-6
Cleaning & Support Services (LLT)	A	15.20%	-8	-18
Cleveland College of Art and Design	S	15.70%	-162	-405
Cleveland Fire Brigade	S	14.20%	-283	-624
Conyers School	S	17.50%	-80	-242
Creative Management Services (Galileo)	A	29.40%	-11	-34
Creative Management Services Ltd	A	16.90%	-2	-9
Dolce LLT	A	17.50%	-10	-35
Dyke House Academy	S	17.50%	-99	-288
Easterside Academy	S	17.50%	-38	-114
Eden Academy Trust Limited	S	17.50%	-95	-284

Egglescliffe Primary School	S	17.50%	-12	-39
Emmanuel Schools Foundation	S	17.50%	-100	-298
Endeavour Academies Trust	S	17.50%	-151	-439
Enquire Learning Trust (Central)	S	17.50%	-136	-275
Extol Academy Trust (Eldon Grove)	S	17.50%	-182	-544
Fabrick Housing Group	A	22.80%	-878	-2,896
Frederick Natrass Primary Academy	S	17.50%	-26	-75
Freebrough Academy	S	17.50%	-62	-185
Future Regeneration of Grangetown	A	32.60%	-3	-11
Galileo Multi Academy Trust	S	17.50%	-232	-681
Grangefield Academy	S	17.50%	-67	-197
Guisborough Town Council	S	17.70%	-5	-23
Hardwick Green Primary Academy	S	17.50%	-35	-76
Harrow Gate Primary Academy	S	17.50%	-46	-138
Hartlepool Borough Council	S	12.90%	-3,997	-8,075
Hartlepool College of Further Education	S	15.70%	-211	-558
Hartlepool Free School	S	17.50%	-5	-16
Hartlepool Sixth Form College	S	15.70%	-29	-79
High Clarence Primary	S	17.50%	-14	-42
Holy Trinity Primary School	S	17.50%	-13	-40
Horizons Specialist Academy Trust	S	17.50%	-358	-1,047
Hutchison Catering - AET	A	38.90%	-10	-96
Hutchison Catering - Extol	A	38.90%	-1	-12
Ingleby Barwick Town Council	A	17.70%	-4	-7
Ingleby Manor Free School & Sixth Form	S	17.50%	-44	-125
Ironstone Academy Trust - Ormesby Primary School	S	17.50%	-11	-35
Ironstone Academy Trust - Zetland Primary School	S	17.50%	-19	-61
Ironstone Central	S	17.50%	-27	-48
ISS Mediclean	A	18.90%	-1	-4
Kader Academy	S	17.50%	-2	-6
KTS Academy	S	17.50%	-118	-368
Legacy Learning Trust	S	17.50%	-352	-1,045
Liberata UK Ltd	A	0.00%	-48	0
Lingfield Academy Trust	S	17.50%	-218	-665
Lockwood Parish Council	S	17.70%	-1	-5
Loftus Town Council	S	17.70%	-8	-17
Manor Community Academy	S	17.50%	-82	-247
Maxim - NPCAT	A	17.50%	-73	-39
Maxim - Steel River	A	17.50%	-14	0
Mbro and Stockton Mind	A	28.70%	-1	-4
Mellors - Steel River	A	17.50%	-46	-14
Mellors - Thornaby Academy	A	18.90%	-16	-2
Mellors Catering Services Ltd (Central)	A	17.90%	-7	-1
Mellors Catering Services Ltd (Normanby)	A	17.90%	0	-10
Mellors Dales	A	18.90%	-3	0

Mellors Ironstone	S	17.90%	-2	-6
Mellors Riverdale	A	18.60%	-1	-2
Mellors Skelton	A	40.60%	-1	24
Melrose Learning Trust	S	17.50%	-86	-250
Middlesbrough College	S	15.70%	-432	-1,041
Middlesbrough Council	AA	12.00%	-5,834	-10,926
Mitie Cleveland Fire	S	25.70%	-1	-7
NEAT Academy Trust	S	17.50%	-64	-185
Nicholas Postgate Catholic Academy Trust	S	17.50%	-827	-2,410
NMRN Trading	A	28.10%	-1	-5
Normanby Primary School	S	17.50%	-32	-97
North East Learning Trust	A	17.50%	-62	-183
North Ormesby Primary Academy	S	17.50%	-20	-60
North Shore Academy	S	17.50%	-62	-182
Northern Lights Learning Trust	S	17.50%	-214	-327
Norton Primary Academy	S	17.50%	-30	-89
Nunthorpe Academy	S	17.50%	-78	-227
Nunthorpe Academy - Areté Learning Trust	S	17.50%	-26	-76
Nunthorpe Primary Academy	S	17.50%	-19	-59
Oak Tree Primary Academy	S	17.50%	-31	-90
Oakdene Primary School	S	17.50%	-20	-61
One IT Services and Solutions Ltd	A	18.70%	-59	-132
One IT Services Ltd - Porter	A	15.90%	-3	-7
ONsite Building Trust	A	28.30%	-2	-10
Our Children 1st Academy Trust	S	17.50%	-51	-152
Outwood Academy Acklam	S	17.50%	-87	-257
Outwood Academy Bishopsgarth	S	17.50%	-68	-201
Outwood Academy Bydales	S	17.50%	-43	-126
Outwood Academy Normanby	S	17.50%	-88	-257
Outwood Academy Ormesby	S	17.50%	-61	-185
Outwood Academy Redcar	S	17.50%	-54	-161
Outwood Riverside	S	17.50%	-53	-160
Overfields Primary School	S	17.50%	-18	-54
Pentland Academy	S	17.50%	-24	-71
Police & Crime Commissioner for Cleveland	S	15.50%	-110	-229
Prince Regent Street Trust	S	17.50%	-127	-384
Pristine Cleaning	A	17.50%	-3	-7
Redcar & Eston CIC	A	17.90%	-19	-52
Redcar and Cleveland Borough Council	S	10.70%	-4,261	-7,111
River Tees Multi Academy Trust	S	17.50%	-121	-341
Riverdale Primary School	S	17.50%	-12	-39
Rose Wood Academy	S	17.50%	-27	-83
Saltburn, Marske & New Marske Parish Council	S	17.70%	-3	-9
Samsic UK - Green Lane (LLT)	A	17.50%	0	-1
Skelton and Brotton Parish Council	A	17.70%	-5	-13

Skelton Primary School	S	17.50%	-33	-93
SLM Charitable Trust (MBC)	A	12.00%	-48	-86
SLM Community Leisure Charitable Trust	A	13.30%	-24	-53
SLM Fitness & Health Ltd (MBC)	A	12.00%	-6	-11
SLM Fitness and Health Ltd	A	13.30%	-3	-7
SLM Food & Beverage Ltd (MBC)	A	12.00%	-1	-3
SLM Food and Beverage Ltd	A	13.30%	-2	-4
South Tees Development Corporation	S	16.30%	-67	-124
St Aidan's Primary School	S	17.50%	-21	-63
St Francis of Assisi	S	17.50%	-25	-74
St Mark's Academy	S	17.50%	-45	-135
St Mary's CE Primary School	S	17.50%	-9	-26
Steel River Academy Trust	S	17.50%	-97	-296
Steria Ltd	A		-22	0
Stockton Borough Council	S	13.60%	-6,491	-13,877
Taking Care	A	12.90%	-7	-13
Tascor Services Ltd - PFI	A	18.00%	-1	-2
Tees Active Limited	A	18.20%	-92	-244
Tees Valley Combined Authority	S	16.60%	-529	-1,249
Tees Valley Education Trust	S	17.50%	-181	-541
Teesside University	S	16.50%	-2,662	-6,524
Teesville Primary School	S	17.50%	-21	-64
The Chief Constable for Cleveland	S	15.50%	-2,195	-5,201
The Education Training Collective	A	15.70%	-537	-1,353
Thornaby Academy NET	S	17.50%	-49	-145
Thornaby C of E Primary	S	17.50%	-25	-76
Thornaby Town council	S	17.70%	-1	-6
Unity City Academy	S	17.50%	-92	-266
Veritau Tees Valley	A	10.70%	-3	-5
Vision Academy Learning Trust	S	17.50%	-479	-1,417
Ward Jackson Church of England Primary Schoo	S	17.50%	-12	-37
Whitecliffe Academy	S	17.50%	-14	-43
XPS Administration Ltd	A	12.00%	-34	-45
Yarm Primary School	S	17.50%	-18	-54
			-38,320	-86,948



## Performance Monitoring

As part of our commitment to continued service improvements we operate a system of performance monitoring. The Pensions Administration system monitors the key procedures that are performed by the administration unit. Each procedure is measured against its target and monitored on a monthly basis.

### Performance

The pension administration unit aim to perform 98.50% of the procedures within each target timescale. The table below highlights the performance of the administration unit against the key procedure targets.

Procedure	Target 2024/25
Processing New Starters	<b>20 days</b> from receipt
Processing Transfer Values (TV's)	<b>10 working days</b> from the date of notification
Refund of Contributions	<b>10 working days</b> from the request date
Estimates of Benefit Entitlements	<b>10 working days</b> from date of request
Pension benefits	<b>10 working days</b> from the receipt of all relevant information
Deferred Benefits	<b>10 working days</b> from notification of leaving

## Actuarial Valuation of the Fund

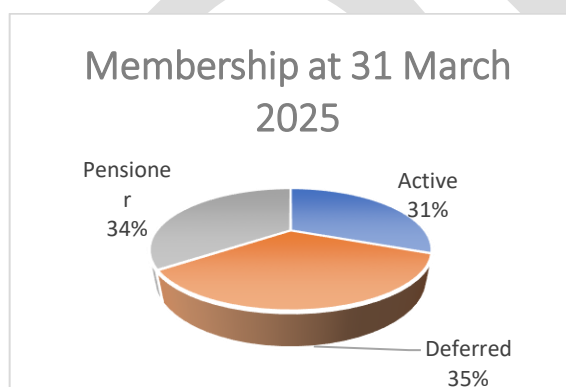
Every three years the Fund is required to appoint a suitably qualified actuary to assess solvency and to measure the level of assets compared to liabilities. This process is known as a valuation and the most recent one, carried out by the actuarial firm Hymans Robertson valued the Fund as at 31 March 2022. The principal conclusions of this valuation were:

- ◆ The ongoing funding level of the Fund on 31 March 2022 was 116% (2019 – 115%).
- ◆ The surplus of assets compared to the past service liabilities was £684 million (2019 – surplus of assets compared to past service liabilities £527 m).
- ◆ The average cost of accruing benefits payable by the employers, including administration expenses and lump sum death in service benefits, is 9.7% of pensionable pay (2019 – 17.2%).
- ◆ Employers will pay revised levels of contributions that will take in to account their specific circumstances and having regard to the principles set out in the funding strategy statement. Some employers will continue to pay lower contributions to take into account distribution of some of the surplus in the Fund identified at the previous valuation. The total aggregate Employer contribution rates to the Fund are anticipated to be 14.4% of Pay (2023/2024), 14.7% of Pay (2024/2025) and 5.3% of Pay (2025/2026).

## Membership

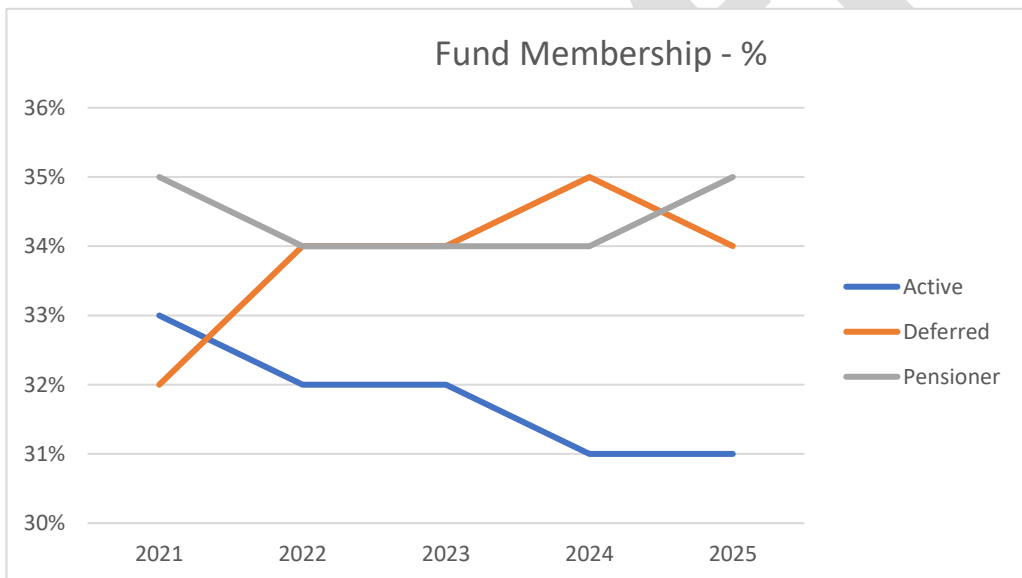
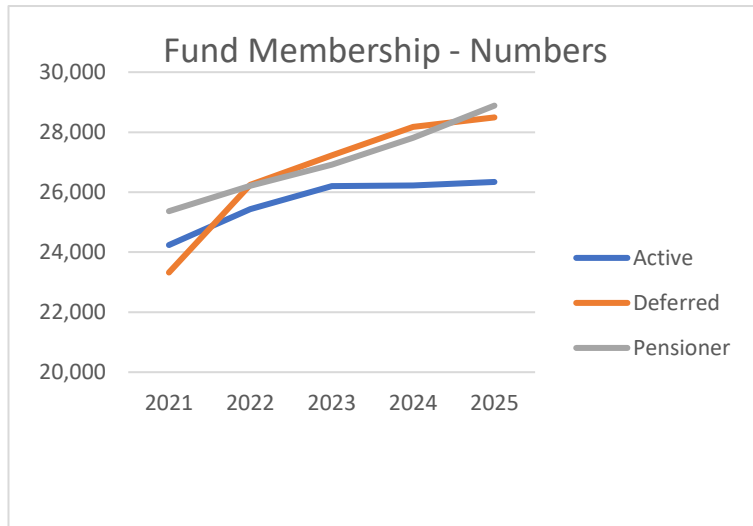
In 2024/25 financial year the total membership of the Fund increased by 1,505 to the current total of 83,718.

The number of pensioners continues to increase but proportionately the Fund membership remains broadly split between the three categories of member.



### Membership Numbers

	2021	2022	2023	2024	2025
Active	24,238	25,434	26,198	26,220	26,341
Deferred	23,322	26,249	27,225	28,180	28,492
Pensioner	25,366	26,212	26,915	27,813	28,885
Total	72,926	77,895	80,338	82,213	83,718



### Summary of Membership Changes

	Active Members	Deferred Members	Pensioners		Total
			Members	Dependants	
At 1 April 2024	26,220	28,180	24,384	3,429	82,213
Adjustments	312	(271)	256	25	322
New Members	2,316	1,523	1,318	223	5,380
Change in Status	(298)	(37)	(48)		(383)
Leavers	(2,209)	(903)	(543)	(159)	(3,814)
<b>At 31 March 2025</b>	<b>26,341</b>	<b>28,492</b>	<b>25,367</b>	<b>3,518</b>	<b>83,718</b>
<b>% of Total at 31 March 2025</b>	<b>31.5%</b>	<b>34.0%</b>	<b>30.3%</b>	<b>4.2%</b>	<b>100.0%</b>

The Fund participates in the annual National Fraud Initiative (NFI), a data matching exercise operated by the Public Sector Fraud Authority that helps prevent and detect fraud. The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

The Fund carries out appropriate and proportionate checks in relation to requests from members to transfer benefits out of the Fund. This includes closely following the available guidance on transfers-out, with the aim of ensuring those progressing a transfer are fully aware of the implications of their decision and have had access to appropriate information and (where necessary) advice.

Draft

## Section 4 - Fund account, net assets statement and notes

### Financial Statements

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4 Notes to the Financial Statements	45-70

## Statement of Responsibilities for the Financial Statements Teesside Pension Fund

### Statement of Responsibilities

#### Middlesbrough Council Responsibilities

The Council is required to:

- Make arrangements for the proper administration of the financial affairs of the Teesside Pension Fund (the Fund) through a Pension Fund Committee;
- Secure that one of its officers has the responsibility for the administration of those affairs, namely the Chief Finance Officer of the Council (Director of Finance and Transformation); and
- Manage the Fund to secure economic, efficient, and effective use of resources and to safeguard its assets and approve the Fund's Statement of Accounts.

#### The Chief Finance Officer's Responsibilities

The Director of Finance and Transformation is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the Accounts and Audit Regulations (England) 2015.

In preparing the Statement of Accounts, the Director of Finance and Transformation has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonably prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

#### Confirmation of the Statement of Accounts

I confirm that the Teesside Pension Fund Draft Statement of Accounts gives a true and fair view of the financial position of the Fund at 31 March 2025 and of its income and expenditure for that year.

**Andrew Humble**

**Director of Finance and Transformation (Section 151 Officer)**

**Middlesbrough Council**

**30 June 2025**

**INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF MIDDLESBROUGH  
COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS**

To follow once the external audit of the Council's accounts is complete for 2024-25.

Draft

## Teesside Pension Fund Statement of Accounts

Fund Accounts for the year ended 31 March 2025

2023/24 £m		Note	2024/25 £m
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(116.328)	Contributions	6	(125.283)
(8.055)	Transfers in from other pension funds	8	(10.977)
(2.060)	Other income	9	(2.573)
<b>(126.443)</b>	<b>Total Income from Members</b>		<b>(138.833)</b>
182.512	Benefits payable	7	200.488
12.318	Payments to and on account of leavers	10	16.881
<b>194.830</b>	<b>Total Expenditure to Members</b>		<b>217.369</b>
<b>68.387</b>	<b>Net / withdrawals from dealings with members</b>		<b>78.536</b>
12.126	Management expenses	11, 20	8.456
<b>80.513</b>	<b>Net withdrawals including fund management expenses</b>		<b>86.992</b>
	<b>Returns on investment</b>		
(70.293)	Investment income	12	(98.377)
(467.735)	Profits and losses on disposal of investments and changes in the market value of investments	13	(75.744)
<b>(538.028)</b>	<b>Net returns on investment</b>		<b>(174.121)</b>
<b>(457.515)</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>(87.129)</b>
(5,032.352)	<b>Net assets of the scheme as at 1 April</b>		<b>(5,489.867)</b>
<b>(5,489.867)</b>	<b>Net assets of the scheme as at 31 March</b>		<b>(5,576.996)</b>
	<b>Net Assets Statement as at 31 March</b>		
5,481.614	Investments Assets	13	5,568.307
16.027	Current Assets	16	16.158
(7.774)	Current liabilities	17	(7.469)
<b>5,489.867</b>	<b>Net assets of the Fund at 31 March</b>		<b>5,576.996</b>



## Note 1 Basis of Preparation

The financial statements are prepared in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting, which states that as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council is established under the Local Government Regulations 2013 as an Administering Authority of the Local Government Pensions Scheme and is therefore a statutory body expected to be a going concern until notification is given that the body will be dissolved, and its functions transferred. The financial statements have been prepared on the assumption that the functions of the Fund will continue in operational existence for the foreseeable future and management is not aware of any material uncertainties in relation to this.

The statement of accounts summarises the Funds' transactions for the 2024/25 financial year and its position at year end as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, which is based upon international Financial Reporting Standards (IFRS), as amended for the UK local government sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits, which fall due after the end of the financial year.

## Note 2 Accounting standards issued but not yet been adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published and will be introduced by the 2025/26 Codes of Practice of Local Authority Accounting in the United Kingdom:

- **IAS 21 *The Effects of Changes in Foreign Exchange Rate (Lack of exchangeability)*** issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- **IFRS 17 *Insurance Contracts*** issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- **IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*** -The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 and IAS 38. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy as confirmed in [paragraph 3.3.1.4](#).

## **Note 3     Summary of Significant Accounting Policies**

### **Accruals**

The accounts have been prepared on an accruals basis, and the accruals threshold set by management is £100,000. The exception to this accruals basis is individual transfer values, which are recognised on a cash transfer basis.

### **Fund Account – Revenue Recognition**

#### **Contributions Income**

Normal contributions, from both the members and the employers, are accounted for on an accruals basis in the payroll period to which they relate. The employers' percentage rate is set by the Actuary, whilst the employees' rate is determined by the Local Government Pension Scheme (LGPS) Regulations.

Employer deficit funding contributions are accounted for on the due dates set by the actuary, or on receipt if earlier.

Employer strain on the fund and any augmentation contributions are accounted for in the period in which the liability arises. Amounts due in the year but still outstanding at the year-end are accrued, according to the accruals threshold.

#### **Transfer Values**

Transfer values represent the sums receivable in respect of members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfer values in and out have been accounted for in the period in which they were paid or received.

Transfers in from members wishing to use the proceeds from their additional voluntary contributions to purchase scheme benefits, are accounted for on a receipts basis within transfers in.

Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

#### **Investment Income**

##### Interest Income

Interest income is recognised in the Fund account on an accruals basis, using the effective interest rate of the financial instrument as at the date of acquisition.

##### Dividend Income

Dividend income is recognised at receipt of funds from the custodian.

##### Distributions from Pooled Investment Vehicles and Pooled Property Investments

Distributions from Pooled Funds are recognised on the date of issue. Any amount not received at the year-end is disclosed in the net assets statement as a current financial asset.

### Property Related Income

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is accounted for on an accruals basis.

### **Interest on Cash Balances**

All surplus cash balances of the Fund are invested externally, interest being credited to the Fund.

### **Fund Account – Expense Items**

#### **Benefits Payable**

Pensions and lump sum benefits payable include all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

#### **Taxation**

The Fund is a registered public service scheme under section 1 (1) of schedule 36 of the Finance Act 2004 and, as such, is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Any withholding tax recovered is credited on receipt.

#### **Management Expenses**

The Code requires that management expenses be categorised into administrative expenses, oversight and governance expenses and investment management expenses. To enhance transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's guidance, "Accounting for Local Government Pension Scheme Management Expenses (2016)".

#### Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. Expenses for actuarial, audit and legal fees are paid directly by the Fund.

#### Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

#### Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fees of external investment managers and the Fund's custodians are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The costs of the Council's in house fund management team are charged direct to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.

## **Property Expenses**

Property expenses have been recorded gross and shown as a deduction from the gross rental income received in determining net rents from properties.

## **Net Assets Statement**

## **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term, 'financial instrument' covers both financial assets and financial liabilities and includes financial assets and liabilities such as trade receivables and trade payables.

### IFRS9 Financial Instruments

Under IFRS9 Financial Instruments, a financial asset or a financial liability shall be recognised in the balance sheet, and only when, the Fund becomes a party to the contractual provisions of the instrument. On initial recognition, the Fund is required to classify financial assets and liabilities into amortised cost, fair value through profit and loss or fair value through other comprehensive income.

- Financial assets at amortised cost are those held to generate cash flows, and the amounts received are solely principal and interest.
- Financial liabilities are classified as amortised cost except in certain circumstances where they are classified as at fair value
- Fair value assets through profit and loss or other comprehensive income, are assets which fail the amortised cost categorisation tests, where they are held for trading purposes and/or the amounts received relate to more than solely principal and interest (e.g. equity instruments).

### IFRS 13 Fair Value Measurement

The standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The Fund currently complies with this standard.

For more information on the classification of funds according to fair value hierarchy, please refer to Note 14

### Foreign Currency Transactions

Foreign currency transactions are translated into sterling at the rate applicable at the date of conversion. Income due at the year-end is translated at the rate applicable as at 31 March 2025.

## Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at 31 March 2025. A financial asset is recognised in the net assets statement on the date the Fund becomes a party to the contractual acquisition of an asset. From this date, any gains and losses arising from changes in the fair value of assets are recognised in the Fund account. Assets with contractual terms that give rise to cash flows on specified dates, consisting solely of payments of principal and interest on the principal amount outstanding, are valued at amortised cost and recognised in the Fund account. The value of investments as shown in the net assets statement have been determined as follows

### Market Quoted Investments

Investments are valued at fair value as at 31 March 2025, as provided by the Fund's custodian. Quoted UK securities are valued at the bid price based on quotations in the Stock Exchange Daily Official List. Overseas quoted securities are, similarly, valued at the bid price from overseas stock exchanges, translated at closing rates of exchange.

### Pooled Investment Vehicles

Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published, otherwise at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income, which is reinvested in the Fund, net of applicable withholding tax.

### Fixed Interest Securities

The value of fixed income investments excludes interest earned but not paid over at the year end.

The interest earned is accrued within the investment income receivable.

### Unquoted Investments

Unlisted securities, including partnerships, are valued regarding latest dealings and other appropriate financial information as provided by their respective managers or those controlling the partnerships.

### Loans

Cash is invested with investment managers for a fixed term at a fixed interest rate. Loan repayment terms are agreed upon at the outset, with repayments including both the initial capital and interest over the agreed fixed term period.

### Freehold and Leasehold Properties

Properties are valued at 31 March 2025. An independent external valuer conducts annual valuations on a fair value basis, in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). These valuations are professional opinions based on stated

assumptions. It is important to note that a valuation is an estimate, not a fact. The degree of subjectivity and certainty involved can vary from case to case.

## **Outstanding Commitments**

The Fund has made commitments to investments, which are not included in the accounts of the Fund until the monies have been drawn down by the relative manager. These are shown in [Note 13](#).

## **Cash and Cash Equivalents**

Cash comprises of cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

## **Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS26 (Accounting and Reporting by Retirement Benefit Plans) and relevant actuarial standards. As permitted under the Code, the Fund has adopted to disclose the actuarial present value of promised retirement benefits by way of a note, refer to [Note 15](#) and 16.

## **Additional Voluntary Contributions**

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed the Prudential Assurance Co Ltd as the current provider. AVCs are paid to the AVC provider by the employers and are specifically for providing additional benefits for the individual contributors. Each AVC contributor receives an annual statement showing the value of their account and any movements in the year. AVCs are not included in the accounts in accordance with Regulation 4 (1) b of the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016 but are disclosed as a note only [\(Note 19\)](#).

## **Value Added Tax**

Expenses and property purchase costs are charged net to the Pension Fund. The VAT is reclaimed via Middlesbrough Council's VAT regime.

## **Note 4 Critical Judgements, Sensitivities and Accounting Estimates**

The Code of Practice on Local Authority Accounting requires disclosure of judgements made by management that affect the application of accounting policies. The Fund can confirm it has made no such critical judgements during 2024/25.

## Note 5 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of the Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends, and other factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Pooled Investment Vehicles	The fair value of these assets is determined using the most recently available valuation reports and financial statements provided by the general partners, adjusted for cash flows between the date of the reports and the accounting date. As these valuations are based on a combination of estimation techniques and unobservable puts, management judgement is therefore required and there is significant estimation uncertainty in the valuations. Consequently, reliance is placed on general partners to perform the valuations and the Fund performs due diligence to maintain confidence in the valuation provided.	Unobservable market values amount to £1,415m and are relating to infrastructure, real estate, and pooled equity vehicles. The effect in of variations in the factors supporting the valuation would be an increase or decrease 7.20% in the value of unobservable market values of £101.900m.
Freehold and leasehold property	The Fund uses independent external valuers (Cushman and Wakefield) to value freehold and leasehold properties. Valuations are based on market yields, calculated by Cushman and Wakefield, which are informed by a combination of expertise and market awareness on behalf of the valuer. The valuations are therefore subject to estimation uncertainty due to the judgements involved. Consequently, reliance is placed on the surveyor's report provided by Cushman and Wakefield and the Fund due diligence to maintain confidence in the valuation provided.	The effect of variations in the factors supporting the valuation would be an increase or decrease 17.4% in the value of directly held property £91.300m, on a fair basis of £524.700m.

## Note 6 Contributions

Contributions from both members and employers are accounted for on an accrual basis in the payroll period. The employers' percentage rate is set by the actuary, whilst the employees' rate is determined by the Local Government Pension Scheme (LGPS) Regulations.

2023/24 £m		2024/25 £m
	<b>Employers</b>	
(79.548)	Normal	(87.011)
(0.016)	Additional Contributions	(0.015)
(0.050)	Deficit Recovery Contributions	(0.012)
	<b>Members</b>	
(36.714)	Normal	(38.245)
<b>(116.328)</b>	<b>Total</b>	<b>(125.283)</b>

### Analysis of Total Contributions

2023/24 £m		2024/25 £m
(15.676)	Administering Authority – Middlesbrough Council	(16.760)
(87.999)	Scheduled Bodies	(95.393)
(12.653)	Admitted Bodies	(13.130)
<b>(116.328)</b>	<b>Total</b>	<b>(125.283)</b>

## Note 7 Benefits Payable

Pensions/lump sum benefits payable include all amounts known to be due at the end of the financial year.

2023/24 £m		2024/25 £m
150.993	Pensions	164.845
27.950	Commutations and lump sum retirement benefits	33.222
3.569	Lump sum death benefits	2.421
<b>182.512</b>	<b>Total</b>	<b>200.488</b>

### Analysis of Total Benefits

2023/24 £m		2024/25 £m
29.051	Administering Authority – Middlesbrough Council	32.197
113.846	Scheduled Bodies	123.675
39.615	Admitted Bodies	44.616
<b>182.512</b>	<b>Total</b>	<b>200.488</b>



## Note 8 Transfers in from Other Pension Funds

Transfer values represent the sums receivable in respect of members who have joined the Fund during the financial year.

2023/24 £m		2024/25 £m
(8.055)	Individual transfers in from other schemes	(10.977)
<b>(8.055)</b>	<b>Total</b>	<b>(10.977)</b>

## Note 9 Other Income

2023/24 £m		2024/25 £m
(1.255)	Capital Costs of Early Retirements	(2.293)
(0.805)	Other income	(0.280)
<b>(2.060)</b>	<b>Total</b>	<b>(2.573)</b>

## Note 10 Payments to and on account of leavers

2023/24 £m		2024/25 £m
0.259	Refunds to members leaving scheme	0.234
0.239	Payments for members joining state scheme	0.124
11.820	Individual transfers to other schemes	16.523
<b>12.318</b>	<b>Total</b>	<b>16.881</b>

## Note 11 Management Expenses

The Fund discloses its pension fund management expenses in accordance with CIPFA's guidance 'Accounting for Local Government Pension Scheme Management Expenses (2016)'. This includes administrative expenses, investment management expenses and oversight and governance costs.

This note does not cover all expenses that have been incurred by individual funds as these are covered within the movement of funds.

2023/24 £m		2024/25 £m
2.234	Administrative costs	1.953
9.269	Investment management expenses	6.062
0.623	Oversight and governance costs	0.441
<b>12.126</b>	<b>Total</b>	<b>8.456</b>

All investment management expenses are accounted for on an accruals basis. Fees of external managers and custodian are agreed in respective mandates governing their appointments.

2023/24 £m		2024/25 £m
8.671	Management fees	5.267
0.019	Custody fees	0.025
0.579	Loans & investment support service charges	0.770
<b>9.269</b>	<b>Total</b>	<b>6.062</b>

## Note 12 Investment Income

Investment income has been recognised as due on the ex-dividend date and is credited to the fund on the date of dividend.

2023/24 £m		2024/25 £m
(32.278)	Income from pooled investment vehicles	(52.749)
(27.631)	Net rents from properties (see note below)	(27.840)
(10.384)	Interest on cash deposits	(17.788)
<b>(70.293)</b>	<b>Total</b>	<b>(98.377)</b>

## Rental Income and Property Expenses

2023/24 £m		2024/25 £m
(30.641)	Gross Rental income	(28.825)
3.010	Property Expense / (Income)	0.985
<b>(27.631)</b>	<b>Net Rents from Properties</b>	<b>(27.840)</b>

## Note 13 Investment Assets

The Pension Fund invest in several types of assets to maximise the return on the investment for the Fund.

2024/25	Value at 1 April 2024	Reclassified Assets	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2025
	£m	£m	£m	£m	£m	£m
Equities	2.013	-	0.142	(0.569)	0.958	2.544
Pooled Investment Vehicles	4,678.596	(49.827)	619.885	(959.406)	79.979	4,369.227
Pooled Property Investments	59.518	49.827	0.014	(12.271)	(1.310)	95.778
Properties	484.300	-	40.254	-	0.171	524.725
Loans	49.535	-	43.139	(1.466)	0.300	91.508
Directly Held – Private Equity	12.000	-	15.800	-	(4.354)	23.446
	<b>5,285.962</b>	<b>-</b>	<b>719.234</b>	<b>(973.712)</b>	<b>75.744</b>	<b>5,107.228</b>
Cash Deposits	193.440					456.190
Other Investment Balances	2.212					4.889
<b>Net Investment assets</b>	<b>5,481.614</b>					<b>5,568.307</b>

2023/24	Value at 1 April 2023	Reclassified Assets	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2024
	£m	£m	£m	£m	£m	£m
Equities	2.119	-	-	-	(0.106)	2.013
Pooled Investment Vehicles	4,187.376	-	338.170	(329.918)	482.968	4,678.596
Pooled Property Investments	65.438	-	1.149	-	(7.069)	59.518
Properties	403.615	-	86.858	(0.002)	(6.171)	484.300
Loans	24.534	-	25.746	(0.746)	0.001	49.535
Directly Held – Private Equity	9.924	-	3.964	-	(1.888)	12.000
	<b>4,693.006</b>	<b>-</b>	<b>455.887</b>	<b>(330.666)</b>	<b>467.735</b>	<b>5,285.962</b>
Cash Deposits	334.350					193.440
Other Investment Balances	3.226					2.212
<b>Net Investment assets</b>	<b>5,030.582</b>					<b>5,481.614</b>

### Change in Market Value

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Realised profit was £314,687m and unrealised loss was £238.943m. Prior year realised profit was £27.368m and unrealised gain was £0.489m.

### Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs for 2024-25 are £1.956m. (2023-24 £3.988m).

## Investments Analysed by Fund Manager

The funds equities are mainly managed externally by Border to Coast. Private equities, infrastructure, other alternatives, and other debt are all managed in-house with the only exception being the direct property portfolio managed by CBRE Limited.

- for 2024-25 the value at 31 March 2025 of the direct property portfolio was: £524.724m.
  - for 2023-24 the value at 31 March 2024 of the direct property portfolio was: £484.300m.
- The remainder of the Fund is all managed in-house.

The following investments represent more than 5% of the net assets of the scheme.

Market Value 31 March 2024 £m	% of net assets of the scheme	Security	Market Value 31 March 2025 £m	% of net assets of the scheme
1,833.038	33.15%	Border to Coast PE Overseas Dev Mkts	2,086.661	37.51%
612.789	11.08%	Border to Coast PE UK Listed Equity	609.891	10.96%
336.531	6.09%	SSGA MPF Pacific Basin Ex-Japan Index	-	0.00%

In addition, the following investments represent more than 5% of any class or type of security. The asset classes used for this note are not the CIPFA classifications, but those represented in the Fund's valuation by its Custodian and reported to the Teesside Pension Fund and Investment Panel.

## Pooled Investment Vehicles and Properties

31 March 2024 £m		31 March 2025 £m
612.789	UK Equity	609.891
59.518	Pooled Property investment Vehicle	95.778
555.182	Private Equity	672.994
531.706	Infrastructure	688.215
194.369	Other Alternative Investments	-
68.169	Other Debt	83.312
<b>2,021.733</b>	<b>UK Unit and Investment Trusts Total</b>	<b>2,150.190</b>
2,716.381	Overseas Equities	2,314.815
<b>2,716.381</b>	<b>Overseas Unit and Investment Trusts Total</b>	<b>2,314.815</b>
<b>4,738.114</b>	<b>Total</b>	<b>4,465.005</b>

## UK Properties

31 March 2024 £m		31 March 2025 £m
347.275	Freehold	388.325
137.025	Leasehold	136.400
<b>484.300</b>	<b>Total</b>	<b>524.725</b>

The properties were valued at Fair Value as of 31 March 2025 by Cushman and Wakefield LLP, acting as an External Valuer. The valuer's opinion on the Fair Value of the Fund's interests in the properties has been reported in accordance with VPS4 item 7 of the RICS Red Book. According to these provisions, "Fair Value" is defined by the International Accounting Standards Board

(IASB) in IFRS 13, as "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

## Outstanding Commitments

As at 31 March 2025, the Fund had the following outstanding commitments.

	Initial Commitment	Capital Payments made	Outstanding commitments at 31 March 2025
<b>Private Equity</b>			
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Border to Coast Private Equity Series 1A	100.000	67.639	32.361
Border to Coast Private Equity Series 1B	50.000	34.856	15.144
Border to Coast Private Equity Series 1C	50.000	42.077	7.923
Border to Coast Private Equity Series 2A	100.000	37.736	62.264
Border to Coast Private Equity Series 2B	100.000	20.839	79.161
Capital Dynamics LGPS Collective for Pools 18/19	10.000	8.068	1.932
Foresight Regional Investments IV	5.000	1.609	3.391
Hermes Innovation Fund	20.000	15.743	4.257
<b>Total GBP</b>	<b>435.000</b>	<b>228.567</b>	<b>206.433</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Access Capital Fund VIII Growth Buy-Out Europe	30.000	19.344	10.656
Access Capital Co-Investment Fund Buy-Out Europe II	25.000	14.017	10.983
Capital Dynamics Mid-Market Direct V	20.000	16.568	3.432
Crown Growth Global Opportunities III	30.000	25.097	4.903
Unigestion Direct II	25.000	22.420	2.580
Unigestion Secondary V	50.000	25.000	25.000
Unigestion Direct III	37.500	16.560	20.940
<b>Total EUR</b>	<b>217.500</b>	<b>139.006</b>	<b>78.494</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Blackrock Private Opportunities Fund IV	25.000	19.454	5.546
Capital Dynamics Global Secondaries V	22.000	13.825	8.175
Crown Co-Investment Opportunities II	30.000	9.633	20.367
Crown Co-Investment Opportunities III	30.000	22.380	7.620
Crown Global Opportunities VII	40.000	22.474	17.526
Crown Secondaries Special Opportunities II	25.000	18.458	6.542
Pantheon Global Co Investment Opportunities IV	30.000	21.005	8.995
<b>Total USD</b>	<b>202.000</b>	<b>127.229</b>	<b>74.771</b>
<b>Infrastructure</b>			
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Border to Coast Infrastructure Series 1A	100.000	70.210	29.790
Border to Coast Infrastructure Series 1B	50.000	36.582	13.418
Border to Coast Infrastructure Series 1C	50.000	40.420	9.580
Border to Coast Infrastructure Series 2A	150.000	79.279	70.721
Border to Coast Infrastructure Series 2B	150.000	42.866	107.134
Border to Coast Climate Opportunities Series 2A	80.000	36.024	43.976
Capital Dynamics Clean Energy Infrastructure UK	20.000	5.110	14.890

Capital Dynamics Clean Energy Infrastructure Fund VIII	20.000	18.734	1.266
Capital Dynamics Clean Energy Infrastructure Fund VIII - Co Investment	10.000	9.367	0.633
Gresham House, British Strategic Investment Infrastructure Fund	20.000	17.533	2.467
Gresham House, British Strategic Investment Infrastructure Fund II	25.000	24.740	0.260
Innisfree PFI Continuation Fund	10.000	9.708	0.292
Innisfree PFI Secondary Fund 2	10.000	8.353	1.647
<b>Total GBP</b>	<b>695.000</b>	<b>398.926</b>	<b>296.074</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Access Capital Infrastructure Fund	23.000	13.381	9.619
Access Capital Infrastructure Fund II	20.000	15.729	4.271
Access Capital Infrastructure Fund II (Fund 2)	15.000	11.836	3.164
Ancala Infrastructure Fund II	23.000	17.978	5.022
Foresight Energy Infrastructure	17.000	15.853	1.147
<b>Total EUR</b>	<b>98.000</b>	<b>74.777</b>	<b>23.223</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Blackrock Global Energy & Power Infrastructure Fund III	25.000	16.888	8.112
Blackrock Global Renewable Power III	25.000	21.124	3.876
<b>Total USD</b>	<b>50.000</b>	<b>38.012</b>	<b>11.988</b>
<b>Property Funds</b>			
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
Bridges Evergreen TPF Housing Co-Investment LP	5.000	0.807	4.193
Gresham House BSI Housing LP	20.000	19.546	0.454
<b>Total GBP</b>	<b>25.000</b>	<b>20.353</b>	<b>4.647</b>
<b>Other Debt</b>			
	<b>GBP</b>	<b>GBP</b>	<b>GBP</b>
St Arthur Homes	27.500	17.388	10.112
<b>Total GBP</b>	<b>27.500</b>	<b>17.388</b>	<b>10.112</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
La Salle Real Estate Debt Strategies IV	25.000	20.148	4.852
<b>Total EUR</b>	<b>25.000</b>	<b>20.148</b>	<b>4.852</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>
Pantheon Senior Debt Secondaries II	25.000	18.916	6.084
<b>Total USD</b>	<b>25.000</b>	<b>18.916</b>	<b>6.084</b>

## Note 14 Financial Instruments

### Net Gains and Losses on Financial Instruments

2023/24		2024/25
£m	Financial Assets	£m
(467.735)	Fair Value through profit and loss account	(75.744)

### Fair Value of Financial Instruments

Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost		Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
31 March 2024				31 March 2025		
£m	£m	£m	Financial Assets	£m	£m	£m
2.013	-	-	Equities	2.544	-	-
4,678.596	-	-	Pooled Investments	4,369.227	-	-
59.518	-	-	Pooled Property Investments	95.777	-	-
-	49.535	-	Loans	-	91.508	-
12.000	-	-	Directly Held - Private Equity	23.446	-	-
-	193.440	-	Cash	-	456.190	-
	2.212		Other investment balances		4.889	
	16.027		Sundry debtors and prepayments		16.144	
<b>4,752.127</b>	<b>261.214</b>	-	-	<b>4,490.994</b>	<b>568.731</b>	-
			<b>Financial Liabilities</b>			
-	-	(7.774)	Sundry creditors	-	-	(7.469)
-	-	<b>(7.774)</b>		-	-	<b>(7.469)</b>
<b>4,752.127</b>	<b>261.214</b>	<b>(7.774)</b>	<b>Net Financial Assets</b>	<b>4,490.994</b>	<b>568.731</b>	<b>(7.469)</b>

## Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

### Level 1

Financial instruments at Level 1 are those where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

### Level 2

Financial instruments at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value based on observable data.

### Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Teesside Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken as at 31 March annually. Cash flow adjustments can be used where valuations at 31 March could not be obtained.

Teesside Pension Fund has no investments in hedge funds.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

## Valuation of Financial Instruments

Value as at 31 March 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit and loss account	6.406	2,924.706	1,559.882	4,490.994
Financial Assets at amortised cost	568.731	-	-	568.731
Financial Liabilities at amortised cost	(7.469)	-	-	(7.469)
<b>Total Financial Assets</b>	<b>567.668</b>	<b>2,924.706</b>	<b>1,559.882</b>	<b>5,052.256</b>

Value as at 31 March 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit and loss account	9.038	3,329.170	1,413.919	4,752.127
Loans and Receivables	261.214	-	-	261.214
Financial Liabilities at amortised cost	(7.774)	-	-	(7.774)
<b>Total Financial Assets</b>	<b>262.478</b>	<b>3,329.170</b>	<b>1,413.919</b>	<b>5,005.567</b>



### Sensitivity of Assets at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation classification described above are likely to be accurate to within, the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025.

### Valuation of Financial Instruments carried at fair value – 31 March 2025

	Assessed valuation range (+/-)	Value as at 31 March 2025 £m	Value on increase £m	Value on decrease £m
Pooled Investments - Private Equity	7.20%	672.995	721.451	624.539
Directly Held – Private Equity	7.20%	23.446	25.134	21.758
Pooled Investments - Infrastructure	7.20%	688.215	737.766	638.664
Pooled Investments - Other Debt	7.20%	83.312	89.310	77.314
Pooled Investments - Property	17.40%	91.914	107.907	75.921
<b>Total</b>		<b>1,559.882</b>	<b>1,681.568</b>	<b>1,438.196</b>

### Valuation of Financial Instruments carried at fair value – 31 March 2024

	Assessed valuation range (+/-)	Value as at 31 March 2024 £m	Value on increase £m	Value on decrease £m
Pooled Investments - Private Equity	11.40%	555.182	618.473	491.891
Directly Held - Private Equity	11.40%	12.000	13.368	10.632
Pooled Investments - Infrastructure	11.40%	531.706	592.320	471.092
Pooled Investments - Other Alternatives	11.40%	194.369	216.257	172.211
Pooled Investments - Other Debt	11.40%	68.169	75.940	60.398
Pooled Investments - Property	18.30%	52.493	62.099	42.887
<b>Total</b>		<b>1,413.919</b>	<b>1,578.457</b>	<b>1,249.111</b>

### Reconciliation of Fair Value Measurements within level 3 during 2024-25

	Market Value as at 1 April 2024 £m	Transfer between asset categories £m	Purchases £m	Sales £m	Unrealised Gains/ Losses £m	Realised Gains/ Losses £m	Market Value as at 1 April 2025 £m
Pooled Investments – Private Equity	555.182	62.400	94.779	(44.280)	4.913	-	672.994
Directly Held - Private Equity	12.000	-	15.800	0.000	(4.354)	-	23.446
Pooled Investments – Infrastructure	531.706	73.480	120.323	(32.507)	(4.787)	-	688.215
Pooled Investments – Other Alternatives	194.369	-194.369	-	0.000	0.000	-	-
Pooled Investments - Other Debt	68.169	10.678	7.588	(2.861)	(.262)	-	83.312
Pooled Investments – Property	52.493	47.811	2.329	(2.724)	(14.248)	6.254	91.915
<b>Total</b>	<b>1,413.919</b>	<b>-</b>	<b>240.819</b>	<b>(82.372)</b>	<b>(18.738)</b>	<b>6.254</b>	<b>1,559.882</b>

## Reconciliation of Fair Value Measurements within level 3 during 2023-24

	Market Value as at 1 April 2023 £m	Purchases £m	Sales £m	Unrealised Gains/ Losses £m	Realised Gains/ Losses £m	Market Value as at 1 April 2024 £m
Pooled Investments – Private Equity	442.431	104.942	(24.495)	32.304	-	555.182
Directly Held - Private Equity	9.924	3.964	-	(1.888)	-	12.000
Pooled Investments – Infrastructure	402.107	122.550	(16.592)	23.641	-	531.706
Pooled Investments – Other Alternatives	179.599	38.368	(3.628)	(19.970)	-	194.369
Pooled Investments - Other Debt	67.023	3.448	(0.022)	(2.280)	-	68.169
Pooled Investments – Property	58.095	1.149	-	(6.751)	-	52.493
<b>Total</b>	<b>1,159.179</b>	<b>274.421</b>	<b>(44.737)</b>	<b>25.056</b>	<b>-</b>	<b>1,413.919</b>

## Nature and Extent of Exposure to Risk Arising from Financial Instruments

### Risk and Risk Management

The Fund's primary long-term risk is that its assets may fall short of its liabilities which includes promised benefits payable to members. Consequently, the aim of investment risk management is to minimise the risk of an overall reduction in the Fund's value while maximising the opportunity for gains across the entire portfolio. The Fund achieves this through asset diversification, which reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. Additionally, the Fund manages its liquidity risk to ensure sufficient liquidity to meet forecasted cash flows

### Market Risk

Market risk refers to the potential for loss due to fluctuations in equity and commodity prices, interest rates foreign exchange rates and credit spreads. The Fund is exposed to market risk through its investment activities, particularly its equity holdings. The level of risk exposure is influenced by market conditions, expectations of future price and yield movements, and the asset mix.

The Fund identifies, manages, and controls market risk exposure within acceptable parameters while optimising the return on risk.

Excessive volatility in market risk is generally managed through portfolio diversification across geographical regions, industry sectors, and individual securities. To mitigate market risk, the Fund and its investment advisors conduct appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

1. The actuarial valuation of the Fund which is carried out every three years and resets the employer contribution rates.
2. The asset liability study which is carried out every three years or more frequently if required considers alternative asset allocations for the Fund and the long-term impact on employer contribution rates.
3. Quarterly monitoring of the performance of the Fund against selected benchmarks, and annual performance reports to the Pension Fund Committee.

## Other Price Risk

Other price risk refers to the risk that the value of a financial instrument will fluctuate because of changes in the market prices, excluding those arising from interest rate risk or foreign exchange risk. These fluctuations can be caused by factors specific to the individual instrument or its issuer, or by broader market factors affecting all such instruments

The Fund is exposed to share price risk, which arises from investments held by the Fund with uncertain future prices. All securities investments carry a risk of capital loss, with the maximum risk determined by the fair value of the financial instrument

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Council to ensure compliance with the limits specified in the Fund Strategy Statement and the Investment Strategy Statement.

## Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year and in consultation with Portfolio Evaluation Ltd, the Fund has determined that the following movements in market price risk are reasonably possible for the 2024-25 reporting period.

2024/25 Price Risk		Value as at 31 March 2025	Change	Value on Increase	Value on Decrease
Asset Type	Region	£m	%	£m	£m
Equities	UK	2.536	10.90%	2.812	2.260
	Non-UK	0.008	10.90%	0.009	0.007
	<b>Total</b>	<b>2.544</b>		<b>2.821</b>	<b>2.267</b>
Managed and Unitised Funds	UK Equities	609.891	10.90%	676.369	543.413
	UK Alternatives	428.598	7.20%	459.457	397.739
	Non-UK Equities	2,314.815	10.90%	2,567.130	2,062.500
	Non-UK Alternatives	1,107.432	7.20%	1,187.167	1,027.697
Directly Held - Private Equity	UK	<b>23.446</b>	<b>0</b>	<b>25.134</b>	<b>21.758</b>
<b>Total</b>		<b>4,486.726</b>	<b>0</b>	<b>4,918.078</b>	<b>4,055.374</b>

2023/24 Price Risk		Value as at 31 March 2024	Change	Value on Increase	Value on Decrease
Asset Type	Region	£m	%	£m	£m
Equities	UK	2.005	10.50%	2.216	1.794
	Non-UK	0.008	11.00%	0.009	0.007
	<b>Total</b>	<b>2.013</b>		<b>2.225</b>	<b>1.801</b>
Managed and Unitised Funds	UK Equities	612.789	10.50%	677.131	548.446
	Uk Alternatives	421.361	11.40%	469.396	373.326
	Non-UK Equities	2,716.383	11.00%	3,015.185	2,417.581
	Non-UK Alternatives	987.582	11.40%	1,100.166	874.997
Directly Held - Private Equity	UK	<b>12.000</b>	<b>0</b>	<b>13.368</b>	<b>10.632</b>
<b>Total</b>		<b>4,752.128</b>		<b>5,277.471</b>	<b>4,226.783</b>

## Interest Rate Risk

Interest rate risk is the risk to which the Fund is exposed to changes in interest rates and relates to its holdings in cash. The Fund's direct exposure to interest rate movements as at 31 March 2024 and 31 March 2025 is set out below:

2023/24 £m	Asset Type at 31 March	2024/25 £m
193.440	Cash and cash equivalents	456.190
2.212	Other Investment balances	4.889
<b>195.652</b>	<b>Total</b>	<b>461.079</b>

## Sensitivity Analysis

The Fund recognises that fluctuations in interest rates can impact both its income and the value of the net assets available to pay benefits. The following analysis assumes that all other variables, particularly exchange rates, remain constant. It illustrates the effect of a +/- 75 basis points (BPS) change in interest rates on the net assets available to pay benefits in the year.

Asset Type		+ 75 BPS	- 75 BPS
Carrying value at 31 March 2025	£m	£m	£m
Cash and cash equivalents	456.190	3.421	(3.421)
Other Investment balances	4.889	0.037	(0.037)
<b>Total</b>	<b>461.079</b>	<b>3.458</b>	<b>(3.458)</b>

Asset Type		+ 100 BPS	- 100 BPS
Carrying value at 31 March 2024	£m	£m	£m
Cash and cash equivalents	193.440	1.934	(1.934)
Other Investment balances	2.212	0.022	(0.022)
<b>Total</b>	<b>195.652</b>	<b>1.956</b>	<b>(1.956)</b>

## Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund's currency rate risk is considered by the Fund's Investment Advisors and Investment Managers. The Pension Fund Committee is informed quarterly of the Fund's currency exposure.

The following tables summarise the Fund's currency exposure as at 31 March 2024 and as at 31 March 2025, showing the sensitivity analysis of foreign exchange movements.

Currency Risk 31 March 2025	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Australian Dollar	0.008	6.50%	0.009	0.007
Euro	262.244	6.90%	280.339	244.149
US Dollar	327.180	9.20%	357.281	297.079
<b>Total</b>	<b>589.432</b>		<b>637.629</b>	<b>541.235</b>

Currency Risk 31 March 2024	Value £m	Change %	Value on Increase £m	Value on Decrease £m
Australian Dollar	0.008	6.50%	0.009	0.007
Euro	249.087	4.40%	260.047	238.127
US Dollar	328.854	7.90%	354.833	302.875
<b>Total</b>	<b>577.949</b>		<b>614.889</b>	<b>541.009</b>

Based on an analysis of historical data conducted in consultation with Portfolio Evaluation Ltd, the Fund has assessed the likely volatility associated with foreign exchange rate movements. A percentage strengthening or weakening of the pound against the various currencies in which the Fund holds investments would correspondingly decrease or increase the net assets available to pay benefits as illustrated above

### Expected Credit Loss Allowance

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The Fund is exposed to credit risk on its investment portfolio, including its cash deposits, and on the contribution's receivable from the Fund's participating employers.

The market values on investments typically reflect an assessment of credit risk in their pricing, implicitly accounting for the risk of loss in the fair value of the Fund's investments. Credit risk on cash deposits is managed by Middlesbrough Council's in-house Treasury Management Team, in accordance with the Council's Treasury Management Policy. This policy is described in detail in Middlesbrough Council's Annual Report.

Credit risk on receivables from employers is minimised through regular monitoring of monthly payments from employees. As of 31 March 2025, there is no provision for doubtful debts against the amounts due from employers. The LGPS Regulations require that a risk assessment be conducted of any new transferee admission body, and that a bond or guarantee is obtained where necessary

The Teesside Pension Fund Committee must approve the admission of any new body. Bonds or guarantees have been obtained for the Fund's admission body employers, where possible. The Fund is potentially exposed to credit risk from certain scheduled employers that have neither tax-raising powers nor a guarantee from central government.

### Collateral and other Credit Enhancement

The pension fund does not use collateral and other credit enhancement.

### Liquidity Risk

Liquidity risk is the risk that the Fund will be unable to meet its financial obligations as they fall due. To manage this risk, the Fund holds in-house cash resources to meet the day-to-day needs and to pay pensions. If there is insufficient cash available to meet immediate needs, there are sufficient other assets available which can be liquidated at short notice and at minimal cost. Apart from investments in private equity, infrastructure partnerships and other alternatives, there are no commitments to contribute further capital to existing fund investments. When capital calls for private equity, infrastructure partnership and other alternatives are received, payments are made from cash or, if necessary, by liquidating other assets.

## Note 15 Actuarial Valuations

Contributions are paid to the Fund by the employers to provide for the benefits which will become payable to Scheme members when they fall due. The funding objectives are to meet the cost of

Scheme members' benefits whilst they are working and to build up assets to provide adequate security for the benefits as they accrue.

To assess that the funding objectives are being met the Fund is required to carry out an Actuarial Valuation every 3 years, The Triennial Valuation. Typically, each final triennial valuation report is published around a year after the effective date. An Actuarial Valuation was carried out as at 31 March 2022 using the 'Projected Unit Method' which produced the following results;

	2019 Valuation £m	2022 Valuation £m
Net Liabilities	3.561	4.351
Assets	4.088	5.036
<b>Surplus</b>	<b>0.527</b>	<b>0.685</b>
Funding Level	115%	116%

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2025 were:

### Funding Assumptions

	2019 Valuation	2022 Valuation
Pension Increase Rate (CPI %)	2.10%	2.70%
Salary Increase Rate (%)	3.10%	3.70%
Discount Rate (%)	4.45%	4.25%

### The assumed life expectancy from age 65 (years) assumptions

Mortality Assumptions (Years)	2019 Valuation	2022 Valuation
Longevity at 65 for current pensioners:		
• Men	21.8	20.9
• Women	23.4	23.9
Longevity at 65 for future pensioners:		
• Men	23.1	21.9
• Women	25.2	25.5

The next triennial valuation is due as at 31 March 2025 and any change in employers' contribution rates because of that valuation will take effect from 1 April 2026.

## Note 16 Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits at 31 March 2025 was £3.983bn (31 March 2024 £4.554bn). The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022, but taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and uses different assumptions to those used for a triennial funding valuation. The net assets of the Scheme available to pay benefits at 31 March 2025 was £5.577bn (31 March 2024 £5.490bn). The fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

	31 March 2024	31 March 2025
Pensions Increase rate (CPI %)	2.75%	2.75%
Salary Increase Rate (%)	3.75%	3.75%
Discount Rate (%)	4.85%	5.80%

### Virgin Media Limited v NTL Pension Trustees II Limited

In June 2023 the High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that amendments to certain defined benefit pension schemes were void if they were not accompanied by section 37 actuarial certificates. The Court of Appeal rejected an appeal of this decision in July 2024. The Local Government Pension Scheme is affected by this ruling.

The Government Actuary's Department is the actuary for the Local Government Pension Scheme and has so far failed to evidence that section 37 certificates are in place for all amendments. Work is ongoing to discover whether the evidence exists. Until this work is complete, it is not possible to conclude whether there is any impact on the value of retirement benefits under IAS26 or if it can be reliably estimated.

Although this is the current position in law, the Government is being lobbied to make a change to the regulations which would retrospectively validate amendments which would otherwise be void because of a failure to have obtained section 37 certificates. The Government has an existing power to make the necessary regulations but not yet said whether it will do anything. There is also the possibility that Virgin Media could seek permission to appeal to the Supreme Court.

Developments are being monitored. In the current circumstances, it is not considered necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the value of retirement benefits in the financial statements.

## Note 17 Current Assets

Current assets are cash and any other asset that will be turning into cash within one financial year.

31 March 2024 £m	Debtors	31 March 2025 £m
1.105	Other Debtors	2.615
1.530	Sundry Debtors	2.752
-	Contributions due in respect of:	



6.823	Employers	6.720
3.102	Members	2.965
3.467	Cash balances	1.106
<b>16.027</b>	<b>Total</b>	<b>16.158</b>

31 March 2024 £m	Analysis of Debtors	31 March 2025 £m
4.718	Other local authorities	5.095
7.842	Other entities and individuals	9.957
3.467	Add cash balances	1.106
<b>16.027</b>	<b>Total</b>	<b>16.158</b>

## Note 18 Current Liabilities

Current Liabilities are the amounts owing within the next financial year.

31 March 2024 £m	Amounts due within one year	31 March 2025 £m
(2.859)	Rents received in advance	(2.915)
(3.210)	Accrued expenses	(2.729)
(1.705)	Other payables	(1.825)
<b>(7.774)</b>	<b>Total</b>	<b>(7.469)</b>

31 March 2024 £m	Analysed by	31 March 2025 £m
(1.136)	Other local authorities	(1.001)
(0.020)	Public Corp & Trading Funds	-
(6.618)	Other entities and individuals	(6.468)
<b>(7.774)</b>	<b>Total</b>	<b>(7.469)</b>

## Note 19 Additional Voluntary Contributions (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested with the Fund's nominated AVC providers, the Prudential Assurance Co Ltd. These contributions are not part of the Pension Fund and are not reflected in the Fund's accounts in accordance with regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The value of AVC investments are as follows:



## Prudential AVC balances

2023/24 £m	Prudential AVC balances	2024/25 £m
5.504	With Profits and Deposit Accounts	7.041
5.171	Unit Linked Accounts	6.443
<b>10.675</b>	<b>Total</b>	<b>13.484</b>

## Note 20 Related Party Transactions

In accordance with International Accounting Standard (IAS) 24 and International Public Sector Accounting Standard (IPSAS) 20 'Related Party Disclosures', material transactions with related parties not disclosed are detailed below:

The officer responsible for the proper administration of the financial affairs of the Teesside Pension Fund (the Section 151 officer) is also the Section 151 officer of Middlesbrough Council.

The Teesside Pension Fund is administered by Middlesbrough Council. During the financial year, the Council incurred costs of £1.701m (2023-24 £1.475m) comprising of pensions administration costs of £0.946m (2023-24 £0.896m) and investment management costs of £0.770m (2023-24 £0.579m). The Council was subsequently reimbursed by the Fund for these expenses. Middlesbrough Council is one of the largest members of the pension fund and, during the financial year, made employer contribution payments of £10.926m (2023-24 - £10.059m). As at 31 March 2025, the Council was a net debtor to the Fund of £1.336m (2023-24 £1.138m).

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with the Council, for the supply of goods or service to the Fund.

The key management personnel of the Pension Fund are the Head of Pensions Governance and Investments and the Director of Finance, who is also the S151 officer. Please refer to Note 21 for costs.

Councillor David Coupe is the Partner Fund nominated non-executive director on Border to Coast Pensions Partnership's Board of Directors.

## Note 21 External Audit Costs

The external fees payable to the Fund's external auditors Forvis Mazars.

2023/24 £m	External Audit Costs	2024/25 £m
0.102	Scale Fee from Forvis Mazars	0.118
0.010	IAS 19 procedure fees (recurring) (2021/22)	0.000
<b>0.112</b>	<b>Total Fees</b>	<b>0.118</b>

\*Notional Note Figures are included in Note 11 Management expenses - oversight & governance.

## Note 22 Senior Employees' Remuneration

2023/24 £m	Key Management Personnel	2024/25 £m
0.068	Short Term Benefits	0.070
0.008	Post-Employment Benefits	0.008
<b>0.076</b>	<b>Total</b>	<b>0.078</b>

### Note 23 Events after the Balance Sheet Date

There are no specific events to report after the balance sheet date (30 June 2025) for the Teesside Pension Fund accounts.

## **The Compliance Statement**

### **The Compliance Statement Local Government Pension Scheme Regulations**

Middlesbrough Council administers the Teesside Pension Fund in accordance with:

*The Local Government Pension Scheme Regulations 2013 (as amended)*

*The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and*

*The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016*

Full details of the Governance Policy and Compliance Statement can be seen at

[Appendix A - 2024 Teesside PF Governance Policy and Compliance Statement.pdf](#)

### **Investment Strategy Statement**

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that Local Government Pension Scheme's administering authorities prepare, publish, and maintain an Investment Strategy Statement (ISS). The current version of the Teesside Pension Fund ISS was approved by the Pension Fund Committee in March 2021 and contains statements on:

- Investment responsibilities, setting out the key responsibilities of the Teesside Pension Fund Committee, key officers of the Fund, the Fund's Custodian, and the Independent Investment Advisors.
- The investment strategy and the type of investments held, e.g., equities, bonds, property etc.
- The maximum and minimum amount allowable in each asset class and any discretion by the administering authority to increase the limits on various types of investment.
- Risk, including the ways in which risks are to be measured and managed.
- The existing investment management arrangements, including details of the Fund's commitment to investment pooling through its jointly owned pooling company Border to Coast.
- The Fund's position as a responsible investor and its promotion of ethical, social, and corporate governance best practice.
- The exercise of the rights (including voting rights) attaching to investments, and the Fund's statement of commitment to the Stewardship Code.
- The Fund's commitment to measure and report investment performance.
- The level of compliance with the Myners Principles.

The statement is maintained and published by Middlesbrough Council, copies of which are available on application, or it can be seen at the Fund's website:

[Investment Strategy Statement 2024-10 - October 2024.pdf](#)

### **The Funding Strategy Statement**

The Local Government Pension Scheme Regulations 2013, require each Administering Authority, to produce a Funding Strategy Statement, setting out a long-term view on funding liabilities. The main areas covered by the statement are:

- The purpose of the statement:

- Establishes a clear and transparent strategy which identifies how employers' pension liabilities are best met going forward;
  - Supports the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
  - Take a prudent longer-term view of funding liabilities.
- The purpose of the Fund, i.e., receive contributions and make pensioner payments.
  - The solvency and target funding levels of the Fund, i.e., 100% of the liabilities of the Fund can be met over the long term.
  - The identification of key risks to the Fund, and the control mechanisms in place to mitigate these risks.
  - Links to the Fund's investment strategy.
  - The key responsibilities of the administering authority, scheme employers and the Fund's Actuary are also set out.

The latest Funding Strategy Statement was approved by the Pensions Fund Committee and was effective from March 2020, and can be seen at

[tees-2022-valuation-fss-30-march-2023.pdf](https://www.teesside.gov.uk/media/10000/tees-2022-valuation-fss-30-march-2023.pdf)

## **Governance Policy**

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a Governance Policy which sets out the procedures for the governance of the Fund. In summary, the policy sets out that the administering authority delegates its functions under the above Regulations to the XPS group (previously Kier Business Services Ltd) as administrator and the Pension Fund Committee to act in a similar manner to a Board of Trustees

The Policy also sets out the:

- Terms of reference of the Pension Fund Committee
- Structure of meetings
- Membership
- Principles of governance.

The latest policy document can be viewed at:

[Appendix A - 2024 Teesside PF Governance Policy and Compliance Statement.pdf](https://www.teesside.gov.uk/media/10000/Appendix A - 2024 Teesside PF Governance Policy and Compliance Statement.pdf)

## **Communications Policy**

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a statement(s) of policy concerning communications with members and Scheme employers.

The Teesside Pension Fund actively communicates with all of its stakeholders, including the members, the employers, and other external organisations. For example, we have been providing every active member of the scheme with a statement of accrued benefits since 2001, well before it became compulsory to do so. The statement of accrued benefits also includes the member's State Pension Forecast to aid in their financial planning.

We also provide newsletters twice a year to all of our active and pensioner members; this allows us to inform participants of any scheme changes which may be made.

A Communications Policy Statement has been drawn up in order to ensure that the Fund offers clear communication to stakeholders of the Local Government Pension Scheme. The latest policy statement can be seen at:

[Appendix F - Communication Policy 2024.pdf](https://www.teesside.gov.uk/media/10000/Appendix F - Communication Policy 2024.pdf)

## Statement of the Actuary for the year ended 31 March 2025

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- 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 meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- 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 FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,306 million, were sufficient to meet 116% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £684 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

#### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

#### Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows: Financial assumptions  
Discount rate

31 March 2022

4.25% pa

**Salary increase assumption**  
**Benefit increase assumption (CPI)**

**3.70% pa**  
**2.70% pa**

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	<b>Males</b>	<b>Females</b>
Current Pensioners	20.9 years	23.9 years
Future Pensioners*	21.9 years	25.5 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

#### **Experience over the period since 31 March 2022**

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

Jamie Baxter FFA C.Act

14 May 2025

For and on behalf of Hymans Robertson LLP

**Summary of LGPS benefits and comparison to previous versions of the scheme.**

	<b>LGPS 2014</b>	<b>LGPS 2008</b>	<b>LGPS pre-2008</b>
Basis of pension	Career Average Revalued Earnings (CARE)	Final salary	
Accrual rate	1/49 <sup>th</sup>	1/60 <sup>th</sup>	1/80 <sup>th</sup> pension with separate 3/80 <sup>th</sup> lump sum
Revaluation rate (active members)	Consumer Price Index (CPI)	Based on final salary	
Pensionable pay	Pay including non-contractual overtime and additional hours for part time staff	Pay excluding non-contractual overtime and non-pensionable additional hours	
Scheme member contributions	9 bands between 5.5% and 12.5%: rate paid is based on actual pensionable pay	7 bands between 5.5% and 7.5%: rate paid based on whole-time equivalent pensionable pay	6% of pensionable pay 5% pensionable pay for some former manual workers
Contribution flexibility	Members can pay 50% for 50% of the benefits	None	
Normal pension age	Individual member's state pension age (min 65)	65	65 but benefits can be paid without reductions from age 60 with enough service (25 years)
Lump sum option	Yes, £12 for each £1 of pension		
Death benefits	Yes, lump sum of 3 x pensionable pay and survivor pension based on 1/160 <sup>th</sup> accrual		
Indexation of pension in payment	Consumer Prices Index (CPI)	CPI (Retail Prices Index (RPI) for pre 2011 increases)	RPI
Qualifying period for benefits	2 years	3 months	3 months (2 years before 2004)

## Pension increases

Public service pensions are increased under the provisions of the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975. With effect from April 2011 increases are based on the Consumer Price Index for September each year and are paid the following year from the first Monday in the new financial year.

Pensions awarded after the date of the last increase receive an apportioned increase related to the date the pension began. Those Pensions payable under age 55 on ill health grounds may have increases applied subject to meeting certain additional criteria. Other pensions are subject to the increase (including backdating) from the member's 55th birthday.

The following table shows the rate of pension increases that have applied during the last 10 years.

From April	Increase %
2016	0.0%
2017	1.0%
2018	3.0%
2019	2.4%
2020	1.7%
2021	0.5%
2022	3.1%
2023	10.1%
2024	6.7%
2025	1.7%



## Section 5 - Investments and Funding

### 5.1 Asset Allocation Strategy – Investment Strategy Statement

The Investment Strategy Statement sets out how the Fund plans to invest its assets. This strategy is set for the long term and is reviewed every 3 years as part of the Fund's Asset/Liability study to ensure that it remains appropriate to the Fund's liability profile. The Investment Strategy Statement and the Funding Strategy Statement are both fully compliant with the regulations and appropriate statutory guidance. As part of the strategy the Administering Authority has adopted a strategic benchmark representing the mix of assets best able to meet the long-term liabilities of the Fund. As of 31 March 2025, the actual assets compared to the benchmark as follows.

	Pension Fund at 31/03/2025	Pension Fund Target Strategic Allocation	Investment Strategy Statement Max	Investment Strategy Statement Min
<b><u>Growth Assets</u></b>		<b><u>70%</u></b>	<b><u>90%</u></b>	<b><u>50%</u></b>
UK Equities	11.0%	10%	80%	35%
Overseas Equities	41.6%	45%		
Private Equity	12.5%	15%	20%	0%
<b><u>Protection Assets</u></b>		<b><u>30%</u></b>	<b><u>50%</u></b>	<b><u>10%</u></b>
Bonds / Other Debt / Cash	11.3%	10%	20%	0%
Infrastructure	12.4%	10%	20%	0%
Property	11.2%	10%	20%	0%
	100%	100%		

**The Fund asset mix % varies slightly from the statutory accounts due to internal classification differences.**

The value of the Teesside Fund at 31 March 2025 was £5.58 billion, an increase of approximately £109 million on the year. The Fund is invested in a wide range of assets. This meets the requirement to have diversification of investments in a fund, so that too great a concentration of investments in one asset class does not expose the Fund to risk of underperformance should that particular asset class perform badly. The 10 largest holdings (excluding direct property and cash), which make up 61.49% of the value of the portfolio as at 31 March 2025 are:

Security Description	% of Total Investments	Market value £'000
Border to Coast - Overseas Dev Mkts Listed Equity	37.51%	2,086,661
Border to Coast - UK Listed Equity	10.96%	609,891
Border to Coast – Emerging Mkts (Hybrid) Listed Equity	4.10%	228,154
Border to Coast Private Equity Series 1A	1.85%	103,092
Border to Coast Infrastructure Series 1A	1.50%	88,289
JP Morgan Infrastructure Investments Fund	1.50%	83,339
Border To Coast Infrastructure Series 2A	1.46%	81,324
Insight IIFIG Secured Finance Fund II	0.91%	50,731
Border to Coast Infrastructure Series 1C	0.85%	47,446

Security Description	% of Total Investments	Market value £'000
Border to Coast Private Equity Series 1B	0.85%	47,268
	<b>61.49%</b>	<b>3,426,195</b>

## INVESTMENT MANAGERS / INVESTMENTS

As at 31 March 2025 the market value of the fund was allocated to the following investment managers / investments:

Manager / Investment	Asset class	Market Value £'000	% of Fund
Border to Coast Pensions Partnership	Overseas Equities	2,086,661	37.51%
	UK Equities	609,891	10.96%
	Alternatives	581,184	10.45%
	Emerging Markets	228,154	4.11%
CBRE - Direct Property Portfolio	Property and Property Debt	524,725	9.43%
Internal Team	Cash	456,190	8.20%
	UK Equities	2,536	0.04%
	Overseas Equities	8	0.00%
LGT Capital Partners	Alternatives	125,272	2.25%
Darwin Alternatives	Alternatives	93,234	1.68%
Gresham House	Alternatives	86,382	1.55%
Unigestion	Alternatives	86,340	1.55%
Capital Dynamics	Alternatives	86,039	1.55%
Access Capital Partners	Alternatives	83,655	1.50%
JP Morgan IIF UK LP	Alternatives	83,339	1.50%
Insight Investments	Alternatives	50,731	0.91%
Blackrock Fund Managers Ltd	Alternatives	48,769	0.88%
Pantheon Ventures (UK)	Alternatives	46,446	0.83%
Hermes	Alternatives	35,173	0.63%
Hearthstone	Property	27,554	0.50%
Aberdeen Standard Life	Property	26,369	0.47%
Verdant Regeneration Ltd	Other Debt	25,000	0.45%
GB Bank Ltd	Alternatives	23,446	0.42%
Innisfree	Alternatives	22,719	0.41%
Ancala	Alternatives	19,759	0.36%
Greyhound Retail Park	Other Debt	19,716	0.35%
Titan Preston East	Other Debt	18,896	0.34%
St Arthur Homes	Other Debt	16,913	0.30%
La Salle	Alternatives	15,986	0.29%
Foresight Group	Alternatives	13,743	0.25%
Titan – Templar's Way	Other Debt	10,983	0.20%
CCLA Investment Management Ltd	Property	3,863	0.07%
FW Capital	Alternatives	2,968	0.05%
Bridges Fund Management	Property	773	0.01%

Total			100.00%
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## PERFORMANCE

Fund performance is measured by Hymans Robertson, a leading actuarial consultancy and provider of performance measuring services to the public and private sector. The return the Fund achieves is one of the factors which the Fund Actuary takes into account when fixing the employer's contribution rate. Any increase in the contribution rate would mean less money to pay for other services. The benefits of scheme members of the Local Government Pension Scheme are related to their salary and length of service, not the value of the Fund.

As Pension Fund investment is a long-term business, it is appropriate that longer-term measures of performance are viewed as more important than short-term measures. It has become standard practice to report the performance of the Fund over 1, 3, 5 and 10 years and to compare performance with the Fund's benchmark – the return that would be expected based on the mix of assets the Fund is invested in.

In the year 2024/2025 the Fund achieved a return of 0.0% compared to our benchmark return of 0.4%.

In the three-year period to 2024/2025 the Fund achieved a return of 4.8% per annum compared to our benchmark return of 3.7%.

In the five-year period to 2024/2025 the Fund achieved a return of 10.3% per annum compared to our benchmark return of 8.3%.

In the ten-year period to 2024/2025 the Fund achieved a return of 7.3% per annum compared to our benchmark of 6.3%.

Further detail of the performance of each asset class held by the fund over 2024/2025 is shown below:

Asset class	Performance measurement period					
	Three months			One Year		
	Fund return	Benchmark return	Excess	Fund return	Benchmark return	Excess
UK Equities	4.2%	4.5%	-0.3%	8.1%	10.5%	-2.3%
Overseas Equities	-2.1%	-1.2%	-0.9%	0.9%	1.6%	-0.7%
Property	0.5%	1.1%	-0.6%	3.4%	5.1%	-1.9%
Alternatives	1.0%	1.0%	-0.1%	2.3%	4.2%	-3.6%
Cash	1.8%	1.1%	0.7%	3.8%	5.1%	-1.2%
Total Fund	0.0%	0.4%	-0.4%	2.9%	3.9%	-1.0%

The benchmarks used for each asset class and for the total Fund are as follows:

<b>Asset Class</b>	<b>Benchmark</b>
UK Equities	10% FTSE All Share Index
Overseas Equities	40% BCPP Overseas Developed Markets Index Split as follows: 40% S&P 500 30% FTSE Developed Europe ex UK 20% FTSE Developed Asia Pacific ex Japan 10% FTSE Japan 5% FTSE Emerging Markets Index
Alternatives	28% Absolute return: +4.25%
Cash	12% SONIA
Total Bonds	5% Teesside Total Bond Composite 50.0% FTSE All Stocks Gilt Index 37.5% FTSE All Stocks Gilt Index 12.5% FTSE Over 5 Year Index-Linked Gilts Index

Ordinarily, the key to good performance is to get the big asset allocation decisions right. The weightings between equities and bonds in particular will go a long way to determining the fund performance. The Teesside Fund continues to be under-represented in bonds when compared to our customised benchmark and other Funds. Central Bank policies and their programmes of quantitative easing have helped bonds performance over past years, continuing a “bull-run” in bond prices lasting over two decades. The significant rises in interest rates and bond yields over the recent period have impacted bond prices and made them relatively more affordable. The Fund will continue to work with its advisors to assess the situation and determine whether or when to return to investing in bonds.

The Teesside Fund continues to invest for long term returns in order to remain fully funded and continue to meet its future liabilities. The Fund continues to promote the view that the best way for the Fund to achieve the level of returns required to meet the liabilities of the Fund is to invest in growth assets over protection assets.

The Fund’s position regarding risk monitoring and risk control is set out in the Investment Strategy Statement, which can be viewed on-line at

<https://www.twpf.info/article/26895/Teesside-Pension-Fund-Investment-Strategy-Statement> This is principally concerned with the three forms of risk:

- that associated with security of the Fund’s assets,
- that associated with loss of value relating to those assets, and
- that associated with the ability of those assets to provide the required rates of return.

As some of the Fund is managed on an in-house basis, appropriate measures are in place to manage investment risk and the Director of Finance determines the limits on delegation to individual managers.

## **INVESTMENT POOLING**

In the July 2015 Budget the Chancellor announced the Government’s intention to work with the LGPS administering authorities to ensure that investments were pooled while

maintaining overall investment performance. The criteria for developing proposals were set in November 2015:

- Asset pools achieve the benefits of scale (£25 billion as a minimum).
- Strong governance and decision making.
- Reduced cost and excellent value for money, with savings made across the LGPS.
- Improved capacity to invest in infrastructure.

The Teesside Pension Fund made the decision to work with twelve (now eleven) other administering authorities as part of the Border to Coast Pensions Partnership ("Border to Coast"). All of the administering authorities in Border to Coast formally approved arrangements for setting up Border to Coast before the end of the 2016/17 financial year. It represents a major collaboration between the funds with the aim of giving access to new investments and providing resilience. The twelve LGPS funds that initially formed Border to Coast were: Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, Northumberland, South Yorkshire, Surrey, Teesside, Tyne & Wear and Warwickshire. The Northumberland fund is no longer a separate entity following its (long-planned) merger with the Tyne & Wear fund which took effect from April 2020.

During 2017/18 Border to Coast Pension Partnership Limited was established and registered as a company limited by shares, with each of the twelve administering authorities as equal shareholders. Border to Coast formed a new Board, recruited several key management and operational staff, acquired office space in Leeds and developed many of the other arrangements required to operate as an investment management company.

During 2018/19 the transfer of investment assets to Border to Coast began – all the Fund's UK equities were transferred to Border to Coast to manage and further investments during the year were made to Border to Coast's overseas equity fund.

During 2019/20 work was completed to allow Border to Coast to provide access to private markets investments (such as private equity and infrastructure) and the Fund has begun making investments through Border to Coast in these areas and has made significant commitments to make similar investments in coming years. Over time it is expected that investing in private markets via Border to Coast will, through the advantages of economies of scale, be possible at a significant saving to the costs the Fund incurs investing in these areas as an individual entity.

During 2020/21 the Fund started the process of moving most of its overseas equity holdings to be managed by Border to Coast. This process continued during 2021/22 and by the end of that year three quarters of the Fund's overseas equities were actively managed by Border to Coast, with the remainder under passive management with State Street Global Advisers. Within this overseas equity allocation, the Fund chose to invest in Border to Coast's Emerging Markets Equities fund, which is set up as a 'hybrid' arrangement, with the Chinese equity market managed by two external specialist investment managers, and the other emerging market regions managed internally by the team at Border to Coast.

During 2022/23 the Fund committed further investment in Border to Coast's private market funds – private equity and infrastructure and made an initial investment in the newly launched climate opportunities fund – expected to invest in private markets in a low carbon way.

During 2023/24 the Fund paused further commitments to Border to Coast's private market funds as invested amounts were quickly reaching or exceeded those set out in the Investment Strategy Statement.

During 2024/25 the Fund committed further investments in Border to Coast's private market funds – private equity and infrastructure. The Fund took the decision to disinvest from its passive equities held with State Street Global Advisers, redemption proceeds were used to make additional investment in the Border to Coast Overseas Equity Fund. In 2024 the Government issued its "Fit for the Future" consultation, both the Fund and Border to Coast are responding to questions on further LGPS consolidation, a government response is expected sometime in 2025.

Although savings are expected over the medium to long term, there are costs associated with setting up and running Border to Coast and transferring assets to be managed by the new company. More detail on costs and savings related to Border to Coast is shown on the following page.

Before pooling the Fund was principally internally managed, meaning the Fund's investment team directly traded assets such as equities and bonds instead of appointing external investment managers to do this. Consequently, the Fund had very low costs for investing in public markets, costs which would inevitably increase if the investment was carried out by an external manager, even one as low-cost as Border to Coast. However, pooling brought other potential advantages to the Fund, such as greater operational resilience and an opportunity to benefit from greater resource in areas such as Responsible Investment. From a financial cost / benefit perspective, pooling also offered the opportunity to deliver reduced fees as external fund managers repositioned their pricing for a world where the LGPS would operate more collectively. Border to Coast has also been able to negotiate better pricing from private markets investment managers, and as the Fund changes its asset mix to include more of these types of investments the cost / benefit balance will become more favourable. Information collated by Border to Coast suggest that 2023/24 was the second year that the Fund is showing a small net financial gain in respect of asset pooling and that with another four or five years the Fund will have made a net cumulative financial gain from pooling, purely considering investment costs.

## Pooling Savings / Costs

Border to Coast has worked with the Partner Funds to gather data, agree assumptions, and build a savings model and process that will enable consistent reporting against this key metric going forward. This supports one of the original objectives of pooling i.e., to reduce costs and deliver value for money. Savings from future launches are not included and the level of savings should grow over the long term as further funds are developed or as additional investments are made to existing Border to Coast propositions. The table below shows the position to 2024/25:

	<b>Total to 2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Border to Coast - Set up and Operating Costs	1.07	0.42	0.53	0.57	0.58	0.43	0.41
Transition Costs	1.61	-	-	-	-	-	-
Fee savings/ costs due to pooling (reduced fees or passive management as a consequence of pooling)	0.36	0.48	0.42	0.27	0.18	0.20	0.20
Border to Coast fee savings - Private markets	-	(0.14)	0.40	0.97	2.67	3.05	4.45
Border to Coast fee savings - Public markets (additional costs)	(0.10)	(0.34)	(0.89)	(2.21)	(2.48)	(2.77)	(2.94)
One-offs (Crossing deals)	-	-	0.02	-	-	-	-
Other savings (lower projected staffing costs at the Fund)	0.30	0.33	0.33	0.34	0.35	0.37	0.38
Total Fee Savings	0.56	0.33	0.27	(0.63)	0.73	0.84	2.09
<b>Net Position</b>	<b>(2.12)</b>	<b>(0.09)</b>	<b>(0.26)</b>	<b>(1.20)</b>	<b>0.15</b>	<b>0.41</b>	<b>1.68</b>
<b>Cumulative Net Position</b>	<b>(2.12)</b>	<b>(2.21)</b>	<b>(2.47)</b>	<b>(3.67)</b>	<b>(3.52)</b>	<b>(3.11)</b>	<b>(1.43)</b>

## Pooling – Asset transfers

A summary of the progress of asset transfers to Border to Coast is set out in the table below:

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
<b>Assets Under Management: £m</b>							
Border to Coast	1,432	1,239	2,294	2,589	2,793	3,022	3,492
Assets not currently in transition plan	2,156	1,935	916	1,421	599	668	-
Assets in transition plan	495	525	1,342	1,061	1,668	1,684	2,052
<b>Total</b>	<b>4,083</b>	<b>3,700</b>	<b>4,552</b>	<b>5,071</b>	<b>5,060</b>	<b>5,374</b>	<b>5,544</b>
<b>Assets Under Management: %</b>							
Border to Coast	35%	33%	50%	51%	55%	57%	63%
Assets not currently in transition plan	53%	52%	20%	28%	12%	12%	0%

Assets in transition plan	12%	14%	29%	21%	33%	31%	37%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

By the end of 2024/25 Border to Coast had 176 employees and was managing £31.2 billion of assets (including £3.5 billion of the Fund's assets) within 18 different investment propositions (the Fund is invested in 6 of these), and in addition had commitments of £18.1 billion to its alternative 'private markets' assets programme (the Fund's commitments are around £1 billion of this sum).

As part of the governance arrangements for Border to Coast and its partner funds, a Joint Committee comprising of a representative from each Pension Committee has an oversight role over the arrangements of Border to Coast. The Joint Committee includes two (non-voting) scheme member representatives nominated by the eleven Partner Funds' Local Pension Boards. The Joint Committee represents the Funds as investors in Border to Coast. Border to Coast is jointly owned by the administering authorities of the Pension Funds so there is also a shareholder role that the authorities provide - the responsibilities are defined in a shareholder agreement. Pension Fund Officers provide ongoing day-to-day oversight and work closely with Border to Coast to ensure that the company provides the necessary investment vehicles to enable the Funds to implement their investment strategies.

## SHAREHOLDER GOVERNANCE

Since the 1980s the policies of the Fund have promoted the view that it is not sufficient to simply hold shares in companies in which it invests. As a responsible shareholder the Fund has sought to influence those companies on a range of issues through dialogue and by voting at AGMs in order to promote shareholder value.

All Local Authority Pension Funds are required to produce an Investment Strategy Statement (ISS) setting out the Fund's position on a range of issues, including the need to state to what extent, if any, environmental, social and governance (ESG) considerations are taken into account in the fund's investment policy and the formulation of a policy on the exercise of voting rights attached to share ownership.

The Fund's ISS can be viewed on the Fund's website <https://www.twpf.info/article/26895/Teesside-Pension-Fund-Investment-Strategy-Statement>. The ISS has been amended to take into account the recommendations of the Myners Report on Institutional Investment.

The Fund's Investment Strategy Statement states that:

*“As a responsible investor, the Teesside Pension Fund wishes to promote corporate social responsibility, good practice and improved company performance amongst all companies in which it invests. The Fund monitors investee companies to ensure they meet standards of best practice in relation to their key stakeholders. The Fund considers that the pursuit of such standards aligns the interests of Fund members and beneficiaries with those of society as a whole. In furtherance of this policy, the Fund will support standards of best practice on disclosure and management of corporate social responsibility issues by companies and will pursue constructive shareholder engagement with companies on these issues, consistent with the Fund's fiduciary responsibilities.*

*Responsible investment aims to incorporate ESG factors into investment decisions to better manage risks and generate long term returns, as part of the Fund's fiduciary duty. As a result, ESG factors are incorporated into the investment process and the Fund takes non-financial considerations, including climate change risks and*



*opportunities, into account when making investments, and engages with companies in which we invest to ensure that they are minimising the risks and maximising the opportunities presented by non-financial considerations, including climate change and climate policy. The Fund has not excluded any investments on purely non-financial considerations and will continue to invest in accordance with the Regulations in this regard. However, the overriding consideration for any investment is whether it generates an acceptable risk-adjusted return for the Fund, meeting the Fund's fiduciary duty.*

*It is considered that the Pensions Committee represents the views of the Fund membership and that the views of the Local Pension Board will be taken into account as part of their review of this document.*

*The Fund has adopted the Institutional Shareholders' Committee Statement of Principles and members will agree and periodically review its implementation.*

*In accordance with this policy, the Fund will seek where necessary through its own efforts and in alliances with other investors to pursue these goals. To this end the Fund is an active member of the Local Authority Pension Fund Forum."*

In order to pursue a policy of positive engagement, the Fund is an active member of the Local Authority Pension Fund Forum, (whose website is [www.lapfforum.org](http://www.lapfforum.org)) which has 87 Local Authority funds as members. Seven of the eight LGPS asset pools including Border to Coast are also members of the Forum.

The Forum works by concentrating on a number of key long-term campaigns, covering corporate governance and corporate responsibility issues, as well as being able to mobilise support for campaigns relating to individual companies. The Forum produces a quarterly Research and Engagement report which highlights latest engagement news.

Much of this engagement work is carried out on the Fund's behalf by Border to Coast. Border to Coast has worked with its partner funds to develop jointly agreed Corporate Governance & Voting Guidelines and a Responsible Investment Policy. These can be found on Border to Coast's website:

<https://www.bordertocoast.org.uk/investments/responsible-investment/>

## Asset table

Asset Class	Asset values as at 31 March 2025: £m			
	Pooled	Under pool management	Not pooled	Total
Equities (including convertible shares)	2,924	-	3	2,927
Bonds	-	-	-	-
Property	-	-	621	621
Hedge funds	-	-	-	-
Diversified Growth Funds (including multi-asset funds)	-	-	-	-
Private equity	251	-	445	696
Private debt	-	-	175	175
Infrastructure	330	-	358	688
Derivatives	-	-	-	-
Cash and net current assets	-	-	456	456
Other	-	-	-	-
<b>Total</b>	<b>3,505</b>	<b>-</b>	<b>2,058</b>	<b>5,563</b>

Other Investment Balances not included 5  
Total Investments 5,568

## Supplementary asset table

	Asset values as at 31 March 2025: £m			
	Pooled	Under pool management	Not pooled	Total
UK Listed Equities	609.90		2.51	612.41
UK Government Bonds	-		-	-
UK Infrastructure	46.23		168.54	238.74
UK Private Equity	27.37		122.03	149.40
<b>Totals</b>	<b>683.50</b>		<b>293.08</b>	<b>1,000.55</b>

Note, in addition to the £999.69 million of UK investment set out in the table above, at 31 March 2025 the Fund had UK property assets of £594.13 million, meaning in total £1,593.82 million or around 29% of the Fund was invested in the UK.

## **Section 6 – Administration**

### **Activities undertaken by the administration function during the year**

During the year the administration function continued to be delivered by the Fund's outsourced pensions administration provider, XPS Administration Limited ('XPS').

XPS lost the contract to provide administration services during 2024/2025 with the new administrator, Tyne and Wear Pension Fund, taking over from 1<sup>st</sup> June 2025. XPS have not provided performance metrics for inclusion in this Annual Report.

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### Internal Dispute Resolution Procedure

Where a scheme member, prospective scheme member or beneficiary, or employer has a complaint or concern they are unable to resolve after initial contact with their employer / the Fund, they can follow the Fund's dispute resolution procedure. In the first instance they should contact the Fund at the address shown at the end of the Annual Report. The Fund will send a detailed guide explaining the Internal Dispute Resolution Procedure (IDRP) and how the appeal process will be handled. Any appeal must, ordinarily, be made within six months of receipt of the notification of the decision which is being disputed.

The initial review (stage 1) of each case is conducted by a person nominated by the body who made the decision (the 'adjudicator'). Where an appeal concerns the employer's decision, the adjudicator is an individual nominated by that employer, if the appeal is about the calculation of benefits, it will be reviewed by the adjudicator for the Fund.

If, after the initial review, the member is still dissatisfied with the decision, they can apply via the second stage of the process to have decision reconsidered. This application must be made within six months of the receiving the decision of the initial review. At the second stage, if the appeal concerns an employer decision, it is reviewed by the Fund. If the appeal concerns the administrator, then an independent third-party pension specialist is appointed.

If the member is still not satisfied following the second stage decision, an appeal can be made to the Pensions Ombudsman.

### Details of IDRP cases processed in the year

	Stage 1	Stage 2
<b>Cases raised in 2024/2025</b>	Not available	2
<b>Cases completed in 2024/2025</b>	Not available	2

Actuarial report on Fund – see page 73 above.

**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

**AGENDA ITEM 11****TEESSIDE PENSION BOARD REPORT****17 NOVEMBER 2025****DIRECTOR OF FINANCE AND TRANSFORMATION– ANDREW HUMBLE****Update on Work Plan Items****1. PURPOSE OF THE REPORT**

- 1.1 To present Members of the Teesside Pension Board (the Board) with information on items scheduled in the work plan for consideration at the current meeting.

**2. RECOMMENDATION**

- 2.1 That Board Members note this report and discuss any issues arising from it.

**3. FINANCIAL IMPLICATIONS**

- 3.1 There are no specific financial implications arising from this report.

**4. BACKGROUND**

- 4.1 At its meeting on 19 July 2021 the Board agreed an updated work plan for the coming months and years which set out areas for the Board to discuss or consider at subsequent meetings. These were typically areas that the Pensions Regulator and/or the Scheme Advisory Board (SAB) had identified as important for Local Pension Boards to consider. This work plan has been reviewed and updated periodically by the Board, with the last updated approved at its 25 November 2024 meeting.
- 4.2 The items scheduled for consideration in the work plan for this meeting are managing risk and internal controls, a review of the risk register and a review of internal and external audit reports – detail on these is set out below. The current work plan is contained at Appendix A.

## 5 LATE PAYMENT OF CONTRIBUTIONS

- 5.1 Middlesbrough Council took over collection of employer contributions from April 2025, before the commencement of the new Pension Administration contract in June, due to the previous administrator, XPS, reducing their focus on this area.
- 5.2 Since April, the pensions team has developed processes and procedures to capture employer contribution information and reconcile income notified by employers or their payroll providers to pension funds banking records.
- 5.3 It is a requirement of Pension Acts legislation that employee pension contributions are paid to the Fund by the 19<sup>th</sup> day following the month on which they were deducted from pay.
- 5.4 The Fund is required to monitor receipt of contributions to identify where payments are late. If any contributions are paid late and the administering authority has reasonable cause to believe that the failure is likely to be of material significance to the Pensions Regulator, the administering authority must give a written report of the matter to the Pensions Regulator and, in the case of late pay over of employee contributions, to the member.
- 5.5 In assessing material significance the Fund will look for patterns of late payment as well as the scale in terms of value or number of working days late.
- 5.6 So far no late payments are judged to be of material significance and therefore no breach of the law reports in relation to late payments have been made.

Month	Number of Late Payments	Expected Payments	Percentage Late	< 10 Working Days Late	>10 Working Days Late
April 25	6	154	4%	4	2
May 25	10	153	7%	10	0
June 25	6	152	5%	6	0
July 25	5	154	3%	3	2
August 25	7	152	5%	5	2

- 5.7 Employers receive a contribution spreadsheet at the start of each financial year which sets out the payment and accompanying information due. The Fund will chase any late payments and/or documentation, one month after the due date the first charge will be activated and each subsequent month where payment or information is still outstanding the charges can be applied.
- 5.6 The Fund's charging policy is to charge £100 for each full month a file is delayed beyond its due date plus a daily interest surcharge for the period the payment is outstanding of 1% above the bank base rate. There has been no requirement to charge employers for late payments during 2024/25.

## 5 ANNUAL REVIEW OF BOARD TRAINING

5.1 The Local Government Pension Scheme (LGPS) Regulations 2013 were amended in line with requirements introduced by the Public Service Pensions Act 2013 for all public service pension schemes to establish a pension board. Under the LGPS Regulations, each LGPS administering authority had to set up a Local Pension Board with effect from 1 April 2015.

5.2 The Pension Fund set up the Teesside Pension Board in line with these legislative requirements. The Board's terms of reference sets out the Board's purpose as follows:

### ***"Statement of purpose***

*6. The Board is responsible for assisting the Administering Authority:*

*(a) to secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and*

*(b) to ensure the effective and efficient governance and administration of the Scheme.*

*7. The Council considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund. The Board makes recommendations and provides assurance to assist in the management of the Fund."*

5.3 In order to fulfil this function, and to comply with the requirements of the overriding regulations and legislation, the Board needs to have and maintain appropriate knowledge and understanding of the LGPS and pensions in general. In particular (as set out in the Board's Terms of Reference: a member of the Board **must be conversant with:**

- the legislation and associated guidance of the Local Government Pension Scheme (LGPS), and
- any document recording policy about the administration of the LGPS that is adopted by the Teesside Pension Fund.

a member of the Board **must have knowledge and understanding of –**

- The law relating to pensions, and
- Any other matters which are prescribed in regulations.

5.4 The main documents the Board is required to be conversant with are:

### Regulations and guidance

- The LGPS Regulations 2013
- LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.

- LGPS (Management and Investment of Funds) Regulations 2016
- Together with any guidance issued under these regulations.

All these documents are at <https://www.lgpsregs.org/schemeregs/index.php>

#### Scheme documents

Member booklets, announcements and other key member and employer communications

Relevant policies of the Administering Authority and/or Pension Committee (for example: conflicts of interest, record-keeping, data protection and freedom of information, internal dispute resolution procedure, reporting breaches).

- The Council's statements (in its role as Administering Authority to the Pension Fund) on
  - Governance Compliance
  - Funding Strategy
  - Investment Strategy
  - Discretionary Policies
  - Communications Policy
- The Pension Fund risk register
- The actuarial valuation report
- The Pension Fund annual report and accounts
- Pension fund external audit report

These documents are mainly available at the following websites, or have been presented to the Board previously:

[Overview - Tyne and Wear Pension Fund, in partnership with Teesside Pension Fund](#)

[Committee details - Teesside Pension Fund Committee | Middlesbrough Council](#)

[Committee details - Teesside Pension Board | Middlesbrough Council](#)

5.5 The main areas the Board is expected to have knowledge and understanding of are:

- Background and Understanding of the Legislative Framework of the LGPS
- General pensions legislation applicable to the LGPS
- Role and responsibilities of the Local Pension Board
- Role and responsibilities of the Administering Authority
- Funding and Investment
- Role and responsibilities of Scheme Employers
- Tax and Contracting Out



- Role of advisors and key persons
- Key Bodies connected to the LGPS

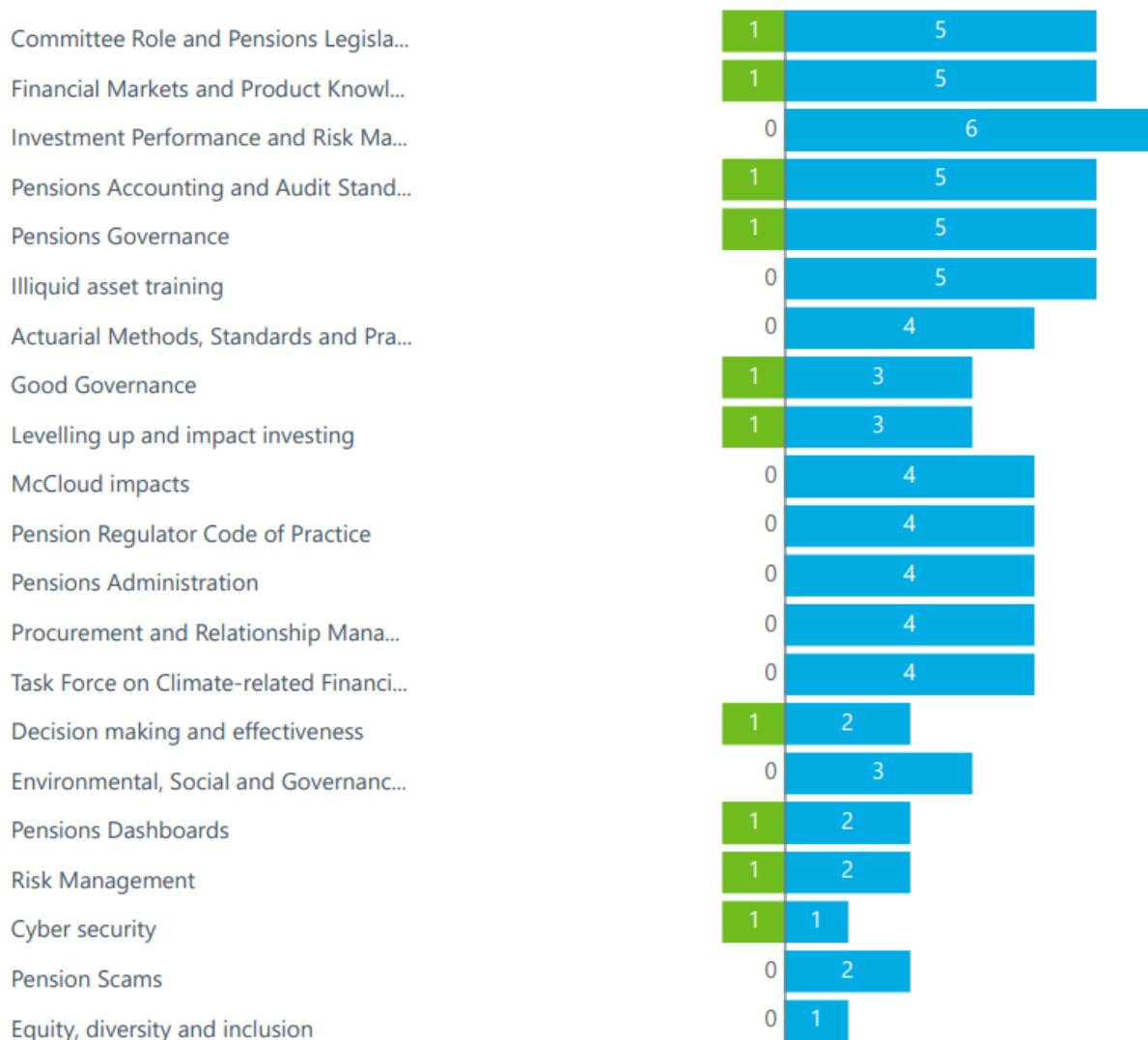
## **6 TRAINING APPROACH**

- 6.1 Board Members receive induction training when they join the Board and are able to access training events as and when they are held for Pension Fund Committee and Board members. Board Members are also invited to attend Border to Coast's Annual Conference which is usually held in Leeds at the end of September – this typically includes a training session, often related to investments.
- 6.2 The level of knowledge and understanding required cannot be acquired overnight and can be delivered in a number of ways, through (for example)
- Papers provided to the Board throughout the year
  - Training sessions delivered by Council staff or by external companies
  - Self-study through access to training materials and documents
- 6.3 An initial starting point for new Board members is to ensure they complete the Pensions Regulators on-line training modules the Public Service Toolkit, which is at the following web page:
- <https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes>
- 6.4 Training sessions can be arranged to cover the areas set out in section 5 above. Pension Fund Committee members can also be invited to attend any training.
- 6.5 In addition the Fund has engaged an external provider (Hymans Robertson) to provide access for Board and Pension Fund Committee members to an on-line learning academy. This is designed to allow Board members to learn at their own pace and covers the full range of topics required to meet the knowledge and understanding requirement. Board members can access the on-line learning academy at the following link: [Aspire](#)
- 6.6 The Fund participated in a National Knowledge Assessment arranged by Hymans Robertson. The purpose of this assessment was to evaluate the overall level of knowledge and understanding of the Board and the Pension Fund Committee and identify any area which should be a particular focus for future training. The outcome of the Knowledge Assessment was discussed with the Board at its 25 November 2024 meeting, which agreed that a training programme should be developed which Committee which Board members could participate in.
- 6.7 The chart below identifies several areas which survey participants identified could be of focus to target gaps in knowledge and understanding.

## 2024 Hymans LGPS National Knowledge Assessment self-identified training requirements

### Training requirements

● Board ● Committee



6.8 Border to Coast are developing some training opportunities to support partner funds. There are training sessions provided at Border to Coast Annual Conferences which supplement the information sessions and opportunities to meet with partner funds Committee and Board members who face similar challenges.

6.9 During the summer Border to Coast put on the following training sessions which provide a useful introduction or refresh of various topics for Board members and Committee members:

- Introduction to Border to Coast Training session
- Asset Classes Training Session 1

- Asset Classes Training Session 2
- Risk and Return Training Session
- Sustainability and Net Zero Training Session

- 6.10 In the government response to their consultation “Local Government Pension Scheme (England and Wales): Fit for the future” which was published 29 May 2025 the government indicated they would implement proposals around pension fund training requirements.
- 6.11 The requirement for pension committee members, the senior officer, and officers to have the appropriate level of knowledge and understanding for their roles, with requirements for pension committee members and local pension board members aligned.
- 6.12 The requirement for Administering Authorities to set out within their governance and training strategy how they will ensure that any committee, sub-committee, or officer will meet the new knowledge requirements within a reasonable period from appointment.
- 6.13 Government considers that it is important that all members of the pension committee are held to account and have a high level of knowledge and understanding to contribute to the decision making of the committee. Therefore, they will continue with a knowledge and training requirement that applies to individuals, rather than the committee as a whole. They will consider further how this will apply to substitute members, and how members can be held to account for non-compliance. Government intends to work with the Scheme Advisory Board on guidance, which will address the points raised at consultation.
- 6.14 The Fund will review any guidance issued on governance and training and bring proposed changes to policies and training programmes back to Pension Committee and Pension Board.

## **7. NEXT STEPS**

- 7.1 The workplan will continue to be provided to future Board meetings.

**AUTHOR:** Andrew Lister (Head of Pensions Governance and Investments)

**TEL NO:** 01642 726328

## Appendix A

Teesside Pension Board Work Plan		
Date of Board meeting and any standard items scheduled	Suggested areas of focus (from the Pensions Regulator's Public Service Toolkit list)	Suggested activities (including from the Scheme Advisory Board guidance)
November 2024 Annual Review of Board Training		Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme
February 2025	Conflicts of interest	Update on Code of Practice review
March 2025 Annual Board Report	Managing risk and internal controls	Review of risk register Review internal and external audit reports
July 2025 Draft Report and Accounts	Maintaining accurate member data	Review administration reports, including data quality scores and progress in relation to any data improvement plans.
<b>November 2025 Annual Review of Board Training</b>	<b>Maintaining member contributions</b>	<b>Review administration reports including in relation to any late payment of contributions.</b> <b>Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme</b>
February 2026	Providing information to members and others	Review standard employer and scheme member communications. Review procurements carried out by Fund
April 2026 Annual Board Report	Resolving internal disputes	Review and internal dispute cases / Pensions Ombudsman cases since the last review. Review the outcome of actuarial reporting and valuations.
July 2026 Draft Report and Accounts	Reporting breaches of the law	Review breaches process and log. Review the complete and proper exercise of employer and administering authority discretions.
November 2026 Annual Review of Board Training		Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme
February 2027	TBC	TBC
April 2027 Annual Board Report	TBC	TBC
July 2027 Draft Report and Accounts	TBC	TBC
November 2027 Annual Review of Board Training	TBC	TBC



November 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 of the 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 some cases exceeded expectations, the timing of the go-live has resulted in some short-term impacts on service delivery. Further details on these issues are provided below.

# 2. 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<sup>st</sup> August 2025). Discussions were taking 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. This required a significant effort to ensure that year-end data was received from employers and then accurately posted to members' records. This enabled the production of both active and deferred Annual Benefit Statements ahead of the 31<sup>st</sup> 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. The outcome of the exercise was as follows:

Member Type	Percentage Received Statement	Excluding status 2 records
Active	74.11%	83.94%
Deferred	99.94%	n/a

As can be seen from the table above, the figure for active members is low. A large factor in this is the poor quality of the member data we have inherited, as well as the use of a “status 2” classification.

“Status 2” is not a classification that is widely used across the LGPS, and this issue has only come to our attention after the go-live date. We believe “status 2” records relate to members who have left the Scheme, although no supporting documentation is available to confirm this. We do not believe Annual Benefit Statements have previously been produced for “status 2” members. They have therefore likely been excluded from the statement count statistics. For comparison purposes, we have also considered the impact of excluding these “status 2” records on the overall Annual Benefit Statement production figures, and how their omission impacts the final hit rate.

Work to review and correct the status of these records will be incorporated into the Data Improvement Plan, ensuring that affected members are appropriately updated and accurate future statements can be issued.

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

TWPF has adopted a digital first approach. This can achieve significant cost and resource savings.

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. Member Data for the 2025 Triennial Valuation

Another area that had been identified as a short-term priority was the provision of member data to the Teesside Actuary for the 2025 Valuation.

Again, 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 back on track. While the Valuation is proceeding, member data remains an area of concern. This issue is discussed further below.

## 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 largescale 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 :	12/10/2025	19/10/2025	26/10/2025
Total number of calls to the helpline	1410	1222	1202
Average time on hold	00:08:11	00:03:18	00:02:11
Abandoned calls	436	197	136
Average time before a call is abandoned	00:03:42	00:02:16	00:01:58
Maximum wait time	00:41:33	00:35:23	00:18:16
Percentage of calls answered	68.59%	83.74%	88.69%

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 were 6,762 active processes in the system, categorised as follows:

- Priority 1 – 506 processes

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

- Priority 2 – 2,461 processes

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

- Priority 3 – 3,440 processes

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.

## **6. 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. The appendix 2 shows some of these SAB performance indicators - table A has been excluded whilst we compile the requisite information.

It should be noted that some areas of performance are still being impacted by the transition period and 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. Officers will talk through the performance in the appendices during the meeting.

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

## **7. 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.

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	<b>29183 *</b>	22076	27556	1206	80021
Councillor	-	6	22	-	28
Total	29183	22082	27578	1206	80049

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 almost 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)

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.

**Pensions Dashboard**

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. The Fund is expecting to prove the ability to connect to the infrastructure by the end of January 2026 (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 work undertaken above in respect of data quality will assist with this.

## 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 may need to be passed on. 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.

# Regulatory Changes

We wanted to bring to your attention the LGPS: Scheme Improvements (Access and Protections) consultation, which was launched in October.

The consultation covers four main areas:

## **1. Normal Minimum Pension Age (NMPA):**

Following the Finance Act 2022, the NMPA, which is the earliest age someone can start drawing a pension except in certain circumstances, will rise from 55 to 57 by April 2028. These proposals will ensure that members with a Protected Pension Age (PPA)—those who joined the LGPS before November 2021—can still choose to access benefits at 55. However, members who joined later and transferred benefits into the LGPS will not retain this protection.

## **2. Access for Councillors and Mayors:**

Currently excluded in England, councillors and mayors (including Combined Authority Mayors) will be granted access to the LGPS, aligning with other UK nations. Draft regulations define them as “elected members,” with principles ensuring voluntary enrolment and consistent treatment with other LGPS members. The estimated cost across England is £40–45 million annually, with no additional government funding.

## **3. Academy Consolidation:**

Multi-Academy Trusts (MATs) often span multiple pension authorities, creating inefficiencies. The government proposes criteria for direction orders to consolidate administration within one authority. If criteria are met, Secretary of State consent would no longer be required. This aims to streamline processes and reduce administrative burdens while discouraging “contribution rate shopping.”

## **4. New Fair Deal for Outsourced Workers:**

The government proposes mandatory LGPS access for outsourced staff, removing the little-used option of broadly comparable schemes. A “deemed employer” model would make the original public sector employer responsible for pension obligations, simplifying administration (for example, by removing the need for admission agreements) and reducing risk for contractors.

The consultation will run for 10 weeks, from 13 October to 22 December 2025.

## 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.

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