

TEESSIDE PENSION BOARD

Date: Monday 6th July, 2026
Time: 2.00 pm
Venue: Spencer Room - Municipal Buildings

AGENDA

1. **Welcome, Fire Evacuation and Recording of Meetings**

In the event the fire alarm sounds for more than 10 seconds attendees will be advised to evacuate the building via the nearest fire exit and assemble at the Bottle of Notes opposite MIMA.

Members of the public have the right to film, record or photograph public meetings. If you intend to do so, please advise the Chair of this intention. You may be asked to stop filming, photographing or recording a meeting if the Chair feels that the activity is disrupting the meeting.

2. **Apologies for Absence**

To receive any apologies for absence.

3. **Declarations of Interest**

Members are asked to declare any interests in the items under consideration and in doing so state:

(1) the type of interest concerned:

- *Disclosable Pecuniary Interest (DPI) or*
- *Non-Pecuniary Interest (including personal or prejudicial interest)*

(2) the nature of the interest concerned.

If any member requires advice on declarations of interests, they are advised to contact the Monitoring Officer in advance of the meeting.

- | | | |
|-----|---|-----------|
| 4. | Minutes - Teesside Pension Board - 31 March 2026 | 5 - 10 |
| | <i>To receive the minutes of the previous meeting.</i> | |
| 5. | Minutes - Teesside Pension Committee - 7 May 2026 | 11 - 12 |
| 6. | Minutes - Teesside Pension Fund Committee - 4 March 2026 | 13 - 20 |
| 7. | Teesside Pension Fund Committee - 17 June 2026 | |
| | Verbal Report | |
| 8. | Induction Training | 21 - 74 |
| 9. | Draft Annual Pension Fund Accounts 2025/2026 | 75 - 116 |
| 10. | Draft External Audit Plan | 117 - 148 |
| 11. | Update on Work Plan Items | 149 - 170 |
| 12. | Pension Administration Report | 171 - 182 |
| 13. | Any other urgent items which in the opinion of the Chair, may be considered. | |

Charlotte Benjamin
Corporate Director of Legal and Corporate Services

Town Hall
Middlesbrough
Friday 26 June 2026

MEMBERSHIP

Councillors N Walker (Chair), J Bell (Vice-Chair), S Briggs, K Linfoot, C Massey and P Thompson

Assistance in accessing information

The documents referred to on this agenda may be downloaded from the Council's Website: [Committee structure | Middlesbrough Council](#)

Should you have any queries on accessing the Agenda and associated information, such as alternative formats, please contact Tabitha Frankland, 01642 726241, tabitha_frankland@middlesbrough.gov.uk

INFORMATION ABOUT MIDDLESBROUGH COMMITTEE MEETINGS

Venue Accessibility

All Committee Rooms are located on the first floor of Municipal Buildings (Town Hall). There is restricted disabled access to the first floor via a lift.

There is no on-site parking at Municipal Buildings. A map of town centre parking is attached below. A full map of town centre parking can be found on the Council's website: [Middlesbrough town centre parking plan - October 2025](#)



This document was classified as: OFFICIAL

TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on Tuesday 31 March 2026.

PRESENT: Councillors C Massey (Chair), Mr J Bell

ALSO IN ATTENDANCE: L Davison (Tyne and Wear Pension Fund)

OFFICERS: A Lister and T Frankland

APOLOGIES FOR ABSENCE: Councillor N Walker and Mr P Thompson

25/67 **WELCOME AND FIRE EVACUATION PROCEDURE**

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

25/68 **DECLARATIONS OF INTEREST**

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

25/69 **MINUTES - TEESSIDE PENSION BOARD - 9 FEBRUARY 2026**

The minutes of the meeting of the Teesside Pension Board held on 9 February 2026 were taken as read and approved as a correct record.

25/70 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 3 FEBRUARY 2026**

A copy of the minutes of the meeting of the Teesside Pension Fund Committee held on 3 February 2026 was submitted for information.

25/71 **TEESSIDE PENSION FUND COMMITTEE - 4 MARCH 2026**

A verbal update was provided on agenda items considered at the meeting of the Teesside Pension Fund Committee held on 4 March 2026.

- Investment Activity Report (incl. TM Report, Valuation & Forward Investment Programme)
- Border to Coast Presentation – Investment Performance
- Investment Advisors’ Reports
- TWPF Pensions Administration Report
- Fit for the Future Implementation
- Pension Fund Business Plan 2026-29
- Risk Register
- Audit Completion Report 2024/5
- Exempt - Border to Coast Shareholder Admission Documents
- Exempt - Fund Actuary - Draft Report on the Actuarial Valuation as at 31 March 2025
- Exempt - Local Investment Update (EHC)

A Member requested an update on the Pension Schemes Bill and the Head of Pensions Governance and Investments advised that the Bill had finished its passage through the House

31 March 2026

of Lords and was ready to go back to parliament for consideration of the Lords amendments on 15 April. It was confirmed that the Fund was well-placed to implement the initial aspects of the Bill.

The Board also heard that Committee Members had raised concerns with the Fund's investment in tobacco products and this had been raised with Border to Coast representatives at several meetings and fed back to management within Border to Coast. The concerns had also been raised by the Chair at a Joint Committee meeting.

Members were advised that during the Local Investment Update agenda item, the Committee had expressed that further information was needed in order to make a decision, particularly from Hymans Robertson who carried out the initial review and further analysis. Thus, Members had requested an extraordinary meeting be arranged with representatives from Hymans Robertson in attendance to consider the Fund's further investment in the Ethical Housing Company. The Board would be kept updated with developments around this investment.

AGREED that the information provided was received and noted.

25/72

PENSION FUND BUSINESS PLAN 2025/26

The Head of Pensions Governance and Investments had submitted a report of the Corporate Director of Finance, the purpose of which was to present to Members of the Teesside Pension Board ('the Board') the annual Business Plan for the Fund, which was approved by the 4 March 2026 Pension Fund Committee.

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

The Teesside Pension Fund Business Plan was designed to set out how the Pension Fund Committee operated, what powers were delegated and to provide information on key issues. The Business Plan sits 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 2026/29 is attached (Appendix 1). The Business Plan includes:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (see Appendix A);
- The current governance arrangements for the Fund; • The performance targets for the Fund for 2026/27, and a summary of the performance for 2025/26 (latest available) (see Appendix B);
- The arrangements in place for managing risk;
- Membership, investment and funding details for the Fund;
- An estimated outturn for 2025/26 and an estimate for income and expenditure for 2026/27 (see Appendix C and page 22 of Appendix 1); and
- An annual plan for key decisions and a forward work programme for 2026/27 and an outline work plan for 2028 – 2029.

AGREED that the information provided was received and noted.

25/73

TEESSIDE PENSION FUND BOARD ANNUAL REPORT 2025/26

A report was submitted to the Board to present to Members the annual Business Plan for the Fund, which was approved by the 4 March 2026 Pension Fund Committee.

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

The Teesside Pension Fund Business Plan was designed to set out how the Pension Fund Committee operated, what powers were delegated and to provide information on key issues. The Business Plan sat alongside the Fund's other governance documents, which set out the

31 March 2026

delegated powers and responsibilities of officers charged with the investment management function.

The Business Plan for 2026/29 was included in the reports pack (Appendix 1) and included the following:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (see Appendix A);
- The current governance arrangements for the Fund;
- The performance targets for the Fund for 2026/27, and a summary of the performance for 2025/26 (latest available) (see Appendix B);
- The arrangements in place for managing risk;
- Membership, investment and funding details for the Fund;
- An estimated outturn for 2025/26 and an estimate for income and expenditure for 2026/27 (see Appendix C and page 22 of Appendix 1); and
- An annual plan for key decisions and a forward work programme for 2026/27 and an outline work plan for 2028 – 2029.

AGREED that the information provided was received and noted.

25/74

AUDIT RESULTS

The Head of Pensions Governance and Investments presented a report of the Corporate Director of Finance, the purpose of which was to provide Members of the Teesside Pension Board (the Board) with the Audit completion report from the external audit of the Pension Fund for year ended March 2025 carried out by Forvis Mazars.

Forvis Mazars had now completed their audit of the Funds financial statements for 2024/25. The draft results report was issued at the start of February with some audit work to finish before completion in time to meet the statutory deadline. The draft report anticipated issuing an unqualified opinion subject to satisfactorily concluding the remaining audit work. Before the final audit certification, it was identified that additional information around a leasing note should have been disclosed in the financial statements and the audit opinion had been qualified on that issue.

This is the first complete audit of the Fund by Forvis Mazars and they had identified several disclosure misstatements presenting information in a slightly different way from previous financial statements in order to conform with accounting standards. There was an adjusted misstatement arising from valuations from Fund managers being received after the financial statements were produced and before the audit was completed. These timing differences were completely normal with the Level 3 investments made by the Fund.

Several recommendations have been made by the auditor to improve internal controls. These will be taken into account in restructuring the Pensions Team and in planning for and producing the 2025/26 financial statements.

A Scheme Member Representative raised that the use of technical jargon in reports can be difficult to understand for those without a financial background.

AGREED that the information provided was received and noted.

25/75

UPDATE ON WORK PLAN ITEMS

The Head of Pensions Governance and Investments had submitted a report of the Corporate Director of Finance, the purpose of which was 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

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 version approved at its 25 November 2024 meeting.

The items scheduled for consideration in the work plan for this meeting were to review any internal dispute cases / Pensions Ombudsman cases since the last review and review the outcome of actuarial reporting and valuations.

The Board heard that there were a small number of comments to the consultation asserting that the assumptions were too cautious and/or prudent and contribution rates were therefore too high however the Fund was comfortable with its assumptions and indications were that contribution levels were not out of step with other LGPS Funds.

AGREED that the information provided was received and noted.

25/76

PENSION ADMINISTRATION REPORT

The Member Services Manager from Tyne and Wear Pension Fund presented the Pensions Administration Report to the Board.

Since the successful transfer of the administration of the Teesside Pension Fund from XPS Group to the Tyne and Wear Pension Fund (TWPF) in June 2025, there had been initial hurdles as previously reported but the transition had now reached a stable phase. All new cases were currently being processed under standard business procedures and there were robust plans in place to address data-related issues. While the nature of the workload was now clear, the quality of the underlying data remained a significant challenge, and it was expected to take several years before it reached a satisfactory standard. This ongoing issue could lead to longer processing times for certain cases.

TWPF measured the performance of the service against the Occupational and Personal Pension Scheme (Disclosure of Information) Regulations 2013 (“the Disclosure Regulations”), the national LGPS Scheme Advisory Board’s (SAB) Performance Indicators and additional internal performance indicators. In respect of performance against disclosure, these were measured against 100%. Full compliance was not generally achievable, as there was reliance on employers to provide information and cases could be complex.

It was important to consider the overall circumstances of the transfer of responsibilities and the progress achieved since the start of the contract on 1 June 2025. It was expected that performance would improve as issues that arose during the transition were resolved.

TWPF’s default method of communication was digital, meaning that members would receive documents and updates electronically unless they specifically requested to continue receiving paper correspondence. This brought significant efficiencies and cost savings. All Teesside Pension Fund members had now received three separate communications, sent throughout the year, informing them that they would receive their information digitally unless they choose to opt out of online services.

A table was contained within the reports pack that displayed the number of members registered for online services, showing strong uptake in a short period. It was anticipated that these figures would increase further in the coming months as the Annual Pensioner Update and Annual Benefit Statements are released. TWPF was also looking into developing a new online portal with Civica.

Members heard that there was a statutory duty placed on employers to provide information regarding their members and TWPF relied heavily on this data to maintain accurate member records, calculate and pay benefits, and provide annual benefit statements. As a result, TWPF closely monitored the overall performance of employers and kept track of any outstanding queries. It was noted that overall employer performance was improving supported by effective communication that had helped strengthen relationships with employers.

Pensions Dashboards were 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. TPF had now proven the ability to connect to the dashboard, and TWPF was carrying out the first phase of testing to ensure the data matching criteria worked. High-quality data and robust processes were essential to meet regulatory expectations and deliver a reliable service for members. The poor quality of Teesside member data was a notable

31 March 2026

problem and risk. While a plan was in place to improve the Teesside member data, this could take a few years before data reached a satisfactory standard.

AGREED that the information provided was received and noted.

25/77

ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED

None.

This page is intentionally left blank

This document was classified as: OFFICIAL

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Thursday 7 May 2026.

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

ALSO IN ATTENDANCE: S Grahame (Hymans Robertson), M Kirkham (Mazars)

OFFICERS: A Humble, A Lister, W Brown and T Frankland

APOLOGIES FOR ABSENCE: Councillors D McCabe, M Scarborough, Ms J Flaws and Mr T Watson

25/92 **WELCOME AND FIRE EVACUATION PROCEDURE**

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

25/93 **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	Pecuniary	Non-Executive Director of Border to Coast Pensions Partnership LTD
Councillor Ewan	Non-Pecuniary	Member of Teesside Pension Fund and Member of Tyne and Wear Pension Fund
Councillor Jackson	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non-Pecuniary	Member of Teesside Pension Fund
Brian Foulger	Non-Pecuniary	Member of Teesside Pension Fund

25/94 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 4 MARCH 2026**

The minutes of the meeting of the Teesside Pension Fund Committee held on 4 March 2026 were taken as read and approved as a correct record.

The Head of Pensions Governance and Investments noted that there had been developments since the last meeting of the Teesside Pension Fund Committee and confirmed that the Pension Schemes Bill had received Royal Assent on 29 April and was now the Pension Schemes Act 2026. It was highlighted that there were several changes and enhanced training requirements to be implemented in the year ahead.

25/95 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

25/96 **EXCLUSION OF PRESS AND PUBLIC**

07 May 2026

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.

25/97

EXEMPT - LOCAL INVESTMENT UPDATE (EHC)

The Senior Investment Research Consultant from Hymans Robertson was in attendance to provide further detail on the due diligence they had undertaken in regard to the Fund's investment into the Ethical Housing Company and answer Member questions.

ORDERED that:

1. The recommendations as set out in the submitted report, were approved.
2. Members requested that a number of actions be undertaken as a condition of approving the investment.

This document was classified as: OFFICIAL

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 4 March 2026.

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

ALSO IN ATTENDANCE: W Bourne (Independent Advisor), P Moon (Independent Advisor), D Knight (Border to Coast), T Backhouse (Mazars), H Chambers (South Tyneside), I Milne (Hymans Robertson), J Baillie (Hymans Robertson), M Loo (Bridges Fund Management), E Thorne (Bridges Fund Management) and N Usai (The Ethical Housing Company)

OFFICERS: W Brown, A Lister and T Frankland

APOLOGIES FOR ABSENCE: Councillors T Furness and D McCabe

25/76 WELCOME AND FIRE EVACUATION PROCEDURE

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

25/77 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	Pecuniary	Non-Executive Director of Border to Coast Pensions Partnership LTD
Councillor Ewan	Non-Pecuniary	Member of Teesside Pension Fund and Member of Tyne and Wear Pension Fund
Councillor Jackson	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non-Pecuniary	Member of Teesside Pension Fund
Brian Foulger	Non-Pecuniary	Member of Teesside Pension Fund

25/78 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 3 FEBRUARY 2026

The minutes of the meeting of the Teesside Pension Fund Committee held on 3 February 2026 were taken as read and approved as a correct record.

25/79 INVESTMENT ACTIVITY REPORT (INCL. TM REPORT, VALUATION & FORWARD INVESTMENT PROGRAMME)

The Head of Pensions Governance and Investments presented a report of the Corporate Director of Finance, the purpose of which was to inform Members how the Investment Advisors' recommendations were being implemented and to provide a detailed report on transactions undertaken to demonstrate the implementation of the Investment Advice, as well as providing the Fund's Valuation and to report on the treasury management of the Fund's cash balances.

In terms of the implementation of investment advice for the period October – December 2025, the following was highlighted:

- The Fund has no investments in Bonds at this time.
- Cash level at the end of December 2025 was 7.31%
- An amount of £39.8m was invested in the quarter.

Details of all transactions undertaken for the period of October – December 2025, were provided in Appendix A which was contained within the reports pack.

The Fund Valuation detailed all the investments of the Fund as at 31 December 2025, and was prepared by the Fund's custodian, Northern Trust (NT). The total value of all investments, including cash, was £6,117 million. This compared with the last reported valuation, as at 30 September 2025 of £5,943 million.

ORDERED that the information provided was received and noted.

25/80

BORDER TO COAST PRESENTATION - INVESTMENT PERFORMANCE

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

- Teesside Pension Fund's Listed ACS Investments
- Portfolio Performance (Net of Fees)
- Portfolio Performance (Comments)
- Fund Exposure to Defence and Tobacco
- UK Real Estate Fund Performance (Net of Fees)
- UK Real Estate Fund (Purchases and Sales)
- Private Equity – Summary
- Infrastructure – Summary
- Climate Opportunities – Summary

The Border to Coast representative referred to an action from the previous meeting to report on any trends indicating a return to in-person shopping. It was confirmed that the Fund does not invest in shopping centres due to structural changes, but does invest in retail parks and convenience stores, which have remained resilient despite the growth of online shopping.

Members also heard that the Committee's concerns around the Fund's investment in tobacco had been fed back to management within Border to Coast and it had also been raised by the Chair at the Border to Coast Joint Committee. Similarly, a Member noted that, given the current geopolitical climate, investments in defence may now be viewed as more attractive. It was also suggested that recent global events may require a shift in how we approach and think about these matters.

A Member stressed the need for due diligence in defence investments. The Border to Coast representative confirmed they follow UK Government guidance and invest where it is legal and investable.

In reference to the Fund's purchase of 139 houses and apartments located in Cambridge, a Member queried why Teesside Pension Fund continued to invest in other areas of the UK and asked whether there were plans to purchase any properties in Teesside. It was also raised that any regional approach to local investment would likely not benefit the Teesside area as much as other parts of the region which may have more investible opportunities.

The Head of Pensions Governance and Investments confirmed that Teesside Pension Fund had the opportunity to consider its own definition of "local" and consider whether it wanted to work with other Partner Funds on a regional approach to investment.

ORDERED that the information provided was received and noted.

25/81

INVESTMENT ADVISORS' REPORTS

To begin the Investment Advisors' Update, the Head of Pensions Governance and Investments advised Members that this meeting would be Peter Moon's final time advising the Fund before retirement. Peter had advised the Fund for over 40 years and contributed greatly to the favourable position the Fund was now in. The Head of Pensions Governance and Investments,

04 March 2026

the Chair and all Members of the Committee thanked Peter for his valuable advice over the years.

The Independent Investment Advisors had provided reports on current capital market conditions with further commentary provided at the meeting.

The war in the Middle East was referenced and the uncertainty surrounding the conflict highlighted which prompted several questions from Members around the effect this would have on the Fund. It was acknowledged that although the Fund had been substantially diversified over the past seven years, uncertainty had fuelled global market volatility and panic. Nevertheless, the Committee was reassured that markets were generally resilient and had historically recovered following periods of downturn.

ORDERED that the information provided was received and noted.

25/82

TWPF PENSIONS ADMINISTRATION REPORT

Representatives from the Tyne & Wear Pension Fund were in attendance to provide the TWPF Pensions Administration Report. As mentioned previously, Members heard that responsibility for the administration of the Teesside Pension Fund had now been successfully transferred from XPS Group to the Tyne and Wear Pension Fund (TWPF) as part of a shared service agreement. The transition was not without its difficulties but a stable phase had now been reached. All new cases were currently being processed under standard business procedures, indicating a return to normal operations.

As previously reported, the transition of administration resulted in a significant increase in the volume of calls to the Pensions Helpline and during this period, there were weeks when only 40% of calls were successfully answered, indicating the heightened demand for support and guidance. TWPF reacted by allocating extra staff and by December, 79% of calls were answered, showing significant improvement. The rise in answered calls reflects TWPF's ongoing commitment to effective member support and TWPF aimed to further raise this figure and consistently provide excellent service through the Pensions Helpline.

TWPF's default method of communication was digital, meaning that members would receive documents and updates electronically unless they specifically requested to continue receiving paper correspondence. This brought significant efficiencies and cost savings.

A Member raised that making all communication digital could affect the level of service Members receive and noted that it could be viewed as transferring the cost to pensioners who would have to use their own resources to print a letter. Members were reassured by the TWPF representative that paper communication was still available on an opt-in basis and once TWPF were made aware that a Member still required paper communication, this would continue for the foreseeable. TWPF tried to be accommodating to all Members.

Members were advised that there was a statutory duty on employers to provide information regarding their members. TWPF relied heavily on this data to maintain accurate member records, calculate and pay benefits, and provide annual benefit statements. As a result, TWPF closely monitored the overall performance of employers and kept track of any outstanding queries.

Whilst it was acknowledged that there was a period of adjustment whilst employers familiarised themselves with new working practices, the Employer Services Team would continue to review employers who reached trigger levels and support would be provided where necessary which included a dedicated employer helpline, training webinars and meetings.

A Member expressed concern around the estimated timeframes for data issues to be resolved and how this would impact Members at and approaching retirement age. It was confirmed that pensioner data needed less resolution and a lot of the issues lied with deferred Members as there was missing information that required TWPF to contact former employers to provide this. Members of the Committee were reassured that this was a high priority for TWPF but unfortunately it was beyond their control.

A Member acknowledged that TWPF's service had improved after the teething issues at the beginning of the transfer and noted that feedback had been positive from Members of the Fund.

04 March 2026

It was raised that the website could be more streamlined and representatives from TWPF confirmed that they were looking into website improvements and would take the suggestion away.

ORDERED that the information provided was received and noted.

25/83

FIT FOR THE FUTURE IMPLEMENTATION

The Head of Pensions Governance and Investments presented a report of the Corporate Director of Finance, the purpose of which was to provide Members with an overview of the changes arising from the Pension Schemes Bill and the draft 2026 LGPS Regulations, with a particular focus on how they will affect the Fund's investment arrangements and its relationship with Border to Coast.

Teesside Pension Fund had participated in the Border to Coast Pensions Partnership asset pool since 2015, following a government directive to consolidate LGPS investments to achieve economies of scale, strengthen governance, and reduce costs while maintaining performance. The pool currently included ten other authorities.

In November 2024, the government launched the Fit for the Future consultation on further LGPS reforms. The consultation sought to reform the LGPS by enhancing asset pooling, improving governance, and increasing investment in local economies to ensure long-term sustainability. Key goals included tackling fragmentation, achieving economies of scale, and accelerating the transfer of assets to qualified, FCA-regulated pools.

These reforms were being driven through a combination of primary legislation, new and amended Regulations:

- The Pension Schemes Bill (expected to gain Royal Assent by April 2026) provided the overarching policy framework, giving Ministers new powers to set standards, issue directions, and require funds to make statutory appointments, and undertake governance reviews.
- The LGPS (Pooling, Management and Investment of Funds) Regulations 2026 evolved the investment framework. They required each administering authority to participate in a single FCA regulated pool responsible for all investment implementation (including portfolio construction, manager selection, stock selection, rebalancing, and stewardship). Funds retained responsibility for setting investment strategy, including the Strategic Asset Allocation (SAA), but must take strategic advice principally from their pool. The regulations also codify new requirements for the Investment Strategy Statement, including the incorporation of local investment objectives and mandatory publication and consultation standards.
- The LGPS (Amendment) Regulations 2026 were primarily concerned with governance. They introduced mandatory roles, policies and training requirements designed to increase capability, improve transparency, and ensure effective oversight. Among these measures were the creation of the Senior LGPS Officer, the appointment of an Independent Person, and the requirement for funds to maintain a Governance Strategy, Training Strategy, and Conflicts of Interest Policy. Committee members, Board members and delegated officers must meet statutory knowledge and understanding standards, to be supported by ongoing training and formally assessed.

These changes amounted to the most significant regulatory shift in the LGPS since pooling began, and successful compliance required an aligned governance model and operational partnership with Border to Coast.

The Government had also confirmed that the ACCESS and Brunel pools would close, with their Partner Funds required to identify alternative pooling arrangements. Seven of these administering authorities had indicated their intention to join Border to Coast, subject to due diligence and legal transition, which would significantly expand the size and scale of the partnership. An update on this had been provided separately.

Members were advised that further detail on the roles and responsibilities under the 2026 framework was included in the reports pack but the Head of Pensions Governance and Investments highlighted that the Independent Person would play a new statutory role, offering

04 March 2026

professional challenge and scrutiny to both the Committee and the Senior LGPS Officer, although in exceptional circumstances more than one person could be employed. As a non-voting member of the Committee, their remit would extend beyond investment matters, covering the full range of LGPS activities and pool oversight.

The role of Border to Coast was also explained in further detail and they were responsible for all investment implementation, with clear accountability to Partner Funds. It must manage assets in line with the Fund's strategy, using discretion over manager selection, fund design, portfolio construction, rebalancing, stewardship and hedging. Border to Coast would also provide strategic investment advice, local investment capabilities, legacy asset management, reporting, and support for ISS development. Border to Coast had already begun developing these enhanced capabilities through its 2030 strategy, agreed with shareholders in 2024, to unlock the governance premium associated with holistic scheme management.

Members queried whether there was a potential conflict of interest regarding Border to Coast's new responsibilities under the 2026 framework and highlighted the need for continuity at Committees. It was confirmed that it was a government proposal that LGPS pools were to be the principal providers of investment advice and the Head of Pensions Governance and Investments advised that the administering authority would look to extend William Bourne's role for a period of time whilst the transition took place and Border to Coast were in strong position to advise all 18 funds in the pool. The Independent Person would ensure that independent challenge was maintained.

A Member queried whether a review of governance arrangements was needed in light of the upcoming changes and several alternative arrangements were discussed such as a single purpose pension organisation.

The Head of Pensions Governance and Investments advised that specific statutory government guidance remained incomplete and detailed regulations had not yet been finalised which created a current level of uncertainty around the direction in which the Fund was going.

ORDERED that:

1. The information provided was received and noted.
2. A report exploring alternative potential governance arrangements was presented at a future meeting.

25/84

PENSION FUND BUSINESS PLAN 2026-29

A report of the Corporate Director of Finance was submitted, the purpose of which was to present to Members of the Teesside Pension Fund Committee the annual Business Plan for the Fund.

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

The Teesside Pension Fund Business Plan was designed to set out how the Pension Fund Committee operates, what powers were delegated and to provide 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 2026/29 was included in the reports pack as Appendix

The Business Plan included:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (see Appendix A);
- The current governance arrangements for the Fund;
- The performance targets for the Fund for 2025/26, and a summary of the performance for 2025/26 (latest available) (see Appendix B);
- The arrangements in place for managing risk and the risk register for the Fund;

04 March 2026

- Membership, investment and funding details for the Fund;
- An estimated outturn for 2025/26 and an estimate for income and expenditure for 2026/27 (see Appendix C and page 22 of Appendix 1); and
- An annual plan for key decisions and a forward work programme for 2026/27 and an outline work plan for 2027 – 2029.

Fund targets were set for key areas to monitor the performance of the Fund and the funding target was to achieve fully funded status, represented as 100% funded. A Member suggested that the Fund should commit to more than that to ensure there is headroom in case anything goes wrong. It was confirmed by the Head of Pensions Governance and Investments that this was taken into account in the triannual assumptions and the Actuaries model was stress tested.

A Member referenced the Fund's Knowledge and Skills Policy and it was raised that membership of the Committee was transient by nature and there were several queries around this. It was confirmed that Members would be tested via a self-assessment in future and would be supported to achieve the sufficient skills and knowledge needed to undertake their role effectively and in line with stricter expectations from regulatory bodies.

ORDERED that:

1. The Committee approved the Business Plan including the 2026/27 Pension Fund budget.
2. The information provided was received and noted.

25/85

RISK REGISTER

The Head of Pensions Governance and Investments presented a report of the Corporate Director of Finance, the purpose of which was to advise Members of changes to the Pension Fund Risk Register and to provide Members with an opportunity to review the Risk Register.

At the previous Pensions Committee meeting, Members had requested more information on any changes that had been made to the risk register and the reasoning behind those amendments. Members were advised that the appendix included in the reports pack identified the original score when the risk was placed on the register and the current score. Since the February Pensions Committee meeting there had been two amendments to the risk register.

The two risks that had changed were explained in further detail:

- TPF016 – Adverse Legislative Change. Likelihood increased from unlikely to possible to reflect potential challenging timelines for governance changes required by the Fund and the Pool to meet Pensions Bill requirements. In mitigation plans are being developed to meet the trailed governance changes.
- TPF023 – Inaccurate Data Record Collation. Likelihood increased from unlikely to possible to reflect the data issues identified by the new pension's administrator following the transfer of data from the previous provider. In mitigation Tyne and Wear Pension Fund are developing a Data Improvement Plan to resolve any issues.

Amendments to risk assessments made in the previous quarter were explained in detail in the reports pack and a list of the other major risks and their current assessments were also included with the full Risk Register included as an Appendix.

A Member referred to recent media coverage concerning Reform views and comments regarding the LGPS and highlighted the importance of early, long-term planning to mitigate risk in this area to ensure Members continued to secure adequate pension arrangements.

ORDERED that the information provided was received and noted.

25/86

AUDIT COMPLETION REPORT 2024/25

A representative from Forvis Mazars presented the Audit Completion Report to Committee Members and advised that their audit of the Funds financial statements for 2024/25 was almost complete. The draft results report included in the reports pack was issued at the start of February with some audit work to finish before completion in time to meet the statutory deadline.

04 March 2026

The draft report anticipated issuing an unqualified opinion subject to satisfactorily concluding the remaining audit work. Before the final audit certification it was identified that additional information around a leasing note should have been disclosed in the financial statements and the audit opinion has been qualified on that issue. The issue identified was long standing and should have been picked up in previous years accounts preparation and audits. It was expected that a clean audit opinion could be achieved for 2025/26.

This was the first complete audit of the Fund by Forvis Mazars and they had identified several disclosure misstatements presenting information in a slightly different way from previous financial statements in order to conform with accounting standards.

There was an adjusted misstatement arising from valuations from Fund managers being received after the financial statements were produced and before the audit was completed. These timing differences were completely normal with the Level 3 investments made by the Fund.

Several recommendations had been made by the auditor to improve internal controls. These were outlined fully in the Audit Completion Report and would be taken into account in restructuring the Pensions Team and in planning for and producing the 2025/26 financial statements. The Audit Manager concluded the update by noting that the Pension Fund was in a favourable position and ahead of many other Funds in having an up-to-date audit. Despite one disclosure, significant progress had been made.

A Member queried why the audited accounts had not been kept up to date and the Head of Pensions Governance and Investments advised that it was a national issue caused by a variety of factors such as backlog delays due to Covid-19.

ORDERED that the information provided was received and noted.

25/87 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

25/88 **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.

25/89 **EXEMPT - BORDER TO COAST SHAREHOLDER ADMISSION DOCUMENTS**

A report was provided, the purpose of which was to advise Members of the legal process to expand Border to Coast membership in response to the Government's Fit for the Future consultation.

ORDERED that:

1. The information provided was received and noted.
2. That the Committee approved the proposed changes and shareholder resolution contained within the report.

25/90 **EXEMPT - FUND ACTUARY - DRAFT REPORT ON THE ACTUARIAL VALUATION AS AT 31 MARCH 2025**

The Actuary presented the Draft Report on the Actuarial Valuation to Members, the purpose of which was to update the Committee on progress on the ongoing triennial actuarial valuation of the Pension Fund as at 31 March 2025.

The following areas were covered:

- Executive Summary
- Valuation Approach

- Valuation Results
- Risks and Sensitivities
- Final Comments

ORDERED that:

1. The information provided was received and noted.
2. The Head of Pensions Governance and Investments (in consultation with the Chair and Vice Chair) approved the Funding Strategy Statement.

25/91

EXEMPT - LOCAL INVESTMENT UPDATE (EHC)

The Head of Pensions Governance and Investments presented a report of the Corporate Director of Finance, the purpose of which was to provide Members with an update on the due diligence carried out in respect of the Ethical Housing Company local investment proposal.

Representatives from the Ethical Housing Company were also in attendance to answer questions from the Committee regarding their business model.

Discussion ensued and Members expressed that further information was needed in order to make a decision, particularly from Hymans Robertson who carried out the initial review and further analysis.

The Chair proposed an extraordinary meeting to discuss the Fund's investment in the Ethical Housing Company further, which was unanimously agreed by all Members.

ORDERED that:

1. The information provided was received and noted.
2. An extraordinary meeting of the Teesside Pension Fund Committee be arranged with representatives from Hymans Robertson in attendance to consider the Fund's further investment in the Ethical Housing Company.

Teesside Pension Fund

Andrew Lister

Head of Pensions Governance & Investments

08 June 2026

Page 21

Agenda Item 8

Agenda

- LGPS scheme overview
- Teesside Pension Fund
- Investments
- Pooling
- Responsible Investment
- Committee Business

Page 22

Training to meet Knowledge and Understanding

There is a statutory requirement for individual Committee and Board members to develop knowledge and understanding on the following areas:

- Pensions legislation and guidance
- Pensions governance
- Funding strategy and actuarial methods
- Pensions administration and communications
- Pensions financial strategy, management, accounting, reporting and audit standards
- Investment objectives, strategic asset allocation, pooling, and pooling performance management
- Risk management
- Pension services procurement, contract management, and relationship management.
- Key skills and behaviours

Scheme Overview: What is the LGPS?

- The Local Government Pension Scheme.
- Statutory public sector occupational pension scheme, governed by primary and secondary legislation.
- Administered under LGPS Regulations 2013.
- Although the LGPS is a nationwide scheme, it is made up of 86 stand-alone regional funds. These are locally administered, normally by local authorities (the ‘administering authority’).
- One of the largest public sector pension schemes in the World.

Page 24

What is the LGPS?

- LGPS is open to
 - employers providing local government services
 - academies, colleges and some universities (post 92)
 - employers where local government services have been contracted out (e.g. school cleaning contracts).
 - A wide range of other public service employers, including admission bodies for Charities and Private Sector contractors.
- Defined Benefit Scheme – guaranteed to pay out an income based on your service and how much you earn.

Page 25

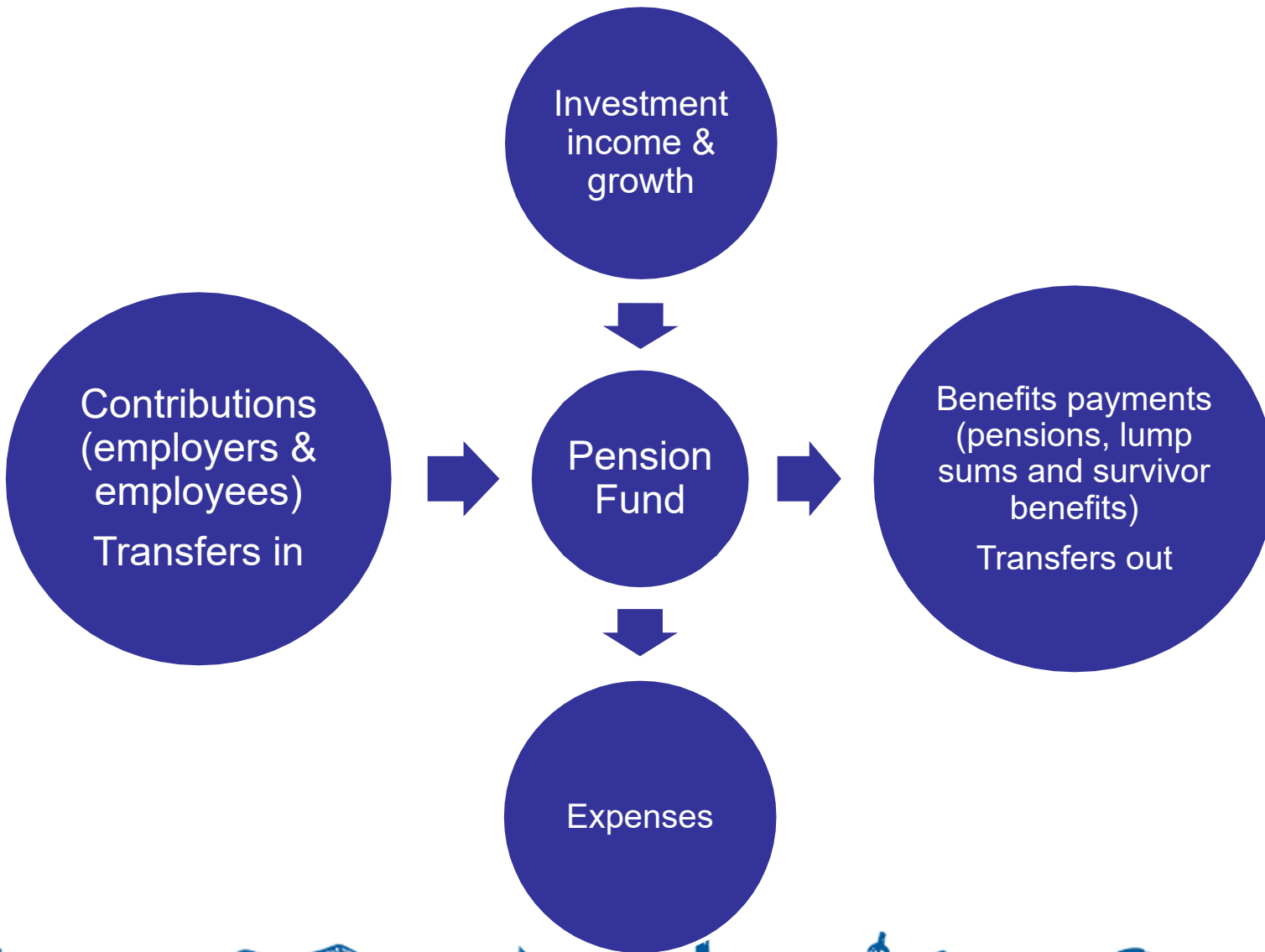
How does the LGPS compare with other Public Pension Schemes?

- Most public sector schemes are “pay as you go” (Teachers; Fire; Police; NHS; Civil Service) and therefore 100% unfunded.
- Unfunded means that the pensions are paid directly from income (and if not sufficient, national taxation).
- In Funded schemes net contributions are invested to build a financial reserve for future pension benefits, ensuring that funds accumulate over time.

Page 26

How does the LGPS Work?

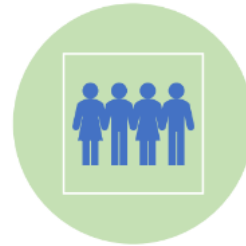
Page 27



Member Benefits



Valuable part of pay and reward package for LGPS employees and employers



Employees and Employers contribute



Member contribution between 5.5% - 12.5% depending on pay.



Employer contribution set every 3 year at time of Fund valuation

Member Benefits

Overview of benefits

- Pensions.
- Lump sums.
- Spouse, civil partner and co-habiting partner pensions.
- Children.
- Death grants.
- Ill health pension from any age.
- Options for early leavers - deferred benefits, transfers and refunds.
- APCs and AVCs (increase benefits through additional contributions).

Joining the scheme

Almost all local government employees can join the scheme. Since May 2026 elected members can join. In addition, other bodies can join:

Staff employed by scheduled bodies that are not eligible to join another scheme (e.g. Teachers).

Staff employed by designated and admission bodies who are nominated by their employer to be members.

Maximum age of 75, no minimum (but must be an employee).

Eligible employees are automatically enrolled upon commencing employment and re-enrolled under auto-enrolment rules.

Staff with a contract of less than 3 months can elect to join.

All members can opt out if they wish.

Pension Benefits – Main Scheme over time

Scheme members may have a number of different ‘bits’ to their pension calculated in different ways dependent upon how long they have been in the scheme.

Up to 31.3.2008	1.4.2008 - 31.03.2014	1.04.2014 onwards
Pension = Total membership x 1/80 x Final Salary Pay	Pension = Total membership x 1/60 x Final Salary Pay	Pension = Membership each year x1/49 x Career Average Pay + cost of living increases
Automatic lump sum	No automatic lump sum	No automatic lump sum

Page 31

Some flexibility on retirement:

- Can swap pension for lump sum (or extra).
- £1 yearly pension for £12 one off lump sum – limits apply.

Pension Benefits – Main Scheme over time

Type	When	How
Normal – State Pension Age (SPA) and beyond	SPA - and later - must take before age 75	Voluntary - no reduction Increases from SPA
Redundancy, Early, Efficiency	From age 55 – (57 from 2028)	Employer led – no reductions – but may be strain on fund costs
Voluntary Early Retirement	From age 55 - (57 from 2028)	Member led – reductions -(some protections) - employers discretion to waive reductions –may be strain on fund costs
Ill Health	From any age	Permanently incapable Employer led - medical certification Three tiers depending on likelihood of gainful employment
Flexible	From age 55 - (57 from 2028)	Employers consent required, all or some of benefits into payment – reductions (some protections) - employer can waive – may be strain on fund costs

Page 32

The Normal Pension Age in the scheme is now linked to the State Pension Age for each member.

Different Groups of Scheme Members

There are three different groups of scheme member:

- Active – these are working for one of the employers and contributing.
- Deferred – these members are no longer contributing. They may have suspended contributions or left a scheme employer.
- Pensioner – these are in receipt of scheme pension benefits.

Death Benefits

Death Grant – Lump Sum

In general:

- Active 3 x pay.
- Deferred 5 x pension.
- Pensioner (within 10 years of taking pension and under age 75) 10 x pension less pension paid.

Death grant – member completes expressions of wishes. Fund decides, taking into account wishes and other circumstances.

Survivors' Pensions

No need to nominate eligibility with LGPS Regulations.

Spouse, civil partner or cohabiting partner (conditions).
Total membership x pay x 1/160

Eligible children:

- Under the age of 18, or under the age of 23 and in full time education or vocational training.
- One child = total membership x pay x 1/320
- Two or more = equal share based on 1/160
- Higher rates apply where no surviving partner.

Early Leavers

- Members who leave the scheme before age 55 are not entitled to immediate payment of their benefits.
- A key consideration is whether the member has met the ‘vesting period’ – generally, reached 2 years of membership.
- If a member leaves the scheme after having met the vesting period, they will be entitled to deferred benefits. Annual cost of living increases will be applied.
- If a member leaves the scheme and hasn’t met the vesting period, they will be offered a refund of their contributions.

Page 35

Teesside Pension Fund

Local Government Pension Scheme (LGPS) – England & Wales:

- 6.7 million members
- Rules set by central government, run locally
- Middlesbrough Council is the Administering Authority for the Teesside Pension Fund

Teesside Pension Fund

- Over 80,000 scheme members (active / deferred / pensioner roughly even split)
- Over 150 employers – for staff at four unitary councils, university & colleges, (non-uniformed) police & fire, (non-teaching) academy schools, housing associations, town & parish councils, private sector companies (outsourced contracts)
- £6.1 billion fund value at 31/03/26. 141% funded at 31 March 2025
- ‘surplus’ being used to reduce employer contribution rates – means Councils spend less on funding staff pensions – more available to spend on Council priorities. Teesside Councils rates are some of the lowest.

Teesside Pension Fund

Teesside Pension Fund Committee

- Overall responsibility for management of Fund including setting strategy
- Fifteen members: Nine Middlesbrough Councillors (inc Chair & Vice Chair), one each (Councillors) from Hartlepool, Stockton and Redcar & Cleveland, two scheme member reps (from Trade Unions) and one 'other' employer rep
- Make decisions e.g. strategic asset allocation decisions, without reference to full Council
- Advised by officers and external advisors (e.g. independent person, fund actuary)

Teesside Pension Board

- Oversight body (not decision-making) – to assist the Council as administering authority for the Fund, to secure compliance with regulations, effective and efficient governance and administration of the Fund and compliance with Pensions Regulator requirements
- Six members: three employer nominated, three scheme member nominated (two from Trade Unions, one pensioner rep)

Teesside Pension Fund

Border to Coast Pensions Partnership

- Set up in response to Government directive for LGPS Funds to pool investments
 - Eleven original 'Partner Funds' – Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, South Yorkshire, Surrey, Teesside, Tyne and Wear, Warwickshire
 - From 1st April 2026 an additional seven Partner Funds – Kent, Cambridgeshire, Essex, Northamptonshire, Hertfordshire, East Sussex, West Sussex
- Central Government focus was on cost savings and 'encouragement' to invest in UK infrastructure projects
- The Fund is invested in their UK, Overseas Developed and Emerging Market equity funds, as well as their private equity, infrastructure and climate opportunities funds.
 - Council jointly owns Border to Coast – close partnership working – has control as one of eighteen shareholders and oversight through seat on Border to Coast Joint Committee (one elected member from each partner fund)

Teesside Pension Fund

Pensions Governance and Investments Team

- Support Committee (and Board)
- Oversee / instruct investment managers
- Work closely with Border to Coast
- Invest 'short term' cash (currently around £440m)
- Oversee and monitor outsourced pensions administration contract
- Work with investment advisors, actuary, auditors
- Collecting scheme member and employer contributions

Page 39

Pensions Administration

- Calculating and paying benefits (on leaving, retiring, transfers, death)
- Maintaining accurate data
- Providing estimates (annually, on request, through website)
- Maintaining website, producing newsletters, member and employer communications
- Outsourced to external provider – Tyne & Wear Pension Fund

Fiduciary Duty

The key implications of the fiduciary duty for Committee members are:

- at all times, you are to act in the interests of the Fund as a whole and not your own personal interests or those of your own Council / employer / Trade Union;
- you owe a duty of care to scheme employers and members;
- act reasonably in making decisions;
- importance of financial interests
- Non-financial factors can be considered but cannot be detrimental to financial considerations.



Whilst the LGPS is not a trust based Scheme, Committee members are in a position of trust.

Fiduciary Duty

Law Commission: Fiduciary Duties of Investment Intermediaries (2014):

“In broad terms, trustees should take into account financially relevant factors. However, the circumstances in which trustees may make non-financially related decisions are more limited.”

In general, non-financial factors may only be taken into account if two tests are met:

- (1) Trustees should have good reason to think that **scheme members would share that concern**; and
- (2) The decision should **not involve a risk of significant financial detriment** to the fund.”

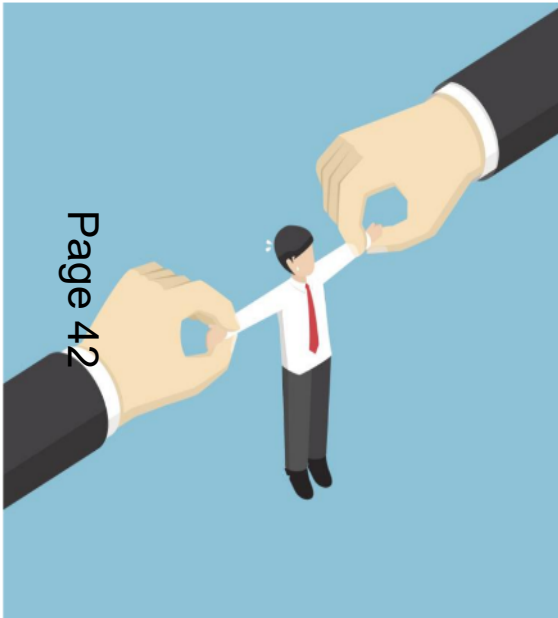
Conflicts of Interest

Applies to the Pensions Committee and the Local Pension Board.

Conflicts may arise where:

- there is a duty to act in the interests of the Fund and the Fund's beneficiaries and to secure compliance with regulations, and
- an individual has a competing personal interest or a separate duty to act in the interests of another party

The main duty is to the Fund, Scheme members and employers.



Role of the Pensions Regulator (tPR)

- Responsible for regulating the governance and administration of pension schemes (both public & private) and has published a code of practice for public service schemes to adhere to.
- Combined Pension General Code of Practice – March 2024.
 - Focussed on data quality and regulatory compliance.
 - Enhanced focus of compliance and enforcement.
- Regulatory and enforcement action.
 - Issue Improvement Notices.
 - Issue fines for breaches of the law.
 - Prosecuting offences in the criminal courts.
 - Banning trustees not considered fit and proper for the role.

Other Bodies

Other organisations that you will come across include:

- LGA (Local Government Association), who provide guidance on the technical aspects of the LGPS.
- CIPFA (Chartered Institute of Public Finance and Accountancy), who provide support on reporting and accountancy aspects.
- GAD (Government Actuary's Department), whose aim is to improve the stewardship of public sector finances by supporting effective decision-making and robust financial reporting through actuarial analysis, modelling and advice.
- MHCLG (Ministry of Housing, Communities and Local Government).
- SAB (Scheme Advisory Board), operated by the LGA
- HM Treasury.

Page 44

Ministry of Housing, Communities and Local Government

- This central government department has overall responsibility for the strategic management and policy making in relation to the LGPS in England and Wales. It was previously called the Department for Levelling Up, Housing and Communities.

Page 45



Ministry of Housing,
Communities &
Local Government

Scheme Advisory Board

Whereas the Local Pension Board has local oversight of the pension fund, the Scheme Advisory Board has national oversight.

It represents employers and scheme members, and consists of representatives from across a broad spectrum of LGPS stakeholders.

The SAB works with Government and other stakeholders to encourage best practice, increase transparency and coordinate technical and standards issues.

Separate SABs exist for the schemes in England & Wales, Scotland and Northern Ireland.

The Actuary and triennial valuation

A defined benefit (DB) scheme is subject to the statutory funding objective, which means it needs to have appropriate assets to cover its accrued liabilities.

The Fund's actuary carries out actuarial valuations of the fund every 3 years with the following objectives:

- Page 47 |
- To comply with legislation (it is mandatory to have an actuarial valuation every 3 years).
 - To monitor the ongoing health of the Fund and manage risk – ensuring there is enough money in the fund to pay pensions due.
 - To set appropriate contribution rates for employers.
 - To monitor the actual experience of the fund against the assumptions made.

Investment Regulatory Requirements

- LGPS Regulations require Funds to prepare and maintain an Investment Strategy Statement (ISS).

This is published on the Fund's website.

The ISS is reviewed at least every 3 years, usually as part of Triennial Valuation.

Investment Strategy Statement

- The ISS explains the Fund's approach and beliefs including:
 - Types/mix of investments e.g. equities, bonds, property.
 - Approach to risk.
 - Expected returns.
 - Approach to Pooling.
 - Local Investment
 - How ESG (Environmental, Social & Governance) issues are considered & Policy on Voting.
- Links to the funding strategy.
- Advice received from the pool, independent person and officers.

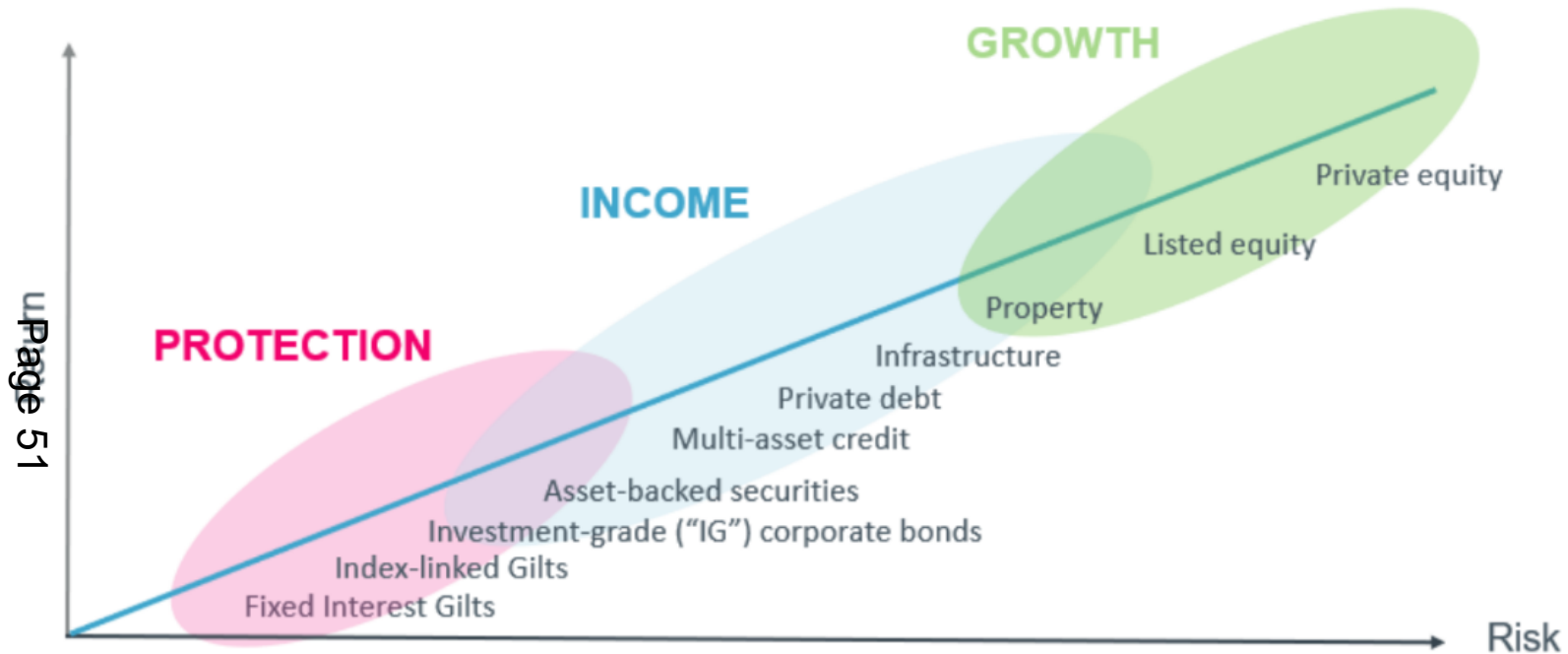
Asset Classes

Page 50

- Different types of assets, or ‘asset classes’, offer varying possibilities for investment return in exchange for varying degrees of risk.
- The mix of different assets which the Fund aims to achieve is reflected in the Investment Strategy Statement.

Investment Portfolio

The Investment Strategy will seek to balance risk and return. For example, the Fund may look at the mix of growth, income and protection assets.



Page 51

Protection

- Manage the overall level of investment risk
- Good match to the Fund's liabilities

Income

- Stabilise and diversify returns
- Income generated used to pay benefits
- Avoids untimely divestment of assets

Growth

- Deliver long-term real returns
- Keep contributions affordable and close any deficits
- Higher level of investment risk

Equities

- Equities are the shares of companies listed on stock exchanges, and that can be bought and sold on that exchange. Shares in companies give an entitlement to dividends and the prospect of capital gains.
- The capital gain is the increase in the share price over time and a dividend is the share of the company's profits distributed as income. Both the share price and dividend income can rise and fall over time and the combination of these two elements derives the total return from an equity.
- Equities are expected to deliver a higher return than bonds over the long term.

Equities

- Equities can be held in either actively managed funds or passive funds.
- Actively managed funds attempt to outperform their respective benchmarks by owning more or less of each individual constituent of the benchmark. There are active decisions made about whether to own each company and to what extent.
- Passively managed funds attempt to match the performance of the underlying benchmark as closely as possible.
- Passive investments tend to replicate the benchmark by holding most, if not all, of the constituent companies.
- Fees are considerably lower, but the opportunity of outperformance compared to the benchmark is forgone.

Page 53

Bonds

- Bonds can be issued by governments or by companies and represent a loan to the company or government. In return for investment, they provide a regular income and should be repaid in full at maturity.
- Sovereign debt is issued by Governments and Corporate bonds are issued by companies. Bonds issued by the UK Government are called Gilts.
- Corporate bonds are perceived as being higher risk than gilts and therefore pay a higher interest rate.
- Index-linked gilts provide income and maturity payments which increase (or decrease) in line with inflation.

Real Estate

- Real Estate concerns investing in land and any structures permanently attached to it.
- Investing in real estate allows funds to acquire assets which provide a rental stream. This will tend to rise in line with the rate of inflation over a period of time. In turn this should have a positive effect on capital values.
- Real Estate investments also provide diversification in portfolios and can provide a hedge against volatility in equity markets.
- These investments require more management attention than other forms of investment, and are less liquid than equities or bonds.
- Because of the fees payable and tax imposed, real estate is comparatively expensive to purchase and, therefore, trade.
- As a consequence, real estate is usually held for the longer term.

Page 55

Private Markets

Private markets is the generic term that covers unquoted investment (not traded publicly on stock markets). There are various sub-divisions of this asset class such as private equity, private infrastructure and private credit. Each of these has its own set of characteristics and performance profiles.

Page 56



Venture capital

- Equity investments in start-up and early-stage companies
- Typically, in the technology or healthcare segments

Growth equity

- Equity investments to finance the expansion of young, growing companies

Buyouts

- Equity investments in established companies, which include debt in capital structure
- Change in control

Private Markets

- Private markets are generally accessible to qualified institutional and individual investors through private funds or direct investments into private companies.
- Institutions or individuals provide capital which can be used to:
 - Start businesses.
 - Fund growth.
 - Make acquisitions.
 - Strengthen balance sheets.
 - Initiate buyouts of public companies.
- Investment managers use the capital invested to buy businesses, guide them through pre-determined improvement plans. And exit the investment to return the funds back to the original investors.

Private Markets

- Generally, investing in private markets is less volatile over the short- to medium-term than investing in quoted companies, but this investment is less liquid.
- In private equity, the investor may have a greater ability to influence, as there is usually a small set of shareholders. However, in the event of bankruptcy, the investor is unlikely to be repaid.
- Returns have varied widely depending upon the sort of criteria employed and the year of investing. Investment in this area aids diversification and justifies the risks involved.

Page 58

Cash

- There is always a cash element within the Fund, allowing day-to-day pension fund requirements to be met.
- There are occasions when cash is viewed as an asset class in its own right.
- All cash is actively managed.

Asset Classes - summary

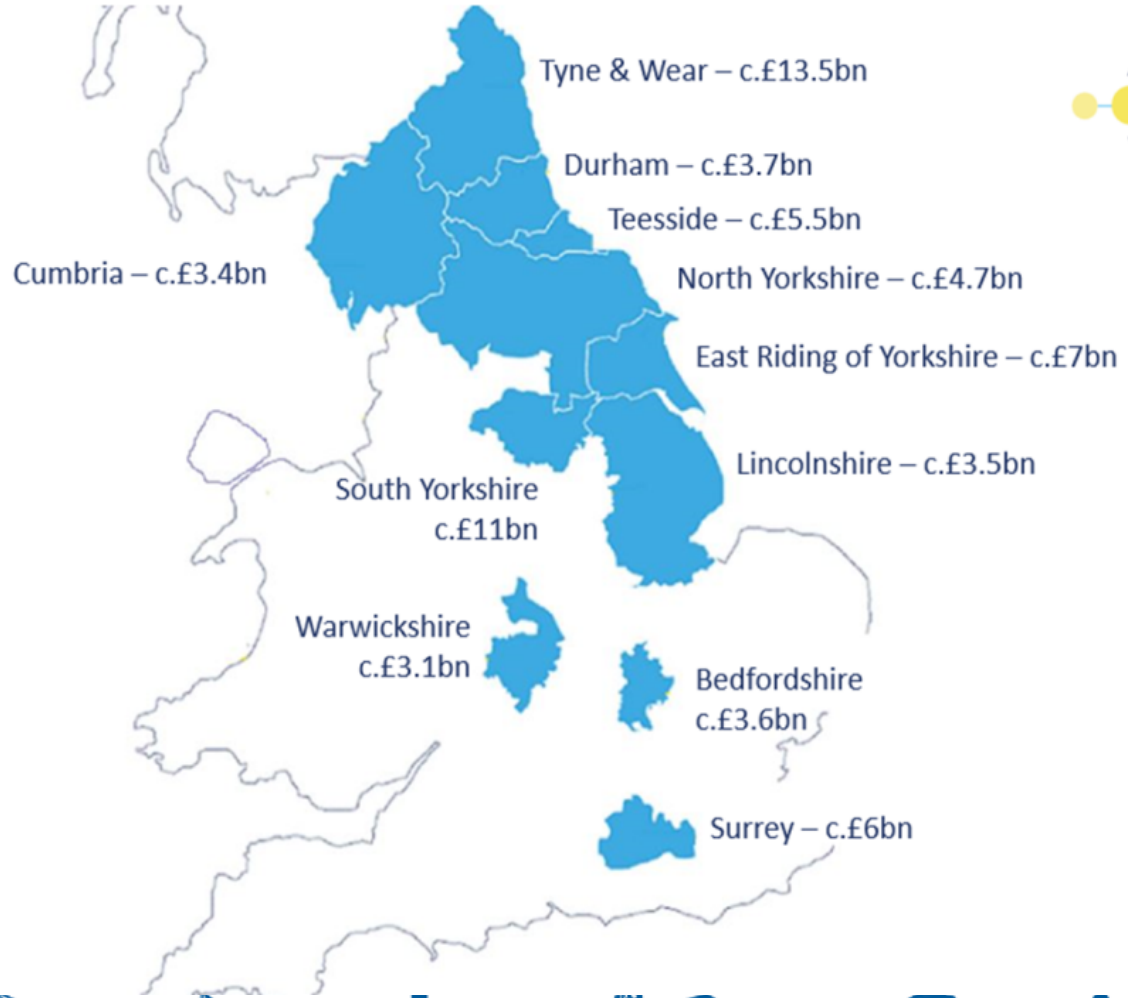
Key things to keep in mind are:

- Of the asset classes, equities, real estate and alternative assets are essentially return seeking. By contrast, bonds are usually held for stability and security.
- A high allocation to return seeking assets helps to keep pensions affordable. However, return seeking assets increase risk and volatility.
- Diversification (i.e. not putting all your eggs in one basket) should help to reduce the downside risk.
- A long-term approach, seeking return, is generally considered appropriate for such long-term liabilities, hence the high allocation to equities and alternatives seen in the LGPS world.

Border to Coast Asset Pooling

OUR PARTNER FUNDS

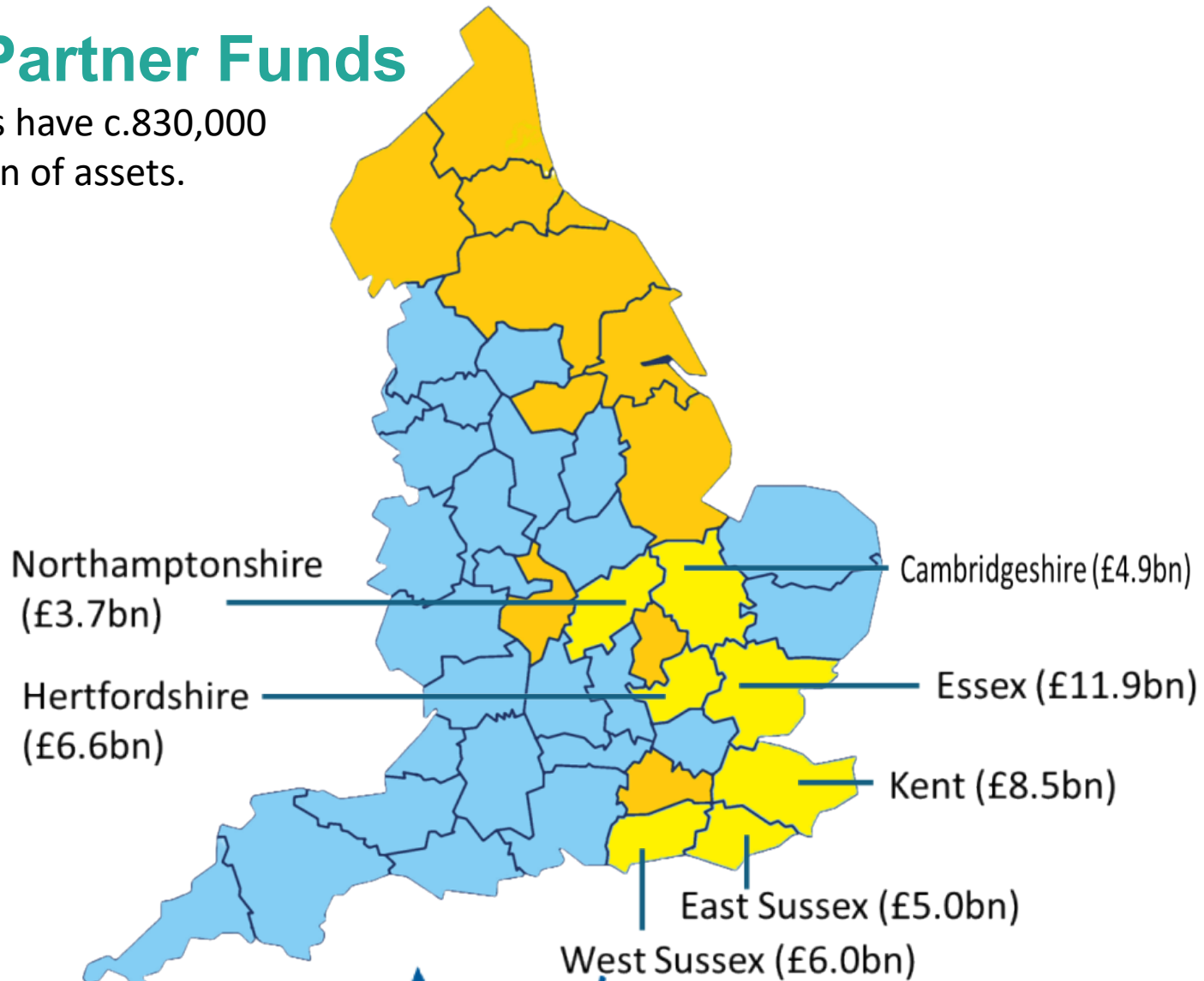
Page 61



Incoming Partner Funds

The seven new Funds have c.830,000 members and c.£45bn of assets.

Page 62



Oversight & Governance

- The administering authority has two distinct roles:
- **Shareholder** - functions relate to ownership of the Operator and subject to company law documents.
- **Investor** - rights relate to the investment as a 'customer'.
- Need to **separate** functions (and manage potential conflicts).

Page 63

Roles and decision making

- Each Fund retains decision-making powers regarding asset allocation and delegates the investment management function to BCPP Limited. The pooling of LGPS assets has no impact on the pension entitlement of members of the fund.
- BCPP has an internal team of investment managers, in addition to appointing external managers. Its role is to implement the investment strategies of the partner funds, through a range of investment sub-funds, offering internally and externally managed solutions.

Page 64

Accountability

BCPP is held to account through the following mechanisms:

- A fund representative on the BCPP Shareholder Board, with equal voting rights, provides oversight and control of the corporate operations of BCPP Limited. Each Fund has an equal share in the company.
- A representative on the BCPP Joint Committee who monitors and oversees the investment operations of BCPP Limited.
- Officer support to the above with representatives from the Officer Operations Group (forum dealing with day to day interaction with Border to Coast) and the Statutory Officer Group.

Page 65

Joint Committee

- A collective forum to discuss common investor issues, operates under public law requirements.
- 18 members, one from each partner fund with equal voting rights.
- Oversight role over Border to Coast – but has no decision-making powers.
- Administered by South Yorkshire / Kent.
- Meets 4 times a year.

BORDER TO COAST ANNUAL CONFERENCE

Stronger Together: Our Next Chapter

Our annual conference is an opportunity to review our progress, explore the key issues affecting pension investments, and discuss our collective priorities for the future.

It's also a great way to meet other pensions committee members and hear from industry experts along with members of the Border to Coast investment team.

Page 67

24-25 SEPTEMBER 2026
Hilton Leeds City Hotel
Neville Street, Leeds, LS1 4BX

Sessions include:

- Macro-economic overview
- Delivering new capabilities
- The world of private markets
- Excellence in strategic partnerships
- Measures of success



CRM@BORDERTOCOAST.ORG.UK
for any questions



Responsible Investment

- Investment choices have consequences
- Environmental, Social, Governance (ESG) implications
- Fiduciary duty – consider all relevant investment risk-factors (including ESG factors)
- Responsible Investment (RI) is not ‘Ethical Investment’
- Financial motive – companies that behave well typically better for long-term investors like the Teesside Pension Fund
- Border to Coast integrate Responsible Investment into investment decision-making – we expect our other investment managers to adopt a similar approach

Responsible Investment

Responsible investment is designed to **enhance** risk and return characteristics by ensuring **all relevant factors** are accounted for when assessing risk and potential returns.

Responsible investment **does not** seek to take a moral or ethical stance to investing. Emphasis is on **integration of ESG criteria** into investment decision making.

Responsible investment includes active ownership - **engaging** with companies, issuers and assets, and using shareholder rights by **voting**.

Collective Voice, Global Impact

Integrating
ESG

Active
Ownership

Industry
Engagement

Reporting
and
Governance

Climate Change

- Border to Coast Climate Change Policy (approved by Partner Funds)
- Embedding sustainability in investment decision –making will increase long-term investment returns and positively impact the world our beneficiaries live in

Risks investors exposed to:

- Physical risk of climate change impacts
- Transitional risks of decarbonising economies (also social risk)
- Border to Coast – “committed to a net zero carbon emissions target by 2050 at the latest for our assets under management”
- Task-Force on Climate-related Financial Disclosure (TCFD) – reporting on climate exposure of assets mandatory in private sector

Typical Pension Fund Committee

- Investment activity report (including details of cash investment)
- Reports from external managers – Border to Coast
- In-person presentations from Border to Coast
- Reports and input from independent investment advisor (William Bourne)
- Administration update from Pensions Administration provider
- Other topical reports

Page 71

Committee Business 2026/27

The Pensions Act 2026 will require additional items to be considered by Committee during 2026/27. The relationships with Border to Coast Pensions Partnership and Tyne and Wear Pension Fund also continue to develop.

These activities were included in the Pension Fund Business Plan which was approved at March's Committee meeting and include:

- Review Investment Strategy Statement
- Set objectives for local investment
- Review training policy

Training Resources

- Pensions Regulator Public Service Pension Schemes Toolkit [Public Service toolkit online learning | The Pensions Regulator](#)
- Hymans Robertson – Training Toolkit – aspire.hymanslearning.co.uk/learn/signin
- Member Induction Pack
- Border to Coast webinars

Useful Websites

- Teesside Pension Fund website, hosted by Tyne and Wear Pension Fund
 - twpf.info
- LGPS Scheme Advisory Board Website
 - lgpsboard.org
- LGPS Members website
 - lgpsmember.org
- Hymans LOLA training website
 - aspire.hymanslearning.co.uk/learn/signin
- The Pension Regulator website
 - thepensionsregulator.gov.uk

Page 74

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

TEESSIDE PENSION BOARD REPORT**6 JULY 2026****DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE****Draft Pension Fund Statements of Account 2025/26****1. PURPOSE OF THE REPORT**

- 1.1 To present Members of the Teesside Pension Board (the Board) with draft Statements of Account for the Teesside Pension Fund.

2. RECOMMENDATION

- 2.1 That Board Members note this report and the draft Teesside Pension Fund Statements of Account 2025/26 (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.
- 4.2 The audit plan for 2025/26 accounts is elsewhere on the agenda.

5 DRAFT STATEMENTS OF ACCOUNT

- 5.1 The Statements of Accounts presented here are in draft form and, whilst the main numbers are not expected to change in any significant way, changes may be needed as further review takes place.
- 5.2 These statements will be incorporated in Middlesbrough Council's Statements of Account for publication by 30 June 2026. Legislation has recently been passed which would allow separation of the Pension Fund Statement of Accounts from those of the Administering Authority but these provisions have not been put in place yet.

6. NEXT STEPS

- 6.1 The Draft Middlesbrough Statements of Account incorporating the Teesside Pension Fund Statement of Account will be published prior to the 30th June deadline.
- 6.2 The Statement of Accounts will be included in the Pension Fund Annual Report 202/26 which must be published by 1st December 2026.
- 6.3 A final version of the Annual Report will be produced and published once the audit of the 2025/26 accounts is complete.

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

TEL NO: 01642 726328

Teesside Pension Fund DRAFT Statement of Accounts

Introduction

The Teesside Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS). The Fund is administered by Middlesbrough Council, and the Council is the reporting entity for the Fund.

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016.

The Council has delegated decision making in relation to the Fund to the Pension Fund Committee. The day-to-day administration of the Fund and the operation of the management arrangements and investment portfolio is the responsibility of the Corporate Director of Finance (Section 151 Officer) of the Council.

The Pension Fund Committee consists of representatives of the employers of the Fund (specifically Councillors of the Local Authority employers together with one representative chosen from the other scheme employers), and employee representatives (from relevant Trade Unions) and makes decisions without reference to the Council. The Pension Fund Committee sets investment strategy and recommends investment decisions. An independent Pensions Board exists and operates as a scrutiny panel to ensure the Pension Fund Committee acts within the statutory and regulatory framework.

Operation

The Fund operates as a funded, defined benefit occupational pension scheme providing benefits to employees and former employees of the Teesside local authorities and admitted bodies. In certain circumstances it also provides benefits to dependents of these individuals, collectively referred to as members. The benefits include retirement pensions, dependents pensions, death grants and lump sums.

The Fund is financed by contributions from members, employers, and the income from the Fund's investment portfolio. The funding policy aims to ensure that the assets held by the scheme are adequate to meet the future liabilities (members' pensions and lump sums) of the Fund allowing for future changes to pensions and pay.

Financial Statements

The Fund's accounts provide information on the financial position, membership, investment performance and risks associated with the Fund. They show the results of the Fund's stewardship in managing the resources entrusted to it and provide information on the income and expenditure of the Fund and the investments it controls.

While membership rose in the year to 31 March 2026, the Fund continued to pay more in benefits than it received in contributions as more members are drawing pensions. Net withdrawal of funds was £83.311m (year to 31 March 2025 £86.992m). During the year, the overall value of the Fund increased by £606m to £6.183bn.

Membership

Automatic enrolment is a government initiative to help more people save for later life through a pension scheme at work. It requires employers to enrol their eligible workers into a pension scheme automatically and to pay towards their pensions.

Automatic enrolment was rolled out in stages between October 2012 and February 2018. All employers have been required to offer a workplace pension to eligible workers since February 2018.

For the purpose of automatic enrolment, workers are put into three different categories depending on how much they earn and their age. The categories are eligible jobholders, non-eligible jobholders and entitled workers. Your employer will tell you which category you belong to and what this means for you. Automatic enrolment will mainly affect eligible jobholders.

If you are a new employee who is eligible to join the LGPS, you will generally join the Scheme when you start your job. If you opt out, your employer will be required to re-enrol you into the LGPS approximately every three years on a set re-enrolment date, if you are an eligible jobholder.

Teaching staff have access to their own defined benefit scheme the details of which are provided in the Councils financial statements.

The table below summarise the membership of the scheme over recent years showing an overall increase in all active members and those who are drawing pensions, and a slight decrease in members who have deferred rights

	2022	2023	2024	2025	2026
Membership of the Fund					
Active	25,937	26,198	26,220	26,341	28,119
Deferred	26,350	27,225	28,180	28,492	27,532
Pensioner	26,254	26,915	27,813	28,885	30,211
Total	78,541	80,338	82,213	83,718	85,862

- Scheduled bodies - local authorities or similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies - organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary and charitable organisations and private contractors that are undertaking a local authority function following outsourcing to the private sector.



Fund Accounts for the year ended 31 March 2026

31 March 25 £m		Note	31 March 26 £m
	Dealings with members, employers and others directly involved in the Fund		
(125.283)	Contributions	6	(134.096)
(10.977)	Transfers in from other pension funds	8	(9.928)
(2.573)	Other income	9	(0.820)
(138.833)	Total Income		(144.844)
200.488	Benefits payable	7	206.415
16.881	Payments to and on account of leavers	10	10.436
217.369	Total Expenditure		216.851
78.536	Net withdrawals from dealings with members		72.007
8.456	Management expenses	11	11.304
86.992	Net withdrawals including fund management expenses		83.311
	Returns on investment		
(98.377)	Investment income	12	(177.228)
(90.461)	Profits and losses on disposal of investments and changes in the market value of investments	13	(511.623)
(188.838)	Net returns on investment		(688.851)
(101.846)	Net (increase)/decrease in the net assets available for benefits during the year		(605.540)
(5,475.150)	Net assets of the scheme as at 1 April		(5,576.996)
(5,576.996)	Net assets of the scheme as at 31 March		(6,182.536)

Net Asset statement for the year ended 31 March 2026

31 March 25 £m			31 March 26 £m
	Net Assets Statement as at 31 March		
5,568.307	Investments Assets	13	6,144.934
16.158	Current Assets	17	43.898
(7.469)	Current liabilities	18	(6.296)
5,576.996	Net assets of the Fund at 31 March		6,182.536

Notes to Teesside Pension Fund Accounts

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 2025/26 financial year and its position at year end as at 31 March 2026. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, 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 2026/27 Codes of Practice of Local Authority Accounting in the United Kingdom:

- **Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets)** issued in March 2024
- **Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)** issued in May 2024
- **Annual improvements to IFRS accounting standards – Volume 11** issued in July 2024
- **Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)** issued in December 2024.

Note 3 Summary of Significant Accounting Policies

Accruals

The accounts have been prepared on an accrual's basis, and the accruals threshold set by management is £100,000. There are a couple of exceptions to this, one of those being individual transfer values which are recognised on a cash transfer basis.

Certain investments in pooled vehicles, predominantly in private markets and alternatives have investments costs charged directly by the investment managers to the Fund Account on cash receipt rather than accruals basis.

Foreign currency transactions in relation to purchases and sales on investments are accounted for at

settlement date.

Fund Account – Revenue Recognition

Contributions Income

Normal contributions, from both the members and the employers, are accounted for on an accrual's 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 accrual's 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 receipt's basis within transfers in.

Bulk transfers are accounted for on an accrual's 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 cash receipt. 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 accrual's 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 accrual's 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 accrual's 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 accrual's 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.

Certain investments in pooled vehicles, predominantly in private markets and alternatives have investments costs charged directly by the investment managers to the Fund Account on an as paid rather than an accruals basis.

External manager Border to Coast Pensions Partnership fee is based on an agreed budget.

External property manager CBRE management fee is based market value of property investments. These transferred to Border to Coast from 31st July 2025.

External property fund manager for 'stay behind' properties managed by Aberdeen from 1st August 2025, their fees are taken as agreed from rental income.

All employee costs of the investment section are charged directly to the fund and a proportion of associated Council 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 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

Dividends and purchases and sales of investments in foreign currencies have been accounted for at the spot market rate at the settlement date of the transaction. Currency is bought and sold at the spot market rate for future dates through NatWest Agile Markets. During the year foreign currencies are transacted as follows:

- Proceeds of sales of foreign assets are translated into sterling at the exchange spot rate on the settlement date and recorded in our investment book of records in sterling and local currency.
- Purchases of foreign investments are translated into sterling using the exchange spot rate at the settlement date and recorded in our investment book of record at the book cost in sterling and local currency.
- Dividends from foreign investments are translated into sterling using the mid-market rate on the date of receipt.

Financial Assets

Financial assets at fair value through profit or loss are included in the net assets statement on a fair value basis as at 31 March 2026. Financial assets at amortised cost are included in the net assets statement at amortised cost. 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 net assets statement. The value of investments as shown in the net assets statement has been determined as follows

Market Quoted Investments

Investments are valued at fair value as at 31 March 2026, 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 2026. 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.

Leases

The Fund recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments. The Fund accounts for all leases in line with IFRS 16 (Leases), except where adaptations to fit the public sector are detailed in the Code. This accounting policy was applied from 1 April 2024. In line with the provisions of the Code, retrospective restatement of prior-period comparative information has not been undertaken.

Finance Leases

A Finance lease is where substantially all the risks and rewards relating to ownership transfer to the lessee. Tests to give an indication of the transfer of risk and rewards are.

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that is reasonably certain, at the inception of the lease, that it will be exercised.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor associated with the cancellation are borne by the lessee.

- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent. See Note 13 for finance leases.

Operating Leases

The Fund recognises an operating lease to be a lease which is not a finance lease under IFRS 16. Where the Fund is the lessor for an operating lease, normally the asset is classified as an Investment Property. Any rental income is credited to income.

The lifespan of each operating lease in investment properties is generally between 5 and 10 years. See Note 13 for operating leases.

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. Please refer to note 13 for contractual commitments at 31 March 2026 and 31 March 2025.

Cash and Cash Equivalents

Cash comprises 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 an annual 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 2025/26.

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 and Property Vehicles	The fair value of these assets is determined by using the most recently available valuation reports and financial statements provided by the general partners, adjusted for cash flow between the date of the reports and the accounting date. As these valuations are based on a combination of estimation techniques and unobservable inputs, 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 £1,993.837m. The effect of variations in the factors supporting the valuation would be an increase or decrease of between 5.80% and 11.50%, split below. <u>5.80%</u> Infrastructure - £737.099 Private Equity - £701.402 Other Debt - £72.079 <u>11.50%</u> Real Estate - £483.257 See Note 14 - Sensitivity Analysis of Assets at level 3 for further breakdown.
Freehold and leasehold property	The Fund uses independent external valuers (Knight Frank LLP) to value freehold and leasehold properties. Valuations are based on market yields, calculated by Knight Frank, 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 Knight Frank 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 of 11.50% in the value of directly held property £8.073m, on a fair value basis of £70.200m.

Note 6 Contributions

Contributions from both members and employers are accounted for on an accrual's 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.

2024/25 £m		2025/26 £m
(87.023)	Employers	(94.106)
(0.015)	Normal	(0.047)
(38.245)	Deficit Recovery Contributions	(39.943)
(125.283)	Members	(134.096)
	Total	

Analysis of Total Contributions

2024/25 £m		2025/26 £m
(16.760)	Administering Authority – Middlesbrough Council	(19.170)
(95.393)	Scheduled Bodies	(102.546)
(13.130)	Admitted Bodies	(12.380)
(125.283)	Total	(134.096)

Note 7 Benefits Payable

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

2024/25 £m		2025/26 £m
164.845	Pensions	169.106
33.222	Commutations and lump sum retirement benefits	34.354
2.421	Lump sum death benefits	2.955
200.488	Total	206.415

Analysis of Total Benefits

2024/25 £m		2025/26 £m
32.197	Administering Authority – Middlesbrough Council	32.900
123.675	Scheduled Bodies	125.904
44.616	Admitted Bodies	47.611
200.488	Total	206.415

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.

2024/25 £m		2025/26 £m
(10.977)	Individual transfers in from other schemes	(9.928)
(10.977)	Total	(9.928)

Note 9 Other Income

2024/25 £m		2025/26 £m
(2.293)	Capital Costs of Early Retirements	(0.805)
(0.280)	Other income	(0.015)
(2.573)	Total	(0.820)

Note 10 Payments to and on account of leavers

2024/25 £m		2025/26 £m
0.234	Refunds to members leaving scheme	0.332
0.124	Payments for members joining state scheme	0.001
16.523	Individual transfers to other schemes	10.103
16.881	Total	10.436

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.

2024/25 £m		2025/26 £m
1.953	Administrative costs	3.687
6.062	Investment management expenses	6.722
0.441	Oversight and governance costs	0.895
8.456	Total	11.304

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

2024/25 £m		2025/26 £m
5.267	Management fees	6.044
0.025	Custody fees	0.025
0.770	Support service recharges	0.653
6.062	Total	6.722

Note 12 Investment Income

2024/25 £m		2025/26 £m
(52.749)	Income from pooled investment vehicles	(146.362)
(27.840)	Net rents from properties (see note below)	(12.576)
(17.788)	Interest on cash deposits	(18.290)
(98.377)	Total	(177.228)

Rental Income and Property Expenses

2024/25 £m		2025/26 £m
(28.825)	Gross Rental income	(13.754)
0.985	Property Expense / (Income)	1.178
(27.840)	Net Rents from Properties	(12.576)

Note 13 Investment Assets

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

2025/26	Value at 1 April 2025 £m	Reclassified Assets	Purchases at Cost £m	Sale Proceeds £m	Change in Market Value £m	Value at 31 March 2026 £m
Equities	2,544	-	-	-	0.344	2,888
Pooled Investment Vehicles	4,369,226	-	5,123.515	(5,078.422)	564.971	4,979,290
Pooled Property Investments	95,779	428.525	411.518	(30.251)	(422.314)	483,257
Properties	496,725	(428.525)	114.444	(478.631)	366.187	70,200
Finance Lease Receivable	28,000	-	0.025	-	3.375	31,400
Loans	91,508	-	5.571	(1.783)	0.060	95,356
Directly Held – Private Equity	23,446	-	1.000	-	(1.000)	23,446
	5,107,228	0.00	5,656.073	(5,589.087)	511.623	5,685,837
Cash Deposits	456.190					455.789
Other Investment Balances	4.889					3.308
Net Investment assets	5,568.307					6,144.934

2024/25	Value at 1 April 2024 (Restated) £m	Purchases at Cost £m	Sale Proceeds £m	Change in Market Value £m	Value at 31 March 2025 £m
Equities	2,013	0.142	(0.569)	0.958	2,544
Pooled Investment Vehicles	4,619,504	617.570	(959.406)	91.558	4,369,226
Pooled Property Investments	107,329	2,329	(12,271)	(1,608)	95,779
Properties	456,550	39,766	-	0.409	496,725
Finance Lease Receivable	27,750	0,488	-	(0,238)	28,000
Loans	49,535	43,139	(1,466)	0,300	91,508
Directly Held – Private Equity	8,564	15,800	-	(0,918)	23,446
	5,271,245	719,234	(973,712)	90,461	5,107,228
Cash Deposits	193,440				456,190
Other Investment Balances	2,212				4,889
Net Investment assets	5,466,897				5,568,307

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 £434.006m and unrealised gain was £77.617m. Prior year realised profit was £249.806m and unrealised loss was £159.345m.

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 2025/26 are zero as there were no purchases in year (2024/25 £1.956m).

Analysis by Investment Manager

Teesside Pension Fund is one of eleven equal partners in the Border to Coast Pension Partnership Ltd (BCPP) which has been formed as a result of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. These regulations require all Local Government Pension Scheme Funds (LGPS) in England and Wales to combine their assets into a small number of investment pools.

It is anticipated that all assets belonging to the Fund will be transferred to BCPP as and when BCPP launch investment funds which match our investment strategy and satisfy due diligence. BCPP will be responsible for investment management and oversight, in line with the Fund's Investment Strategy and asset allocation requirements.

In line with the Fund's strategic asset allocation, as at 31 March 2026 the Fund had pooled Overseas Equities, UK Equities, Emerging Markets Equities and UK Real Estate as well as continued investment into Private Markets and Infrastructure through BCPP. At 31 March 2026 74.24% (62.96% 31 March 25) of the Fund's assets are now invested through BCPP pooled investment vehicles.

Market Value 31 March 2025 £m	%	Investment Manager	Market Value 31 March 2026 £m	%
Investments managed by BCPP asset pool				
2,086.661	37.47	Overseas Equities	2,464.716	40.11
609.891	10.95	UK Equities	721.003	11.73
228.154	4.10	Emerging Markets Equities	282.991	4.61
250.928	4.51	Private Equity	302.609	4.92
294.909	5.30	Infrastructure	343.251	5.59
35.347	0.63	Climate Opportunities	46.265	0.75
-	-	UK Real Estate	401.432	6.53
3,505.890	62.96		4,562.267	74.24
Investments managed outside of BCPP asset pool				
496.725	8.92	Direct Property	70.200	1.14
28.000	0.50	Finance Lease Receivable	31.400	0.51
456.190	8.19	Cash	455.789	7.42
2.536	0.05	Unquoted UK Equity	2.880	0.05
0.080	0.00	Unquoted Overseas Equity	0.008	0.00
125.272	2.25	LGT Capital Partners	124.365	2.02
93.234	1.67	Darwin Alternatives	49.482	0.81
86.382	1.55	Gresham House	76.955	1.25
86.340	1.55	Unigestion	93.162	1.52
86.039	1.55	Capital Dynamics	87.930	1.43
83.655	1.50	Access Capital Partners	82.001	1.33
83.339	1.50	JP Morgan IIF UK LP	87.465	1.42
50.731	0.91	Insight Investments	50.341	0.82
48.769	0.88	Blackrock Fund Managers Ltd	43.244	0.70
46.446	0.83	Pantheon Ventures UK	36.922	0.60
35.173	0.63	Hermes	19.638	0.32
27.554	0.49	Hearthstone	27.529	0.45
26.369	0.47	Aberdeen Standard Life	17.588	0.29
25.000	0.45	Verdant Regeneration Ltd	25.000	0.41
23.446	0.42	GB Bank Ltd	23.446	0.38

22.719	0.41	Innisfree	20.080	0.33
19.759	0.35	Ancala	21.304	0.35
19.716	0.35	Greyhound Retail Park	19.867	0.32
18.896	0.34	Titan - Preston East	18.896	0.31
16.913	0.30	St Arthur Homes	20.610	0.34
15.986	0.29	La Salle	10.319	0.17
13.743	0.25	Foresight Group	16.944	0.28
10.983	0.20	Titan - Templar's Way	10.983	0.18
-	-	Legal and General	16.038	0.26
-	-	ABT Leisure Fund	12.381	0.20
3.863	0.07	CCLA Investment Management Ltd	-	-
2.968	0.05	FW Capital	5.770	0.09
0.772	0.01	Bridges Fund Management	0.821	0.01
4.889	0.09	Other Investment Balances	3.308	0.05
2,062.487	37.04		1,582.666	25.76
5,568.307	100.00		6,144.934	100.00

The funds contractual commitments at 31 March 2026 are £1,789.997m (31 March 2025 1,681.976m). Undrawn commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity, infrastructure and other debt parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life span of their intended investment period.

Pooled Investment Vehicles and Properties

31 March 2025 £m		31 March 2026 £m
609.891	UK Equity	721.003
95.778	Pooled Property investment Vehicle	81.825
672.994	Private Equity	724.848
688.215	Infrastructure	737.099
83.312	Other Debt	72.079
2,150.190	UK Unit and Investment Trusts Total	2,336.854
2,314.815	Overseas Equities	2,747.707
2,314.815	Overseas Unit and Investment Trusts Total	2,747.707
4,465.005	Total	5,084.561

UK Properties

31 March 2025 £m		31 March 2026 £m
388.325	Freehold	54.000
108.400	Leasehold	16.200
496.725	Total	70.200

The properties were valued at Fair Value as of 31 March 2026 by Knight Frank 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 VPS3 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."

Leases

The Fund had one asset under a finance lease at 31 March 2026, the note below provides a reconciliation of the undiscounted lease payments due to be received by the Fund over the 35-year lease period

31 March 2025		31 March 2026
£m		£m
28.000	Finance Lease receivable	28.000
56.939	Unearned Finance income	55.383
84.939	Undiscounted Lease Payments	83.383

Finance Leases – Maturity Analysis

31 March 2025		31 March 2026
£m		£m
1.556	Less than 1 year	1.598
1.598	1 – 2 years	1.641
1.641	2 – 3 years	1.685
1.685	3 – 4 years	1.731
1.731	4 – 5 years	1.778
76.728	Later than 5 years	74.950
84.939	Total	83.383

Operating Leases – Maturity Analysis

31 March 2025 (Restated)		31 March 2026
£m		£m
23.926	Less than 1 year	6.729
23.657	1 – 2 years	6.655
22.594	2 – 3 years	6.379
19.941	3 – 4 years	5.924
18.498	4 – 5 years	5.924
114.656	Later than 5 years	67.379
223.271	Total	98.990

The future minimum lease payments due to the Fund under non-cancellable operating and finance leases are stated in the above table. Only direct properties have been included.

Operating Leases at 31 March 2025 has been restated to include all direct properties.

Note 14 Financial Instruments

Net Gains and Losses on Financial Instruments

31 March 2025		31 March 2026
£m	Financial Assets	£m
(90.461)	Fair Value through profit and loss account (gain)/loss	(511.623)

Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenditure, including fair value gains and losses, are recognised.

The following table analyses the carrying amounts of financial assets and liabilities by category

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 2025				31 March 2026		
£m				£m		
			Financial Assets			
2.544	-	-	Equities	2.888	-	-
			Pooled Investment Vehicles			
672.994	-	-	Private Equity	701.402	-	-
688.215	-	-	Infrastructure	737.099	-	-
83.312	-	-	Other Debt	72.079	-	-
609.891	-	-	UK Equities	721.003	-	-
2,314.815	-	-	Overseas Equities	2,747.707	-	-
496.725			Direct Property	70.200	-	-
-	28.000	-	Finance Lease receivable	-	31.400	-
95.778	-	-	Pooled Property Investments	483.257	-	-
-	91.508	-	Loans	-	95.356	-
23.446	-	-	Directly Held – Private Equity	23.446	-	-
-	456.190	-	Cash	-	455.789	-
-	4.889	-	Other investment balances	-	3.308	-
-	5.049	-	Sundry debtors and prepayments	-	34.557	-
4,987.719	585.636	-	Total	5,559.081	620.410	-
			Financial Liabilities			
-	-	(2.729)	Sundry creditors	-	-	(2.742)
4,987.719	585.636	(2.729)	Net Financial Assets	5,559.081	620.410	(2.742)

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 investment 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 2026	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit and loss account	2.888	3,468.710	2,087.483	5,559.081
Total Financial Assets	2.888	3,468.710	2,087.483	5,559.081

This table excludes financial assets and financial liabilities at amortised cost. Please refer to the fair value of financial instruments table at the beginning of this note for the total net financial assets

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	2,056.607	4,987.719
Total Financial Assets	6.406	2,924.706	2,056.607	4,987.719

This table excludes financial assets and financial liabilities at amortised cost. Please refer to the fair value of financial instruments table at the beginning of this note for the total net financial assets.

Sensitivity Analysis 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 2026.

Valuation of Financial Instruments carried at fair value – 31 March 2026

	Assessed valuation range (+/-)	Value as at 31 March 2026	Value on increase	Value on decrease
		£m	£m	£m
Pooled Investments - Private Equity	5.80%	701.402	742.083	660.721
Directly Held – Private Equity	5.80%	23.446	24.806	22.086
Pooled Investments - Infrastructure	5.80%	737.099	779.851	694.347
Pooled Investments - Other Debt	5.80%	72.079	76.260	67.898
Pooled Investments - Property	11.50%	483.257	538.832	427.682
Direct Property	11.50%	70.200	78.273	62.127
Total		2,087.483	2,240.105	1,934.861

Valuation of Financial Instruments carried at fair value – 31 March 2025

	Assessed valuation range (+/-)	Value as at 31 March 2025	Value on increase	Value on decrease
		£m	£m	£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
Direct Property	17.40%	496.725	583.155	410.295
Total		2,056.607	2,264.723	1,848.419

Reconciliation of Fair Value Measurements within level 3 during 2025/26

	Market Value at 1 April 2025	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value at 1 April 2026
	£m	£m	£m	£m	£m	£m
Total	2,056.607	594.775	(163.610)	(388.856)	(11.433)	2,087.483

Reconciliation of Fair Value Measurements within level 3 during 2024/25

	Market Value at 1 April 202(Restated)	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value at 1 April 2025
	£m	£m	£m	£m	£m	£m
Total	1,855.751	280.585	(82.372)	(3.611)	6.254	2,056.607

Fair Value – Basis of Valuation

Description of assets	Valuation basis/technique	Observable and unobservable inputs	Key sensitivities affecting the valuations
Quoted Equities and Listed Pooled Investment Vehicles (Level 1)	Pricing from market data providers based on observable bid price quotations.	Use of pricing source-bid prices on stock exchange.	Not Required
Pooled investments - unitised funds with underlying assets in quoted equity (UK and Overseas) (Level 2)	Quoted equities held at BCPP that are listed on a recognised stock exchange but are not actively traded daily. These are valued using bid prices at the valuation date published by the investment manager at the pooled fund.	NAV – based pricing set on a forward pricing basis.	Not Required
Unquoted Equity Investments (Level 2)	Shareholdings in BCPP have been valued at cost i.e. transaction price as an appropriate estimate of fair value.	No market for shares held in BCPP. Disposal of shares is not a matter in which any shareholder can make a unilateral decision. Company is structured so as not to make a profit.	Not required
Private Equity and other private market assets (Pooled funds in infrastructure, private equity, private debt, unit	Investments in private equity funds and unquoted limited partnerships are valued based on the Fund's	Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) multiple	Valuations could be affected by material events occurring between the date of the financial statements

trusts) (Level 3)	share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.	Revenue multiple Discount for lack of marketability Control premium	provided and the general partners own reporting date by changes to expected cashflows and by any differences between audited and unaudited accounts.
Investment Properties: Freehold and leasehold properties and pooled property funds (Level 3)	The properties are valued at fair value at the year-end using the investment method of valuation by independent valuers Knight Frank LLP in accordance with the RICS Valuation Global Standards (incorporating the International Valuation Standards) and the UK national supplement ('the red book') current as at the valuation date.	Existing lease terms and rentals Independent market research Nature of tenancies Covenant strength for existing tenants Assumed vacancy levels Estimated rental growth Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

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.

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 Hymans Roberston, the Fund has determined that the following movements in market price risk are reasonably possible for the 2025/26 reporting period.

2025/26 Price Risk		Value as at 31 March 2026	% Change	Value on Increase	Value on Decrease
Asset Type	Region	£m		£m	£m
Equities	UK	2.880	10.20%	3.174	2.586
	Non-UK	0.008	10.70%	0.009	0.007
Managed and Unitised Funds	UK Equities	721.003	10.20%	794.546	647.461
	UK Alternatives	416.935	5.80%	441.117	392.753
	Non-UK Equities	2,747.707	10.70%	3,041.711	2,453.702
	Non-UK Alternatives	1,189.001	5.80%	1,257.963	1,120.038
Directly Held - Private Equity	UK	23.446	5.80%	24.806	22.086
Direct Property	UK	70.200	11.50%	78.273	62.127
Pooled Property	UK	465.669	11.50%	519.221	412.117
Pooled Property	Non-UK	17.588	11.50%	19.611	15.565
Total		5,654.437		6,180.431	5,128.442

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
Managed and Unitised Funds	UK Equities	609.891	10.90	676.369	543.413
	UK Alternatives	428.008	7.20	458.825	397.192
	Non-UK Equities	2,314.815	10.90	2,567.130	2,062.500
	Non-UK Alternatives	1,108.022	7.20	1,187.799	1,028.244

Directly Held - Private Equity	UK	23.446	7.20	25.134	21.758
Direct Property	UK	496.725	17.40	583.155	410.295
Pooled Property	UK	69.409	17.40	81.486	57.332
Pooled Property	Non-UK	26.369	17.40	30.957	21.780
Total		5,079.229		5,613.676	4,544.781

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 2025 and 31 March 2026 is set out below:

2024/25 £m	Asset Type at 31 March	2025/26 £m
456.190	Cash and cash equivalents	455.789
4.889	Other Investment balances	3.308
461.079	Total	459.097

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 2026	£m	£m	£m
Cash and cash equivalents	455.789	3.418	(3.418)
Other Investment balances	3.308	0.025	(0.025)
Total	459.097	3.443	(3.443)

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)
Total	461.079	3.458	(3.458)

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.

Currency risk – Sensitivity Analysis

Based on an analysis of 3 years of historical data conducted in consultation with Hymans Robertson, the Fund has assessed the likely volatility associated with foreign exchange rate movements to be 9%. 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 below.

Asset Type	Value as at 31 st March 26	Value on Increase 8.7%	Value on Decrease 8.7%
	£m	£m	£m
Pooled Funds - Overseas Equities	2,464.716	2,679.146	2,250.286
Pooled Funds - Emerging Markets	282.991	307.611	258.371
Pooled Funds - Overseas Private Equity	612.321	665.593	559.049
Pooled Funds - Overseas Infrastructure	509.526	553.855	465.198
Pooled Funds - Overseas Property	17.588	19.118	16.058
Pooled Funds - Overseas Other Debt	67.153	72.996	61.311
Total	3,954.295	4,298.319	3,610.273

Other Alternatives asset class has been disbanded and the funds transferred to other suitable asset classes.

Asset Type	Value as at 31 st March 25	Value on Increase 9.0%	Value on Decrease 9.0%
	£m	£m	£m
Pooled Funds - Overseas Equities	2,086.661	2,274.461	1,898.862
Pooled Funds - Emerging Markets	228.153	248.688	207.620
Pooled Funds - Overseas Private Equity	566.785	617.796	515.774
Pooled Funds - Overseas Infrastructure	468.152	510.286	426.018
Pooled Funds - Overseas Property	26.369	28.742	23.995
Pooled Funds - Overseas Other Debt	73.084	79.662	66.507
Total	3,449.204	3,759.635	3,138.776

Credit Risk

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 2026, there is no provision for expected credit losses 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.

Deposits are not made with banks and financial institutions unless they are rated independently and meets the administering authorities, credit criteria. The fund has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the fund invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all had an 'AAA' rating from a leading ratings agency

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.

The fund believes it has managed its exposure to credit risk and has had no experience of default or uncollectable deposits, with no balances written off during the period. The funds cash holding under its Treasury Management arrangements at 31 March 2026 was £455.790m (31 March 2025 £456.190m). This was held with the following institutions:

Summary	Rating	31March 2025 £m	31March 2026 £m
Money Market Funds			
Aberdeen	AAA	20.000	20.000
CCLA	AAA	20.000	20.000
Federated	AAA	20.000	20.000
Banks			
Lloyds Bank	A+	20.000	20.000
NatWest Bank	A+	12.400	17.600
Local Authorities & Public Bodies	N/A	363.790	358.189
Total		456.190	455.789

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.

31 March 2025	Liquidity Terms	31 March 2026
£m		£m
3,380.896	Assets realisable within 7 days	3,924.499
-	Assets realisable in 8 -30 days	-
-	Assets realisable in 31 – 90 days	-
2,182.521	Assets taking more than 90 days to realise	2,217.127
5,563.417	Total	6,141.626

Management prepares cash flow forecasts to understand and manage the timing of cash flow to ensure there is an appropriate level of cash available on a daily basis. The appropriate strategic level of cash to be held is a central consideration when preparing the fund's investment strategy.

With fewer employee members and more pensioners and deferred members the funds liabilities are increasing year on year. However, when income from investments is taken into account the fund is expected to continue to be cash flow positive for the foreseeable future and it will not be a forced seller of investments to meet its pension obligations.

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 2025 using the 'Projected Unit Method' which produced the following results.

	2022 Valuation	2025 Valuation
	£m	£m
Net Liabilities	4.351	3.983
Assets	5.036	5.609
Surplus	684	1.626
Funding Level	116%	141%

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2025 were:

Funding Assumptions

	2022 Valuation	2025 Valuation
Pension Increase Rate (CPI %)	2.70%	2.30%
Salary Increase Rate (%)	3.70%	3.30%
Discount Rate (%)	4.25%	5.60%

The assumed life expectancy from age 65 (years) assumptions

Mortality Assumptions (Years)	2022 Valuation	2025 Valuation
Longevity at 65 for current pensioners:		
• Men	20.9	20.9
• Women	23.9	23.9
Longevity at 65 for future pensioners:		
• Men	21.9	21.7
• Women	25.5	25.2

The next triennial valuation is due as at 31 March 2028 and any change in employers' contribution rates because of that valuation will take effect from 1 April 2029.

Note 16 Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits at 31 March 2026 was £4.257bn (31 March 2025 £3.983bn). The promised retirement benefits at 31 March 2026 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2025 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 2026 was £6.183bn (31 March 2025 £5.577bn). The fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

Present value of promised retirement benefits

	31 March 2025 £m	31 March 2026 £m
Active members	1,579	1,454
Deferred members	654	699
Pensioners	1,750	2,104
Total	3,983	4,257

Note 17 Current Assets

Current assets are cash and any other asset that can be turned into cash within one financial year.

31 March 2025 £m	Debtors	31 March 2026 £m
2.615	Other Debtors	24.774
2.752	Sundry Debtors	4.886
	Contributions due in respect of:	
6.720	Employers	7.376
2.965	Members	3.144
	Capital cost of early retirements	0.694
1.106	Cash balances	3.024
16.158	Total	43.898

31 March 2025 £m	Analysis of Debtors	31 March 2026 £m
5.095	Other local authorities	5.783
9.957	Other entities and individuals	35.091
1.106	Add cash balances	3.024
16.158	Total	43.898

The Other Debtors total includes an accrual for £22.418 million. This relates to quarter 4 income distributions for equity funds that are yet to be received from Border to Coast at 31st March 26.

Note 18 Current Liabilities

Current Liabilities are the amounts owing within the next financial year.

31 March 2025 £m	Amounts due within one year	31 March 2026 £m
(2.915)	Rents received in advance	0.000
(2.729)	Accrued expenses	(2.742)
(1.825)	Other payables	(3.554)
(7.469)	Total	(6.296)

31 March 2025 £m	Analysed by	31 March 2026 £m
(1.001)	Other local authorities	(1.224)

(6.468)	Other entities and individuals	(5.072)
(7.469)	Total	(6.296)

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

2024/25		2025/26
£m	Prudential AVC balances	£m
7.041	With Profits and Deposit Accounts	8.822
6.443	Unit Linked Accounts	7.849
13.484	Total	16.671

The total value of AVC contributions paid to Prudential during the year, was £5.022m (2024/25 was £3.967m restated).

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 £2.497m (2024/25 £1.716m) comprising of pensions administration costs of £1.844m (2024/25 £0.946m) and investment management costs of £0.653m (2024/25 £0.770m). 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 £12.770m (2024/25 - £10.926m). As at 31 March 2026, the Council was a net debtor to the Fund of £1.169m (2024/25 £1.336m).

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 Corporate Director of Finance, who is also the S151 officer. Please refer to Note 22 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 and Ernst Young.

2024/25 £m	External Audit Costs	2025/26 £m
0.118	Scale Fee from Forvis Mazars	0.120
0.000	Forvis Mazars PSAA - Additional Audit Fees 24/25	0.060
0.000	23/24 fee variation PSAA 23/24	(0.069)
0.000	EY Variation of scale fees 22/23	0.065
0.000	IAS 19 procedure fees (recurring) (2021/22)	0.089
0.000	EY rebuilding reinsurance as part of the backstop process	(0.024)
0.118	Total Fees	0.240

*

*Notional Note Figures are included in Note 11 Management expenses - oversight & governance.

Note 22 Senior Employees' Remuneration

2024/25 £m	Key Management Personnel	2025/26 £m
0.070	Short Term Benefits	0.048
0.008	Post-Employment Benefits	0.006
0.078	Total	0.054

Note 23 Events after the Balance Sheet Date

There are no specific events after the reporting period (31 March 2026) for the Teesside Pension Fund account.

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

[Agenda Item 12 - Appendix A - 2021 Teesside PF Governance Policy and Compliance Statement.pdf \(middlesbrough.gov.uk\)](#)

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 allowed 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:

[Teesside Pension Fund Investment Strategy Statement 2024](#)

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

[Funding Strategy Statement 2026](#)

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 Tyne and Wear Pension Fund 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:

[2025_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.

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:

[Communication_Policy_2025.pdf](#)

Statement of the Actuary for the year ended 31 March 2026

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2018. 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 April 2026.

In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the overall Fund
- to ensure the solvency of each individual employers' share of the Fund based on their expected term of participation in the Fund
- to maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer
- to minimise the degree of short-term change in employer contribution rates
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment
- to help employers manage their pension liabilities
- where practical and cost effective, to make allowance for the different characteristics of different employers and groups of employers

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 80% 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 2025. This valuation revealed that the Fund's assets, which at 31 March 2025 were valued at £5,609 million, were sufficient to meet 141% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2025 valuation was £1,626 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 2026 to 31 March 2029 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 2025 valuation report.

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 2025 valuation were as follows:

The key financial assumptions adopted for the 2025 valuation were as follows: Financial assumptions	31 March 2025
Discount rate	5.6%
Salary increase assumption	3.3%
Benefit increase assumption (CPI)	2.3%

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 2024 model, with core parameterisation, except, initial

addition 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:

	Males	Females
Current Pensioners	20.9 years	23.9 years
Future Pensioners*	21.7 years	25.2 years

**Aged 45 at the 2025 Valuation.*

Copies of the 2025 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 2025

The increase in US tariffs on imports since March 2025 and the recent conflict in the Middle East have caused significant market volatility which feeds through to the investment returns achieved by the Fund's assets. The Fund's overall investment returns since March 2025 have been positive.

Observed inflation has been higher than anticipated over 2026, resulting in LGPS benefit increases of 3.8% in April 2026 and an increase in the value placed on the Fund's liabilities.

Overall, we estimate that the funding position is likely to be weaker than at the previous formal valuation at 31 March 2025.

The next actuarial valuation will be carried out as at 31 March 2028 and will be finalised by 31 March 2029. The Funding Strategy Statement will also be reviewed during the valuation, and a revised version will come into effect from 1 April 2029.

Prepared by:

Julie Baillie FFA C.Act

14 May 2025

For and on behalf of Hymans Robertson LLP

Schedule of Contribution Rates

Net rate of contribution payable by each employing Organisation for the period 1 April 2025 to 31 March 2026 under regulation 62 of the Local Government Pension Scheme Regulations 2013.

	Employers Rate	Employees	Employers
	%	£000	£000
Ad Astra Academy Trust	17.50%	289	864
Arete Learning Trust	17.50%	102	296
Ascent Academies Trust - (Ash Trees Academies)	17.50%	79	236
Aspen - Dales	17.50%	2	5
Aspens - Green Lane Primary - Legacy Learning Trust	17.50%	1	3
Aspens-Services Limited (St Hilds	17.50%	3	11
Aspens-Services Limited – (Tees Valley)	17.50%	1	2
Atomix Educational Trust	17.50%	196	549
Beamish Museum Limited	15.70%	184	444
Beyond Housing	23.40%	391	1,356
Bikeability – Middlesbrough BC	11.50%	2	3
Bikeability – Stockton BC	13.10%	1	2
Billingham Town Council	17.70%	9	24
Bishop Hogarth Catholic Education Trust	17.50%	518	1,549
Bullough's - Outwood	17.50%	3	8
Bullough's - Priory Woods	11.50%	3	8
Bulloughs - (Cleaning Services) Hartlepool 6th form	17.90%	2	7
Bulloughs – TVCT	17.50%	1	5
Bulloughs Clean Serv - VALT	18.90%	6	20
Bulloughs-Outwood Bishopsgarth	17.50%	2	8
Care and Custody Health Ltd	19.40%	0	1
Care Quality Commission	17.90%	707	1,629
CASS - LLT	17.50%	9	29
Catcote Academy	17.50%	184	550
Caterlink	26.30%	20	99
Caterlink - OGAT - Ormesby	11.50%	6	12
Caterlink – St Oswalds	27.90%	3	16
Caterlink - VALT	17.50%	4	13
Chief Constable for Cleveland	15.50%	2,405	5,645
Churchill Contract Services Limited (Lift Unity School)	17.00%	1	4
Churchill Services Limited – (Bishop Hogarth)	18.80%	10	33
Cleveland Fire Brigade	14.20%	303	664
Compass Contract Services (UK) Ltd (Chartwells - One Excellence)	18.90%	2	7
Creative Management Serv Ltd	29.40%	1	8
Creative Management Services (Galileo)	16.90%	12	35
Crime Commissioner Cleveland	15.50%	135	214

Dales Academies Trust - (St Francis of Assisi)	17.50%	24	74
Dales Academies Trust - (Thornaby C of E Primary)	17.50%	25	78
Dales Academies Trust (MAT) - (All Saints Academy)	17.50%	60	161
Delta Academies Trust - (Ingleby Manor Free School)	17.50%	45	129
Dolce LLT	17.50%	8	27
Durham & Newcastle Diocesan Learning Trust - (Egglescliffe Primary School)	17.50%	14	44
Durham & Newcastle Diocesan Learning Trust - (St Aidens Primary School)	17.50%	22	67
Durham & Newcastle Diocesan Learning Trust - (St Marys CE Primary School)	17.50%	7	21
Durham & Newcastle Diocesan Learning Trust - (Ward Jackson C of E Primary School)	17.50%	14	45
Durham & Newcastle Diocesan Learning Trust (MAT) - (Holy Trinity Primary School)	17.50%	13	40
Eden Academy Trust Limited	17.50%	104	303
Emmanuel Schools Foundation	17.50%	98	293
Endeavour Academies Trust	17.50%	160	462
Enquire Learning Trust Central	17.50%	142	286
Enquire LT - (Easterside Academy)	17.50%	36	108
Enquire LT - (Hardwick Green)	17.50%	35	104
Enquire LT - (Harrow Gate Primary Academy)	17.50%	52	154
Enquire LT - (High Clarence Primary Academy)	17.50%	15	45
Enquire LT - (Oakdene Primary School)	17.50%	22	68
Enquire LT - (Rose Wood Academy)	17.50%	27	81
Enquire LT - (Yarm Primary School)	17.50%	19	57
Extol MAT	17.50%	218	650
Future Regen of Grangetown	32.60%	2	12
Galileo Multi Academy Trust	17.50%	235	684
Guisborough Town Council	17.70%	8	22
Hartlepool 6 th Form College	15.70%	26	73
Hartlepool Borough Council	13.90%	4,151	9,078
Hartlepool College of FE	15.70%	234	609
Horizons Specialist Academy Tr	17.50%	383	1,114
Hutchinson Catering Limited (Eden Academy)	17.50%	1	4
Hutchinsons Catering - (Lifts School)	38.90%	8	87
Hutchison Catering - Extol	38.90%	1	13
Ingleby Barwick Town Council	17.70%	4	10
Ironstone Academy Trust	17.50%	23	48
Ironstone Academy Trust - (Overfields Primary School)	17.50%	19	56
Ironstone Academy Trust - (Normanby Primary)	17.50%	32	98
Ironstone Academy Trust - (Nunthorpe Primary Academy)	17.50%	20	60
Ironstone Academy Trust - (Ormanby Primary)	17.50%	12	37
Ironstone Academy Trust - (Riverdale Primary)	17.50%	10	31
Ironstone Academy Trust - (Zetland Primary)	17.50%	18	56

ISS Mediclean	18.90%	2	5
KTS Academy	17.50%	119	363
Legacy Learning Trust	17.50%	391	1,148
Liberata UK Ltd	0.00%	43	0
Lift Caldicotes	17.50%	10	31
Lift North Ormesby	17.50%	18	54
Lift Unity City	17.50%	97	281
Lingfield Education Trust	17.50%	347	1,047
Lockwood Parish Council	17.70%	1	4
Loftus Town Council	17.70%	9	16
Make It Different (Hartlepool Free School)	17.50%	11	33
Maxim - Steel River	17.50%	4	12
Maxim NPCAT	17.50%	19	65
Mellors - Steel River	17.50%	5	14
Mellors - Thornaby Academy	18.90%	0	1
Mellors Catering - Central	17.90%	0	1
Mellors Catering Services Ltd	17.90%	3	11
Mellors Ironstone	39.10%	2	11
Mellors Riverdale	18.60%	0	1
Mellors Skelton	29.00%	1	4
Melrose Learning Trust	17.50%	86	251
Middlesbrough College	15.70%	458	1,090
Middlesbrough Council	13.00%	6,361	12,770
Middlesbrough Municipal Golf CIC	13.00%	4	8
Mitie Cleaning & Environmental Services Limited (Cleveland Fire)	25.70%	1	6
NEAT Academy Trust	17.50%	61	173
Nicholas Postgate CA Trust	17.50%	783	2,258
NMRN Operations	28.10%	1	3
North East Learning Trust	17.50%	62	182
Northern Education Trust - (Freebrough Academy)	17.50%	77	223
Northern Education Trust - (Badger Hill Academy)	17.50%	19	55
Northern Education Trust - (Dyke House Academy)	17.50%	103	297
Northern Education Trust - (Frederick Nattrass Academy)	17.50%	29	85
Northern Education Trust - (Manor Community Academy)	17.50%	84	249
Northern Education Trust - (North Shore Academy)	17.50%	68	198
Northern Education Trust - (Norton Academy)	17.50%	32	96
Northern Education Trust - (Oak Tree Academy)	17.50%	30	89
Northern Education Trust - (The Grangefield Academy)	17.50%	71	209
Northern Education Trust - (Thornaby Academy)	17.50%	62	181
Northern Education Trust - (Whitecliff Academy)	17.50%	14	41
Northern Lights Learning Trust	17.50%	115	341
One Excellence MAT - (Pentland Primary School)	17.50%	23	71
One Excellence MAT - (St Marks Church of England Primary	17.50%	40	122

School)			
One IT Services & Solutions (Porter TVED)	15.90%	3	7
One IT Solutions Ltd	18.80%	59	133
Our Children 1st Academy Trust	17.50%	53	158
Outwood Academy - Ormesby	17.50%	74	217
Outwood Academy Acklam	17.50%	95	276
Outwood Academy Bishopsgarth	17.50%	75	219
Outwood Academy Bydales	17.50%	45	135
Outwood Academy Normanby	17.50%	103	300
Outwood Academy Redcar	17.50%	56	162
Outwood Riverside	17.50%	63	189
Park Homes UK Ltd.	32.90%	1	4
Prince Regent Street Trust	17.50%	148	447
Pristine Cleaning	12.00%	7	14
Redcar & Eston School Sport Partnership CIC	17.90%	17	45
Redcar and Cleveland BC	11.70%	4,537	8,241
River Tees Multi Academy Trust	17.50%	119	394
Saltburn and Marske PC	17.70%	3	9
Skelton and Brotton PC	17.70%	4	12
Skelton Primary School	17.50%	35	98
SLM Charitable Trust (MBC)	13.00%	41	79
SLM Community Leis Char Trust	13.30%	22	49
SLM Fitness and Health (MBC)	13.00%	5	12
SLM Fitness and Health Limited	13.30%	3	7
South Tees Development Corp	16.30%	45	85
Spark Education Trust	17.50%	584	1,721
Steel River Academy Trust	17.50%	105	320
Stockton Borough Council	14.60%	6,782	15,449
Taking Care Personal Alarms Limited	13.90%	7	15
Tascor Services Ltd – PFI	18.00%	1	2
Tees Active Ltd	18.20%	90	242
Tees Valley Combined Authority	16.60%	616	1,418
Tees Valley Education Trust	17.50%	202	601
Teesside University	16.50%	2,681	6,503
Teesville Primary School.	17.50%	25	75
The Education Training Collective (Stockton Riverside)	15.70%	566	1,431
The Northern School of Art	15.70%	179	446
Thirteen Group	22.80%	834	2,768
Thornaby Town Council	17.70%	2	8
Wynyard Parish Council	17.70%	0	1
XPS Administration Ltd	13.00%	6	11
		39,905	94,153

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

TEESSIDE PENSION BOARD REPORT**6 JULY 2026****CORPORATE DIRECTOR OF FINANCE – ANDREW HUMBLE****AUDIT STRATEGY MEMORANDUM 2025/26****1. Purpose of the Report**

- 1.1 To provide Members of the Teesside Pension Board (the Board) with the Draft Audit Strategy Memorandum report for the external audit of the Pension Fund for year ended March 2026 to be carried out by Forvis Mazars.

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 financial implications arising from this report.

4. Background

- 4.1 Forvis Mazars are the external auditors for Middlesbrough Council and the Pension Fund. The attached draft report describes their plans to carry out the audit of the Pension Fund financial statements for the year ended 31 March 2026. (Appendix 1)
- 4.2 The draft report describes the audit scope, approach and timelines, audit risks, materiality levels and fees which are set by Public Sector Audit Appointments (PSAA).
- 4.3 The English Devolution and Community Empowerment Act 2026 includes enabling provisions at Part 4 section 98 which will allow separation of Pension Fund audits from that of the Administering Authority. A Statutory Instrument (SI) is needed to put in place the requirement for a separate statement of accounts for the Pension Fund. The SI will include the commencement date for separation which in theory could take place for 2025/2026 statements but practicalities are likely to mean separation takes place for the Pension Fund Statements year ended 31 March 2027.
- 4.4 Separation of the Pension Fund financial statements will have the advantages of reducing the size and complexity of the Council's financial statements and will mean the Pension Fund statements audit certification will not be held up by any issues with the Council's audit.

5. Next Steps

- 5.1 The Pension Fund External Audit Plan will also be presented to Audit Committee.
- 5.2 The Pension Fund will prepare a set of financial statements for inclusion in the Administering Authority, Middlesbrough Council's, Statement of Accounts for the statutory deadline of 30 June 2026. The Pension Fund financial statements and Draft Pension Fund Annual Report 2025/2026 will be presented to a future Pension Committee.
- 5.3 Forvis Mazars will complete the audit of the Pension Fund financial statements based on this Audit Strategy and give their audit opinion by the statutory deadline of 31 January 2027.
- 5.4 The Pension Fund Annual Report including the audit opinion will be published on the Funds website.

Contact Officer: Andrew Lister – Head of Pensions Governance and Investments

TEL NO.: 01642 726328



Audit Strategy Memorandum - **DRAFT**
Teesside Pension Fund – Year ending 31 March 2026

June 2026

Audit Committee
Middlesbrough Council
PO Box 500
Middlesbrough
TS1 9FT

June 2026

I am pleased to present our Audit Strategy Memorandum (“ASM”) for Teesside Pension Fund for the year ended 31 March 2026. This document will be presented at the Audit Committee meeting in June 2026. If you would like to discuss any matters in more detail, please contact me on Mark.Kirkham@mazars.co.uk

This report provides an overview of the planned scope and timing of our audit, including the significant and enhanced audit risks we have identified. In addition, as it is a fundamental requirement that we are, and are seen to be, independent of Teesside Pension Fund this report also summarises our considerations and conclusions on our independence.

Two-way communication with you is key to a successful audit and is important in:

- reaching a mutual understanding of the scope of our audit and our respective responsibilities;
- sharing information to assist each of us with fulfilling our respective responsibilities;
- providing you with constructive observations arising during our audit; and
- ensuring that we gain an understanding of your attitude and views in respect of the risks facing the Pension Fund which may affect our audit, including the likelihood of those risks materialising and how they are monitored and managed.

This report, which we have prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations.

During the meeting, we would be grateful for your views/ knowledge on the following specific matters:

- whether you have identified any other risks (business, laws & regulation, fraud, going concern, etc.) that may result in material misstatements in the financial statements; and
- if there are any matters that you consider warrant particular attention during our audit and/ or any areas where you would like additional procedures to be undertaken.

Subject to our prior written agreement or as required by any applicable law or regulation, this report is considered confidential and is intended solely for the Audit Committee and should not be disclosed to any other party, used or quoted for any other purpose.

Yours faithfully,

Mark Kirkham
Forvis Mazars LLP

Contents

Your Audit Team	4
Audit scope, approach, and timeline	6
Audit risks and other significant matters	8
Materiality	10
Fees	12
Our independence	14
Appendices	
A - Other communications	16
B - Current year updates, forthcoming accounting & other issues	26

This document is to be regarded as confidential to Teesside Pension Fund. It has been prepared for the sole use of Audit Committee as the appropriate group charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents.

01

Your audit team

Page 122

Your audit team

Mark Kirkham

Engagement Lead

Mark.kirkham@mazars.co.uk
+44 (0)113 394 5315

Thomas Backhouse

Engagement Manager

Thomas.backhouse@mazars.co.uk
+44 (0)191 383 6330

Hannah Brown

Engagement Team Lead

Hannah.brown@mazars.co.uk
+44 (0)191 383 6349

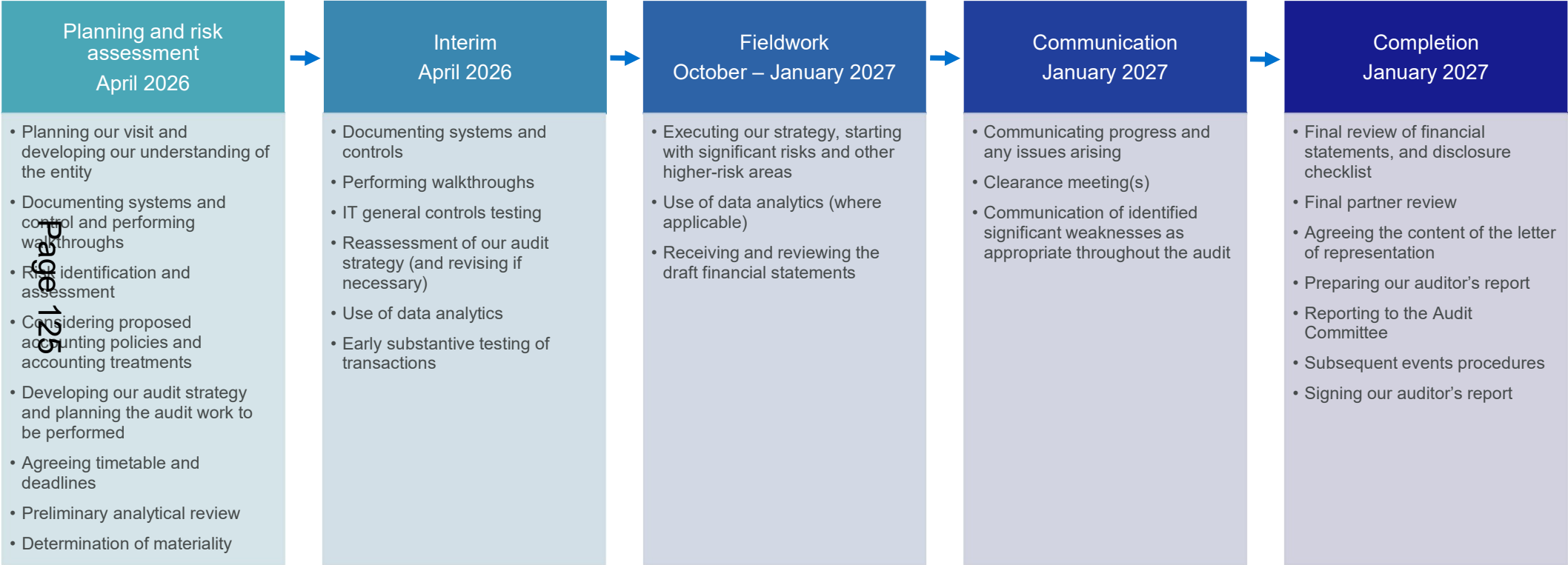
Page 123



02

Audit scope, approach, and timeline

Audit scope, approach, and timeline



03

Audit risks and other significant matters

Audit risks and other significant matters

Significant risks

In this section, we have set out the significant and enhanced audit risks we have identified and our planned response. If we identify additional risks or change our risk assessment during our audit, we will report this to you. Refer to Appendix A for definitions. We have also set out in this section of the report any other significant matters that we consider should be brought to your attention.

Risk	Description	Our planned response
<p>Management override of controls</p>	<p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>The unpredictable way in which such override could occur means we identify a significant risk of management override of controls on our audit.</p>	<p>In line with our methodology, we plan to address the management override of controls risk by carrying out audit work on:</p> <ul style="list-style-type: none"> • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.
<p>Valuation of investments within level 3 of the fair value hierarchy</p>	<p>As at 31 March 2025 the fair value of investments classified within level 3 of the fair value hierarchy was £2,057m. The values included in the accounts are based on those provided by investment managers, updated by the Pension Fund for cash movements, where the most recently available information from fund managers is at a date prior to the year end.</p> <p>Level 3 assets are those assets where values are based on unobservable inputs, and consequently the estimation uncertainty for these assets is more significant than for assets valued at level 1 and 2.</p>	<p>We plan to address this risk by completing the following additional procedures on a sample basis:</p> <ul style="list-style-type: none"> • Compare book cost/holdings from fund manager reports to the global custodian's report and consider explanations for any material differences ; • agree valuations included in the Pension Fund's underlying financial systems to the most up-to date supporting documentation at the time of audit including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • agree the investment manager valuations to audited accounts or other independent supporting documentation, where available; • where audited accounts are available, check that they are supported by an unmodified opinion; • review the valuation methodologies and accounting policies in audited financial statements and challenge of the fund manager, where required; and • where available, review independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.

04

Materiality

Page 128

Materiality

We consider the net investment assets to be the key focus of the users of the financial statements. We have therefore determined our initial materiality levels using the market value of investment assets reported to the Teesside Pension Fund March 2026 Committee as the benchmark.

We expect to set financial statement materiality as 1% of Net investment Assets

Based on currently available information, we anticipate setting our financial statement materiality and performance materiality at the levels set out in the table adjacent.

Additionally, we expect to set a materiality threshold of 10% of benefits payable for auditing the fund account. As set out in the table below, based on a month 12 trial balance provided by management in April 2026.

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

We will accumulate misstatements identified during our audit that are above the reporting threshold set out in the table adjacent, i.e., any misstatements that we identify that are above the reporting threshold will be reported to you and management. Any misstatements that we identify that are below that amount would not need to be reported because we expect that the accumulation of such amounts would not have a material effect on the financial statements. If you have any queries about our reporting threshold, please raise these with me.

Each misstatement above our reporting threshold that we identify will be classified as **adjusted** (corrected by management), or **unadjusted** (not corrected by management). We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to you as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on the financial statements and our audit opinion

Misstatements also cover qualitative misstatements and quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

	2025-26 £'000s	2024-25 £'000s
Overall materiality	£61,173	£55,770
Performance materiality	£36,703	£27,885
Clearly trivial	£1,835	£1,673
Overall materiality – Fund Account	£20,637	£20,048
Performance materiality – Fund Account	£12,383	£10,024

05

Fees

Page 130

Fees

Audit fees and other services provided by Forvis Mazars LLP

Our fees (exclusive of VAT) for the audit of the financial statements for the year ended 31 March 2026, and for any non-audit assurance services or other non-audit services provided by Forvis Mazars LLP in the period, are outlined in the table adjacent.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit.

The proposed fee reflects the scale fee determined by PSAA and information on how the scale fee is set can be found on PSAA's website. Where an auditor is required to undertake substantially more or less work to deliver their responsibilities a fee variation may be proposed which is subject to approval by PSAA. Examples compiled by PSAA of circumstances that may trigger a fee variation are available on the PSAA [website](#).

Any threats to our independence arising from the provision of non-audit services and the associated safeguards we have identified and/ or put in place are set out on the in the 'Our independence' section of this report.

Nature of service	2025-26 proposed fee	2024-25 actual fee
Audit Work	£120,098	£117,860
Additional Fees	TBC	£59,356
Total fees	TBC	£177,216

06

Our Independence

Page 132

Our independence

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships that we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that, in our professional judgement, there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the context of the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration and complete annual ethics training,
- all new partners and staff are required to complete an independence confirmation,
- rotation policies covering audit engagement partners and other key members of the audit team, and
- approval by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that Forvis Mazars LLP, the engagement team and others in the firm as appropriate, are independent and comply with relevant ethical and independence requirements. However, if at any time you have concerns or questions about our integrity, objectivity, or independence, please discuss these with me in the first instance.

07

Appendix A

Page 134

Appendix A: Other communications

Audit scope and approach

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements. Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are driven primarily by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we identify.

If we conclude that appropriately designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or if we decide that it would be more efficient, we may take a wholly substantive approach to our audit testing if, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence.

Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required by UK auditing standards to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the 'Materiality' section of this report.

Management and our experts

Management makes use of experts in specific areas when preparing the Pension Fund's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Disclosure Notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO consulting actuary, PwC.
Investment Properties	Knight Frank	Forvis Mazars Valuation team

Appendix A: Other communications

Audit scope and approach

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Item of account	Service organisation	Audit approach
Investment valuations and related disclosures	Investment Managers	Substantive testing of in year transactions and valuation applied to investments at the year end.
Investment valuations and related disclosures	Northern Trust (Fund's Custodian)	Substantive testing of in year transactions and valuation applied to investments at the year end.

Appendix A: Other communications

Responsibilities

We are appointed to perform the external audit of Teesside Pension Fund (the Pension Fund) for the year to 31 March 2026. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [Statement of responsibilities of auditors and audited bodies from 2023/24](#). Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the CIPFA Code of Practice on Local Authority Accounting.

Our audit does not relieve management or the Audit Committee, as Those Charged With Governance, of their responsibilities.

The Director of Finance is responsible for the assessment of Teesside Pension Fund's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists, and
- b) the appropriateness of the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements.

Internal control

Management is responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Teesside Pension Fund's internal control.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you and key management personnel, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks.

In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Pension Fund and consider objections made to the accounts. This would include an objection made to the accounts of the Pension Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Appendix A: Other communications

Required communications

This section of our report sets out the matters that we are required to report to you by UK auditing standards, including which form of our communications satisfy, or will satisfy, those requirements.

Required communication	Where addressed
Our responsibilities in relation to our audit of the company's financial statement and the responsibilities of management and Those Charged With Governance.	Audit Strategy Memorandum
The planned scope and timing of our audit, including any limitations (specifically with respect to significant risks and key audit matters, if applicable).	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • corrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • any writing, corrected misstatements that are significant. 	Audit Completion Report (and follow-up letter, if required)
With respect to fraud communications: <ul style="list-style-type: none"> • inquiries with you to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the Pension Fund; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)
Significant matters arising during our audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report (and follow-up letter, if required)

Appendix A: Other communications

Required communications

Required communication	Where addressed
<p>Significant findings from our audit, including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices, including accounting policies, accounting estimates, and financial statement disclosures; • significant difficulties, if any, encountered during our audit; • significant matters, if any, arising from our audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to our auditor's report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified during our audit that we believe are relevant to those Charged With Governance in the context of fulfilling their responsibilities. 	<p>Audit Completion Report (and follow-up letter, if required)</p>
<p>Significant deficiencies in internal controls identified during our audit.</p>	<p>Audit Completion Report (and follow-up letter, if required)</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report (and follow-up letter, if required)</p>
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and inquiry of you into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that you may be aware of.</p>	<p>Audit Completion Report and Audit Committee meeting(s)</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the company's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • whether the event or condition constitutes a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	<p>Audit Completion Report (and follow-up letter, if required)</p>

Appendix A: Other communications

Required communications

Required communication	Where addressed
<p>Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm's system of quality management team completes, as part of an ongoing and iterative process, key steps to assess and conclude on our firm's system of quality management, including:</p> <ul style="list-style-type: none"> • ensuring there is an appropriate assignment of responsibilities; • establishing and reviewing quality objectives each year, ensuring our firm's quality objectives align with our strategies and priorities; • identifying, reviewing, and updating quality risks each quarter, taking into consideration multiple input sources (such as FRC/ ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.); • identifying, designing, and implementing responses to strengthen our firm's internal control environment and overall quality; and • evaluating our quality responses and remediating control gaps or deficiencies. <p>We perform an evaluation of our system of quality management on an annual basis. We publish the details of our annual evaluation, and our conclusion, in our Transparency Report, which can be accessed on our website at: https://www.forvismazars.com/uk/en/who-we-are/corporate-publications/transparency-reports.</p>	<p>Audit Strategy Memorandum (the communication adjacent satisfies this requirement)</p>
<p>We are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include:</p> <ul style="list-style-type: none"> • significant delays in management providing information that we require to perform our audit; • an unnecessarily brief time within which to complete our audit; • extensive and unexpected effort to obtain sufficient, appropriate audit evidence; • unavailability of expected information; • restrictions imposed on us by management; and • unwillingness by management to make or extend their assessment of the ability to continue as a going concern when requested. <p>We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).</p>	<p>Audit Completion Report, discussion at Audit Committee meeting(s), and audit clearance meeting(s)</p>

Appendix A: Other communications

Definitions

Term	Definition
<p>Materiality</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 141</p>	<p>An expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.</p> <p>We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to the company. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to you (reporting threshold). Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.</p> <p>An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:</p> <ul style="list-style-type: none"> • have a reasonable knowledge of business, economic activities, and accounts; • have a willingness to study the information in the financial statements with reasonable diligence; • understand that financial statements are prepared, presented, and audited to levels of materiality; • recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and • will make reasonable economic decisions based on the information in the financial statements. <p>We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors. When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks. We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.</p> <p>The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.</p>

Appendix A: Other communications

Definitions

Term	Definition
Significant risk	A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by UK auditing standards), including management override of controls and revenue recognition.
Enhanced risk	An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to: <ul style="list-style-type: none"> • key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and • risks relating to other assertions and arising from significant events or transactions that occurred during the period.
Standard risk	A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.
Key audit matter	<p>A matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement (whether due to fraud or error) we identified, including those which had the greatest effect on our overall audit strategy, the allocation of resources in our audit, and directing the efforts of our engagement team.</p> <p>It is important that you understand and have the opportunity to discuss with us why something is being communicated as a key audit matter and the way it is described. This report highlights which of the significant and other risks are expected, at this stage, to be determined as key audit matters. It should be noted, however, that other audit areas may be determined as key audit matters during our audit.</p>

Page 142

Appendix A: Other communications

Definitions

Term	Definition
Key audit partner	<p>(a) An individual who is eligible for appointment as a statutory auditor and who is designated by our firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of our firm.</p> <p>(b) In the case of a group audit, any of the following: (i) an individual who is eligible for appointment as a statutory auditor and who is designated by our firm as being primarily responsible for carrying out the statutory audit of the consolidated accounts of the group on behalf of our firm; (ii) an individual who is eligible to conduct the audit of the accounts of any subsidiary undertaking determined by us to be a 'material subsidiary' and who is designated as being primarily responsible for that audit.</p> <p>(c) An individual who is eligible for an appointment as a statutory auditor and who signs the audit report.</p>

08

Appendix B

Page 144

Appendix B: Current year updates, forthcoming accounting & other issues

HM Treasury changes to non-investment asset valuation

Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the “Code”)

Following a thematic review of non-current asset valuations for financial reporting in the public sector, HM Treasury has made a number of changes to its requirements for the valuation frequency, valuation methodology and classification of non-investment property assets. The changes are effective from 1 April 2025 as set out in the 2025-26 Code and include:

- A change to the requirements regarding revaluation frequency. Rather than adhering to paragraph 34 of IAS 16 which requires an asset to be revalued whenever its carrying value differs materially from its current value, entities will be required to revalue assets on a quinquennial basis, i.e. every five years, supplemented by annual indexation in the intervening years. This requirement can be adhered to either as part of a full revaluation or as part of a rolling programme. The Code requires bodies to use the best index available to them. Should management determine that there is no appropriate index to use, then the quinquennial valuation is supplemented by a valuation in the third year.
- Revaluations carried out prior to 2025/26, in line with former requirements of the Code, remain valid throughout the transition period (being 1 April 2025 to the date the next revaluation is due for a given asset). During the transition period, the maximum period between revaluations must not exceed five years.
- The requirement to consider indicators of impairment under IAS 36 remains, so management will still be required to undertake an annual assessment of whether there are indicators of impairment, and where these are present, it may be necessary to undertake valuations outside of the 5-yearly valuation programme.

While management will no longer need to consider annually whether it is necessary to revalue non-investment assets, they will need to be satisfied that they have appointed a suitably qualified valuer to undertake the valuation of assets whenever they fall due either as part of a full valuation or a rolling programme. If local indices are used, management will need to have sufficient evidence to demonstrate these indices are appropriate and relevant to the entity's circumstances, and to provide this evidence to the auditor.

Appendix B: Current year updates, forthcoming accounting & other issues

Effective for accounting periods beginning on or after 1 January 2027

IFRS 18 Presentation and Disclosure in Financial Statements

The standard was UK-adopted in December 2025, and the date of incorporation into the Code is not confirmed, though expected to be within the 2028/29 financial year. It is not yet confirmed what interpretations and adaptations HMT will determine are necessary for implementation in the public sector. We have provided an outline of the main changes arising from IFRS 18 as unadapted and without interpretation and will provide an update on the expected impact on the Teesside Pension Fund as and when detail is available as to when and how the standard is incorporated into the Code.

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements.

New categories and subtotals for inclusion within the statement of profit or loss

- Income and expenses are to be classified into three new defined categories: operating, investing and financing, in addition to the income taxes and discontinued operations categories.
- All companies are to present new defined subtotals – operating profit and loss, and profit or loss before financing and income taxes.

New reporting requirements on Management Performance Measures (MPMs)

- New requirements are introduced for management-defined performance measures (MPMs), which may also be called Alternative Performance Measures (APMs). These are described as subtotals of income and expenses that an entity: (a) uses in public communications outside financial statements; (b) uses to communicate to users of financial statements management's view of an aspect of the financial performance; and (c) are not listed within IFRS 18 or specifically required to be presented or disclosed by another IFRS Accounting Standard.
- All MPMs are required to be disclosed in a single note in the financial statements setting out:
 - an explanation of why the MPM is reported, and
 - a reconciliation to a directly comparable GAAP measure within IFRS 18 or another IFRS Accounting Standard.

Enhanced requirements for aggregation & disaggregating information

- Enhanced requirements are set out for the aggregation and disaggregation of items based on similar and dissimilar characteristics. Items that have dissimilar characteristics must be disaggregated when the resulting information is material. Guidance is also included on how to describe items within the financial statements, requiring an entity to label items presented or disclosed as 'other' only if a more informative label cannot be found.
- New guidance is provided on whether information should be reported in the primary financial statements or the notes. This includes guidance on presentation and disclosure of expenses classified in the operating category, alongside introducing more prescribed requirements for an entity that classifies expenses by function as well as the requirement to disclose expenses by nature in a single note for certain amounts - depreciation, amortisation, employee benefits, impairment and write-downs of inventories

Many principles and requirements have been brought forward from IAS 1 to IFRS 18 such as frequency of reporting, comparative information, offsetting, capital disclosures and the requirements for the statement of financial position and for the statement of changes in equity.

Contact

Forvis Mazars

Mark Kirkham
Engagement Lead
Mark.Kirkham@Mazars.co.uk
Tel: +44 (0)113 394 5315

Page 147

Forvis Mazars is the brand name for the Forvis Mazars Global network (Forvis Mazars Global Limited) and its two independent members: Forvis Mazars, LLP in the United States and Forvis Mazars Group SC, an internationally integrated partnership operating in over 100 countries and territories. Forvis Mazars Global Limited is a UK private company limited by guarantee and does not provide any services to clients. Forvis Mazars LLP is the UK firm of Forvis Mazars Group.

Visit [forvismazars.com/global](https://www.forvismazars.com/global) to learn more about the global network.

© Forvis Mazars 2026. All rights reserved.

Follow us

[LinkedIn](#)

[X \(Twitter\)](#)

[Facebook](#)

[Instagram](#)

Find out more at
www.forvismazars.com/uk



This page is intentionally left blank

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

TEESSIDE PENSION BOARD REPORT**6 JULY 2026****CORPORATE DIRECTOR OF FINANCE – 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 reporting breaches of the law, review Draft Statement of Accounts and standard employer and review the complete and proper exercise of employer and administering authority discretions – detail on these is set out below. The current work plan is contained at Appendix A.

5. REPORTING BREACHES

- 5.1 Under the Pensions Act 2004 certain categories of people involved with a pension scheme have a duty to make a report to the Pensions Regulator where they have reasonable cause to believe that:
- a) a legal duty relating to the administration of the scheme has not been or is not being complied with; and
 - b) the failure to comply is likely to be of material significance to the Pensions Regulator.
- 5.2 This duty applies to the following people:
- a trustee or manager of an occupational or personal pension scheme
 - a member of the pension board of a public service pension scheme
 - a person who is otherwise involved in the administration of an occupational or personal pension scheme
 - the employer in relation to an occupational pension scheme
 - a professional adviser in relation to such a scheme
 - a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.
- 5.3 The Fund has a policy on reporting breaches, which was reviewed and approved by the 10 December 2025 Pension Fund Committee and is enclosed at Appendix B. This includes information on how to report a suspected breach of regulations and how a reported breach is evaluated to assess how it should be dealt with, and whether it should be reported to the Pensions Regulator.
- 5.4 In the context of the Local Government Pension Scheme (LGPS) the definition of a 'breach of the law' is fairly wide, and can cover a failure to do anything required under the LGPS regulations, overriding pensions or tax regulations and (potentially) the provision of incorrect information. This makes the issue of 'material significance' to the Regulator an important consideration. The Fund's procedure includes a traffic light system to help categorise breaches. One key consideration is to ensure all potential breaches are considered and investigated.
- 5.5 The procedure, and the requirement to report breaches has been in place since 2015. The current Breaches Log is attached as Appendix C. This contains two (new) additions relating to late payment of contributions by an employer and late payment of refunds by the pensions administrator.
- 5.6 A small employer in the Fund has on several occasions been late in submitting contributions in line with the statutory deadlines. Fund staff will continue to engage with the employer and provide whatever training is necessary to assist in compliance with the Pensions Administration Strategy.

5.7 Four refunds beyond the 5-year statutory deadline were made in the first quarter of 2026. These breaches are positive for the member being a result of legislation capping paying of refunds at 5 years. There is no failing in pensions administration but rather the breaches arise from poorly drafted legislation. Government recognises the problem and has committed to remove the 5 year limit.

5.8 The Breaches Log will be brought to future Pension Board (and Pension Fund Committee) meetings. A useful summary of dealing with breaches of the law in the LGPS produced by Hymans Robertson in 2019 (but still relevant) is enclosed at Appendix D.

6. DISCRETIONS WITHIN THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) REGULATIONS

6.1 Administering authorities and employers within the LGPS have a number of areas where the regulations governing the scheme allow them to exercise choices. In some cases the administering authority or employer has to have a stated policy on how they will exercise this discretion, in others they can choose whether to make a statement of policy or not.

6.2 This is a complex area which has grown more complicated as the LGPS regulations have changed over the years. When new regulations apply, they sometimes apply only in relation to future service or will not apply to those who have already left active service. This means the old regulations remain relevant in relation to some individuals, so administering authorities and employers will continue to have policies and/or exercise discretions in relation to several sets of old regulations as well as the new regulations.

6.3 The Local Government Association (LGA) has produced a full list of discretionary policies to be determined upon by scheme employers, administering authorities and other parties – this comprehensive document that runs to 53 pages can be found at the following web link:

<https://www.lgpslibrary.org/assets/gas/ew/DISCLv1.10c.doc.pdf>

6.4 Some of the main discretions employers have that impact directly on scheme members include:

- Whether to allow late requests to aggregate LGPS benefits or transfer in benefits from another scheme ('late' in this context means over a year after a member joins the LGPS)
- Whether to waive early retirement reductions (and if so, in what circumstances)
- Whether to award additional pension to scheme members on retirement
- Whether to allow flexible retirement

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

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.
November 2025 Annual Review of Board Training	Maintaining member contributions	Review administration reports including in relation to any late payment of contributions. 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 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 any 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

This page is intentionally left blank

Teesside Pension Fund

Procedure for Reporting Breaches of the Law (2025)



Reporting Breaches Procedure

Introduction

This document sets out the procedures to be followed by certain persons involved with the Teesside Pension Fund (“the Fund”), the Local Government Pension Scheme managed and administered by Middlesbrough Council, in relation to reporting breaches of the law to the Pensions Regulator.

Middlesbrough Council, as Administering Authority, has delegated responsibility for the implementation of these procedures to the Head of Pensions Governance and Investments.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

This Procedure document applies, in the main, to:

- all members of the Pension Fund Committee and the Local Pension Board
- all senior officers involved in the management of the Fund including the Chief Finance Officer, Monitoring Officer, Head of Pensions Governance and Investments and any members of their teams.
- any professional advisers and third-party suppliers including auditors, actuaries, independent advisers, third party administrators, legal advisers and fund managers
- officers of employers participating in the Fund who are responsible for pension matters.

The next section clarifies the full extent of the legal requirements and to whom they apply.

Requirements

Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme
- a member of the pension board of a public service pension scheme
- a person who is otherwise involved in the administration of an occupational or personal pension scheme
- the employer in relation to an occupational pension scheme
- a professional adviser in relation to such a scheme
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,

to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

The Pensions Regulator's Code of Practice

Practical guidance in relation to this legal requirement is provided in The Pensions Regulator's Code of Practice including in the following areas:

- implementing adequate procedures
- judging whether a breach must be reported
- submitting a report to The Pensions Regulator
- whistleblowing protection and confidentiality.

Application to the Teesside Pension Fund

Middlesbrough Council has developed this procedure which reflects the guidance contained in The Pensions Regulator's Code of Practice in relation to the Fund and this document sets out how the Council will strive to achieve best practice through use of a formal reporting breaches procedure.

Training on reporting breaches and related statutory duties, and the use of this procedure is provided to Pension Fund Committee members, Pension Board members and key officers involved with the management of the Fund on a regular basis. Further training can be provided on request to the Head of Pensions Governance and Investments.

The Teesside Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Fund.

It aims to ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

1. Clarification of the law

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- The Pensions Regulator's Code of Practice:

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/general-code-of-practice.ashx>

In particular, individuals should refer to the section on 'Reporting to TPR', and, within this, for information about reporting late payments of employee or employer contributions, the section of the Code on 'Reporting payment failures'.

Further guidance and assistance can be provided by the Head of Pensions Governance and Investments, as long as requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

2. Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred.

Where the individual does not know the facts or events, it will usually be appropriate to check with the Head of Pensions Governance and Investments at Middlesbrough Council, a member of the Pension Fund Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3. Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach.

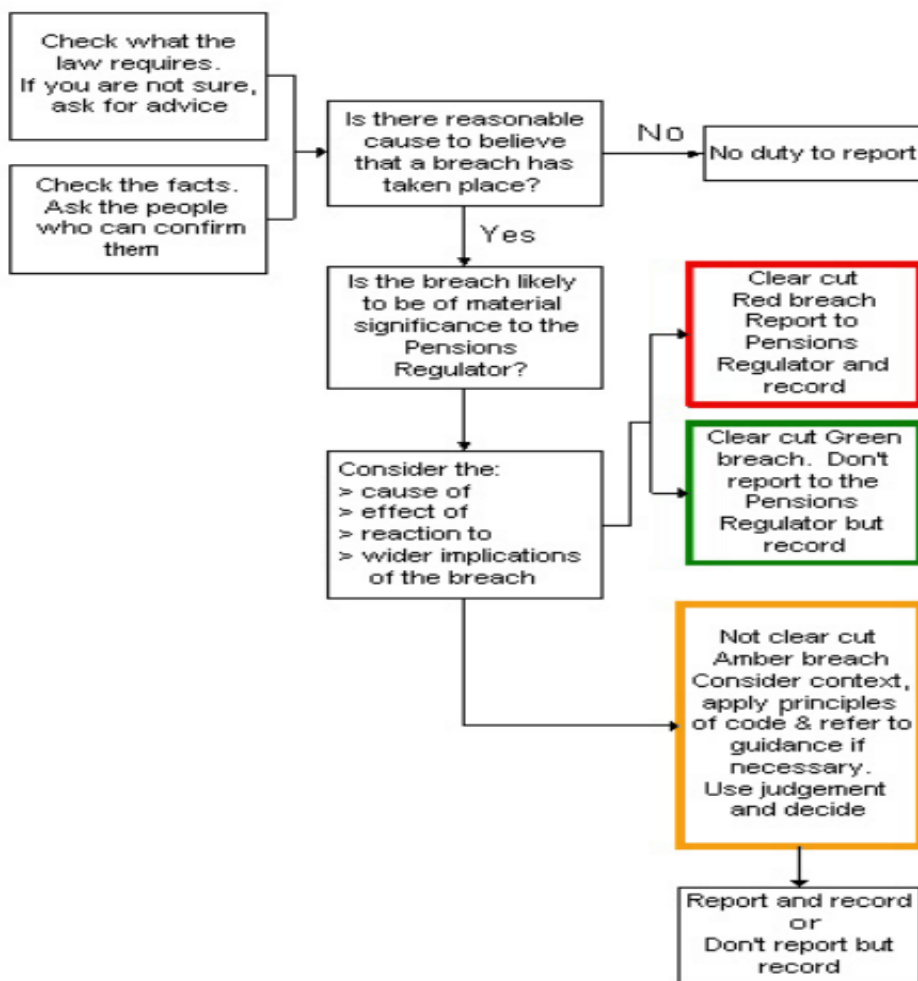
Individuals may also request the most recent breaches report from the Head of Pensions Governance and Investments, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore needs to be reported.

Decision-tree: deciding whether to report



4. Referral to a level of seniority for a decision to be made on whether to report

Middlesbrough Council has designated an officer (the Head of Pensions Governance and Investments) to ensure this procedure is appropriately followed. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate.

If breaches relate to late or incorrect payment of contributions or pension benefits, information the matter should be highlighted to the Head of Pensions Governance and Investments at the earliest opportunity to ensure the matter is resolved as a matter of urgency.

Individuals must bear in mind, however, that the involvement of the Head of Pensions Governance and Investments is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The potential reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to the Head of Pensions Governance and Investments if doing so would alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a

telephone call to the Regulator before the submission may be appropriate, particularly in the case of a more serious breach.

5. Dealing with complex cases

The Head of Pensions Governance and Investments may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases, information on which will be retained by Middlesbrough Council, or via discussions with those responsible for maintaining the records. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the Local Government Association (LGA)) - <http://www.local.gov.uk/our-support/workforce-and-hr-support/local-government-pensions>).

If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Committee or Board meeting.

6. Timescales for reporting

The Pensions Act and The Pensions Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not wait for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

7. Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary.

The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

8. Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Middlesbrough Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports submitted to The Pensions Regulator to the Head of Pensions Governance and Investments. Records of unreported breaches should also be provided to the Head of Pensions Governance and Investments as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Fund Committee meeting, and this will also be shared with the Pension Board.

Reporting a breach

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary a written report can be preceded by a telephone call.

Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Teesside Pension Fund)
- description of breach(es)
- any relevant dates
- name, position and contact details
- role in connection to the scheme
- employer name or name of scheme manager (the latter is Middlesbrough Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator
- scheme address (provided at the end of this procedures document)
- scheme manager contact details (provided at the end of this procedures document)
- pension scheme registry number (PSR – 10171072)
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so.

If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

Reporting to Pension Fund Committee

A report will be presented to the Pension Fund Committee on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those not reported, with the associated dates.
- in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- any future actions for the prevention of the breach in question being repeated

- new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings).

An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

Review

This Reporting Breaches was approved at the Teesside Pension Fund & Investment Panel (later renamed as the Teesside Pension Fund Committee) meeting on 28th June 2017. It will be kept under review and updated as considered appropriate by the Head of Pensions Governance and Investments. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Andrew Lister, Head of Pensions Governance and Investments

Middlesbrough Council

Fountain Court, 119 Grange Road

Middlesbrough, TS1 2DT

Email: Andrew_Lister@middlesbrough.gov.uk

Telephone: 01642 726328

Appendix A – Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- Acting, or failing to act, in deliberate contravention of the law.
- Dishonesty.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement

- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- Misappropriation of assets, resulting in scheme assets not being safeguarded
- Other breaches which result in the scheme being poorly governed, managed or administered

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

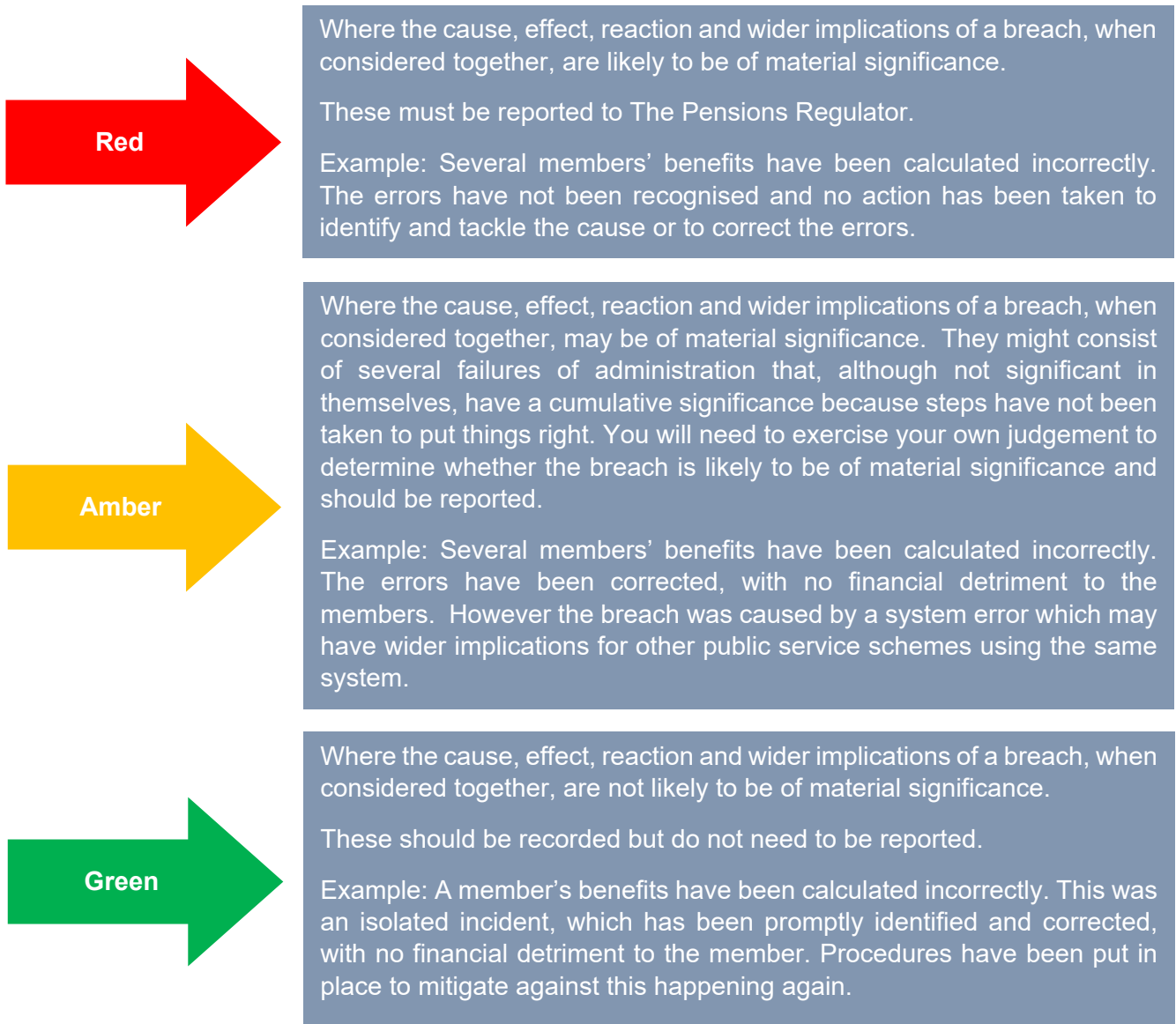
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix B - Traffic light framework for deciding whether or not to report

Middlesbrough Council recommends those responsible for reporting to use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this framework is provided by The Pensions Regulator at the following link

[http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)

Breach Reference	Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions
1 -	13/05/26	Contributions	A Town Council has provided the contribution sheet for 2025/26. Following multiple reminder emails, the employer has now remitted the October 2025 contributions on 28 April 2026 however, payment was originally due on 19 November 2025. In addition, contributions for February and March 2026 remain outstanding. The employer previously advised that the February contribution would be paid by the end of April 2026, with the March 2026 payment to follow shortly thereafter. As these payments have not yet been received, the employer was contacted again on 11 May 2026 to request confirmation of the expected payment dates.	Reconciliations of the 2025/26 financial accounts may be impacted where payments received do not align with the totals stated on the contribution schedule. An accrual has therefore been recorded based on the values provided by the employer however, this cannot currently be reconciled to the payments received.	TPF has continued to liaise with the employer regarding outstanding payments. The employer indicated some uncertainty regarding the responsibilities between M'bro Council (TPF) and TWPF. Clarification has since been provided to outline the requirements and roles of both TWPF and Middlesbrough Council's involvement with the Teesside Pension Fund.	Not Reported - Contributions are not of a material sum.		TPF will continue to liaise with the employer regarding the payment of outstanding contributions and to ensure that future contributions are paid in a timely manner.
2	22/06/26	Administration	Four breaches in respect of refund payments to members made beyond the 5-year deadline were recorded in Q1 2026	The breaches are positive for the member and are a result of legislation capping paying of refunds at 5 years.	Government have recognised the issue and are committed to amending the legislation.	Not Reported - Refunds totalled £1,205 which is not a material sum.		N/A

Sixty second summary

Breaches of the law

It's been 4 years since changes to the public service pension governance arrangements were introduced. Much has been achieved in that time in putting all the structures in place. One area where we still see uncertainty, and where understanding could be improved is "breaches of the law".

What is a breach of the law?

A breach of the law is "an act of breaking or failing to observe a law, agreement, or code of conduct.". In the context of the LGPS, this could encompass a failure to do anything required under the Regulations, Framework or overriding legislation, as well as potentially extending to the provision of incorrect information in general correspondence or telephone conversations, no matter how large or small.

That's quite a wide-ranging definition. So it's perhaps unsurprising that questions remain even now, in this whole area. Questions like – *When* do you need to report a breach? *What* is material significance? *Who* is responsible for reporting breaches? Do I need to record *every* breach?

Let's take a look.

When do you need to report a breach?

First, you need to check out the facts to establish whether a breach has actually occurred or that a legal duty has not been complied with (you must have what's known as "reasonable cause" to believe a breach has occurred). It's not enough to act on a suspicion alone. Wherever possible, you should work together with other "reporters" (more on that later) to reach a conclusion. **But be careful to avoid "tipping off" where theft or fraud is suspected. In these cases you may require to whistleblow and independently go straight to the Pensions Regulator.**

What is "Material Significance"?

In our experience of speaking with funds about breaches, we know that deciding whether a breach is materially significant or not can be difficult to judge. Checking against the following list might help*:

Materially significant	Not materially significant
Dishonesty	Isolated incidents stemming from major rules changes, implementation of a new administration system or an unusual set of circumstances (i.e. not repeated errors)
Poor governance or administration	
Slow or inappropriate decision making	Where prompt action is taken to investigate and resolve an issue and scheme members have been informed
Incomplete or inaccurate advice	
Contravention of the law or framework requirement	

*The Pensions Regulator's guidance on what constitutes "Material Significance" with regards to breaches is well worth a look if you remain uncertain.

You also need to consider the cause and effect of any breach, along with the reaction and any wider implications. The Pensions Regulator's public service toolkit provides handy examples of reporting categories: **red** (must report), **amber** (exercise judgement as less clear cut) and **green** (don't report, but do record), to help you reach your decision.

Who is responsible for reporting breaches?

The following are “reporters”, although not all of them are within the control of the scheme manager.

- **Elected members** – Pension Committee and full Council;
- **Officers** – including the pension and finance teams;
- **Local Pension Board** – in its role of supporting the scheme manager;
- **Scheme Employers** – in relation to own actions/responsibilities and those of the scheme manager;
- **Professional advisers/third party providers** – e.g. the Fund actuary, legal advisers, auditor, etc.

It's important to appreciate that you cannot abdicate responsibility to report a breach by relying on any of the other parties to do so. Where you choose not to submit an additional report, with regards to a reportable breach, it's advisable to request a copy of the other party's acknowledgement receipt from the Pensions Regulator and attach to your own breaches log as evidence of reporting. You should also seek confirmation from the Pensions Regulator that they do not require the submission of a separate report.

Here at Hymans Robertson, we have our own responsibility to consider breaches where they come to light, separately recording and reporting them as required. We are keen to work with you to discuss the material significance of any potential breaches and, where required, we are keen to agree to the submission of a joint report to the Pensions Regulator. However, if necessary we will lodge our own separate report to the Regulator if we feel this is appropriate.

Do I need to record every breach?

We suspect this is an area where many funds need to apply a little more rigor. While it might be concluded that a single breach is considered to be immaterial, in certain circumstances a series of immaterial breaches can cumulatively amount to a material breach. This is particularly relevant where the series of breaches indicates more systemic issues which would only be identified by considering all recorded breaches in the round, even if the previous breaches have not been reported.

It is vital, therefore, to ensure that all breaches are recorded, no matter how small. If you haven't already done so you should consider implementing a formal breaches log. This should include a description of the breach, the reasons for it, the action taken to remedy it, as well as confirmation as to whether it was reported or not.

Top tips for best practice

Failure to report a breach could land you with a Civil Penalty (up to £5,000 per individual or £50,000 in any other case). So we'll leave you with some top tips to ensure you can keep on top of this:

- **Checks** - if you suspect a breach, carry out the necessary checks to ascertain if there is **reasonable cause** to show that a breach has occurred;
- **Material significance** – undertake a RAG (**red, amber or green**) assessment to determine if reportable;
- **Collaborate** – wherever possible, work with others to submit a joint report to the Pensions Regulator;
- **Suspected fraud?** – don't tip off, but report directly to the Regulator;
- **Breaches log** – record all breaches whether reported or not with rationale for decision and review regularly to see if any trends emerge;
- **Learning from experience** – key to managing breaches is identifying how things could be improved: especially if matters have escalated to being reported. The Regulator will be keen to see what is being done to avoid reoccurrence in the future; and
- **The Pensions Regulator's Code** - you should always refer to the Pensions Regulator's guidance on assessing and reporting breaches (Code 14: Governance and Administration of Public Service Pension Schemes).



*in
partnership
with*



**Teesside
Pension Fund**



Teesside Pension Fund

Administration Report

Pension Administration Report – Q4

This report provides an update on material matters in pensions administration and performance for Q4 up to 31 March 2026.

1. Introduction

On 1 June 2025, responsibility for the administration of the Teesside Pension Fund was successfully transferred from XPS Group to the Tyne and Wear Pension Fund (TWPF) as part of a shared service agreement. It has been acknowledged that the early transition period was not without its difficulties. Notably, there are several data-related issues that TWPF is now actively working to resolve but whilst acknowledging and accepting that some errors will still take time to resolve.

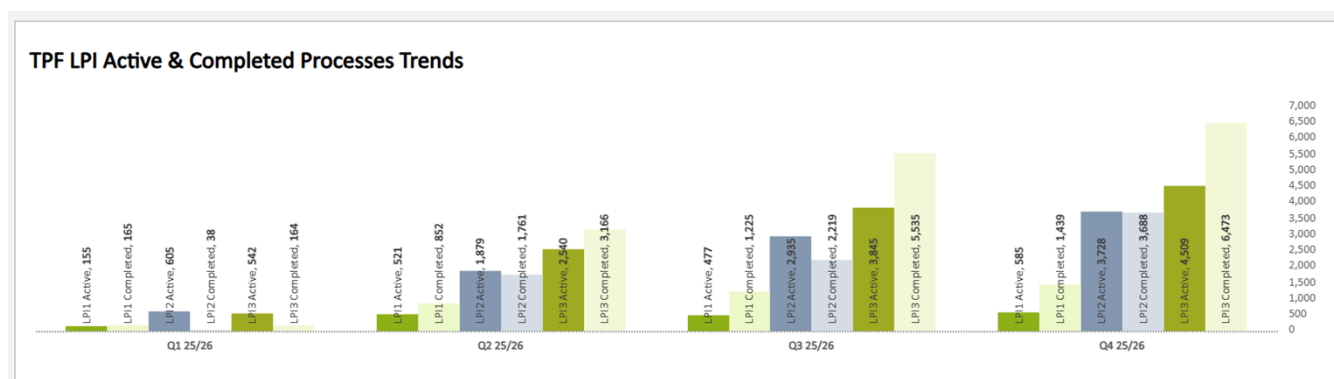
As we now pass our first anniversary of the Shared Service we are operating under standard business procedures in many areas.

2. Pensions Processing

Processing is undertaken and managed on a priority basis a below:

- Priority1 (LP1) - Life events requiring immediate payment - deaths, retirements and transfers In
- Priority 2 (LP2) - Divorce, transfers out, joiners, refund of contributions and data updates
- Priority 3 (LP3)- Pension monetary changes, member tracing, interfund transfers, combining membership, purchasing additional pension and record updates.

The table below shows current trends of the active processes and the processes completed during 2025/2026 since Tyne and Wear Pension Fund commenced the contract for Teesside Pension Fund on 1st June 2025.



Please be advised that the total number of active processes will continue to increase in subsequent quarters, as we continue to process the inherited historical cases (Status 2 undecided leavers which were approximately 4,500 cases initially). These cases will require reviewing and possible subsequent benefit calculations to ensure their status is accurately updated.

It should be noted that whilst records remain at the inherited incorrect “holding” status, members may not receive an annual benefit statement or payment of any benefits that are due to them.

3. Performance Against Statutory Requirements and Key Performance Indicators

LGPS Scheme Advisory Board’s (SAB) Performance Indicators.

The Fund measures performance across pension processing using a variety of indicators. In line with statutory requirements and guidance, the main measure of the service is against the national LGPS Scheme Advisory Board’s (SAB) Performance Indicators. This is the standard measure of internal performance across LGPS Funds and is reportable in the Pension Fund Annual Report and Accounts.

Appendix 1 sets out the performance against the SAB KPIs from the start of the contract, 1 June 2025 up to 31 March 2026.

It should be noted performance shown during the year cannot be seen as true measure or reflection of performance. Within the first 10 months of operation there have and continue to be several negative and detrimental influencing factors which are out of our control. These can be attributed to the levels outstanding and poor-quality data at the time of the contract commencement.

Table A presents the number of cases started and completed during the period up to 31 March 2026. An internal performance target has been set at 80%. At the end of the year, performance was below target in 9 areas, although 3 areas (relating to deaths and retirements) are close to being on target.

Table B presents the processing performance – an internal performance target of 90% has been set. At the end of the year, performance was below target in 11 areas, although 2 areas (relating to retirements) are close to being on target.

The main reasons for underperformance are as follows:

- Ongoing issues whilst dealing with inherited data – this will continue to impact individual cases until all outstanding cases are resolved
- Performance figures will continue to appear poor as ‘out of date’ cases are progressed to completion
- Planned system downtime to integrate Teesside Pensions Fund records into the administration system, and to install upgrades related to the mandatory McCloud remedy
- Processing performance will fluctuate across the year when resources are diverted to address bulk tasks, such as the production of Annual Benefit Statements and creation of the Valuation data

- Processing performance will fluctuate in individual areas of work, when resources are diverted towards tackling higher priority work (such as deaths and immediate benefits), away from lower priority areas of work (such as interfund transfers and aggregation).

(Disclosure of Information) Regulations 2013 (“the Disclosure Regulations”), and additional internal performance indicators

This historical “Disclosure” requirements measure overall time taken to process benefits and provide information to members. It is not a true measure of a pension fund’s own performance as there are several factors to consider, such as reliance on employers to provide information and the complexity of individual cases.

Compliance is not always achievable and can be reported differently across the pensions industry. In recognition of this SAB developed the standard performance indicators reported above.

For completeness Appendix 2 sets out performance for the year up to Q4 (i.e. the period 1 June 2025 to 31 March 2026) against the Disclosure Regulations. In respect of performance against disclosure, these are measured against 100%.

Whilst the overall performance is low, the challenges of the transition set out above are contributory factor. However, progress is being made to improve the achieved percentage.

Actions to improve

Continued work is ongoing to improve data quality, to identify where improvements can be made to address outstanding issues and to streamline work for greater efficiencies. In addition to the staff wishing to transfer from the previous provider, additional staff have already been recruited and joined Tyne and Wear Pension Fund, and more are joining over the coming weeks.

A recovery plan is now being developed to support improvement in performance. This will set out the specific actions being taken, the expected timescales for delivery, and when performance is expected to improve. The recovery plan will be presented to the next Committee and Board meetings to provide assurance on the steps being taken and to support ongoing oversight of progress.

4. Member Electronic Communications and Registration

TWPF’s default method of communication is digital, meaning that members will receive documents and updates electronically unless they specifically request to continue receiving paper correspondence. This brings significant efficiencies and cost savings.

A move to digital service was agreed with Teesside Pension Fund and members have been notified of this transition through various communications over the past year, ensuring that everyone is aware of the new approach.

The table below shows the number of members registered for online services and reflects encouraging growth over a short period. In February 2026, all Teesside Pension Fund pensioners were sent a targeted letter encouraging them to register for mypension before P60s for 2025/26 were issued. This appears to have had a positive impact, with registrations increasing significantly by the end of March.

	Active		Deferred		Pensioner	
	Registered	%	Registered	%	Registered	%
30/09/2025	3,796	14%	1,775	9%	870	4%
22/01/2026	7,064	26%	3,558	18%	6,680	25%
31/03/2026	7,460	27%	3,741	19%	10,089	38%

5. Service Delivery

Member Helpline

The helpline has high demand as many members continue to choose this method of contact. Call volumes increased significantly in February and March. This was partly driven by the issue of an additional letter to Teesside pensioners encouraging registration for mypension ahead of the 2025/26 P60 exercise, which generated a notable increase in member contact as members called to request to continue receiving paper correspondence. Although the number of calls answered also increased, performance did not keep pace with demand, and the proportion of calls answered fell to 68.59% in March.

The table below illustrates the total volume of calls received by the Pensions Helpline from over the last 6 months (This includes calls from both Tyne and Wear and Teesside members and their representatives).

	October	November	December	January	February	March
Number of helpline calls	7244	8114	4965	7630	9008	11038
Total number of helpline calls after menu selection	6184	6978	3802	5151	7869	9074
Number of calls answered	4609	5014	3101	5151	5751	6314
Abandoned calls after selection	1575	1964	701	1464	2118	2760
Average wait time	05:52	05:55	03:51	04:47	04:31	05:15
Maximum delay to answer	50:49	49:16	40:56	01:35:49	52:49	49:01
Average length of call	05:27	05:26	05:17	05:37	04:57	04:50
Average abandoned time	03:29	02:41	02:45	03:02	02:27	02:41
% of calls answered	74.12%	71.33%	78.73%	77.62%	73.01%	68.59%

Pensioner Annual Mailing

The annual pensioner mailing provides pensioners with key year-end information about their pension, including their P60 and any accompanying updates about their benefits or Fund services. The 2025/26 exercise has now been completed and, in addition to the emails

issued to pensioners, 3,298 letters were sent to those who opted to continue receiving paper correspondence. All P60s were issued before the statutory deadline.

Fund Newsletters

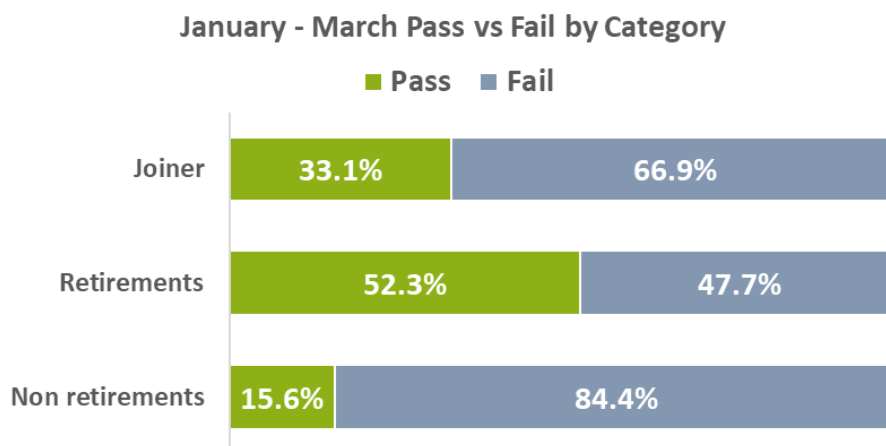
During the last quarter, we have published our Spring 2026 Newsletter which includes updates on key developments affecting Teesside Pension Fund members. Members were notified of its publication by email and encouraged to view the newsletter online, helping to ensure that important information was shared widely. Work is now ongoing to create the Summer 2026 newsletter.

6. Employer Performance

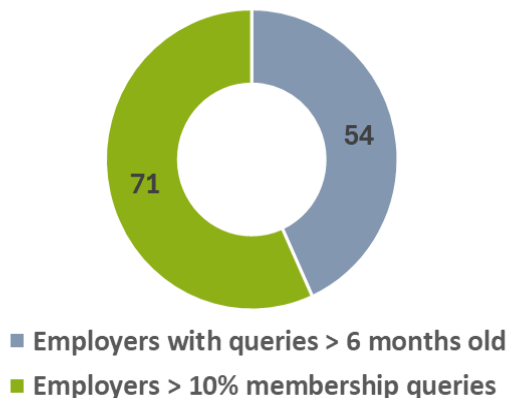
Employers are under a statutory obligation to provide accurate and timely information in respect of their members. The Fund is dependent on the receipt of this data to maintain accurate member records, calculate and pay benefits, and issue annual benefit statements. To achieve quality data flows, we closely monitor the overall performance of employers and keep track of any outstanding queries.

In addition to the Fund’s wider KPIs which are measured, we track the numbers of unresolved queries against two triggers. In order to support effective governance and oversight, employer performance is measured against the following measures:

- The quality and timeliness of data submitted in respect of joiners, retirements and other leavers: and
- The level of outstanding queries, with particular focus on cases where queries exceed 10% of total membership or remain unresolved for more than six months.



This graph (above) shows joiner and leaver forms received on time versus late during January to March 2026.



This graph shows the number of employers with unresolved queries totalling more than 10% of their total membership or queries which are more than six months old from the 160 employers with active members. The Employer Services Team will continue to monitor employers that reach the agreed trigger thresholds and will undertake further review where required.

Monthly review meetings are also held with the four largest employers in the Fund to monitor and discuss performance, and to discuss any areas that require improvement. To support this process, the Fund provides a scorecard that helps track performance over time and highlights any issues that may need attention. These meetings and scorecards help the Fund oversee:

- The timeliness of submissions
- The accuracy and quality of member data
- Relative employer performance.

Monthly Data Collection (MDC)

Monthly Data Collection (MDC) is the process by which employers provide the administering authority with monthly pay, contribution and service data for scheme members, rather than relying solely on the annual return. This approach supports the maintenance of more timely and accurate member records and strengthens the overall quality of scheme data. There is a plan in place to migrate all appropriate employers to MDC by 2029.

At the point TWPF assumed administration on 1 June 2025, nine employers were participating in monthly data submissions. This has subsequently increased to nineteen employers, representing continued progress in the adoption of the MDC process.

Challenges remain in relation to one large employer, which has experienced difficulties in submitting MDC files in the required format, resulting in increased manual processing and the emergence of a backlog. Processing has now progressed to the February file. Officers continue to work closely with the employer to improve the format and quality of future submissions and to support a return to a more up-to-date position.

Year End Progress

For those employers not yet migrated to MDC, the deadline for submission of the year end data was 14 April 2026. This is to tie in with Annual Benefit Statement Production.

The table below shows the current position for the year end data at the time of writing. All employers have completed the initial stage of the process and 64 are fully complete, giving an overall current completion rate of 46%.

Category	Number
On time	81
Late	59
Fully completed	64
Still being worked on	76
Total employers	140

This shows that the exercise is currently well advanced, with the majority of member data now received, although a significant amount of follow-up work remains before all cases can be classed as complete. Following the initial data load, 14,164 queries were identified. These remain the principal barriers to full completion and indicate that the focus of the next stage of the work is on data quality resolution rather than initial data collection. All employers should have submitted their responses by 29 May 2026. Overall, this highlights the continued need for employer engagement and corrective action.

Employers Joining and Leaving the Fund

Since 1 June 2025, the Fund has been dealing with employers who have joined the Fund and also those who have left the Fund. 7 admissions have been completed, with 4 others currently ongoing. 12 employers have exited the Fund with an additional employer currently in the process of exiting. Work has also been carried out with an additional employer who is currently dealing with a tender exercise. Further details relating to these employers are shown below in appendix 3.

7. Dashboards

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

Civica, our pensions administration software provider, as our Integrated Service Provider to connect to the dashboard. In line with requirements, we completed the initial phase to connect member records for both Teesside and Tyne and Wear Fund. We have now moved

to next phase of testing to the data matching. The date of live launch is yet to be announced. Announcement of this is expected in autumn 2026, with a period of 6 months' notice taking the live launch into 2027/2028.

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

8. Industry Developments Affecting Administration

Changes to the Regulations – Following the Access and Fairness Consultations, the first phase of changes to the Scheme Regulations were issued from 1 April 2026. This phase covers changes to survivor pensions and death grants, reducing the gender pension gap in the LGPS, the abolition of the lifetime allowance figure, changes to the application of the McCloud remedy and some changes to the payment of very small pensions.

An implementation plan is in place. We are communicating the changes to members and employers through various channels. We also have information on our website.

A subsequent phase is expected later in 2026. It is anticipated that this will include changes relating to reporting the gender pension gap, unclaimed refund of contributions

Following the Access and Protections consultation, Scheme Regulations were updated to allow mayors and councillors to join the LGPS from 11 May 2026. We have communicated this to all relevant bodies, provided training session and links to guidance and information leaflets and offered further training or presentation to eligible councillors. We have also updated our public which includes a dedicated section for councillors.

Changes to the SCAPE discount rate – On 19 May 2026, the Minister for Pensions announced that the SCAPE (superannuation contributions adjusted for past experience) rate discount has changed from CPI (consumer price index) plus 1.7% to CPI plus 2%. The SCAPE discount rate is used to determine the actuarial factors in LGPS calculations. The Government Actuaries Department who reviews and sets the factors, is issuing revised factors in phases. The first batch of factors were issued on 9 June 2026, providing factors for non club transfers out, pensioner cash equivalent values and pension credit calculations. Factors for early and late retirements are expected within six weeks of the announcement. It is expected that any change will be detrimental to values of benefits arising from voluntary early retirements and payments. The remainder of the factors will be issued in batches over a six-month period.

The above changes have been notified to all employers within the Fund, and we have included information on our website and provided information in pension estimates. We will provide updates as further information becomes available.

9. Conclusion

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

Following the early short-term disruption to service delivery we have moved beyond this towards business as usual in most areas. Progress is being made on the challenges that need to be addressed.

TWPF is already demonstrating added value at no additional cost. Over the coming years, we firmly believe that Teesside members and employers will see significant benefits from our shared administration service.

SAB Administration Key Performance Indicators at 31 March 2026 (Quarter 4)

Table A – Total number of casework

A – ADMINISTRATION KEY PERFORMANCE INDICATORS				
Table A - Total number of casework				
Ref	Casework KPI	Total no. new cases created in the year (April to March)	Total no. of cases Completed in year (April to March)	Total % of cases completed in year
A1	Deaths recorded of active, deferred, pensioner and dependent members	444	340	● 43%
A2	New dependent member benefits	198	198	● 99%
A3	Deferred member retirements	2,074	1,706	● 66%
A4	Active member retirements	2,169	1,633	● 69%
A5	Deferred benefits	2,664	868	● 15%
A6	Transfers in (including interfunds in, club transfers)	212	171	● 72%
A7	Transfers out (including interfunds out, club transfers)	582	547	● 89%
A8	Refunds	2,418	1,502	● 60%
A9	Divorce quotations issued	153	130	● 73%
A10	Actual divorce cases	8	6	● 38%
A11	Member estimates requested either by scheme member and employer	405	342	● 80%
A12	New joiner notifications	2,481	2,412	● 96%
A13	Aggregation cases	3,198	1,765	● 23%
A14	Optants out received after 3 months membership			

Table B – Time taken to process casework

Table B - Time taken to process casework			
Ref	Casework KPI	Suggested fund target*	% Completed within fund target in year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	● 54%
B2	Communication issued confirming the amount of dependents pension	10 days	● 51%
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days	● 32%
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days	● 42%
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days	● 79%
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days	● 92%
B7	Payment of lump sum (both actives and deferreds)	15 days	● 86%
B8	Communication issued with deferred benefit options	30 days	● 38%
B9	Communication issued to scheme member with completion of transfer in	15 days	● 100%
B10	Communication issued to scheme member with completion of transfer out	15 days	● 92%
B11	Payment of refund	10 days	● 41%
B12	Divorce quotation	45 days	● 91%
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days	● 60%
B14	Communication issued to new starters	40 days	● 50%
B15	Member estimates requested by scheme member and employer	15 days	● 33%

*Days in this column are a suggested fund target for completion and not the statutory timescale.

Disclosure Regulations Performance up to 31 March 2026

Teesside Pensions Fund's Performance against Disclosure Standards up to 31 March 2026

Consistently achieve the service standards – Disclosure Regulations – Target is 100%

No.	Performance Indicator	Team Responsibility	2025/26	
			Cases Processed Year to Date	Achieved Standard Year to Date (%)
1	Death of a member (Combined to include active deferred and pensioner)	Benefits and Bereavements Manager	105	37%
2	Death in service - (Revised)	Benefits and Bereavements Manager	0	0%
3	Deferred Benefit - Notification of entitlement	Transfers and Early Leavers Manager	279	100%
4	Deferred Benefit into Payment	Benefits and Bereavements Manager	1,216	40%
5	Deferred Refund into Payment	Transfers and Early Leavers Manager	152	93%
6	Divorce Quotation	Transfers and Early Leavers Manager	75	87%
7	Estimate of Benefits	Benefits and Bereavements Manager	132	41%
8	Immediate Pension	Benefits and Bereavements Manager	1,086	36%
9	Immediate Pension (Revised)	Benefits and Bereavements Manager	0	0%
10	Joiner not BDI	Employer Services Manager	0	0%
11	Joiner BDI	Employer Services Manager	1,698	26%
12	Refund	Transfers and Early Leavers Manager	746	54%
13	Refund (Revised)	Transfers and Early Leavers Manager	0	0%
14	TV In Quotation	Transfers and Early Leavers Manager	33	91%
15	TV Out Quotation	Transfers and Early Leavers Manager	59	98%
16	TV Out Payment	Transfers and Early Leavers Manager	12	75%

Admissions and Exits for Teesside Pension Fund from 1 June 2026

Admissions - Completed

Churchill Contract Services Limited (Lift Unity School)	Completed 15 December 2025
Churchill Contract Services Limited (Bishop Hogarth)	Completed 10 November 2025
Aspens-Services Ltd (Tees Valley)	Completed 7 January 2026
Aspens-Services Ltd (St Hilds)	Completed 31 October 2026
Hutchison Catering Limited (Eden Academy)	Completed 20 November 2025
Taking Care Personal Alarms (Formerly PPP Taking Care)	Completed 2 December 2025
Middlesbrough Municipal Golf CIC	Completed 17 April 2026

Admissions Ongoing

4 employers

Services Re-tendered

1 employer

EXITS - COMPLETED

Care and Custody Health	Maxim - NPCAT
Mellors - Skelton	Maxim - Steel River
Mellors - Thornaby	XPS
Mellors - Central	NMRN
Mellors - Riverdale	SLM
Samsic Green Lane	SLM

Up and coming Exits

1 employer