

TEESSIDE PENSION BOARD

Date: Monday 27th July, 2020
Time: 2.00 pm
Venue: Virtual Meeting

AGENDA

Please note: this is a virtual meeting.

The meeting will be live-streamed via the Council's [Youtube channel](#) at 2.00 pm on Monday 27th July, 2020

1. Apologies for Absence
2. Declarations of Interest
To receive any declarations of interest.
3. Minutes - Teesside Pension Board - 10 February 2020 3 - 8
4. Minutes - Teesside Pension Fund Committee 9 - 32
5. Teesside Pension Fund Committee - 22 July 2020
Verbal Report
6. Teesside Pension Board Annual Report 2019/2020 33 - 40
7. Draft Annual Pension Fund Report and Accounts 2019/2020 41 - 120
8. Audit Planning Report Addendum 121 - 128
9. Impact of the Coronavirus Pandemic on the Pension Fund 129 - 134

- | | | |
|-----|---|-----------|
| 10. | Update on Work Plan Items | 135 - 146 |
| 11. | XPS Administration Report | 147 - 174 |
| 12. | Any other urgent items which in the opinion of the Chair, may be considered | |

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Friday 17 July 2020

MEMBERSHIP

C Monson (Chair), G Whitehouse (Vice-Chair), W Ayre, J Cook, C Hobson and L Littlewood

Assistance in accessing information

Should you have any queries on accessing the Agenda and associated information please contact Susan Lightwing, 01642 729712, susan_lightwing@middlesbrough.gov.uk

TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on 10 February 2020.

PRESENT: C Monson, (Chair), L Littlewood and G Whitehouse

PRESENT AS OBSERVERS: J Cain, BBC Local Democracy Reporter

OFFICERS: M Beaver, G Hall, S Lightwing, N Orton

APOLOGIES FOR ABSENCE were submitted on behalf of Councillor W Ayre, Mrs J Cook, Councillor C Hobson.

DECLARATIONS OF INTERESTS

Name of Member	Type of Interest	Item/Nature of Interest
C Monson	Non Pecuniary	Member of Teesside Pension Fund
G Whitehouse	Non Pecuniary	Member of Teesside Pension Fund

1 **WELCOME AND EVACUATION PROCEDURE**

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

NOTED

2 **MINUTES - TEESSIDE PENSION BOARD - 4 NOVEMBER 2019**

The minutes of the meeting of the Teesside Pension Board held on 4 November 2019 were taken as read and approved as a correct record.

3 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 18 SEPTEMBER 2019**

A copy of the minutes of the Teesside Pension Fund Committee held on 18 September 2019 were submitted for information.

NOTED

4 **TEESSIDE PENSION FUND COMMITTEE - 22 JANUARY 2020**

The Head of Pensions Governance and Investments provided a verbal update on agenda items considered at the meeting of the Teesside Pension Fund Committee held on 22 January 2020.

NOTED

5 **ACTUARIAL VALUATION TRAINING PRESENTATION**

The Head of Pensions Governance and Investment presented training on the actuarial valuation.

The presentation covered the following areas:

What is an actuarial valuation.
Setting the assumptions.
Funding strategy and uncertainties.
Timescales.

AGREED that the information provided was received and noted.

6 **DRAFT ACTUARIAL VALUATION OUTCOME**

A report of the Strategic Director Finance, Governance and Support was presented to provide Members with details of the draft outcome of the actuarial valuation as at 31 March 2019. The final valuation report would be published at the end of March 2020 and would set the employer contribution rates for scheme employers for the three-year period starting 1 April 2020.

A draft summary report was attached to the submitted report at Appendix A setting out the whole of Fund results. Many of the scheme employers had already been provided details of how the valuation outcome would affect them, including details of their expected future employer contribution rate for the three year period from 1 April 2020.

The valuation outcome at a whole Fund level had been very positive, with the funding level improving from around 100% to around 116%, largely because of the investment returns significantly above the level forecast at the last valuation. This had resulted in many employers being in surplus and, in some cases (depending on the type of employer) being able to use some of that surplus to maintain or reduce their employer contribution rate.

At the same time as an improved funding level, the cost of providing Fund benefits had increased significantly. This was primarily as a result of changes to the financial assumptions: reducing the discount rate and increasing the probability of funding success. Another factor in the increased costs of the scheme was the allowance made to cover the expected cost of both the payments to settle the McCloud case and to cover the cost sharing adjustment.

As part of the valuation a distinction was being made between how contribution rates were set for different employers. A different funding target, with associated different financial assumptions, would normally apply to admission body employers closed to new entrants and other bodies, whose participation in the Fund was believed to be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after exit. These employers were likely to see increases in contributions as part of this valuation. This allowed employers to pay contributions which better targeted the funding required on exit from the Fund and would help mitigate the risk this type of employer posed to the other employers in the Fund, should they exit without paying their Fund liabilities in full. Where possible, employers with a significant increase in contribution rate would be given the opportunity to spread the implementation of the increase across a number of years.

The main tax-raising employers would see material reductions in their employer contribution rate for the three years up to the next valuation because of their ability to use surplus to reduce their ongoing contribution rate. The Actuary was currently working closely with XPS to determine the contribution rates for approximately ten employers and an interim rate might have to be introduced, which would be corrected at a later date.

The final valuation report would be completed by 31 March 2020 and would be published on the Fund website with a link circulated to all employers and other relevant parties including Committee and Teesside Pension Board Members.

AGREED that the information provided was received and noted.

7 **REVISED FUNDING STRATEGY STATEMENT**

A report of the Strategic Director Finance, Governance and Support was presented to inform Members of proposed revised wording for the Funding Strategy Statement.

The Local Government Pension Scheme Regulations 2013 (as amended) required Administering Authorities to publish a Funding Strategy Statement by 31 March 2015 and to keep this statement under review, in consultation with appropriate persons.

The proposed revised wording for the Funding Strategy Statement (the Statement) was

attached at Appendix A to the submitted report. The Fund Actuary had led the redrafting of the Statement. Most of the changes were required because of the ongoing actuarial valuation and were needed to ensure the Statement was consistent with the final valuation report.

The most significant differences from the previous version were set out at paragraphs 5.2 to 5.9 of the submitted report and included:

- Different Funding Targets applied to different employers.
- Different Funding Targets lead to different discount rates applying.
- Use of surplus.
- Pooling of risk benefits.
- A process for calculating any exit payment due from, or exit credit to pay to, an employer exiting the fund.
- Increase in the probability of funding success to 75%.
- The section on risk.
- The approach to setting funding levels for Academies.

The Head of Pensions Governance and Investments drew particular attention to the pooling of risk benefits and explained that this was self-insurance within the scheme. For a small employer the cost of providing a lump sum for death in-service or ill-health retirement could be significant and pooling shared the cost across all employers in the Fund. The Head of Pensions Governance and Investments confirmed this was best practice.

The revised Funding Strategy Statement would be circulated to relevant stakeholders for comments. If there were no significant amendments it would be published on the Fund's website. Any significant amendments requested would be sent back to the Committee for approval before publication.

AGREED that the:

1. Report was received and noted.
2. Revised wording for the Funding Strategy Statement was noted.

8 **FUTURE WORK PLAN**

A report of the Strategic Director Finance, Governance and Support was presented to request Members of the Teesside Pension Board to agree to a proposed future Work Plan. Details of the proposed Work Plan were included in the submitted report.

The Work Plan had been prepared taking into account the work the Board had already covered since its creation, the guidance from the Pensions Regulator and the Scheme Advisory Board. The Work Plan could be adapted, amended or revised to take into account the views of the Board at any time or when national guidance was updated.

The Chair suggested that the Annual Report could be presented to the Board at the April meetings instead of the July meetings.

The items on the Work Plan would be delivered mainly through reports provided at future Board meetings by the Head of Pensions Governance and Investments.

AGREED as follows that:

1. the Annual Report would be presented to the Board in April.
2. the future Work Plan for the Teesside Pension Board, as amended, was approved.

9 **UPDATE ON CURRENT ISSUES**

A report of the Strategic Director Finance, Governance and Support to provide Members with an update on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

The report covered three issues as follows:

- LGPS Cost Management Process and changes expected because of the McCloud Case.
- Scheme Advisory Board Governance Report.
- Competition and Markets Authority (CMA) Order.

In relation to the LGPS Cost Management Process it was likely that the LGPS would be treated separately from the rest of the public sector pension schemes in respect of the method for remedying discrimination identified in the McCloud case. The remedy was likely to involve extending the underpin to ensure that members of all ages who were scheme members at the cut-off date of April 2012 had their benefits checked.

The Head of Pensions Governance and Investment highlighted some of the recommendations in the Scheme Advisory Board Governance Report which included:

- The Administering Authority must have a single named Officer who was responsible for the delivery of all LGPS related activity for the Fund. This could be the Section 151 Officer or someone else.
- The Fund should publish its own Conflict of Interests Policy and a Policy on the representation of scheme members and non-administering employers on its committees, explaining its approach to representation and voting rights for each party.
- Key individuals within the LGPS, including Officers and Committee Members, should have the appropriate level of knowledge and understanding to carry out their duties effectively.
- The administering authority must give proper consideration to the utilisation of pay and recruitment policies, relevant to the needs of their pension function. General Council staffing policies such as recruitment freezes should not be automatically applied to the pensions function.

The Head of Pensions Governance and Investments would ensure compliance with the Guidance, when published, and report any changes required to the Fund's policies and procedures to the Committee and the Board.

The Competition and Markets Authority published the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 in October 2019, setting out how pension schemes should obtain investment consultancy. It was confirmed that from the Fund's perspective, both investment advisers were appointed as part of a competitive tendering process and had been set objectives, in compliance with the CMA Order.

AGREED that the information provided was received and noted.

10

XPS ADMINISTRATION REPORT AND PRESENTATION

A report of the Strategic Director, Finance Governance and Support was presented to provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

The following areas of the report were highlighted:

In relation to the Guaranteed Minimum Pension reconciliation exercise - this was continuing and it was now anticipated that it would be the end of June before the closure scan.

The percentage of completed customer satisfaction surveys returned was approximately 20% with over 14,000 issued.

The communications role had now been filled and the successful applicant started work on 16 December 2019.

XPS were currently reviewing processes to enable a move to monthly contribution postings which should lead to greater efficiencies and more up to date information on member records. It was anticipated that there would be a decision on this by April 2020.

The Employer Liaison Team had been working closely with employers, particularly in relation to Member Self Service and also on late payments. It was suggested that any Employers whose contributions were late could be named in the administration report in future.

The report also contained an overview of the disclosure requirements with timelines.

The Chair referred to a previous complaint where a Member was informed there was a 10 year guarantee on benefits in error. Information was requested as to how many Members the error might have affected.

It was confirmed that no breaches had been reported to the Pensions Regulator since the last report.

The Board also received a presentation on plans to launch a new Teesside Pension Fund website. The intention was to have a fully responsive website that was easy to use with multiple devices. Board Members were shown examples of possible designs incorporating a photograph of the Transporter Bridge. The website would incorporate an online chat bot which could respond to queries or forward them to a team member for a response. Other channels would include: a Facebook Messenger chat bot, Facebook page, YouTube, LinkedIn, Newsletters and PDF flip books. It was anticipated that a plan for implementation would be available in time for the next Board meeting in April.

AGREED as follows:

1. that the report was received and noted.
2. details of the number of Members the error on the guarantee on benefits might have affected would be provided to the Board.
3. future administration reports would contain details of any breaches reported to the Pensions Regulator.

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TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on 22 January 2020.

PRESENT: Councillors Coupe, (Chair), Bell, Cooper, Dean, Furness, Polano and Rostron

B Foulger, GMB Representative
A Watson, Unison Representative

Other Local Authority Members:
Councillor Beall, Stockton on Tees Council
Councillor Nightingale, Redcar and Cleveland Council

PRESENT BY INVITATION: Councillor C Hobson, Executive Member, Finance and Governance

ALSO IN ATTENDANCE: W Bourne, P Moon, Investment Advisors
B Durran, AON
G Hall, XPS Administration
A Owen, A Peacock, CBRE
A Stone, BCPP

OFFICERS: W Brown, N Orton, S Lightwing, J Shiel

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors Sands, S Walker.

DECLARATIONS OF INTERESTS

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Beall	Non pecuniary	Teesside Pension Fund Member
Councillor Cooper	Non pecuniary	Teesside Pension Fund Member
Councillor Rostron	Non pecuniary	Teesside Pension Fund Member
B Foulger	Non pecuniary	Teesside Pension Fund Member
Councillor Nightingale	Non pecuniary	Agenda Item 6 - in receipt of Pension from Company referenced in presentation
P Moon	Pecuniary	Agenda Item 17 -professional connection to Company referenced in report

19/24 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 18 SEPTEMBER 2019**

The minutes of the meeting of the Teesside Pension Fund Committee held on 18 September 2019 were taken as read and approved as a correct record.

19/25 **INVESTMENT ACTIVITY REPORT**

A report of the Strategic Director Finance, Governance and Support was presented to inform Members of the Teesside Pension Fund Committee how the investment advice and recommendations were being implemented.

A detailed report on the transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's valuation was included, as well as a report on the treasury management of the Fund's cash balances and the latest Forward Investment Programme.

The Fund continued to favour growth assets over protection assets and Bonds should continue to be avoided unless held as a short-term alternative to cash. The Fund currently had no investments in Bonds.

The cash levels at the end of September were 11.4%. The Fund would look to use this cash to move away from its overweight position in equities and invest further in Alternatives.

Investment in direct property should continue on an opportunistic basis where the property had good covenant, yield and lease terms.

No property transactions were undertaken during this quarter. Drawdowns of £48.7 million on committed investments were called. The Fund was currently above its target asset allocation of 50% equities, as at the end of September, the weight of the Fund's equity investments was 77.4%, this overweight would be reduced over time when alternative investments were sourced.

A summary of equity returns for the quarter 1 July 2019 to 30 September 2019 was included in the submitted report at paragraph 4.5.

Appendix A to the submitted report detailed transactions for the period 1 July 2019 to 30 September 2019. There were net purchases of £38.7 million in the period, this compared to net purchases of £4.5 million in the previous reporting period.

As at 30 September 2019, the Fund had £468 million invested with approved counterparties at an average rate of 0.66%. This was a decrease of over £56 million over the last quarter. Appendix B to the submitted report showed the maturity profile of cash invested as well as the average rate of interest obtained on the investments for each time period.

The total value of all investments, including cash, was £4,265 million, compared with the last reported valuation as at 30 June 2019, of £4,168 million. It was highlighted that since there was a delay in the Fund's Custodian, Northern Trust, receiving valuation statements and transaction information directly from the Investment Funds, there was an amount of approximately £50 million invested not accounted for in the above valuation. This timing issue occurred each quarter and Members would be informed of the over/under stated amount at the end of each valuation period. The detailed valuation was attached at Appendix C to the submitted report and was also available on the Fund's website.

B Foulger queried the amount of approximately £50 million that was invested but not accounted for in the valuation. The Head of Pensions Governance and Investments explained the timing issue.

A summary analysis valuation showed the Fund's percentage weightings in the various asset classes as at 30 September 2019 compared with the Fund's customised benchmark.

The Forward Investment Programme provided commentary on activity in the current quarter as well as looking ahead to the next three to five years. Details of the current commitments in equities, bonds and cash, property and alternatives were included in paragraph 8 of the submitted report.

ORDERED that the report was received and noted.

19/26

EXTERNAL MANAGERS' REPORTS

A report of the Strategic Director Finance, Governance and Support was presented to provide Members with quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited (BCPP) and with State Street Global Advisers (State Street).

As at 30 September 2019 the Fund had investments in the following two Border to Coast listed equity sub-funds:

- The Border to Coast UK Listed Equity Fund, which had an active UK equity portfolio aiming to produce long term returns of at least 1% above the FTSE All Share index.

- The Border to Coast Overseas Developed Markets Equity Fund, which had an active overseas equity portfolio aiming to produce total returns of at least 1% above the total return of the benchmark (40% S&P 500, 30% FTSE Developed Europe ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan).

The Fund also had investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. By 30 September 2019 £2.1 million was invested in the Private Equity sub-fund and £1.8 million was invested in the Infrastructure sub-fund out of total commitments for 2019/2020 to these sub-funds of £100 million each. However, this investment was not reflected within the Border to Coast report attached at Appendix A to the submitted report. Appendix A detailed the market value of the portfolio as at 30 September 2019 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast had also provided information in relation to the Overseas Developed Markets Equity Fund, giving a breakdown of key drivers of, and detractors from performance, in relation to each of its four regional elements, market background information and an update of some news items.

A query was raised in relation to the 12% allocation of the Overseas Developed Markets Equity Fund to Health Care. It was clarified that "Health Care" included providers of medical equipment, supplies and pharmaceuticals and not the provision of private health care services.

A Member commented that it was pleasing to note the comment in the report in relation to Utilities that "pressure from increased capital investment, changes in government policy, increased regulatory risk and technological advances in renewable power generation was having an adverse impact on traditional power generation companies."

The State Street report, attached to the submitted report at Appendix B, showed the market value of the State Street passive equity portfolio and the proportions invested in each region as at 30 September 2019. Performance figures were also shown in the report: for Japan and Asia Pacific ex Japan these figures dated over 10 years, as the Fund had been investing a small proportion of its assets in these regions passively since 2001; for North America and Europe ex UK the figures only covered just over one year as this represented a comparatively new investment for the Fund.

ORDERED that the report was received and noted.

19/27

TEESSIDE PENSION FUND VALUATION TRAINING

The Committee received training by way of a presentation from the Fund Actuary, AON Hewitt Limited.

The presentation covered the following areas:

What is an actuarial valuation.
Setting the assumptions.
Funding strategy and uncertainties.
Timescales.

Panel Members raised queries throughout the presentation and the Actuary responded accordingly.

Councillor Nightingale made a Declaration of Interest at this point in the meeting.

ORDERED that the presentation was received and noted.

19/28

DRAFT ACTUARIAL VALUATION OUTCOME

A report of the Strategic Director Finance, Governance and Support was presented to provide

Members with details of the draft outcome of the actuarial valuation as at 31 March 2019. The final valuation report would be published at the end of March 2020 and would set the employer contribution rates for scheme employers for the three-year period starting 1 April 2020.

A draft summary report was attached to the submitted report at Appendix A setting out the whole of Fund results. Many of the scheme employers had already been provided details of how the valuation outcome would affect them, including details of their expected future employer contribution rate for the three year period from 1 April 2020.

The valuation outcome at a whole Fund level had been very positive, with the funding level improving from around 100% to around 116%, largely because of the investment returns significantly above the level forecast at the last valuation. This had resulted in many employers being in surplus and, in some cases (depending on the type of employer) being able to use some of that surplus to maintain or reduce their employer contribution rate.

At the same time as an improved funding level, the cost of providing Fund benefits had increased significantly. This was primarily as a result of changes to the financial assumptions: reducing the discount rate and increasing the probability of funding success. Another factor in the increased costs of the scheme was the allowance made to cover the expected cost of both the payments to settle the McCloud case and to cover the cost sharing adjustment.

As part of the valuation a distinction was being made between how contribution rates were set for different employers. A different funding target, with associated different financial assumptions, would normally apply to admission body employers closed to new entrants and other bodies, whose participation in the Fund was believed to be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after exit. These employers were likely to see increases in contributions as part of this valuation. This allowed employers to pay contributions which better targeted the funding required on exit from the Fund and would help mitigate the risk this type of employer posed to the other employers in the Fund, should they exit without paying their Fund liabilities in full. Where possible, employers with a significant increase in contribution rate would be given the opportunity to spread the implementation of the increase across a number of years.

The main tax-raising employers would see material reductions in their employer contribution rate for the three years up to the next valuation because of their ability to use surplus to reduce their ongoing contribution rate.

The final valuation report would be completed by 31 March 2020 and would be published on the Fund website with a link circulated to all employers and other relevant parties including Committee and Teesside Pension Board Members.

ORDERED that the information provided was received and noted.

19/29

REVISED FUNDING STRATEGY STATEMENT

A report of the Strategic Director Finance, Governance and Support was presented to request Members' approval to proposed revised wording for the Funding Strategy Statement prior to its circulation to stakeholders for comments.

The Local Government Pension Scheme Regulations 2013 (as amended) required Administering Authorities to publish a Funding Strategy Statement by 31 March 2015 and to keep this statement under review, in consultation with appropriate persons.

The proposed revised wording for the Funding Strategy Statement (the Statement) was attached at Appendix A to the submitted report. The Fund Actuary had led the redrafting of the Statement. Most of the changes were required because of the ongoing actuarial valuation and were needed to ensure the Statement was consistent with the final valuation report.

The most significant differences from the previous version were set out at paragraphs 5.2 to

5.9 of the submitted report and included:

- Different Funding Targets applied to different employers.
- Different Funding Targets lead to different discount rates applying.
- Use of surplus.
- Pooling of risk benefits.
- A process for calculating any exit payment due from, or exit credit to pay to, an employer exiting the fund.
- Increase in the probability of funding success to 75%.
- The section on risk.
- The approach to setting funding levels for Academies.

The Head of Pensions Governance and Investments drew particular attention to the pooling of risk benefits and explained that this was self-insurance within the scheme. For a small employer the cost of providing a lump sum for death in-service or ill-health retirement could be significant and pooling shared the cost across all employers in the Fund.

Following approval, the Funding Strategy Statement would be circulated to relevant stakeholders for comments. If there were no significant amendments it would be published on the Fund's website. Any significant amendments requested would be brought back to the Committee for approval before publication.

ORDERED that the:

1. Report was received and noted.
2. Revised wording for the Funding Strategy Statement was approved.

19/30

BORDER TO COAST RESPONSIBLE INVESTMENT POLICY AND CORPORATE GOVERNANCE VOTING GUIDELINES

A report of the Strategic Director Finance, Governance and Support was presented to advise the Committee of recent changes made by Border to Coast Pensions Partnership Limited (Border to Coast) to its Responsible Investment Policy and Corporate Governance Voting Guidelines. Copies of both documents were attached at Appendices A and B to the submitted report.

To allow a practical and consistent approach to pooled investments, Border to Coast developed a Responsible Investments Policy and a Corporate Governance and Voting Guidelines document for all twelve Partner Funds to approve that applied across all the investments it holds on their behalf. Both documents were subject to annual review.

The administering authorities of all the Partner Funds were being requested to approve the revised documents, which did not contain any changes to underlying principles. The main changes were to reflect the new Shareholder Rights Director that came into force in 2019 and to continue the clarification of Border to Coast's intentions on voting and alignment with the Principles for Responsible Investment.

Border to Coast had very recently become a signatory of the United Nations supported Principles for Responsible Investment (PRI), reflecting its commitment to long-term sustainable investment.

The proposed updates and changes to both documents and the rationale was set out at paragraph 5.1 of the submitted report.

A Member expressed disappointment that Border to Coast had not included health factors in their areas of consideration for responsible investment. Specifically, investment in tobacco companies. The Head of Pensions Governance and Investments confirmed that Border to Coast was likely to be looking at the topic of tobacco investment at a future workshop on responsible investment.

Border to Coast would continue to develop and update its approach to Responsible

Investment and Corporate Governance. A Responsible Investment workshop would be held in March for Pension Fund Committee Chairs and Officers and the Head of Responsible Investment would attend a future Committee meeting to provide an update.

ORDERED that:

1. The report was received and noted.
2. Border to Coast's Responsible Investment Policy and Corporate Governance Voting Guidelines, as attached at Appendices A and B to the submitted report, were approved.

19/31 **PRESENTATION FROM BORDER TO COAST HEAD OF CLIENT RELATIONS**

The Head of Client Relations, Border to Coast, provided an update on progress in 2019, which included:

- Fifth equity fund (Global Equity Alpha) launched.
- Three Alternative assets funds launched.
- First bond fund designed and managers selected (launch in 2020 Quarter 1).
- Statutory Accounts approved.
- Graduate programme implemented.
- Additional 20 members of staff recruited.

On equity investments there was a long-term approach and focus on quality companies. Value was achieved through stock selection and environmental, social and governance issues were taken into account. An update was provided on the Quarter 3 2019 performance contributors to the UK Listed Equity and the Overseas Developed Equity Funds, as well as Alternatives - Product Update and Private Equity: Commitments to Date and Infrastructure.

ORDERED that the information provided was received and noted.

19/32 **INVESTMENT ADVISORS' REPORTS**

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

The Advisors also provided verbal updates at the meeting in relation to political and economic outlook, investment market conditions and current and future asset allocation.

ORDERED that the information provided was received and noted.

19/33 **CBRE PROPERTY REPORT**

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

Since the Parliamentary Election in December 2019 there had been more activity in the market. This allowed more opportunities to find assets in the market. On the retail side however, values were going downwards and there were few transactions. There was no indication of significant change in the near future.

ORDERED that the report was received and noted.

19/34 **UPDATE ON CURRENT ISSUES**

A report of the Strategic Director Finance, Governance and Support to provide Members with an update on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

The report covered three issues as follows:

- LGPS Cost Management Process and changes expected because of the McCloud Case.
- Scheme Advisory Board Governance Report.
- Competition and Markets Authority Order.

The Head of Pensions Governance and Investment highlighted some of the recommendations in the Scheme Advisory Board Governance Report which included:

- The Administering Authority must have a single named Officer who was responsible for the delivery of all LGPS related activity for the Fund. This could be the Section 151 Officer or someone else.
- The Fund should publish its own Conflict of Interests Policy and a Policy on the representation of scheme members and non-administering employers on its committees, explaining its approach to representation and voting rights for each party.
- Key individuals within the LGPS, including Officers and Committee Members, should have the appropriate level of knowledge and understanding to carry out their duties effectively.
- The administering authority must give proper consideration to the utilisation of pay and recruitment policies, relevant to the needs of their pension function. General Council staffing policies such as recruitment freezes should not be automatically applied to the pensions function.

The Scheme Advisory Board was due to meet on 3 February 2020 and it was expected that the recommendations in the Governance Report would be approved.

ORDERED that the information provided was received and noted.

19/35

XPS ADMINISTRATION REPORT

A report of the Strategic Director, Finance Governance and Support was presented to provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

Updates included:

- Headlines.
- Regulations and guidance
- Membership Movement.
- Additional Work.
- Complaints.
- Internal Dispute Resolution Process
- Pensions Ombudsman.
- High Court Ruling.
- Common Data.
- Conditional Data.
- Customer Service.
- Recruitment.

- Performance.
- Employer Liaison.

The Chair was pleased to note that the number of late payments each month in relation to the contributions received to the Teesside Pension Fund had reduced dramatically over the year.

ORDERED that the report was received and noted.

19/36 **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.

19/37 **LOCAL INVESTMENTS UPDATE**

The Head of Pensions Governance and Investments presented a report to advise Members of two local investment proposals.

AGREED that the recommendations, as set out in the report, together with a further recommendation in respect of due diligence, were approved.

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on 11 March 2020.

PRESENT: Councillors Coupe, (Chair), Bell, Cooper, S Hill (As Substitute), Furness, Rostron, Sands and S Walker
Other Local Authority Members: Councillor Beall, Stockton on Tees Council, Councillor Nightingale, Redcar and Cleveland Council
B Foulger, GMB Representative

PRESENT BY INVITATION: Councillor C Hobson, Executive Member Finance and Governance

ALSO IN ATTENDANCE: W Bourne and P Moon, Investment Advisors
J Firth, Border to Coast Pensions Partnership
G Hall, XPS Administration
A Owen and D Wood, CBRE
M Rutter, EY

OFFICERS: W Brown, N Orton, S Lightwing

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors Dean, Polano and P Fleck.

DECLARATIONS OF INTERESTS

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Beall	Non pecuniary	Teesside Pension Fund Member
Councillor Cooper	Non pecuniary	Teesside Pension Fund Member
B Foulger	Non pecuniary	Teesside Pension Fund Member
Councillor Nightingale	Non pecuniary	Agenda Item 12 - XPS Administration Report - Middlesbrough College
Councillor Rostron	Non pecuniary	Teesside Pension Fund Member
Councillor Sands	Non pecuniary	Teesside Pension Fund Member

19/38 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 22 JANUARY 2020

The minutes of the meeting of the Teesside Pension Fund Committee held on 22 January 2020 were taken as read and approved as a correct record, subject to the following amendment:

Page 2, end of paragraph 7, insert "B Foulger queried the amount of approximately £50 million that was invested but not accounted for in the valuation. The Head of Pensions Governance and Investments explained the timing issue".

The Head of Pensions Governance and Investments informed the Committee, that further to the query at the last meeting, he had been working with the Fund's Custodian Bank to improve the accuracy and timeliness of the information provided and some progress had been made. The report at Agenda Item 5 detailed the additional elements that were not reflected in the Custodian Bank's report. The Head of Pensions Governance and Investments reassured the Committee that the investment team were acutely aware of what money was invested when making decisions.

In relation to the draft Funding Strategy Statement, the Committee was informed that queries had been received from three Employers, one in relation to extending risk sharing and two in relation to the change of funding strategy approach. The final Funding Strategy Statement would be published on the website, following some minor changes to the wording required to take into account new regulations covering the circumstances in which exit credits could be paid to exiting employers.

19/39 SUSPENSION OF COUNCIL PROCEDURE RULE NO 5 - ORDER OF BUSINESS

ORDERED that, in accordance with Council Procedure Rule No 5, the Committee agreed to vary the order of business to deal with the agenda items in the following order: agenda item 8, 5, 6, 7, 9, 10, 11, 12, 13, 14 and 15.

19/40 **TEESSIDE PENSION FUND - DRAFT AUDIT PLANNING REPORT - YEAR ENDED 31 MARCH 2020**

The External Auditor, EY, presented the final Teesside Pension Fund Audit Planning Report for the year ended 31 March 2020. The purpose of the report was to provide the Teesside Pension Fund Committee with the basis to review the Auditor's proposed audit approach and scope for the 2019/2020 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointment Ltd (PSAA), auditing standards and other professional requirements.

The plan summarised the Auditor's initial assessment of the key risks driving the development of an effective audit for the Fund, and outlined the planned audit strategy in response to those risks.

The Auditor highlighted the main audit risks and areas of focus as:

- Misstatements due to fraud or error.
- Valuation of unquoted pooled investment vehicles.
- Valuation of directly held property.
- IFRS 16 - Leases.

It was highlighted that IFRS 16 - Leases was a new risk this year but was not expected to have a significant impact.

The Auditor also drew the Committee's attention to the planning materiality for the audit which had been set at £40.8m, representing 1% of the Fund's net assets at 31 March 2020. Performance materiality had been set at £30.6m, which represented 75% of materiality. All uncorrected misstatements relating to the primary statements (fund account and net asset statement) greater than £2.0m would be reported to Committee and any other items the Auditor considered should be notified.

Finally, the planned Audit Fee for 2019/2020 would be discussed with the Section 151 Officer and reported to the Committee.

ORDERED that the report was noted.

19/41 **PRESENTATION FROM BORDER TO COAST PARTNERSHIP - EMERGING MARKETS EQUITIES HYBRID SUB-FUND**

The Committee received a progress update from Border to Coast which included information in relation to Emerging Market Equities - Hybrid Fund as well as an Investment Update on UK Listed and Overseas Developed Equities.

In relation to progress, the milestones achieved to date, key statistics and a timetable for the launch of additional funds were listed in the submitted report.

Reasons for pursuing a Hybrid Fund were outlined along with background, key facts, fund design, benchmark and an indicative timetable.

An overview of UK and Overseas Equity Funds in Q4 2019 and details of the performance and portfolio positioning was also included.

The funds were performing in line with expectation although it was noted that these investments would be more accurately measured over the longer term. The higher cost of the pooled fund was also queried and it was explained that these costs were split between the 12

partner funds and would reduce over time and Border to Coast also provided benefits of scale.

In relation to the appointment of Shareholder Non Executive Directors, the Head of Pensions Governance and Investments explained that the purpose of such appointments was to provide a better link between the Company and the shareholders.

ORDERED that the information provided was received and noted.

19/42 **INVESTMENT ACTIVITY REPORT**

A report of the Strategic Director Finance, Governance and Support was presented to inform Members of the Teesside Pension Fund Committee how the investment advice and recommendations were being implemented.

A detailed report on the transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's valuation was included, as well as a report on the treasury management of the Fund's cash balances and the latest Forward Investment Programme.

The Fund continued to favour growth assets over protection assets and currently had no investments in Bonds.

The cash levels at the end of December were 11.6%. The Fund would look to use this cash to move away from its overweight position in equities and invest further in Alternatives.

Investment in direct property would continue on an opportunistic basis where the property had good covenant, yield and lease terms. No property transactions were undertaken in this quarter.

During the quarter, £38.4m was invested in Alternatives. The Fund was currently above its target asset allocation of 50% equities, as at the end of December, the weight of the Fund's equity investments was 75.8%.

A summary of equity returns for the quarter 1 October 2019 to 31 December 2019 was included in the submitted report at paragraph 4.5.

Appendix A to the submitted report detailed transactions for the period 1 October 2019 to 31 December 2019. There were net sales of £25.9 million in the period, this compared to net purchases of £38.7 million in the previous reporting period.

As at 31 December 2019, the Fund had £503 million invested with approved counterparties. This was an increase of over £35 million over the last quarter. Appendix B to the submitted report showed the maturity profile of cash invested as well as the average rate of interest obtained on the investments for each time period.

The total value of all investments, including cash, was £4,288 million, compared with the last reported valuation as at 30 September 2019, of £4,265 million. It was highlighted that since there was a delay in the Fund's Custodian, Northern Trust, receiving valuation statements and transaction information directly from the Investment Funds, there was an amount of approximately £82 million invested not accounted for in the above valuation. This timing issue occurred each quarter and Members would be informed of the over/under stated amount at the end of each valuation period. The detailed valuation was attached at Appendix C to the submitted report and was also available on the Fund's website.

A summary analysis valuation showed the Fund's percentage weightings in the various asset classes as at 31 December 2019 compared with the Fund's customised benchmark.

The Forward Investment Programme provided commentary on activity in the current quarter as well as looking ahead to the next three to five years. Details of the current commitments in equities, bonds and cash, property and alternatives were included in paragraph 8 of the submitted report.

It was highlighted that because the Teesside Pension Fund was invested in units with Border to Coast, there was no information as to which companies it was investing in. The Head of Pensions Governance and Investment agreed to investigate whether Border to Coast could provide a report which would list all the underlying shares that the Fund held.

The Head of Pensions Governance and Investment drew Members' attention to paragraph 2 of the submitted report which recommended that the majority of the Fund's passively managed equities held with State Street Global Advisers (SSGA) were transitioned to the actively managed equity sub-funds held with Border to Coast Pension Partnership. The Committee had previously taken a decision to invest in passive investment and had two year price deal with SSGA. The two year deal was now coming to an end and there was the opportunity to move from passive to active managed which was a more natural position for the Teesside Pension Fund to be invested in.

ORDERED as follows that:

1. the report was received and noted.
2. the majority of the Fund's passively managed equities held with State Street Global Advisers should be transitioned to the actively managed equity sub-funds held with Border to Coast Pension Partnership.
3. Authority to determine the most appropriate and cost effective method of transition was delegated to the Head of Pensions Governance and Investments.
4. the Fund would make an investment of no more than 5% of its assets in Border to Coast Emerging Markets Hybrid Equity sub-fund, subject to satisfactory due diligence.
5. The Head of Pensions Governance and Investment would investigate whether Border to Coast could provide a report which would list all the underlying shares that the Teesside Pension Fund held.

19/43

PRESENTATION FROM BORDER TO COAST PARTNERSHIP - RESPONSIBLE INVESTMENT

Jane Firth, Head of Responsible Investment at Border to Coast Pensions Partnership provided an overview of responsible investment funding.

The presentation covered the following areas:

- Responsible Investment Myths.
- Environmental, Social and Governance (ESG) and Sustainability Issues.
- How Border to Coast managed Responsible Investing.
- Responsible Investment Strategy.
- Strategic Development.
- Responsible Investment Workshop.
- Investor Mining and Tailings Safety Initiative.
- Climate Action 100+.
- Key Takeaways.

In summary, responsible investment was not about ethical investment. It was identifying potential risks from ESG issues and incorporating these into investment decision-making processes. It was not about why, but about how it was done, and not being a passive owner. Border to Coast had a 3 year strategy for responsible investment focusing on the key issues of ESG, integration and collaboration reporting. Border to Coast would work together with Teesside and other partner funds and support them in what was a key area going forward.

ORDERED that the information provided was received and noted.

19/44

EXTERNAL MANAGERS' REPORTS

A report of the Strategic Director Finance, Governance and Support was presented to provide Members with quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited (Border to Coast) and with State Street Global

Advisers (State Street).

As at 31 December 2019 the Fund had investments the Border to Coast UK Listed Equity Fund and the Border to Coast Overseas Developed Markets Equity Fund.

The Fund also had investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. By 31 December 2019 approximately £4.4 million was invested in the Private Equity sub-fund and £4.5 million was invested in the Infrastructure sub-fund out of total commitments for 2019/2020 to these sub-funds of £100 million each.

However, these investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report.

Appendix A detailed the market value of the portfolio as at 31 December 2019 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast had also provided information in relation to the Overseas Developed Markets Equity Fund, giving a breakdown of key drivers of, and detractors from performance, in relation to each of its four regional elements, market background information and an update of some news items.

The State Street report, attached to the submitted report at Appendix B, showed the market value of the State Street passive equity portfolio and the proportions invested in each region as at 31 December 2019.

ORDERED that the report was received and noted.

19/45

TEESSIDE PENSION FUND BUSINESS PLAN 2020/2023

A report of the Strategic Director of Finance, Governance and Support was presented to request the Committee's approval of the annual Business Plan 2020-2023 for the Fund.

The Plan was designed to set out how the Pension Fund Committee operated, what powers were delegated and to provide information on key issues. The Plan also contained financial estimates for the Fund, including budgeted costs for investment and management expenses. A copy of the Business Plan was attached at Appendix 1 to the submitted report and included:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (Appendix A).
- The current governance arrangements for the Fund.
- The performance targets for the Fund for 2020/21, and a summary of the performance for 2019/20(Appendix B).
- The arrangements in place for managing risk and the most up to date risk register for the Fund (Appendix C).
- Membership, investment and funding details for the Fund.
- An outturn for 2019/20 and an estimate for income and expenditure for 2020/21 (Appendix D and page 21 of Appendix 1).
- An annual plan for key decisions and a forward work programme for 2020/21 and an outline work plan for 2021-2023.

The Head of Pensions Governance and Investments highlighted that the Fund was increasingly cash flow negative and a plan was required to ensure cash flow needs could be met. Currently share dividends that had previously been taken as income were re-invested in the pooled funds. Discussions were taking place with Border to Coast as to how funds could be drawn down if needed. The Fund currently held approximately £500 million in cash and other assets such as property and infrastructure investments could potentially deliver the required income.

ORDERED that the annual Business Plan 2020-2023 was approved.

19/46

INVESTMENT ADVISORS' REPORTS

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

Since the reports had been written the Covid-19 pandemic had introduced more uncertainty and both Advisors provided a verbal commentary in relation to the latest economic impacts. It was suggested that the Fund could consider purchasing more equities.

ORDERED that the information provided was received and noted.

19/47

TEESSIDE PENSION FUND - QUARTERLY PORTFOLIO STRATEGY REPORT - CBRE

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

Currently there was very little investment activity in the UK Property market and there had been no sales or acquisitions during the quarter.

The CBRE Advisor provided a verbal update at the meeting in relation to the market and potential impact of Covid-19. If regional or UK restrictions were put in place it would be difficult to correctly forecast where the market might be in the coming year. Some sectors might prove more resilient than others.

Rents had fallen further back due to the state of the retail market and tenants were seeking to renegotiate, tending to wait until lease expiry and making a point that rents should be lower.

ORDERED that the report was received and noted.

19/48

TEESSIDE PENSION FUND COMMITTEE - ADMINISTRATION REPORT - XPS

A report of the Strategic Director, Finance Governance and Support was presented to provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

Updates included:

- Headlines.
- Regulations and guidance.
- Membership Movement.
- Additional Work.
- Complaints.
- Internal Dispute Resolution Process.
- Pensions Ombudsman.
- High Court Ruling.
- Common Data.
- Conditional Data.
- Customer Service.
- Recruitment.
- Performance.
- Employer Liaison.

The Communications role had been filled and the Pension Board had received a presentation on plans to launch a new Teesside Pension Fund website. The Board had provided some feedback to improve the website further.

Late payments in relation to contributions received from Employers had been updated in January 2020 and these would be followed up.

ORDERED that the report was received and noted.

19/49 **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.

19/50 **LOCAL INVESTMENTS UPDATE**

The Head of Pensions Governance and Investments presented a report to advise Members of two local investment proposals and to request that due diligence on both proposals was commissioned.

ORDERED that the recommendations, as set out in the report, were approved.

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TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on 17 June 2020.

PRESENT: Councillors Coupe, (Chair), Bell, Cooper, Dean, Furness, Polano, Rostron and S Walker

P Fleck, Employer Representative
B Foulger, GMB Representative
A Watson, Unison Representative

Other Local Authority Members:
Councillor Beall, Stockton on Tees Council
Councillor Nightingale, Redcar and Cleveland Council

ALSO IN ATTENDANCE: W Bourne, P Moon, Investment Advisors
S Featherstone, Consultant
G Hall, XPS Administration
A Owen, A Peacock, CBRE
M Rutter, EY
A Stone, BCPP

OFFICERS: W Brown, S Lightwing, N Orton, I Wright

APOLOGIES FOR ABSENCE No apologies for absence were submitted..

DECLARATIONS OF INTERESTS

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Beall	Non pecuniary	Teesside Pension Fund Member
Councillor Cooper	Non pecuniary	Teesside Pension Fund Member
Councillor Rostron	Non pecuniary	Teesside Pension Fund Member
B Foulger	Non pecuniary	Teesside Pension Fund Member

1 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 11 MARCH 2020

The minutes of the meeting of the Teesside Pension Fund Committee held on 11 March 2020 were taken as read and approved as a correct record.

External Audit of Teesside Pension Fund Accounts

The External Auditor provided with Committee with a verbal update in relation to the timetable for the audit of the Teesside Pension Fund Accounts. Due to the coronavirus pandemic, and in line with amended legislation, this year's Fund accounts would be slightly delayed. It was anticipated that the draft accounts would be ready to start auditing within the next few weeks. Audit work would be completed around middle of August and would include additional work around valuations as these were more uncertain as a result of Covid-19. The Auditors would report formally to the July meeting of the Committee on their risk assessment in response to Covid-19, with the audit results presented to the September meeting, and final accounts signed off by the end of September.

NOTED**2 INVESTMENT ACTIVITY REPORT**

A report of the Strategic Director Finance, Governance and Support was presented to inform Members of the Teesside Pension Fund Committee how the Investment Advisors' recommendations were being implemented.

A detailed report on the transactions undertaken to demonstrate the implementation of the

Investment Advice recommendations and the Fund's valuation was included, as well as a report on the treasury management of the Fund's cash balances and the latest Forward Investment Programme.

The Fund continued to favour growth assets over protection assets and currently had no investments in Bonds.

The cash levels at the end of March 2020 were 13.4%. Cash levels as a percentage of the Fund had increased since the last report due to the reduction in the value of equities, however, the value of cash held had stayed level at about £500m. The Fund would look to use this cash to move away from its overweight position in equities and invest further in Alternatives.

In relation to a query about the current cash level, the Head of Pensions Governance and Investment commented that since the value of equities had risen again since March, although the amount of cash held was the same, as a percentage of the Fund it would have reduced. It was also confirmed that the value of the cash held had not reduced as a result of the pandemic.

Investment in direct property would continue on an opportunistic basis where the property had good covenant, yield and lease terms. No property transactions were undertaken in this quarter.

During the quarter, £20.7m was invested in Alternatives. The Fund was considerably underweight its customised benchmark and, providing suitable investment opportunities were available, would look to increase its allocation to this asset class up to the customised benchmark level.

Appendix A to the submitted report detailed transactions for the period 1 January 2020 to 31 March 2020. There were net sales of £5.06 million in the period, this compared to net sales of £25.9 million in the previous reporting period.

As at 31 March 2020, the Fund had £501.3 million invested with approved counterparties. This was a decrease of over £1.7 million over the last quarter. Appendix B to the submitted report showed the maturity profile of cash invested as well as the average rate of interest obtained on the investments for each time period.

The total value of all investments as at 31 March 2020, including cash, was £3,733 million, compared with the last reported valuation as at 31 December 2019, of £4,288 million.

A summary analysis valuation showed the Fund's percentage weightings in the various asset classes as at 31 December 2019 compared with the Fund's customised benchmark.

The Forward Investment Programme provided commentary on activity in the current quarter as well as looking ahead to the next three to five years. Details of the current commitments in equities, bonds and cash, property and alternatives were included in paragraph 8 of the submitted report.

In response to a query as to action taken by the Fund in response to the coronavirus pandemic, the Head of Pensions Governance and Investment explained that the Fund had a long term asset allocation strategy which had not changed radically. Investments were made by Border to Coast's Fund Managers.

ORDERED that the report was received and noted.

3

EXTERNAL MANAGERS' REPORTS

A report of the Strategic Director Finance, Governance and Support was presented to provide Members with quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited (Border to Coast) and with State Street Global Advisers (State Street).

As at 31 March 2020 the Fund had investments the Border to Coast UK Listed Equity Fund and the Border to Coast Overseas Developed Markets Equity Fund.

In terms of evaluating performance, the period was a bit too short to evaluate Border to Coast as the Fund had asked for performance from them over a three-year rolling period but had not been investing with them for that long to date. However, it was pleasing to note that over the period invested both the UK and the Overseas Funds had met their targets and exceeded their existing benchmarks by at least 1% per year. This was an early indication of a reasonable response to the pandemic.

The Fund also had investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. Total commitments of £100 million were made to each of these sub-funds for 2019/20, although up to 31 March 2020 only around 12.5% of this total had been invested. These investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report.

Appendix A detailed the market value of the portfolio as at 31 March 2020 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast had also provided information in relation to the Overseas Developed Markets Equity Fund, giving a breakdown of key drivers of, and detractors from performance, in relation to each of its four regional elements, market background information and an update of some news items.

The State Street report, attached to the submitted report at Appendix B, showed the market value of the State Street passive equity portfolio and the proportions invested in each region as at 31 March 2020. State Street had added additional information to their report this quarter, giving details of how the portfolio compared to the benchmark in terms of environmental, social and governance factors including separate sections on climate and stewardship issues.

ORDERED that the report was received and noted.

4 **PRESENTATION FROM BORDER TO COAST HEAD OF CLIENT RELATIONS**

The Head of Client Relations provided a presentation which covered the following items:

- Alternatives - including current market conditions and impact on Border to Coast.
- Equity Funds - Update on UK and Overseas Funds and performance.
- Property Pooling Project - Update.

In response to a query regarding investments in tobacco, the Head of Client Relations stated that this issue had been discussed in Responsible Investment workshops but at the present time from the Fund Managers' perspective, these investments provided good value and good dividends. In relation to a question regarding investments in BP and Shell, it was indicated Border to Coast were developing their carbon reporting and would share this information with the Committee in the next quarter or so.

Responding to a question on the downturn in the high street economy, (which had been hastened by Covid-19), and also Brexit, the Head of Client Relations highlighted that the portfolio was positioned with both in mind.

ORDERED that the report was received and noted.

5 **INVESTMENT ADVISORS' REPORTS**

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

Both Advisers gave verbal updates at the meeting. It was not possible to predict how quickly

the economy would recover from the effects of Covid-19 and what the long-term consequences could be. The Advisers' recommendations for the portfolio and investment strategy were discussed at the meeting.

ORDERED that the information provided was received and noted.

6 **CBRE PROPERTY REPORT**

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

The property investment market had stalled, there had been a record low number of transaction and there was little confidence in valuations. The only real movement was in the longer let, very secure markets where there were 25-year leases such as supermarkets. Retail continued to decline on the high streets and covid-19 had accelerated this position. In terms of the rent owed, the June quarter would be worse than March 2020 as cash had drained out of businesses. Once businesses started to re-open it was anticipated that more stock would come onto the market, however all transactions would be approached with caution.

Since the report was issued three weeks ago, the arrears situation had reduced to £663,000 outstanding and the rent collection team had been working hard to collect sums due. The two largest sums owed were £82,000 each, some of which was insurance and CBRE were working closely with all companies to secure rent payments. Details of all the companies in arrears were provided in the submitted report. The overall collection rate was just over 95%. In response to a question in respect of insurance payment arrears, the Adviser agreed to provide a breakdown of sums owed.

In terms of asset management, CBRE continue to work on lease renewals, re-gears and securing new tenants. It was confirmed that the Teesside Pension Fund owned all the properties in the portfolio outright.

ORDERED that the report was received and noted.

7 **IMPACT OF THE CORONAVIRUS PANDEMIC ON THE PENSION FUND**

A report of the Strategic Director, Finance Governance and Support was presented to provide an initial assessment of the impact of the coronavirus pandemic on the Pension Fund.

The Pension Fund was primarily invested in equities and the coronavirus pandemic led to a quick and dramatic fall in global stock markets and this was reflected in the Fund valuation as at 31 March 2020. The Fund's equity holding reduced in value by around £600 million in the three months to 31 March 2020.

Stock markets had to some extent recovered in the current quarter, at the time of writing, US markets in particular had improved to only 2% down compared to the end of December 2019. The FTSE All Share index was around 15% down compared to the end of December 2019. Other assets held by the Fund had been affected to a lesser degree. The value of the Fund's direct UK property portfolio was likely to be affected by the lockdown, in particular retail assets.

Officers had been in contact with most of the Fund's investment managers to understand the potential impact of the pandemic on the value of the Fund's current investments and the timing of future planned investments. Investment managers were looking closely at the underlying investments and companies within their portfolios to ensure value was retained during this turbulent time.

The Fund was a long-term investor and, provided over time asset values recovered, the drop in value would not be detrimental to long-term funding. However there was no guarantee over how long it would take for asset values to recover and there was a real possibility that global economic growth would be flat, low or even negative for a considerable period.

The Fund had been particularly affected by the reduction in stock market values as a consequence of its current asset mix, with around two thirds of the Fund's assets invested in UK or global equities.

The pandemic had the potential to adversely affect the Fund's cash position in two ways:

- The Fund obtains rental income from its properties – some tenants had asked to defer making rental payments, usually because they were temporarily unable to trade.
- Pension Fund employers might have difficulty making their required employer pension contributions if they had been forced to cease or reduce trading.

The property income position was being monitored and managed by CBRE and currently it did not look likely to result in a significant permanent reduction in income. Almost all employers in the Pension Fund were not expecting have difficulties in paying their employer contributions.

It was confirmed that the Pension Fund had sufficient cash to ensure all pension payments could be made over at least the next couple of years without having to sell any assets.

During the lockdown, XPS had been able to continue carrying out all of its administration functions including processing new entrants, leavers and retirements, as well as ensuring pensions continued to be paid. XPS was encouraging scheme members to exchange information electronically due to delays in the Royal Mail service currently.

It was impossible to know the long term impact of the pandemic and subsequent economic effects. Possible impacts on the Fund were as follows:

- The outcome of the next triennial actuarial valuation (as at 31 March 2022) was now much more likely to be less favourable than the latest valuation. The Fund actuary may also be less optimistic about future long term investment returns. This made it more likely that employer contribution rates would need to increase following the next valuation. While this was not a particular problem for the Fund, it would potentially put a financial strain on the Fund's employers. All Fund employers were contacted toward the end of March and told about the potential impact of market falls. Admission body employers were advised that if market falls were sustained it was possible that their employer contribution rates could be recalculated and revised rates applied from April 2021. All other employers were advised it was now looking likely that contribution rate increases would be required from 1 April 2023 following the 2022 valuation, and should budget accordingly.
- UK unemployment had increased very significantly over the last few months, as had Government debt. Ultimately this could mean reduced funding for local government and fewer active members contributing to the Fund. This could further accelerate the rate at which the Fund matured, and increase the shortfall between benefits and contributions. This underlined the importance of planning for cash flow provisions within the Fund going forwards.
- Moving Committee meetings online (at least temporarily) would increase visibility of the meetings and meeting agendas. This in turn could lead to greater public interest in the Fund's investments and governance.

It was explained that the Regulations provided for Fund employers and Admission body employers to be treated differently in relation to contribution rates, in that Fund employers

rates could only be increased every three years following the actuarial valuation.

Officers would continue to monitor and review the impact of the pandemic on the Fund and report to the Committee with updates.

ORDERED that the information provided was received and noted.

8 **RESPONSIBLE INVESTMENT POLICY**

A report of the Strategic Director Finance, Governance and Support was presented to ask Members to agree the Fund's Responsible Investment Policy set out at Appendix A.

At a meeting held on 20 January 2020 the Pension Fund Committee noted and acknowledged Border to Coast's recently updated responsible investment policy. The overall Responsible Investment Policy for the Fund had been updated to take into account both Border to Coast and State Street Global Advisors' (SSGA) approaches to responsible investment.

The key points to note were as follows:

- The policy emphasised that the key objective of the Fund was to ensure the assets were able to meet the liabilities when they fell due, and that the Fund has a long-term time horizon.
- Environmental, social and governance factors could have an impact on the financial value of investments, and as such these factors should be considered as part of the investment decision-making process.
- Similarly, investors should make use of the voting rights they get through being asset owners to attempt to positively influence the companies they invest in.
- Consequently the Fund would take an engagement (rather than divestment) approach to its investments.
- The Fund's listed equities were invested by Border to Coast and SSGA and consequently the voting and engagement policies of Border to Coast and SSGA would be followed in respect of those investments.
- Where the Fund considers all the other assets classes it can invest in, such as private market investments or local investments, ESG factors were an important consideration as part of the investment decision-making process and the ongoing monitoring of any investment.
- Climate change risk was listed separately within the policy, acknowledging the significance of this risk and the importance of evaluating investments in the context of the short, medium and longer term risks and opportunities it may create.

Several Members of the Committee expressed disappointment that tobacco products were not included in the Policy as an example of ESG.

ORDERED that the Fund's Responsible Investment Policy set out at Appendix A to the submitted report was approved and adopted.

9 **XPS PENSIONS ADMINISTRATION REPORT**

A report of the Strategic Director, Finance Governance and Support was presented to provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

Currently, XPS staff were mostly working from home, and some were working in the office two days per week for printing and posting. XPS were looking at using a third party for printing in the future. There was no delay of notifications to Members and the Business Continuity Plan had worked well with all Service Level Agreements being maintained.

Video conferencing facilities were being developed with a view to staff training, face-to-face meetings with members, clients and employers, as well as the possibility of delivering pre-retirement courses. There would be no pressure on staff to return to work in the office and

every effort was being taken to ensure that staff were kept safe in line with Government guidelines for Covid-19.

ORDERED that the report was received and noted.

10 **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.

11 **POTENTIAL LOCAL INVESTMENT**

The Head of Pensions Governance and Investments presented a report to advise Members of a potential local investment.

It was proposed that Recommendation 2.1(b) was amended to read:

Negotiation of more advantageous terms was delegated to the Head of Pensions Governance and Investment, the Section 151 Officer, and the Chair and the Vice Chair of the Teesside Pension Fund Committee, in consultation with the Pension Fund's Advisors.

ORDERED that the recommendations, as set out in the report and amended as minuted above, were approved.

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Teesside Pension Board

Annual Report 2019 – 2020



1. Background

The **Teesside Pension Fund** is the Local Government Pension Scheme (LGPS) for local authority employees in the Teesside region (and employees working for other bodies that are eligible to participate). The Fund has over 71,500 members, and assets of more than £3.73 billion (as at 31 March 2020).

The administering authority for the Teesside Pension Fund is Middlesbrough Council on behalf of all participating employers. The Council has granted authority to manage the investments of the Fund (within the requirements of the Local Government Pension Scheme Regulations) to the **Teesside Pension Fund Committee** which has plenary powers to make decisions without reference to the Council. The Committee consists of elected members of Middlesbrough Council, representatives from the other unitary authorities, the trades unions (all of whom have voting rights) and the Fund's Investment Advisers.

Section 5 of the *Public Service Pensions Act 2013* required every LGPS to establish a Board to assist in assuring that the administration of its Pension Scheme complies with all relevant legislation. Pensions Boards are specifically required to assist in:

- (a) securing compliance with:
 - (i) scheme regulations and other legislation relating to the governance and administration of the scheme;
 - (ii) any requirements imposed in relation to the scheme by the Pensions Regulator;
 - (iii) such other matters as the scheme regulations may specify
- (b) ensuring the effective and efficient governance and administration of the Scheme.

In accordance with the *Public Service Pensions Act 2013* and the Local Government Pension Scheme regulations, the **Teesside Pension Board** ('the Board') was created on 1 April 2015 to assist in the administration of the Teesside Pension Fund. The Board's formal statement of purpose is:

To assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:

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

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

The Board consists of six voting members – three employer representatives and three member representatives. Two employer representatives are appointed from the Councils of Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees, and one employer representative is chosen from all other Scheme employers. Two member representatives are appointed from the recognised trades unions representing employees who are Scheme members, and one member representative is appointed from the pensioner Scheme members.

The current Chair took up the role in April 2019 having previously been the Deputy Chair, and the Board agreed at that point to extend his tenure to end on 28 July 2021. The post of Chair is normally held for two years and rotated on a bi-annual basis with the Deputy Chair. Each post is held by one employer representative and one Scheme member representative.

This is the fourth Annual Report of the Board, for the period 1 April 2019 to 31 March 2020.

2. Introduction

Welcome to the fourth Annual Report of the Teesside Pension Board.

The Board seeks to assist the administering authority of the Teesside Pension Fund to maintain effective and efficient governance. We continue to be supported in this role by officers of Middlesbrough Council (the administering authority for Teesside Pension Fund), and we have also been assisted by specialist external advisers and by staff from XPS Administration, who deal with the day to day pension administration.

As indicated in last year's report Teesside Pension Fund has entered into an agreement to pool some and, eventually, most of its investments with other LGPS Funds through Border to Coast Pensions Partnership Limited ('Border to Coast'). Border to Coast was set up, and is wholly owned, by eleven LGPS administering authorities each responsible for an LGPS fund (originally twelve administering authorities were involved until the long-planned merger of two of those authorities was confirmed immediately after the effective end-date of this report). Border to Coast was established to meet central government's requirement that local government pension schemes pool their investment assets with the aims of providing savings and improving governance. Middlesbrough Council (as administering authority for the Teesside Pension Fund) is one of the owners and customers of Border to Coast.

Initial investments with Border to Coast were in public equities (or shares) and all the Fund's UK equities transferred during 2018/19 to be managed by Border to Coast, using the same low-cost 'internally-managed' approach but delivered by a larger team of investment professionals based in Leeds. The Fund also made investments in Border to Coast's internally-managed overseas equity fund during 2018/19. Border to Coast has established a private markets investment capability and the Fund made investments in both private equity and infrastructure through Border to Coast during 2019/20. By the end of the year 33% of the Fund's assets were invested through Border to Coast, with this percentage expected to increase significantly over coming years.

Teesside Pension Board has received updates and commented on the process of establishing and developing Border to Coast. The Board is conscious that the Teesside Pension Fund is fully funded and has benefited from low running costs. The Board will therefore continue to closely monitor the progress of Border to Coast to satisfy itself that any movement of assets into Border to Coast remains in the interest of the Teesside Pension Fund and its members, and that Border to Coast is meeting the aims of providing savings and improving governance.

3. Board Activity 2019 – 2020

Over the course of 2019/20 four meetings were held and the Board has continued its role and responsibilities to ensure effective governance. As well as continuing to receiving minutes from Pension Fund Committee meetings (meetings which some Board members also attend and all Board members receive agendas for), over the course of the year the Board has considered papers or had oral reports covering the following areas:

- Board membership and training.
- Administration reports from XPS – these include performance against service level agreement targets, information on general administration activity, statistics on appeals cases and details of current and future issues impacting, or potentially impacting on the administration of the Fund. The Board also had a presentation from XPS covering the future development of the Fund’s website.
- Updates on the progress of investment pooling with Border to Coast including details of the Border to Coast Governance Charter.
- The audit planning report and audit results report.
- The Board’s own Annual Report.
- The Draft Annual Report for the Fund (containing the Fund’s accounts).
- Details of Government consultations on proposals to amend the legislation governing the LGPS.
- Details of the triennial valuation of the Fund, including draft valuation results and a training session covering how a valuation is carried out, how assumptions are set and how a funding strategy is set including the risks and uncertainties inherent in these processes.
- Updates on current issues affecting the Fund, including the actuarial valuation, the cost management process, the implications of the McCloud judgement (where the courts judged the protections introduced for older individuals when the scheme rules were changed in 2014 to be discriminatory), the Pensions Regulator’s engagement report and the implications for the Fund of the Competition and Markets Authority’s Order requiring advisors to be appointed through a competitive process and to be set objectives.
- The work programme for the Board (see below).

4. Future work programme for the Board

At its final meeting of the year (in February 2020), the Board confirmed that the focus of its activity would be guided by the general principles set out by the Pensions Regulator. The Pensions Regulator’s website lists the following areas of governance and administration that those responsible for running, overseeing or advising a public service pension scheme need to focus on:

- **“Reporting duties**

Managers of public service pension schemes must ensure that the scheme return we issue each year is completed on time. They must also tell us of any changes to their scheme’s ‘registrable information’ as soon as possible.

- **Internal controls and managing risks**
Public service pension schemes need to have good internal controls. They are a key characteristic of a well-run scheme and will enable risks to the scheme to be managed effectively.
- **Record-keeping**
Failing to maintain complete and accurate records can affect the ability of your public service pension scheme to carry out basic functions. Accurate record-keeping is crucial in ensuring that benefits are paid correctly.
- **Communicating to members**
Members of public service pension schemes need to receive information to help them understand their pension arrangements and make informed decisions.
- **Publishing scheme information**
Certain information relating to public service pension schemes needs to be published so that scheme members and interested parties know that their scheme is being managed effectively.
- **Maintaining contributions**
Public service pension schemes need to have procedures and processes that enable you to effectively monitor pension contributions, resolve payment issues and report payment failures.
- **Pension board conflicts of interest and representation**
In public service pension schemes, potential conflicts of interest need to be identified and managed to prevent actual conflicts of interest arising.
- **Resolving internal disputes**
Internal dispute resolution (IDR) arrangements play an important part in the management of a public service pension scheme. They enable someone with an interest in the scheme to ask for a matter in dispute to be resolved.
- **Reporting breaches of the law**
Certain people involved with the governance and administration of a public service pension scheme must report certain breaches of the law to us.”
(from <https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/scheme-management>)

Taking these principles into account the Board set out its future work plan as follows:

Teesside Pension Board Work Plan		
Date of Board meeting and any standard items scheduled	Pensions Regulator areas of focus	Activities (from the Scheme Advisory Board guidance)
20 April 2020* Annual Board Report	Reporting breaches Maintaining contributions Reporting duties	Review the outcome of actuarial reporting and valuations.
27 July 2020 Draft Report and Accounts	Pension board conflict of interest	
2 November 2020 Annual Review of Board Training	Communicating to members Publishing scheme information	Review standard employer and scheme member communications
8 February 2021	Internal controls and managing risks	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.
19 April 2021 Annual Board Report	Record keeping Resolving internal disputes	Review performance and outcome statistics Review handling of any cases referred to Pensions Ombudsman
July 2021 Draft Report and Accounts	<i>To be determined</i>	Review procurements carried out by Fund
November 2021 Annual Review of Board Training		Review the complete and proper exercise of employer and administering authority discretions.
February 2022		<i>To be determined</i>
April 2022 Annual Board Report		
July 2022 Draft Report and Accounts		
November 2022 Annual Review of Board Training		
February 2022		

*note the April 2020 meeting was not held (see below)

5. Impact of Coronavirus / Covid-19 pandemic

At the end of the 2019/20 year the UK was entering into 'lockdown' as a consequence of the Coronavirus / Covid-19 pandemic. One effect of this was the cancellation of the initial Board meeting of the subsequent 2020/21 year, which was due to have been held in April 2020. The Board will continue to monitor how the administering authority deals with the impact of the pandemic, and will keep under review the economic effect on the Fund of market uncertainty and volatility. This issue is likely to form a major part of the 'current issues' the Board will be considering.

Appendix – Board membership and meeting attendance

Membership

Colin Monson <i>Chair</i>	Scheme member representative (retired members)
Billy Ayre (appointed 25 Oct)	Employer representative (Councillor, Redcar & Cleveland Council)
Jackie Cook	Scheme member representative (UNITE)
Chris Hobson (appointed 25 Oct)	Employer representative (Councillor, Middlesbrough Council)
Leanne Littlewood (appointed 25 Oct)	Scheme member representative (UNISON)
Gary Whitehouse <i>Deputy Chair</i>	Employer representative (Middlesbrough College)
Nicky Walker (to 2 May 2019)	Employer representative (Councillor, Middlesbrough Council)
Barry Woodhouse (to 27 July 2019)	Employer representative (Councillor, Stockton Council)

Meeting attendance:

	15 April 2019	22 July 2019	4 November 2019	10 February 2020
C Monson	✓	✓	✓	✓
W Ayre			✓	x
J Cook	x	✓	✓	x
C Hobson		✓	✓	x
L Littlewood			x	✓
G Whitehouse	x	✓	✓	✓
N Walker	x			
B Woodhouse	✓	x		

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

TEESSIDE PENSION BOARD REPORT

27 JULY 2020

DIRECTOR OF FINANCE – IAN WRIGHT

Draft Annual Pension Fund Report and Accounts 2019/20

1. PURPOSE OF THE REPORT

- 1.1 To present Members of the Teesside Pension Board (the Board) with the 2019/20 draft Annual Report and Accounts for the Teesside Pension Fund.

2. RECOMMENDATION

- 2.1 That Members note the 2019/20 Annual Report and Accounts (Appendix A).

3. FINANCIAL IMPLICATIONS

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

4. BACKGROUND

- 4.1 The terms of reference for the Teesside Pension Fund Committee require the Annual Report and Accounts to be considered by Members. Attached to this report is the Draft Report and Accounts for the year ended 31 March 2020 which was presented to the Pension Fund Committee meeting on 22 July 2020.

5. PERFORMANCE SUMMARY

- 5.1 In the markets there was significant volatility during 2019/20, with increases towards the start of the year eclipsed by a large drop in in global financial markets towards the end of the year as a consequence of the Covid-19 pandemic and concerns about its financial impact. Domestic issues such as the 2019 general election outcome and the UK leaving the European Union on 31 January 2020 were overshadowed by the impact of the pandemic. Similarly, global issues such as US / China trade negotiations and the nature of the eventual trading relationship between the UK and EU were also put to one side as the focus quickly moved to the effect of the pandemic on economies, industries, trade and growth. The Fund is overweight in equities and consequently saw a significant fall in value by the end of the year, as global equity markets suffered substantial falls. As a long-term investor the Fund can accept volatility in its risk assets, and is not in a position where it needs to sell equities when they are at a low level.

- 5.2 The overall financial performance of the Fund for the year to 31 March 2020 was negative. The Fund's value fell to £3.739 billion, a decrease over the year of approximately £350 million. This drop in value somewhat overshadowed what was a very positive outcome of the latest triennial valuation of the Fund, details of which are set out in paragraph 5.7 below.
- 5.3 The membership of the Fund has increased, with total membership at the year-end now standing at 71,577 an increase of 1,509 over last year. The number of active members has increased by 714 or 3.1% over the year, and increased by 3.5% over the past four years. The number of pensioners increased by 668 or 2.8% over the year, and increased by 13.6% over the past four years. The number of deferred members increased last year by 127 or 0.5%, and increased by 4.6% over the past four years.
- 5.4 Where a member retires early on the grounds of redundancy or business efficiency there is a cost to the Fund arising from the fact that a pension is drawn earlier than the Actuary had assumed and for these types of retirement the normal early retirement reductions do not apply. It is the policy of the Fund to recharge the actuarial cost of these retirements to the employers. This policy has the advantage that the Fund recovers the cost of an early retirement at the outset. For the employer the advantages are twofold;
- 1 the impact of retirement decisions is transparent; and
 - 2 the cost is invoiced separately rather than being recovered in the employer's contribution rate, which was once the case.
- 5.5 In this financial year the Fund received just under £4.0 million from these early retirement recharges, down on last year's figure of £4.1 million, a 2% decrease on last year.
- 5.6 Every three years the Fund actuary, AON Hewitt, carries out a full actuarial valuation of the Fund. The purpose is to calculate how much employers in the scheme need to contribute going forward to ensure that the Fund's liabilities, the pensions due to current and future pensioners, will be covered. Unlike all the other major public sector schemes the Local Government Scheme is a funded scheme. That means there is a pool of investments producing income which meet a significant part of the liabilities.
- 5.7 The latest actuarial valuation of the Fund was as at 31 March 2019, with the final report published at the end of March 2020. The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level. The aim of the Fund is to be 100% funded, and at the latest valuation the actuary was able to declare a funding level of 115%. This is particularly pleasing since it is the third time in succession that the Fund is able to declare it is fully funded. The next valuation is due to be carried out as at 31 March 2022 with the final report due to be published

in March 2023 and any changes required to employer contribution rates due to come into force from April 2023.

6. FRS / IAS REPORTS

6.1 Financial Reporting Standards (FRS) and International Accounting Standards (IAS) require employers to disclose in their accounts their share of the assets and liabilities in the Pension scheme. The Fund's actuary, Aon Hewitt, produces reports for the employers in the Teesside Pension Fund containing the figures which each needs to disclose in order to comply with the requirements of these standards.

6.2 Although the Fund is "actuarially" fully funded the employers still have FRS / IAS deficits because of the way the figures in the reports are calculated. It should be noted that the FRS / IAS calculations have no impact on the actual Funding Level of the Fund or the Employers within it.

7. INTERNATIONAL FINANCE REPORTING STANDARDS (IFRS)

7.1 The Council adopted International Finance Reporting Standards (IFRS) from 1 April 2010. The Pension Fund, accounts comply with the reporting standards.

AUTHOR: Nick Orton (Head of Pensions Governance and Investments)

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Teesside Pension Fund
Annual Report and Accounts
for the year ended
31 March 2020

Contents

Report of those charged with Governance.....	3
Membership	26
Head of Pensions Governance and Investments' Report	33
Financial Statements.....	41
Statement of Responsibilities for the Financial Statements	42
Auditor's Report	43
Fund Accounts and Net Asset Statements	44
Notes to the Pension Fund Accounts.....	45
Statement of the Actuary.....	69
The Compliance Statement.....	72
Summary of LGPS benefits.....	74

Report of those charged with Governance

Chairman's Introduction

Welcome to the 2019/20 Annual Report and Accounts of the Teesside Pension Fund. During the year most of the Fund's assets continued to be managed externally, with all its UK equities and a small proportion of its overseas equities managed by Border to Coast Pensions Partnership ('Border to Coast'), and the majority of its overseas equities invested passively. During the year significant commitments were made to private equity and infrastructure investments with Border to Coast. However, the nature of the investment process for those types of assets mean it will take a number of years for those commitments to be fully invested.

Border to Coast was set up by, and is wholly owned by, twelve (now eleven, following the planned merger of two of the founders) LGPS administering authorities each responsible for an LGPS fund. It was established to meet central government's requirement that local government pension schemes pool their investment assets to deliver savings and improve governance. Middlesbrough Council (as administering authority for the Teesside Pension Fund) is one of the owners and customers of Border to Coast. By the end of the year **33%** of the Fund's assets were invested through Border to Coast, with this percentage expected to increase significantly over coming years.

In the markets there was significant volatility during 2019/20, with increases towards the start of the year followed by a large drop in global financial markets towards the end of the year as a consequence of the Covid-19 pandemic and concerns about its financial impact. Domestic issues such as the 2019 general election outcome and the UK leaving the European Union on 31 January 2020 were overshadowed by the impact of the pandemic. Similarly, global issues such as US / China trade negotiations and the nature of the eventual trading relationship between the UK and EU were also put to one side as the focus quickly moved to the effect of the pandemic on economies, industries, trade and growth. The Fund is overweight in equities and consequently saw a significant fall in value by the end of the year. As a long-term investor the Fund can accept volatility in its risk assets, and is not in a position where it needs to sell equities when they are at a low level.

The Fund made some small changes to asset allocation over the year increasing allocations to 'alternatives' such as private equity and infrastructure, bring these closer to their strategic target levels.

The overall financial performance of the Fund for the year to 31 March 2020 was negative. The Fund's value fell to £3.739 billion, a decrease over the year of approximately £350 million. This drop in value somewhat overshadowed what was a very positive outcome of the latest triennial valuation of the Fund, details of which are set out below.

The membership of the Fund has increased, with total membership at the year-end now standing at 71,577 an increase of 1,509 over last year. The number of active members has increased by 714 or 3.1% over the year, and increased by 3.5% over the past four years. The number of pensioners increased by 668 or 2.8% over the year, and increased by 13.6% over the past four years. The number of deferred members increased last year by 127 or 0.5%, and increased by 4.6% over the past four years.

Where a member retires early on the grounds of redundancy or business efficiency there is a cost to the Fund arising from the fact that a pension is drawn earlier than the Actuary had

assumed and for these types of retirement the normal early retirement reductions do not apply. It is the policy of the Fund to recharge the actuarial cost of these retirements to the employers. This policy has the advantage that the Fund recovers the cost of an early retirement at the outset. For the employer the advantages are twofold;

- 1 the impact of retirement decisions is transparent; and
- 2 the cost is invoiced separately rather than being recovered in the employer's contribution rate, which was once the case.

In this financial year the Fund received just under £4.0 million from these early retirement recharges, down on last year's figure of £4.1 million, a 2% decrease on last year.

Every three years the Fund actuary, AON Hewitt, carries out a full actuarial valuation of the Fund. The purpose is to calculate how much employers in the scheme need to contribute going forward to ensure that the Fund's liabilities, the pensions due to current and future pensioners, will be covered. Unlike all the other major public sector schemes the Local Government Scheme is a funded scheme. That means there is a pool of investments producing income which meet a significant part of the liabilities.

The latest actuarial valuation of the Fund was as at 31 March 2019, with the final report published at the end of March 2020. The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level. The aim of the Fund is to be 100% funded, and at the latest valuation the actuary was able to declare a funding level of 115%. This is particularly pleasing since it is the third time in succession that the Fund is able to declare it is fully funded. The next valuation is due to be carried out as at 31 March 2022 with the final report due to be published in March 2023 and any changes required to employer contribution rates due to come into force from April 2023.

Nature of the Scheme

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

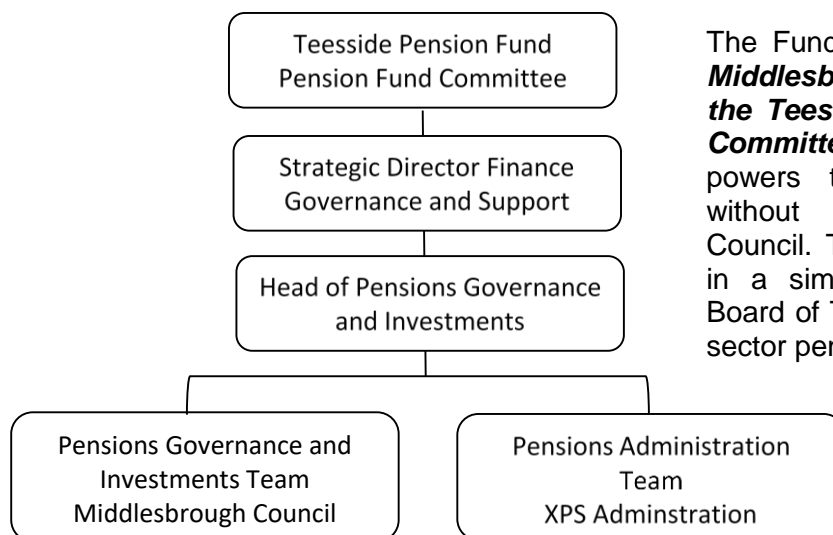
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme Regulations 2013; and
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

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

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

The Fund is financed by way of contributions from employers and employees, based upon a percentage of pensionable pay, and supplemented by earnings from Fund investments. The funds assets, after payment of benefits, are invested as directed by the Pension Fund Committee. The Committee comprises elected members of Middlesbrough Council, representatives of the other unitary authorities, the Trade Unions and the Fund's Investment Advisers.

Management of the Fund



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

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

The Teesside Pension Fund Committee

Committee membership and meeting attendance during the year 2019/20

Members	With voting rights	Jun	Sep	Dec	Mar
Middlesbrough Council	Councillor DP Coupe	✓	✓	✓	✓
	Councillor J Rostron	✓	✓	✓	✓
	Councillor Polano	✓	✓	✓	
	Councillor Bell			✓	✓
	Councillor Cooper			✓	✓
	Councillor Dean	✓		✓	
	Councillor Furness	✓	✓	✓	✓

Members	With voting rights	Jun	Sep	Dec	Mar
	Councillor J Rathmell	✓			
	Councillor Sands	✓	✓		✓
	Councillor S Walker	✓			✓
Redcar & Cleveland BC	Councillor Nightingale		✓	✓	✓
Stockton BC	Councillor J Beall				✓
Hartlepool BC	Vacancy				
Independent	Mr P Fleck	✓			
Trades Unions	Tony Watson (UNISON)	✓	✓	✓	✓
	B Foulger (GMB)			✓	✓

Declaration of Interest

Councillor J Rostron, D P Coupe, L Lewis

The committee invites representatives from all the district councils in the former Cleveland County area as well as representatives from the Trade Unions. The committee held four quarterly meetings during the year.

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

Terms of Reference – Teesside Pension Fund Committee

Terms of Reference:

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

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

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

- a) Ensuring the Teesside Pension Fund is managed and pension payments are made in compliance with the Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
- b) Ensuring robust risk management arrangements are in place.

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

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

Teesside Pension Board

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

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

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

3 employer representatives; and 3 scheme member representatives.

Fund Administrators and Advisors

Administration

Chief Finance Officer	James Bromiley
Head of Pensions Governance and Investments	Nick Orton
Pensions Administration Manager	Graeme Hall, XPS Administration
Solicitor to the Fund	Charlotte Benjamin

Advisors to the Fund

Actuary	Aon Hewitt Limited
Solicitors	Nabarro LLP & Freeth Cartwright LLP
Auditors	Ernst & Young LLP
Investment Advisors	William Bourne and Peter Moon
Property Managers	CBRE
Custodian	The Northern Trust Company
AVC Providers	Prudential Assurance, Phoenix Life
Bankers	The NatWest Bank Plc

The Pensions Landscape

All of the major public sector schemes changed radically from April 2015, with new public sector schemes established and operated in accordance with the Public Service Pensions Act 2013. However, due in part to its unique ‘funded’ status amongst these schemes, the LGPS changed a year earlier from April 2014, meaning the career-average revalued earnings LGPS has now been in place for five years. More detail on how the current LGPS compares to previous versions of the scheme is contained in the “Summary of LGPS benefits” section.

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

The limits on tax relief available for pension saving have remained broadly flat over the year, with the standard annual allowance figure remaining at £40,000, but with a lower figure applied for high earners. The lifetime allowance increased to £1.055m from April 2019, and will rise again to £1.0731m for the 2020/21 tax year. The lifetime allowance limit is only breached by a very small proportion of the LGPS membership, but the annual allowance continues to mean that more members could face a potential tax charge in the future.

The introduction of the new Single Tier State Pension from April 2016 also marked the end of “contracting-out” for public sector schemes like the LGPS. Previously, schemes such as the LGPS were allowed to contract-out of the additional element of the State Pension (meaning that members paid reduced National Insurance contributions) in return for providing benefits at least equal to those that the State would have provided if the higher contribution rate had been paid.

A very significant development across all public sector pension schemes has occurred within the last year. When the Government reformed public service pension schemes in 2014 and 2015, they introduced protections for older scheme members. The Court of Appeal ruled that younger members of the Judges and Firefighters Pension schemes were discriminated against because the protections did not apply to them. The Government has confirmed that there will be changes to all public sector schemes to remove this age discrimination.

The Government and the LGPS Scheme Advisory Board (SAB) are having high level discussions about what this means for the LGPS. The SAB is confident that the eventual outcome will provide younger members in scope with protection that is equal to the protection provided to older members.

The protection compares the benefits payable under the current rules with the benefits that would have been paid if the Scheme had not changed in 2014 and pays the higher. This protection will apply automatically.

Scheme specific changes

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

From 1 April 2014:

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

All members of the previous scheme (the 2008 scheme) automatically became members of the 2014 scheme where their employment continued beyond 31 March 2014. A summary of the 2014 scheme provisions and a comparison to the 2008 scheme is highlighted in section Summary of LGPS benefits.

The Local Government Pension Scheme (Amendment) Regulations 2018, which came into force on 14 May 2018, made a number of changes to the rules governing the scheme, the most significant of these were:

- Allowing all individuals who have left the scheme to be able to choose to draw reduced pension benefits from age 55 onwards without their former employer's consent. Previously individual who had left the scheme before April 2014 had to wait until at least age 60 before they could draw reduced pension benefits without their former employer's consent.
- Increasing the maximum Additional Voluntary Contributions (AVCs) an active scheme member can make to up to 100% of pensionable pay. Previously active members who started paying AVCs before April 2014 were only able to pay a maximum of 50% of their pensionable pay in AVCs.
- Allowing some employers who stop participating in the scheme to potentially receive an exit payment if their part of the scheme is in surplus when they leave.

Amendment Regulations since then have made further changes to the rules governing the scheme including:

- Introducing a general power for the Secretary of State to issue statutory guidance.
- Ensuring that survivors of registered civil partners or same sex marriages are provided with benefits that replicate those provided to widows.
- The introduction of pensions for survivors in an opposite sex civil partnership.

Promoting Scheme Membership

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

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

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

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

Risk management

The Investment Strategy Statement sets out the approach of the Fund in identifying, mitigating and managing risk. The Fund's primary long term risk is that the Fund's assets do not meet its liabilities, that is, the benefits payable to its members. The aim of the Fund's investment management is to achieve the long term target rate of return with an acceptable level of risk.

There are three key forms of risk specific to the investment of assets:

- a) That associated with security of the Fund's assets.
- b) That associated with loss of value relating to those assets.
- c) That associated with the ability of those assets to provide required rates of return.

a) Security of the Fund's Assets

The Fund's Custodian, Northern Trust, holds the majority of the Fund's Assets. An agreement is in place protecting the Fund against fraudulent loss and regular checks are made by independent auditors regarding the integrity of the Custodian's systems. In addition the Fund's Direct Property assets are registered in the name of Middlesbrough Council and the Title Deeds and documents held by the Fund's solicitors, Freeths. Cash balances belonging to the Fund are invested in accordance with agreed criteria, which take into account an appreciation of risk.

b) Asset Risk

The value of all investments can go down as well as up. Even investments in Gilts, securities issued by HM Government, are not without risk. Individual companies can cease to trade, with shareholders well down the list of creditors.

The best way to protect the Fund against asset risk is through diversification into a number of asset classes, a range of countries and a range of companies. The Teesside Pension Fund Committee ensures the Fund has sufficient diversification at their committee meetings.

c) Investment Risk

One of the Pension Fund Committee's most important duties is to make sure that the Fund has enough Assets to pay the benefits already earned by scheme members. On top of that they are looking to achieve sufficient return on those Assets to keep down the cost of building up future benefits. In order to meet these responsibilities the Pension Fund Committee sets a performance benchmark against which they can measure the progress of the Fund's investments. Funds which outperform their benchmark can reduce costs compared with those which underperform.

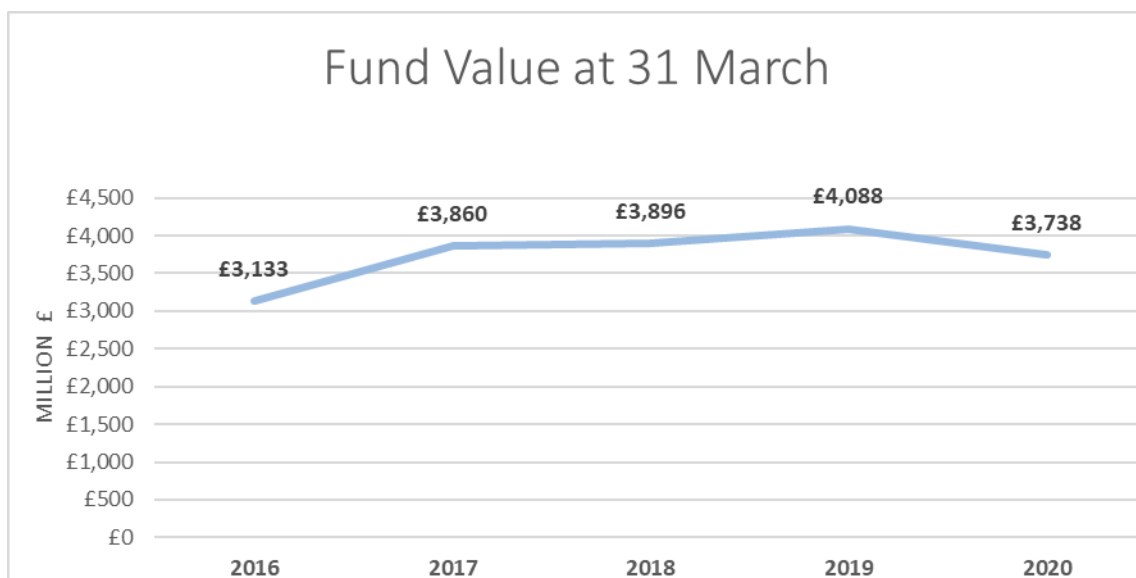
For the Fund to significantly outperform its benchmark it needs to have an asset mix which is different from that of its benchmark. The more outperformance is required the greater the differences will need to be. In other words outperformance cannot be achieved without taking risks. Measurement of risk can identify whether the risk profile is, on one hand, large enough to deliver the required relative returns or alternatively so great as to lead to the possibility of serious underperformance.

The Asset/Liability Study, carried out every three years by the Fund Actuary in conjunction with the Fund's Investment Advisors, assesses the degree of risk which the Fund needs to incorporate into its investment strategy, mainly expressed as the split between bonds and equities, in order to meet its liabilities and in particular to achieve the goal of employer contribution rates which are both low and stable.

Financial Performance Report

Income, Expenditure and Fund value

The Fund's Financial Statements show that the Net Asset Value has decreased by 8% compared to the previous year. Over the last 5 years, from the 2016 value of £3,133 million, the value of Net Assets has increased by 20%



Finance Performance Report

	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
Fund Value at the start of the year	3,243,794	3,133,118	3,859,589	3,896,452	4,088,095
Income	184,985	199,644	207,829	159,468	152,932
Expenditure	(131,993)	(139,542)	(146,866)	(162,057)	(167,397)
Change in Market Value of Investments	(163,668)	666,369	(24,100)	194,232	(335,160)
Increase/(Decrease) in Fund during the year	(110,676)	726,471	36,863	191,643	(349,625)
Fund Value at the end of the year	3,133,118	3,859,589	3,896,452	4,088,095	3,738,470
Change in Fund Value %	(3%)	23%	1%	5%	9%

Financial Highlights

	£000	£000	£000	£000	£000
Pensions Paid	98,348	101,668	105,369	113,219	119,302
Administration Costs	1,558	1,870	1,672	1,692	2,185
Investment Management Costs	3,418	2,596	2,451	5,314	1,480
Oversight and Governance Costs	177	207	684	1,238	37,433

Membership

	2016	2017	2018	2019	2020
	No	No	No	No	No
Active	22,637	23,791	23,295	22,274	23,438
Deferred	22,453	22,861	23,243	23,361	23,488
Pensioner	21,699	22,177	22,757	23,983	24,651
Total	66,789	68,829	69,295	70,068	71,577

Fund Averages

	£	£	£	£	£
Fund value per member	46,910	56,075	56,230	58,345	52,230
Average Pension Paid	4,532	4,584	4,630	4,721	4,840
Total expenses cost per member	77	68	69	118	574
Administration Cost per member	23	27	24	24	31
Investment Management cost per member	51	38	35	76	21
Oversight and Governance costs per member	3	3	10	18	523

Analytical review of the financial year

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

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

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

Summary of Analytical Review 2019/20

Fund Account	Notes	2018/19 £ ' 000	2019/20 £ ' 000	Change
Contributions and Other Income				
Employers Normal & Deficit	1	67,315	69,495	3%
Employers Additional	2	23	12	(48%)
Employees Normal	3	27,191	29,914	10%
Transfers in	4	4,972	8,546	72%
Capital Costs of Early Retirements	5	4,075	3,982	(2%)
Other Income		581	3	(99%)
Total Income		104,157	111,952	7%
Benefits and Other Expenditure				
Benefits	6	113,219	119,302	5%
Benefits - Basic Lump Sum	7	25,463	24,257	(5%)
Benefits - Lump Sums on Death		2,915	2,700	(7%)
Individual Transfers to other Schemes	8	11,710	13,279	13%
Administrative Expenses	9	1,692	2,185	29%
Investment Management Expenses	10	5,314	1,480	(72%)
Oversight and Governance Costs	11	1,260	3,768	199%
Other Expenditure	12	484	404	(17%)
Total Expenditure		162,057	167,375	3%
Return on Investments				
Dividends	13	35,314	20,764	(41%)
Rents	14	15,414	15,682	2%
Interest	15	4,583	4,534	(1%)
Profit on Sale of Investments		1,131,177	22,069	(98%)
Unrealised gain / (loss) on Revaluation		(936,946)	(357,230)	(62%)
Total Return on Investments		249,542	(294,181)	(218%)
Net Increase in the Fund in the Year		191,642	(349,604)	(282%)

Explanation of variances

	2018/19	2019/20		
1 Employers Normal Contributions & Deficit contributions - £000	67,315	69,495	increase of	3%

Employers normal contributions have increased by £2.2m, and deficit contributions have decreased by £2.1m, which has given an overall increase of £2.2m in the year.

	2018/19	2019/20		
2 Employers Additional Contributions - £000	23	12	decrease of	(48%)

Payments of additional contributions for authorised leave and maternity has decreased during 2019/20.

	2018/19	2019/20		
3 Employees Normal Contributions - £000	27,191	29,914	increase of	10%

Although active membership has decreased slightly during the year by 2.5%, auto enrolment continues to make contributions to the scheme, and the ability for employees to pay 50% contributions continues to have a positive effect for the year.

	2018/19	2019/20		
4 Transfers In - £000	4,972	8,546	increase of	72%

In 2019/20 286 transfers were received into the scheme at an average value of £29.6k, compared to 201 transfers at an average value of £24.7k in 2018/19.

	2018/19	2019/20		
5 Capital Cost of Early Retirements - £000	4,075	3,982	decrease of	(2%)

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

	Number	Total Cost	Average
Hartlepool Borough Council	15	£404,965	£26,998
Middlesbrough Council	23	£586,276	£25,490
Stockton Borough Council	20	£836,367	£41,818
Redcar & Cleveland Borough Council	22	£508,320	£23,105
Total	80	£2,335,928	£29,199

6	Benefits - £000	2018/19	2019/20	increase of 5%
		113,219	119,302	

At the year-end there were 24,651 Pensioner Members / Dependents receiving pension benefits, at an average of £4,840 per annum. (2018/19 23,983 receiving benefits at an average of £4,721 per annum).

7	Benefits - Basic Lump Sum - £000	2018/19	2019/20	decrease of (5%)
		25,463	24,257	

There has been an decrease of 5% in the value of Lump Sums paid by the Fund during the year, with the number of recipients decreasing to 460 (2018/19 1,529)

8	Individual Transfers to Other Schemes - £000	2018/19	2019/20	increase of 13%
		11,710	13,279	

Transfers out can vary quite markedly year on year depending on both numbers and the type of people transferring. For 2019/20, the individual transfers out was £13,279k (2018/19 £11,710k), an increase from the previous year. In term of numbers, the transfers out for 2019/20 were 200 (2018/19 169)

	Number	Total Cost	Average
2019/20	200	£13,279,500	£66,398
2018/19	169	£11,714,000	£69,314

9	Administrative Expenses - £000	2018/19	2019/20	increase of 29%
		1,692	2,185	

There has been an increase of 29% in Administration costs in 2019/20.

10	Investment Management Expenses - £000	2018/19	2019/20	decrease of (259%)
		5,314	1,480	

A reduction in transaction costs of £1,839k to £120k in 19/20. Border to Coast set up costs and management fees for 19/20, which equated to £1,630k in 18/19 are now in Oversight and Governance.

	2018/19	2019/20		
11 Oversight and Governance Costs - £000	1260	3768	increase of	199%

Border to Coast management fees for 19/20 have been included which equates to £1,599k.

	2018/19	2019/20		
12 Other Expenditure - £000	484	404	decrease of	(17%)

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

	2018/19	2019/20		
13 Dividend Income - £000	35,314	20,764	decrease of	(41%)

Overall Dividend Income has decreased by £14.6 million (18/19 decreased by £56.4million) which is due to the sale of fund equities. Equities are now mainly owned by the Fund in pooled vehicles, where dividend income is reinvested instead of being distributed.

	2018/19	2019/20		
14 Rent - £000	15,414	15,682	increase of	2%

Increased rental income from rent increases.

	2018/19	2019/20		
15 Interest - £000	4,583	4,534	decrease of	(1%)

A reduction in the base rate in March 20 along with fewer cash investments has led to decrease in interest received.

	2018/19	2019/20		
16 Investments - £000	3,540,968	3,211,410	decrease of	11%

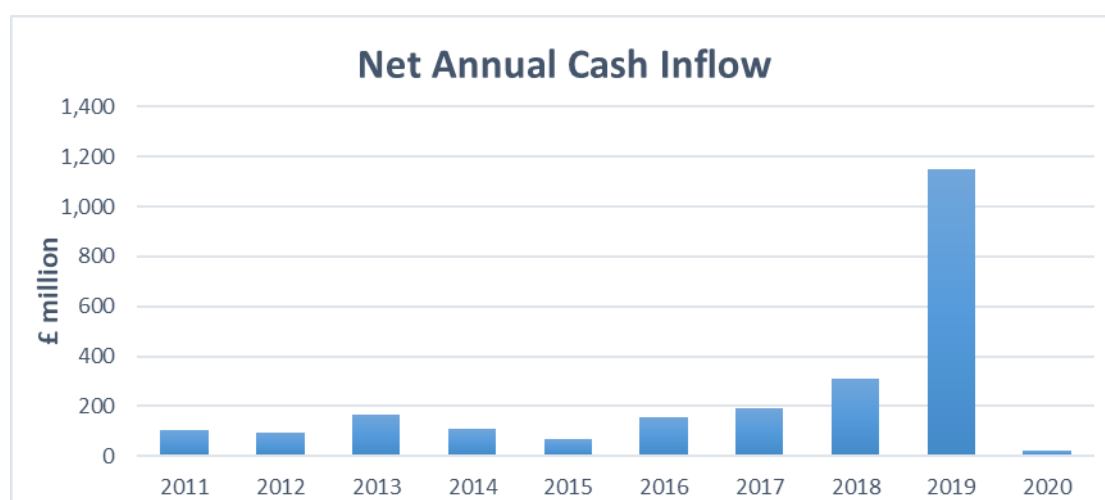
Investment values for the portfolio showed an 11% decrease in value (£330 million) for the year.

	2018/19	2019/20		
17 Cash - £000	542,261	501,860	decrease of	8%

Cash has reduced over the year due to new investments in Private Equity, Infrastructure and Other Alternative funds following divestments from equities, as part of the Fund's transformation to pooling.

Cashflow Statement

	£000 2018/19	£000 2019/20
Cashflow from Operating Activities		
Cash received for Contributions	98,433	100,185
Cash received for Early Retirements	5,011	3,948
Cash Received from Transfers In	4,972	8,546
Cash Received from Investments	71,042	53,900
Cash Received from Sales of Investments	1,131,177	22,069
Cash from Other Income	581	3
Total Cash Received	1,311,216	188,651
Cash paid for Benefits	141,597	146,259
Cash paid for Transfers Out	12,194	13,683
Cash paid for Management Expenses	9,095	7,433
Total Cash Paid	162,886	167,375
Net Cash Inflow from Operating Activities	1,148,330	21,276
Application of Cash		
Net Sales / Purchases of Investments	1,101,160	46,447
Increase in Cash with Custodian	5,946	0
Increase in Cash on Deposit	41,530	(26,159)
Decrease in Cash at Bank	113	(103)
Increase in Other Debtor Balances	(80)	114
Increase in Other Creditor Balances	(339)	977
	1,148,330	21,276



The net annual cash flow of the Fund has, to date, always been positive and the realised profit and losses on the sale of investments can have a very significant impact in any one year.

Asset Allocation Strategy

The Investment Strategy Statement sets out how the Fund plans to invest its assets. This strategy is set for the long term and is reviewed every 3 years as part of the Fund's Asset/Liability study to ensure that it remains appropriate to the Fund's liability profile. As part of the strategy the Administering Authority has adopted a strategic benchmark representing the mix of assets best able to meet the long term liabilities of the Fund. As at 31 March 2020 the actual assets compared to the benchmark as follows;

	Pension Fund at 31/03/2020	Pension Fund Target Strategic Allocation	Investment Strategy Statement Max	Investment Strategy Statement Min
UK Equities	28%	22%	80%	40%
Overseas Equities	44%	28%		
Alternatives	6%	15%	20%	10%
Property and Property Debt	9%	15%	20%	10%
Bonds	0%	18%	40%	2%
Cash	13%	2%		
	100%	100%		

The Fund asset mix % varies slightly from the statutory accounts due to internal classification differences.

Amounts due to the Fund from Employers

	2018/19 £ ' 000	2019/20 £ ' 000
Current Assets		
Contributions in Respect of Employers	5,652	5,127
Contributions in Respect of Members	2,289	2,050
Amounts due in respect of early retirements	5	181
	<u>7,946</u>	<u>7,945</u>

The Contributions due are in respect of March 2020 and were received in April 2020.

Payment of Contributions to the Fund

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

Analysis of Contributions received

Total number of Contribution payments received 1,859

Number received late 55

The following table shows the late payment history for 2019/20 :-

Number of days payment was late	Number of late payments	Percentage of late payments
Less than 10	21	38.18%
Between 10 and 19	15	27.27%
Between 20 and 29	7	12.73%
Between 30 and 39	4	7.27%
More than 40	8	14.55%
Total	55	100.0%

Analysis of Contribution rates and amounts received 2019/20

	Employers Rate %	Employees £000	Employers £000
All Saints Academy	17.5%	26	75
Ash Trees Academy	17.5%	56	174
Ayresome Primary School	17.5%	48	144
Badger Hill Academy	17.5%	5	17
Barnard Grove Primary School	17.5%	2	5
Beamish Museum Ltd	15.7%	154	389
Beyond Housing	17.2%	500	1,299
Billingham Town Council	17.3%	7	21
Brougham Primary School	17.5%	20	60
Business and Enterprise Commercial Ltd	12.7%	3	67
Caldicotes Primary Academy	17.5%	7	20
Care and Custody Health Ltd	17.0%	16	41
Care Quality Commission	17.9%	1,085	2,519
Carmel Education Trust	17.5%	4	0
Catcote Academy	17.5%	94	281
Caterlink - Ironstone	15.1%	0	0
Caterlink - RCBC - 00353	15.1%	8	20
Caterlink - St_Oswalds	15.1%	3	8
Churchill's Outwood Grange	17.5%	7	19
Cleveland College of Art and Design	15.2%	140	260
Cleveland Fire Brigade	16.1%	223	600
Cleveland Fire Support Network	16.1%	3	6
Community Integrated Care	23.0%	5	12

Compass Contract Services Ltd	17.0%	41	102
Conyers School	17.5%	130	389
Creative Management Services Ltd	20.7%	3	11
Crooksbarrow Primary School	17.5%	11	36
Diocese of Middlesbrough Trustee	19.6%	9	17
Dyke House Academy	17.5%	71	208
Easterside Academy	17.5%	29	87
Ecoclean Services (Operations) Ltd	28.9%	0	1
Eden Academy Trust Limited	17.5%	31	91
Egglescliffe Primary School	17.5%	6	20
Emmanuel School Foundation	17.5%	61	182
Endeavour Academies Trust	17.5%	106	306
English Martyrs Educational Trust	17.5%	67	195
Enquire Learning Trust (Central)	17.5%	63	120
Eskdale Academy	17.5%	17	51
Extol Academy Trust (Eldon Grove)	17.5%	40	82
Fabrick Housing Group	16.0%	959	2,248
Fleet Factors RCBC	16.0%	1	2
Forward Swindon Ltd	Nil	0	382
Frederick Nattrass Primary Academy	17.5%	15	46
Freebrough Academy	17.5%	19	57
Future Regeneration of Grangetown	22.2%	2	7
Galileo Multi Academy Trust	17.5%	197	585
Grangefield Academy	17.5%	37	109
Green Lane Primary Academy	17.5%	28	87
Guisborough Town Council	17.3%	6	16
Hardwick Green Primary Academy	17.5%	18	53
Harrow Gate Primary Academy	17.5%	29	88
Hartlepool Borough Council	15.5%	3,259	7,848
Hartlepool Care Services Ltd	22.5%	2	9
Hartlepool College of Further Education	15.2%	156	400
Hartlepool Sixth Form College	15.2%	21	54
Hemlington Hall Academy	17.5%	25	77
Hillsview Academy	17.5%	13	39
Holy Trinity Primary School	17.5%	15	44
Horizons Specialist Academy Trust	17.5%	196	573
Hutchinson's Catering	17.0%	1	4
Ian Ramsey Church of England Academy	17.5%	45	134
Ingleby Barwick Town Council	17.3%	2	4
Ingleby Manor Free School & Sixth Form	17.5%	36	105
James Cook Learning Trust	17.5%	85	252
Jesmond Gardens Primary School	17.5%	26	79
Kader Academy	17.5%	16	50
KGB Cleaning Ltd - LJS	14.8%	1	2
KTS Academy	17.5%	68	210

Legacy Learning Trust	17.5%	194	429
Liberata UK Ltd	Nil	41	0
Lockwood Parish Council	17.3%	1	3
Loftus Town Council	17.3%	2	5
Manor Community Academy	17.5%	53	161
Mellors Catering Services Ltd (Central)	21.2%	1	4
Mellors Catering Ltd - Dormanstown	21.2%	5	19
Mellors Catering Services Ltd (Normanby)	21.2%	3	9
Mellors English Martyrs	14.8%	12	31
Mellors Ironstone	18.0%	8	25
Mellors NPCAT	17.9%	50	159
Middlesbrough College	15.2%	400	990
Middlesbrough Council	15.3%	5,307	9,618
Mitie Cleveland Fire	17.0%	0	1
Nicholas Postgate Catholic Academy Trust	17.5%	507	1,488
NMRN Operations	17.0%	5	16
Normanby Primary School	17.5%	31	98
Northern Lights Learning Trust	17.5%	17	51
North Ormesby Primary Academy	17.5%	42	124
North Shore Academy	17.5%	17	53
Norton Primary Academy	17.5%	24	73
Nunthorpe Academy	17.5%	78	218
Nunthorpe Primary Academy	17.5%	14	42
Oak Tree Academy	17.5%	27	84
One Awards Limited	15.9%	32	77
One IT Services and Solutions Ltd	15.2%	54	108
One IT Services Ltd - Porter	17.0%	2	5
ONsite Building Trust	17.0%	3	9
Orian Solutions Ltd	17.0%	0	1
Ormesby Primary School	17.5%	14	44
Our Children 1st Academy Trust	17.5%	30	93
Our Lady & St Bede Catholic Academy	17.5%	44	132
Our Lady of Most Holy Rosary	17.5%	17	53
Outwood Academy Acklam	17.5%	66	200
Outwood Academy Bishopsgarth	17.5%	41	125
Outwood Academy Bydales	17.5%	31	95
Outwood Academy Normanby	17.5%	18	53
Outwood Academy Ormesby	17.5%	40	122
Outwood Academy Redcar	16.6%	30	89
Overfields Primary School	17.5%	20	60
Pentland Academy	17.5%	23	70
Police & Crime Commissioner for Cleveland	15.6%	86	164
Prince Regent Street trust	17.5%	64	190
Redcar and Cleveland Borough Council	16.0%	3,730	7,074
Riverdale Primary School	17.5%	64	136

River Tees Multi Academy Trust	17.5%	11	33
Robertson FM Ltd	14.9%	1	3
Rose Wood Academy	17.5%	21	63
Rosebrook Primary School	17.5%	42	130
Rye Hills Academy	16.6%	58	162
Saltburn Marske and New Marske Parish Council	17.3%	3	9
Skelton and Brotton Parish Council	17.3%	3	9
Skelton Primary School	17.5%	31	89
SLM Community Leisure Charitable Trust	16.0%	36	96
SLM Fitness & Health Ltd (MBC)	15.3%	4	10
SLM Fitness and Health Ltd	16.0%	2	6
SLM Food & Beverage Ltd (MBC)	15.3%	4	10
SLM Food and Beverage Ltd	16.0%	1	4
Sopra Steria Ltd	15.6%	273	653
South Tees Development Corporation	17.0%	40	77
St Joseph's Catholic Primary School	17.5%	19	60
St_Aidans Primary School	17.5%	16	48
St_Bede's Catholic Academy	17.5%	13	40
St_Francis of Assisi	17.5%	13	39
St_Gregory's RC Academy	17.5%	46	112
St_Gregory's RC Academy	17.5%	19	57
St_John the Evangelist	17.5%	3	10
St_Joseph's R C Primary School	17.5%	4	12
St_Mark's Academy	17.5%	26	81
St_Mary's CE Primary School	17.5%	8	24
St_Michael's Catholic Academy	17.5%	42	92
St_Paul's R C Primary School	17.5%	4	13
St_Thomas of Canterbury MAT	17.5%	24	71
Stagecoach Transit	27.2%	2	173
Steel River Academy Trust	17.5%	59	107
Stockton Borough Council	15.7%	4,953	12,319
Stockton Riverside College	15.2%	332	814
Sunnyside Academy	17.5%	50	152
Tascor Services Ltd - PFI	18.0%	1	4
Tees Active Limited	18.2%	106	291
Tees Valley Collaborative Trust	17.5%	91	264
Tees Valley Combined Authority	15.9%	293	623
Tees Valley Community Asset Preservation Trust	17.0%	2	5
Tees Valley Education Trust	17.5%	85	250
Teesside Learning Trust	17.5%	60	169
Teesside University	14.4%	2,004	4,534
Teesville Primary School	17.5%	22	56
The Chief Constable for Cleveland	15.6%	1,066	2,520
Thornaby C of E Primary	17.5%	16	51
Unity City Academy	17.5%	51	151

Veritau Tees Valley	17.9%	2	5
Viewley Hill Academy Trust	17.5%	16	49
Vision Academy Learning Trust	17.5%	152	438
West Park Primary School	17.5%	14	42
West View Primary School and Sports Academy	17.5%	50	143
Whitecliffe Academy	17.5%	3	11
Wynyard Church of England Primary School	17.5%	14	42
XPS Administration Ltd	15.3%	38	63
Yarm Primary School	17.5%	19	55
YARM TOWN COUNCIL	17.3%	1	4
Zetland Primary School	17.5%	19	57
Total Contributions 2019/20		29,915	69,507

Note: net rate of contribution payable by each employing Organisation for the period 1 April 2019 to 31 March 2020 under the LGPS Regulations.

Performance Monitoring

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

Performance

The pension administration unit aim to perform 98.5% of the procedures within each target timescale. The table below highlights the performance of the administration unit against the key procedure targets.

Procedure	Target 2017/18	Achieved within timescale
Processing New Starters	20 days from receipt	100%
Processing Transfer Values (TV's)	10 working days from the date of notification	100%
Refund of Contributions	10 working days from the request date	100%
Estimates of Benefit Entitlements	10 working days from date of request	99.61%
Pension benefits	10 working days from the receipt of all relevant information	99.46%
Deferred Benefits	10 working days from notification of leaving	99.49%

Key procedure volumes

The volumes of the key procedures performed by the Pensions administration unit have increased, compared to the previous year.

Procedure	2017/18	2018/19	2019/20
Processing New Starters	2,992	3,646	4,065
Processing Transfer Values	327	306	333
Refund of Contributions	357	399	440
Estimates of Benefit Entitlements	2,209	2,181	2,297
Pension benefits	2,013	1,533	1,480
Deferred Benefits	1,954	2,083	1,759
Deaths	575	536	499
Divorces	139	139	141
General Enquiries	1,589	1,571	1,348
Total	12,155	12,394	12,362

Actuarial Valuation of the Fund

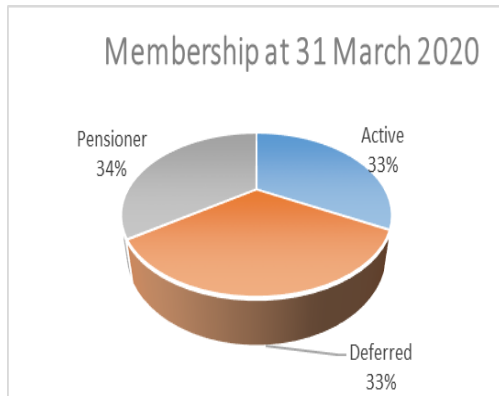
Every three years the Fund is required to appoint a suitably qualified actuary to assess solvency and to measure the level of assets compared to liabilities. This process is known as a valuation and the most recent one, carried out by the actuarial firm Aon Hewitt Ltd valued the Fund as at 31 March 2019. The principal conclusions of this valuation were:

- ◆ The ongoing funding level of the Fund on 31 March 2019 was 115% (2016 – 100%).
- ◆ The surplus of assets compared to the past service liabilities was £527.3 million (2016 – surplus of assets compared to past service liabilities £11.1 m).
- ◆ The average cost of accruing benefits payable by the employers, including administration expenses and lump sum death in service benefits, is 17.2% of pensionable pay (2016 – 15.7%).
- ◆ Employers will pay revised levels of contributions that will take in to account their specific circumstances and having regard to the principles set out in the funding strategy statement. Some employers will pay lower contributions to take into account distribution of some of the surplus in the Fund. The total aggregate Employer contribution rates to the Fund are anticipated to be 14.0% of Pay plus £0.66m (2020/2021), 14.1% of Pay plus £0.70m (2021/2022) and 14.2% of Pay plus £0.75m (2022/2023).

Membership

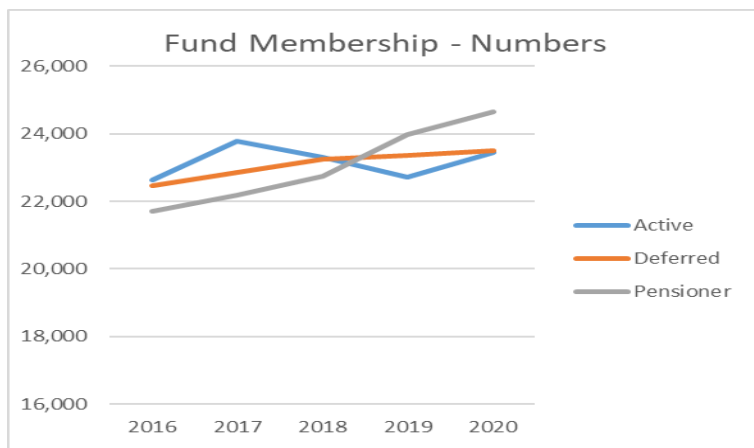
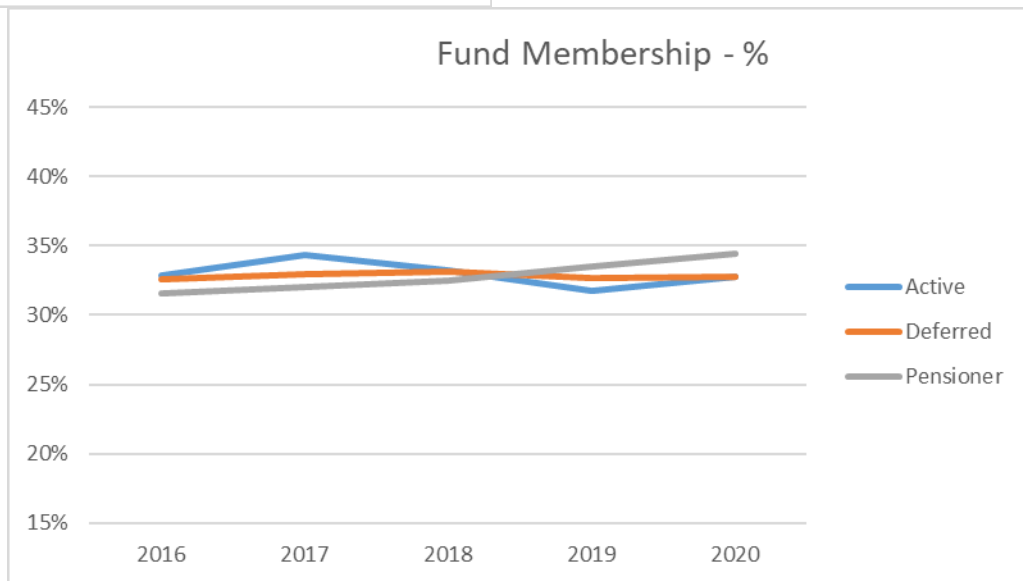
In 2019/20 financial year the total membership of the Fund increased by 1,509 to the current total of 71,577.

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



Membership Numbers

	2016	2017	2018	2019	2020
Active	22,637	23,791	23,295	22,724	23,438
Deferred	22,453	22,861	23,243	23,361	23,488
Pensioner	21,699	22,177	22,757	23,983	24,651
Total	66,789	68,829	69,295	70,068	71,577



Summary of Membership Changes

	Active Members	Deferred Members	Pensioners		Total
			Members	Dependants	
At 1 April 2019	22,724	23,361	20,943	3,040	70,068
Adjustments	(51)	139	(148)	15	(45)
New Members	4,013	1,154	1,415	246	6,828
Change in Status	(1,017)	(932)	(160)	0	(2,109)
Leavers	(2,231)	(234)	(512)	(188)	(3,165)
At 31 March 2020	23,438	23,488	21,538	3,113	71,577
% of Total at 1 April 2019	32.4%	33.4%	29.9%	4.3%	100.0%
% of Total at 31 March 2020	32.7%	32.8%	30.1%	4.4%	100.0%

During the year we had 19 new employers and 4 left the fund which means as at year end there were 169 employers in the Fund. The new employers were as follows: 11 were scheduled employers and 8 were admitted bodies. Details of the employers and their contribution rates are set out in the Actuary's Statement at the end of this Section.

A full list of participating employers and their membership numbers is as follows:

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
All Saints Academy	32	14	3	1	50
Ash Trees Academy	83	25	8	0	116
Ayresome Primary School	42	2	0	0	44
Badger Hill Academy	16	0	0	0	16
Barnard Grove Primary	37	0	0	0	37
Beamish Museum Limited	104	44	23	2	173
Beyond Housing	260	243	233	25	761
Billingham Town Council	5	3	0	0	8
Brougham Primary School	24	5	6	0	35
Bulloughs Cleaning Ser	1	0	0	0	1
Business And Enterprise Ltd	1	25	21	2	49
Caldicotes Primary Academy	15	6	2	0	23
Care And Custody Health	3	1	0	0	4
Care Quality Commission	319	138	361	9	827
Carmel Education Trust	1	0	0	0	1

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Catcote Academy	115	44	12	0	171
Caterlink - RCBC	14	2	1	0	17
Caterlink - St Oswald's	6	0	0	0	6
Chief Constable For Cleveland	580	84	38	0	702
Churchill's Collaborative	3	0	1	0	4
CIC Elderly Persons Homes	3	21	62	1	87
Cleveland Fire Authority	128	88	85	7	308
Cleveland Fire Support Network	1	0	0	0	1
Compass Contract Services Ltd	26	0	0	4	30
Creative Management Serv Ltd	11	9	7	0	27
Crime Commissioner Cleveland	30	24	27	4	85
Crooksbarrow Primary School	23	2	0	0	25
Diocese Of Middlesbrough	1	0	0	0	1
Dormanstown Primary	3	6	2	0	11
Dyke House Academy	76	34	11	0	121
Easterside Academy	61	5	0	0	66
Ecocleen Services Limited	1	0	0	0	1
Eden Academy Trust Lim	42	12	2	1	57
Egglescliffe Primary School	15	5	0	0	20
Emmanuel Schools Foundation	83	55	35	1	174
Endeavour Academies Trust	128	10	4	0	142
English Martyrs Ed Trust	72	55	21	0	148
Enquire Learning Trust Central	13	2	1	0	16
Erimus Housing	92	74	224	12	402
Eskdale Academy	18	6	3	0	27
Extol Ac Trust (Eldon Grove)	38	10	0	0	48
Fleet Factors (RCBC)	1	0	1	0	2
Fredrick Natrass Primary Acad	20	13	4	-	37
Freebrough Academy	7	16	8	0	31
Freebrough Academy	37	16	3	0	56
Future Regenern Of Gra	1	2	3	0	6
Galileo Multi Academy Trust	374	41	9	0	424
Grangefield Academy	42	24	8	-	74
Green Lane Primary Academy	50	13	7	0	70
Guisborough Town Council	6	3	4	0	13
Hardwick Green Primary	22	5	1	0	28
Harrow Gate Primary Academy	34	9	4	0	47
Hartlepool 6th Form College	28	32	17	3	80
Hartlepool BC	2,622	2,980	1,904	225	7,731
Hartlepool Care Services Ltd	4	0	0	0	4
Hartlepool College of FE	186	205	121	11	523

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Hemlington Hall Academy	45	6	2	0	53
Hillsview Academy	2	20	7	0	29
Holy Trinity Primary School	21	2	0	0	23
Horizons Specialist Academy	227	59	13	5	304
Housing Hartlepool	131	97	122	10	360
Hutchinsons Catering	6	1	0	0	7
Ian Ramsey COE Academy	59	13	13	0	85
Ingleby Barwick Town Council	2	0	0	0	2
Ingleby Manor Free School	38	7	0	0	45
James Cook Learning Trust	80	6	2	0	88
Jesmond Gardens Primary	34	10	0	0	44
Kader Academy	23	4	0	0	27
KGB Cleaning & Supp Servs Ltd	3	1	0	0	4
KGB Cleaning Ltd - LJS	3	0	0	0	3
KTS Academy	111	15	8	1	135
Legacy Learning Trust	164	4	0	0	168
Liberata UK Ltd	19	37	64	10	130
Lockwood Parish Council	1	0	0	0	1
Loftus Town Council	2	0	1	0	3
Longlands College Of FE	1	2	2	-	5
Macmillan Academy	12	61	29	4	106
Manor Community Academy	58	26	24	1	109
Mellors Catering - Central	5	0	0	1	6
Mellors Catering Dormanstown	2	0	0	0	2
Mellors Catering Services Ltd	6	2	5	2	15
Mellors Ironstone	8	0	0	0	8
Mellors Npcat	37	1	3	0	41
Middlesbrough BC	3,298	4,370	3,094	317	11,079
Middlesbrough College	471	362	150	12	995
Mitie Cleveland Fire	1	0	0	0	1
Nicholas Postgate Academy	846	52	19	0	917
NMRN Operations	5	0	1	0	6
Normanby Primary School	56	17	2	8	83
North Ormesby Primary	25	5	2	0	32
North Shore Academy	55	68	12	1	136
Northern Lights Learning	14	0	0	0	14
Norton Primary Academy	30	27	8	0	65
Nunthorpe Academy Limited	66	26	13	0	105
Nunthorpe Primary Academy	29	14	0	0	43
Oak Tree Primary Academy	45	16	13	9	83
One Awards Ltd (Formerly	13	18	15	2	48

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
One It Services Ltd - Porter	1	0	0	0	1
One IT Solutions Ltd	16	2	1	0	19
Onsite Building Trust	3	0	0	0	3
Ormesby Primary School	27	8	2	0	37
Ormesby School	1	12	9	-	22
Our Children 1st Academy Trust	53	7	2	0	62
Our Lady - St Patrick	3	3	6	2	14
Our Lady & St Bede Aca	54	16	13	1	84
Our Lady Of Most Holy	31	3	1	0	35
Outwood Academy – Ormesby	57	17	5	0	79
Outwood Academy Acklam	72	8	12	0	92
Outwood Academy	57	11	2	0	70
Outwood Academy Bydales	38	8	3	0	49
Outwood Academy Normanby	25	0	0	0	25
Outwood Academy Redcar	42	3	1	0	46
Overfields Primary School	24	2	0	0	26
Pennyman Primary Academy	35	16	1	0	52
Prince Regent Street Trust	74	2	2	0	78
Redcar & Cleveland BC	2,364	3,733	2,759	268	9,124
Redcar and Cleveland C	25	116	63	4	208
River Tees Multi Academy Trust	37	1	2	0	40
Riverdale Primary School	18	5	2	0	25
Rose Wood Academy	38	13	3	0	54
Rosebrook Primary School	58	12	0	0	70
Rye Hills Academy	55	15	7	0	77
Sacred Heart Scv Acade	2	6	5	0	13
Saltburn And Marske PC	3	2	1	0	6
Skelton & Brotton Parish	3	0	1	0	4
Skelton Primary School	47	9	5	0	61
SLM Charitable Trust (MBC)	58	21	4	0	83
SLM Community Leis Char Trust	42	11	13	0	66
SLM Fitness & Health Limited	7	5	0	0	12
SLM Fitness And Health (MBC)	5	3	0	0	8
SLM Food & Beverage Ltd	1	1	0	0	2
SLM Food And Beverage Ltd	4	4	0	0	8
South Tees Development Corp	14	1	0	0	15
St Aidan's Primary School	7	0	1	0	8
St Bede's Catholic Academy	24	21	2	4	51
St Francis Of Assisi	24	0	0	0	24
St Gregory's Catholic Academy	25	20	5	6	56
St Hildaæs Catholic Ac	3	42	26	0	71

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
St John The Evangelist	19	1	0	0	20
St Josephæ R C Primar	28	0	0	0	28
St Joseph's Catholic Primary	32	3	4	0	39
St Margaret Clitherowæ	3	4	1	0	8
St Mark's Academy	50	6	2	0	58
St Maryæ Ce Primary School	12	1	0	0	13
St Michael's Catholic Academy	42	15	8	0	65
St Paulinus P C V Acad	1	9	5	0	15
St Pauls R C Primary	20	0	0	0	20
St Peteræ Academy M A	1	10	4	0	15
St Thomas Of Canterbury MAT	3	16	4	1	24
Steel River Academy Trust	130	0	2	0	132
Steria	149	71	135	5	360
Stockton BC	4,089	5,250	3,687	410	13,436
Stockton Riverside College	345	165	67	1	578
Sunnyside Academy	65	38	7	1	111
Tascor Services Ltd PFI	2	0	1	0	3
Tees Active Ltd	87	84	42	4	217
Tees Valley CAPT	1	0	0	0	1
Tees Valley Combined	100	16	8	0	124
Tees Valley Education Trust	114	12	3	0	129
Teesside Learning Trust	30	14	4	0	48
TeesValley Collaborative Trust	117	28	2	0	147
Teesville Primary School	39	0	0	0	39
The 1590 Trust	220	49	18	2	289
The Northern School of Art	102	83	55	8	248
Thirteen Group (Fabrck Hsg)	72	25	45	5	147
Thornaby C Of E Primary	36	3	0	0	39
Transit Stagecoach	2	4	140	21	167
Tristar Homes	171	135	137	17	460
Unity City Academy	60	84	25	3	172
University of Teesside	1,252	851	529	79	2,711
Veritau Tees Valley	4	0	0	0	4
Viewley Hill Academy Trust	23	8	2	0	33
Vision Academy Learning Trust	308	42	9	0	359
West Park Primary School	31	11	4	0	46
West View Academy	49	14	1	0	64
Whitecliffe Academy	19	0	1	0	20
Wynyard COE Primary School	24	2	0	0	26
XPS Administration Ltd	13	0	0	0	13
Yarm Primary School	41	10	3	0	54

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Yarm Town Council	1	0	2	0	3
Zetland Primary School	40	0	1	0	41
Employers with no active	-	2,503	6,710	1,580	10,793
Total	23,438	23,488	21,538	3,133	71,577

Internal Dispute Resolution Procedure

In the first instance the member should contact the Teesside Pension Fund at the address shown at the end of the Annual Report. We will send a detailed guide explaining the Internal Dispute Resolution Procedure (IDRP) and how the appeal process will be handled. Any appeal must, ordinarily, be made within six months of receipt of the notification of the decision which is being disputed.

The initial review (stage 1) of each case is conducted by a person nominated by the body who made the decision (the 'adjudicator'). Where an appeal concerns the employer's decision, the adjudicator is an individual nominated by that employer, if the appeal is about the calculation of benefits, it will be reviewed by the adjudicator for the Teesside Pension Fund.

If, after the initial review, the member is still dissatisfied with the decision, they can apply via the second stage of the process to have decision reconsidered. This application must be made within six months of the receiving the decision of the initial review. At the second stage, if the appeal concerns an employer decision, it is reviewed by the Teesside Pension Fund. If the appeal concerns the administrator, then an independent third party pension specialist is appointed.

If the member is still not satisfied following the second stage decision, an appeal can be made to the Pensions Ombudsman.

Details of IDRP cases processed in the year

The vast majority of cases that reach the appeal stage continue to be where members have approached employers and former employers for the early release of benefits – often on grounds of ill health.

Cases started in year	10
Cases resolved in year	7 Cases Dismissed
Cases resolved in year	1 Cases Upheld

Head of Pensions Governance and Investments' Report

For most of the year the investment climate was relatively stable, with a continuation of broadly positive returns in equity markets meaning the record long 'bull' market that started in 2009 continued (technically) almost to the end of the financial year.

Despite this relatively benign start to the year, there were concerns about how markets could continue to prosper. For example some commentators felt the continuation of low interest rates, low inflation and low economic growth in the major markets could potentially lead to the type of economic stagnation that had blighted Japan for many years. Also, bond yields continued to stay at historically low levels and even decline, which for many pension schemes (although not our own) leads automatically to an increase in the value of liabilities.

For the first three quarters of the year the Fund's advisers and investment managers were to varying degrees raising awareness of the possibility of a global economic downturn. Concerns were expressed about the limited range of tools available to governments to tackle any such downturn effectively. The key concern was that there was insufficient room for central banks to use monetary policy to stimulate economies in the event of a recession, as interest rates were not high enough to enable cuts to have an impact. Additionally, using quantitative easing (an approach used after the 2008 global financial crisis where central banks buy bonds and other assets from the open market to increase the money supply to encourage lending and investment) would risk merely boosting asset prices, rather than improving real economies. The remaining tool to stimulate economies was fiscal policy (adjusting levels of government spending and taxation) which could be problematic given already high levels of government debt.

Reductions in bond yields continued during the year, to the extent that half way through the year a third of the global bond market would generate negative returns to investors who held them until maturity.

Within the UK the general election result removed any lingering uncertainty about whether the UK would exit the EU, which it formally did with effect from the end of January 2020. Globally, tensions and uncertainty over the shape of future trading relations between the two biggest economies, the US and China, were also a focus for markets during the year. However, the biggest market-moving event was undoubtedly the emergence and global spread of a new coronavirus, subsequently named Covid-19.

During February and March 2020 markets reacted extremely negatively to the growing awareness that Covid-19 was spreading globally, and was resulting in dramatic reduction in economic activity as governments implemented vary degrees of 'lockdowns' in order to suppress its spread. Covid-19 has become the most significant global disease outbreak since the 1918 flu pandemic and, as well as being a significant humanitarian catastrophe – causing over half a million deaths worldwide by July 2020 – it has also caused significant economic turbulence. The pandemic has resulted in dramatic downward revisions of economic growth, with almost all regions forecasting negative growth (recession) for the coming year (2020/21). Markets attempts to price this in to valuations were initially somewhat unsophisticated and stocks in almost all sectors and regions were initially negatively impacted. In the final quarter of the year the Fund's global equity benchmark showed a drop in value of over 20%, with the benchmark for the year as a whole falling by around 13%.

During the year the Fund's UK equities, along with a small proportion of its overseas equities, continued to be managed by Border to Coast. Although the value of these equities

was significantly adversely affected by the overall reduction in the value of equity markets over the year, Border to Coast has so far managed to achieve its long-term objective of outperforming the benchmarks in its equity funds by 1% a year.

Most of the Fund's overseas assets remained invested passively during the year and consequently their value closely tracked the value of global markets.

During the year the Fund carried out a number of transactions including:

- The Fund completed the sale of a small number of equity assets that could not be transferred to Border to Coast or its passive equity manager. These were primarily Taiwanese equities together with a relatively small investment in a fund holding equities in a number of African countries.
- As part of a process to move the Fund's equity holdings closer to the strategic benchmark, and in acknowledgement of the strong rise in US equity values in the first three quarters of the year, a total of £75 million of US equities were sold during the year, with the proceeds held as cash.
- A number of investments were made throughout the year into private equity, infrastructure and other alternatives. These payments were made as the investment managers we had previously committed to invest with identified and purchased suitable assets. This included private equity and infrastructure investments through Border to Coast.
- Although no property transactions were carried out during the year, the Fund continues to look to increase its allocation to property as and when suitable assets become available.

The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level with the aim of the Fund to be 100% funded. The results of the latest valuation of the Fund, as at 31 March 2019, were published in March 2020 and these showed the funding level at 115%. This is a significant increase in the previous funding level of 100% and was largely due to increases in the value of the assets since the last valuation. Revised contribution rates were put in place for the scheme employers to take effect from April 2020 and many employers saw a reduction to their contribution rate to allow for some distribution of surplus.

The eventual impact on markets of the expected recession following the Covid-19 pandemic is likely to affect future valuations of the Fund – the next valuation is due as at 31 March 2022 with results affecting employer contribution rates from April 2023.

The value of the Teesside Fund at 31 March 2020 was £3.74 billion, a decrease of approximately £350 million on the year. The Fund is invested in a wide range of assets. This meets the requirement to have diversification of investments in a fund, so that too great a concentration of investments in one asset class does not expose the Fund to risk of underperformance should that particular asset class perform badly.

The percentage amount invested in each asset class is shown below:

	Teesside Pension Fund at 31/03/2019	Teesside Pension Fund at 31/03/2020	Teesside Pension Fund Benchmark	Investment Strategy Statement Max	Investment Strategy Statement Min
UK Equities	30.17%	27.57%	22%	80%	40%
Overseas Equities	45.38%	44.43%	28%		

Alternatives	2.56%	5.61%	15%	20%	10%
Property	8.59%	8.88%	15%	20%	10%
Bonds	0.00%	0.00%	18%	40%	2%
Cash	13.30%	13.52%	2%		
	100.00%	100.00%	100%		

The largest 10 holdings (excluding property and cash), which make up 74.19% of the value of the portfolio as at 31 March 2020 are:

Security Description	% of Total Investments	Market value £'000
BORDER TO COAST UK L E-AAGBP	27.57%	1,023,645
SSGA NORTH AMR EQUITY INDEX SUB FUND	15.03%	558,226
SSGA EUR EX UK EQUITY INDEX SUB FUND	9.27%	344,340
SSGA MPF PAC BASIN EX-JAPAN INDEX	8.13%	302,041
SSGA MPF JAPAN EQUITY INDEX	6.16%	228,691
BORDER TO COAST OS DEV M-AA GBP	5.83%	216,556
STANDARD LIFE INVESTMENTS EUROPEAN PROPERTY GROWTH	0.60%	22,459
DARWIN LEISURE PROPERTY FDS CLS C	0.60%	22,108
JP MORGAN IIF UK LP	0.54%	20,162
CROWN CO INVESTMENT OPPORTUNITIES II	0.46%	17,081
	74.19%	2,755,309

INVESTMENT MANAGERS / INVESTMENTS

As at 31 March 2020 the market value of the fund was allocated to the following investment managers / investments:

Manager / Investment	Asset class	Market Value £'000	% of Fund
State Street Global Advisors	Overseas Equities	£1,433,321	38.60%
Border to Coast Pensions Partnership	UK Equities	£1,023,645	27.57%
	Overseas Equities	£216,556	5.83%
	Alternatives	£3,973	0.11%
Internal Team	Cash	£501,860	13.52%
	Overseas Equities	£8	0.00%
	UK Equities	£82	0.00%
CBRE - Direct Property Portfolio	Property and Property Debt	£278,450	7.50%
Darwin Leisure	Alternatives	£54,058	1.46%
Standard Life Aberdeen	Property and Property Debt	£22,459	0.60%
Gresham House	Alternatives	£20,258	0.55%
Innisfree	Alternatives	£18,422	0.50%

Manager / Investment	Asset class	Market Value £'000	% of Fund
Legal & General	Property and Property Debt	£5,787	0.16%
Royal London	Property and Property Debt	£10,684	0.29%
Access Capital Partners	Alternatives	£13,665	0.37%
JP Morgan Asset Management	Alternatives	£20,162	0.54%
Hermes	Property and Property Debt	£4,452	0.12%
CCLA Investment Management Limited	Property and Property Debt	£4,151	0.11%
Threadneedle	Property and Property Debt	£3,602	0.10%
Hearthstone	Alternatives	£7,704	0.21%
LGT Capital Partners	Alternatives	£26,001	0.70%
Unigestion SA	Alternatives	£1,341	0.04%
Pantheon Ventures (UK)	Alternatives	£12,581	0.34%
Blackrock Fund Managers Ltd	Alternatives	£3,637	0.10%
Capital Dynamics	Alternatives	£7,835	0.21%
Ancala	Alternatives	£14,669	0.40%
Nimrod Capital PLC	Alternatives	£3,907	0.11%
Total		£3,713,270	100.00%

PERFORMANCE

Fund performance is measured by Portfolio Evaluation Limited, a leading provider of performance measuring services to the public and private sector. The return the Fund achieves is one of the factors which the Fund Actuary takes into account when fixing the employer's contribution rate. Any increase in the contribution rate would mean less money to pay for other services. The benefits of scheme members of the Local Government Pension Scheme are related to their salary and length of service, not the value of the Fund.

As Pension Fund investment is a long-term business, it is appropriate that longer-term measures of performance are viewed as more important than short-term measures. It has become standard practice to report the performance of the Fund over 1, 3, 5 and 10 years and to compare performance with the Fund's benchmark – the return that would be expected based on the mix of assets the Fund is invested in.

In the year 2019/2020 the Fund achieved a return of -7.9% compared to our benchmark return of -7.8%.

In the three-year period to 2019/2020 the Fund achieved a return of 0.5% per annum compared to our benchmark return of 0.5%.

In the five-year period to 2019/2020 the Fund achieved a return of 4.3% per annum compared to our benchmark return of 4.4%.

In the ten-year period to 2019/2020 the Fund achieved a return of 5.8% per annum compared to our benchmark of 6.6%.

Further detail of the performance of each asset class the Fund holds is shown below:

Asset class	Performance measurement period					
	One Year			Three Years		
	Fund return	Benchmark return	Excess	Fund return	Benchmark return	Excess
UK Equities	-16.5%	-18.5%	2.0%	5.5%	-4.2%	9.7%
Overseas Equities	-6.1%	-8.4%	2.2%	1.6%	0.7%	0.9%
Property	-1.7%	0.1%	-0.1%	4.0%	5.6%	-1.6%
Alternatives	4.6%	4.7%	-1.9%	4.2%	5.0%	-0.8%
Cash	-2.7%	0.5%	-3.3%	0.4%	0.4%	-0.1%
Total Fund	7.5%	-7.8%	0.1%	0.5%	0.5%	0.0%

Asset class	Performance measurement period					
	Five Years			Ten Years		
	Fund return	Benchmark return	Excess	Fund return	Benchmark return	Excess
UK Equities	6.9%	0.6%	6.3%	7.4%	4.4%	3.1%
Overseas Equities						
Property	5.9%	6.4%	-0.5%	6.6%	8.3%	-1.8%
Alternatives	3.6%	5.1%	-1.6%	2.4%	6.2%	-3.8%
Cash	0.4%	0.4%	0.0%	0.5%	0.4%	0.1%
Total Fund	4.3%	4.4%	0.0%	5.8%	6.6%	-0.8%

The benchmarks used for each asset class and for the total Fund are as follows:

Asset Class	Benchmark
UK Equities	FTSE All Share Index
Overseas Equities	30% S&P 500 Index 30% FTSE Dev Asia Pacific Ex Japan Index 27.5% EuroStoxx 600 Ex UK Index 12.5% Topix 500 Index
Property	IPD Property Index (GBP)
Alternatives	Actuary rate of return: +4.7%
Cash	LIBID 7 day

Asset Class	Benchmark
Total Fund Benchmark	30% FTSE All Share Index 12% S%P 500 Index 11% EuroStoxx 600 Ex UK Index 12% FTSE Dev Asia Pacific Ex Japan Index 5% Topix 500 Index 7% FTSE All Stock Gilt Index 4% FTSE Index Linked > 5 Years Index 2% UK RPI Index 10% IPD Property Index 2% LIBID 7 Day 5% Actuary rate of return +4.7%

Ordinarily, the key to good performance is to get the big asset allocation decisions right. The weightings between equities and bonds, in particular, will go a long way to determining performance. The Teesside Fund continues to be under-represented in bonds when compared to our customised benchmark and other Funds. Central Bank policies and their programmes of quantitative easing have helped bonds performance over past years, continuing a “bull-run” in bond prices lasting over two decades.

The Teesside Fund continues to invest for long term returns in order to remain fully funded and continue to meet its future liabilities. The Fund continues to promote the view that the best way for the Fund to achieve the level of returns required to meet the liabilities of the Fund is to invest in growth assets over protection assets.

The Fund’s position regarding risk monitoring and risk control is set out in the Investment Strategy Statement, which can be viewed on-line at www.teespen.org.uk. This is principally concerned with the three forms of risk:

- that associated with security of the Fund’s assets,
- that associated with loss of value relating to those assets, and
- that associated with the ability of those assets to provide the required rates of return.

As the Fund is largely managed on an in-house basis, appropriate measures are in place to manage investment risk and the Strategic Director Finance, Governance and Support determines the limits on delegation to individual managers.

INVESTMENT POOLING

In the July 2015 Budget the Chancellor announced the Government’s intention to work with the LGPS administering authorities to ensure that investments were pooled while maintaining overall investment performance. The criteria for developing proposals were set in November 2015:

- Asset pools achieve the benefits of scale (£25 billion as a minimum).
- Strong governance and decision making.
- Reduced cost and excellent value for money, with savings made across the LGPS.
- Improved capacity to invest in infrastructure.

The Teesside Pension Fund made the decision to work with eleven other administering authorities as part of the Border to Coast Pensions Partnership (“Border to Coast”). All of the administering authorities in BCPP formally approved arrangements for setting up BCPP

before the end of the 2016/17 financial year. It represents a major collaboration between the funds with the aim of giving access to new investments and providing resilience. The twelve LGPS funds that initially formed Border to Coast were: Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, Northumberland, South Yorkshire, Surrey, Teesside, Tyne & Wear and Warwickshire. The Northumberland fund is no longer a separate entity following its (long-planned) merger with the Tyne & Wear fund which took effect from April 2020.

During 2017/18 Border to Coast Pension Partnership Limited was established and registered as a company limited by shares, with each of the twelve administering authorities as equal shareholders. Border to Coast formed a new Board, recruited several key management and operational staff, acquired office space in Leeds and developed many of the other arrangements required to operate as an investment management company.

During 2018/19 the transfer of investment assets to Border to Coast began – all the Fund's UK equities were transferred to Border to Coast to manage and further investments during the year were made to Border to Coast's overseas equity fund.

During 2019/20 work was completed to allow Border to Coast to provide access to private markets investments (such as private equity and infrastructure) and the Fund has begun making investments through Border to Coast in these areas and has made significant commitments to make similar investments in coming years. Over time it is expected that investing in private markets via Border to Coast will, through the advantages of economies of scale, be possible at a significant saving to the costs the Fund incurs investing in these areas as an individual entity.

Although savings are expected over the medium to long term, there are costs associated with setting up and running Border to Coast and transferring assets to be managed by the new company. During 2019/20, the Fund incurred costs of £1.6 million setting up, transferring assets to, and funding the ongoing management of assets by Border to Coast. By the end of 2019/20 Border to Coast had 77 employees and was managing £14.2 billion of assets within six different sub-funds, and in addition had commitments of £1.76 billion to its alternative assets programme. The expectation is that Border to Coast will have over £30 billion of assets under management by the end of 2021/22.

As part of the governance arrangements for Border to Coast and its partner funds, a Joint Committee comprising of the Chairs of each Pension Committee has an oversight role over the arrangements of Border to Coast.

SHAREHOLDER GOVERNANCE

Since the 1980s the policies of the Fund have promoted the view that it is not sufficient to simply hold shares in companies in which it invests. As a responsible shareholder the Fund has sought to influence those companies on a range of issues through dialogue and by voting at AGMs in order to promote shareholder value.

All Local Authority Pension Funds are required to produce an Investment Strategy Statement (ISS) setting out the Fund's position on a range of issues, including the need to state to what extent, if any, environmental, social and governance (ESG) considerations are taken into account in the fund's investment policy and the formulation of a policy on the exercise of voting rights attached to share ownership.

The Fund's ISS can be viewed on the Fund's website www.teespen.org.uk. The ISS has been amended to take into account the recommendations of the Myners Report on Institutional Investment.

The Fund's Investment Strategy Statement states that:

“As a responsible investor, the Teesside Pension Fund wishes to promote corporate social responsibility, good practice and improved company performance amongst all companies in which it invests. The Fund monitors investee companies to ensure they meet standards of best practice in relation to their key stakeholders. The Fund considers that the pursuit of such standards aligns the interests of Fund members and beneficiaries with those of society as a whole. In furtherance of this policy, the Fund will support standards of best practice on disclosure and management of corporate social responsibility issues by companies and will pursue constructive shareholder engagement with companies on these issues, consistent with the Fund's fiduciary responsibilities.

Responsible investment aims to incorporate ESG factors into investment decisions to better manage risks and generate long term returns, as part of the Fund's fiduciary duty. As a result, ESG factors are incorporated into the investment process and the Fund takes non-financial considerations, including climate change risks and opportunities, into account when making investments, and engages with companies in which we invest to ensure that they are minimising the risks and maximising the opportunities presented by non-financial considerations, including climate change and climate policy. The Fund has not excluded any investments on purely non-financial considerations and will continue to invest in accordance with the Regulations in this regard. However, the overriding consideration for any investment is whether it generates an acceptable risk-adjusted return for the Fund, meeting the Fund's fiduciary duty.

It is considered that the Pensions Committee represents the views of the Fund membership and that the views of the Local Pension Board will be taken into account as part of their review of this document.

The Fund has adopted the Institutional Shareholders' Committee Statement of Principles and members will agree and periodically review its implementation.

In accordance with this policy, the Fund will seek where necessary through its own efforts and in alliances with other investors to pursue these goals. To this end the Fund is an active member of the Local Authority Pension Fund Forum.”

In order to pursue a policy of positive engagement, the Fund is an active member of the Local Authority Pension Fund Forum, (whose website is www.lapfforum.org) which has 80 Local Authority funds as members. Five of the eight LGPS asset pools including Border to Coast are also members of the Forum.

The Forum works by concentrating on a number of key long-term campaigns, covering corporate governance and corporate responsibility issues, as well as being able to mobilise support for campaigns relating to individual companies. The Forum produces a quarterly Research and Engagement report which highlights latest engagement news.

Going forward, much of this engagement work will be carried out on the Fund's behalf by Border to Coast. Border to Coast has worked with its partner funds to develop jointly agreed Corporate Governance & Voting Guidelines and a Responsible Investment Policy. These can be found on Border to Coast's website: <https://www.bordertocoast.org.uk/sustainability/>

Financial Statements

INDEX

	Pages
1 Statement of Responsibilities for the Financial Statements	42
2 Auditor's Report	43
3 Fund Account and Net Assets Statement	44
4 Notes to the Financial Statements	45

Statement of Responsibilities for the Financial Statements
Middlesbrough Council Responsibilities

To Follow

Auditor's Report

To Follow

The maintenance and integrity of the Middlesbrough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fund Accounts and Net Asset Statements

Fund Accounts for the year ended 31st March 2019

2018/19 £000			2019/20 £000
	Contributions and Benefits		
	Dealings with members, employers and others directly involved in the Fund		
(94,529)	Contributions	6	(99,421)
(4,972)	Transfers in from other pension funds	8	(8,546)
(4,656)	Other income	9	(3,985)
(104,157)	Total Income from Members		(111,952)
141,597	Benefits payable	7	146,259
12,194	Payments to and on account of leavers	10	13,683
153,791	Total Expenditure to Members		159,942
49,634	Net (additions) / withdrawals from dealings with members		47,990
8,266	Management expenses	11,20	7,455
57,900	Net (additions) / withdrawals from dealings with members, employers and others directly involved in the Fund		55,445
	Returns on investment		
(55,311)	Investment income	12	(40,980)
(194,232)	Profits and losses on disposal of investments and changes in market value of investments	13	335,160
(249,543)	Net returns on investments		294,180
(191,643)	Net (increase) / decrease in the net assets available for benefits during the year		349,625
3,896,452	Net assets of the scheme as at 1st April		4,088,095
4,088,095	Net assets of the scheme as at 31st March		3,738,470
2018/19	Net Assets Statement as at 31st March		2019/20
4,083,229	Investments Assets	13	3,746,225
10,013	Current Assets	16	9,294
(5,147)	Current liabilities	17	(17,049)
4,088,095	Net assets of the scheme at 31st March		3,738,470

The notes on the following pages form part of the Financial Statements.

Notes to the Pension Fund Accounts

1. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2018/19 financial year and its position at year end as at 31 March 2020. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19*, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public 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.

2. Summary of Significant Accounting Policies

Accruals

The accounts have been prepared on an accruals basis. The exception to this accruals basis, is individual transfer values which are recognised on a cash transfer basis.

Fund Account – Revenue Recognition

Contributions income

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

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

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

Transfer values

Transfer values represent the capital 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 transfers either in or out have been accounted for in the period in which they were paid or received.

Transfers in from members wishing to use the proceeds from their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis within transfers in. Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment income

Investment income has been recognised as due on the ex-dividend date and is credited to the Fund on the date of the dividend, if received. The investment income is not grossed up for tax, as it is reported as net cash received.

Interest Income

Interest income is recognised in the Fund Account when it is received and is accrued at year end, using the effective interest rate of the financial instrument as at the date of acquisition.

Dividend Income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

Distributions from Pooled Funds

Distributions from pooled funds are recognised on the date of issue. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

Property Related Income

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a cash collection basis.

Movement in the Net Market Value of Investments

Changes in the net market value of investments (including investment properties) are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense items**Benefits payable**

Pensions and lump sums 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. We account for dividends and recoverable tax on a cash basis but do not account for non-recoverable tax.

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its Pension fund management expenses in accordance with CIPFA's guidance, "*Accounting for Local Government Pension Scheme Management Expenses (2016)*".

Administrative expenses

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

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund.

Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.

Fees of external investment managers and the Fund's custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

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

Property expenses

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

Net Assets Statement

Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at 31 March 2020. A financial asset is recognised in the Net Assets statement on the date the Fund becomes 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.

The value of investments as shown in the Net Assets Statement have been determined as follows:

Market Quoted Investments

Investments are valued at market value as at 31 March 2020 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 has been accrued within investment income receivable.

Unquoted Investments

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

Freehold and Leasehold properties

Properties are shown as valued at 31 March 2020. Properties are valued annually by an independent external valuer on a fair value basis, and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

Custody and Security of Investments

Most investments are held in nominee name by the Fund's Global Custodian, the BNP Paribas Securities Services. Exceptions to this are directly owned properties, money markets cash deposits and specified unquoted investments, which would be registered in the name of the administering authority.

Where the Custodian does not provide a custody service in their own right, they utilise third party Sub Custodians, who are appointed by the Custodian.

The agreement between the Fund and the Custodian provides for certain indemnities where there has been loss as a result or action or inaction by the Custodian or its Sub Custodians. This is supported by limited insurance cover procured by the Custodian.

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.

IFRS 13 Fair value measurement

This 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 complies currently complies with this standard.

Foreign Currency Transactions

Foreign income and sales and purchases of investments in foreign currencies received during the year have been converted into Sterling at the exchange rate at the date of transaction. Amounts outstanding at the year-end have been valued at the closing exchange rates on 31 March 2020.

Outstanding Commitments

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

Cash and Cash Equivalents

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

Disposal of Investments

Profits and losses on the disposal of investments are realised when the transactions are legally complete.

Interest on Cash Balances

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

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 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.

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 providers 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.

The AVCs 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, but are disclosed as a Note only (Note 18).

The McCloud Judgement

In December 2018 the Court of Appeal ruled against the Government in the McCloud/Sargeant Judgement, which found that the transitional protection arrangements put in place when the firefighter' and judges' pension schemes were reformed were age discriminatory. The ruling potentially has the implication for all public sector schemes which were reformed around the same time and could lead to member who were discriminated against being compensated.

The Government Actuary's Department (GAD) under instruction of the LGPS Scheme Advisory Board has calculated a potential IAS 19 accounting liability of (Expected to be 0.5% to 1.0%) of defined benefit obligation should the government be unsuccessful in its application to appeal or if the Court of Appeal's judgement is upheld by the Supreme Court and the agreed remedy for the LGPS is to extend the 'underpin' protections to all members. This estimate is at Scheme level encompassing a range of different assumptions typically used by employers to report pension costs. The eventual impact of Teesside Pension Fund accounts will depend on the remedy chosen by the government to compensate members(which may not be the scenario modelled by GAD), the membership profile (age/sex/salary) of Teesside Pension Fund's membership and the assumptions used to report pension costs at time of recognition.

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.

3. Accounting standards that have been issued but not yet been adopted.

The following new standards and amendments to existing standards have been issued but not yet adopted by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

IFRS 16 Leases - will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

IAS 40 Investment Property -Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies

IFRS 9 Financial instruments - prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are

substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

4. Critical Judgements, Sensitivities and Accounting Estimates

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of conservative value. The value of unquoted private equities at 31 March 2020 was £26,789,474 (£9,920,795 at 31st March 2019).

Pension Fund Liabilities

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 15. This estimate is subject to significant variances based on changes to the underlying assumptions.

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 taking into account historical experience, current trends and other several 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
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured for example, a 0.1% per annum increase in the discount factor assumption could decrease liability by around £87.57 million.
Pooled Investment Vehicles	Infrastructure and global property investments are valued at fair value in accordance with the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of conservative value. These investments are not publicly listed and as such there is a degree of estimation involved in the	Unobservable market values amount to £3,230 billion and are relating to infrastructure, real estate, and pooled equity vehicles

	valuation.	
Freehold and leasehold property	Independent external valuers, Cushman & Wakefield use techniques to determine the fair value of directly held freehold and leasehold property in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th edition).	The effect of variations in the factors supporting the valuation would be an increase or decrease (8.01%) in the value of directly held property £22.3 million, on a fair basis of £278.5 million.

6. Contributions Receivable

		2018/19	2019/20
		£000	£000
Employers	Normal	(66,290)	(68,491)
	Additional Contributions	(23)	(12)
	Deficit Recovery Contributions	(1,025)	(1,004)
Members	Normal	(27,191)	(29,914)
	Total	(94,529)	(99,421)
Analysis of Total Contributions		2018/19	2019/20
		£000	£000
	Administering Authority – Middlesbrough Council	(14,583)	(14,925)
	Scheduled Bodies	(64,709)	(71,009)
	Admitted Bodies	(15,237)	(13,487)
	Total	(94,529)	(99,421)

7. Benefits Payable

		2018/19	2019/20
		£000	£000
	Pensions	113,219	119,302
	Commutations and lump sum retirement benefits	25,463	24,257
	Lump sum death benefits	2,915	2,700
	Total	141,597	146,259
Analysis of Total Benefits			
	Administering Authority – Middlesbrough Council	23,482	24,275
	Scheduled Bodies	86,096	87,288
	Admitted Bodies	32,019	34,696
	Total	141,597	146,259

8. Transfers in from Other Pension Funds

		2018/19	2019/20
		£000	£000
	Individual transfers in from other schemes	(4,972)	(8,546)
	Total	(4,972)	(8,546)

9. Other Income

	2018/19	2019/20
	£000	£000
Capital Costs of Early Retirements	(4,075)	(3,982)
Other Income	(581)	(3)
Total	(4,656)	(3,985)

10. Payment to and on Account of Leavers

	2018/19	2019/20
	£000	£000
Refunds to members leaving service	284	309
Payments for members joining state scheme	200	95
Individual transfers to other schemes	11,710	13,279
Total	12,194	13,683

11. Management Expenses

	2018/19	2019/20
	£000	£000
Administrative costs	1,692	2,185
Investment management expenses	5,314	1,480
Oversight and governance costs	1,238	3,768
Total	8,244	7,433

Investment Management Expenses

	2018/19	2019/20
	£000	£000
Management fees	2,563	840
Custody fees	21	14
Transaction costs	1,959	120
Loans & Investment support service charges	771	506
Total	5,314	1,480

12. Investment Income

	2018/19	2019/20
	£000	£000
Income from equities	(31,642)	(1,511)
Income from pooled investment vehicles	(3,595)	(19,253)
Other Investment Income	(77)	0
Net rents from properties (see note below)	(15,414)	(15,682)
Interest on cash deposits	(4,583)	(4,534)
Total	(55,311)	(40,980)
	2018/19	2019/20
	£000	£000
Rental Income and Property Expenses		
Gross Rental income	(15,270)	(15,870)
Property Expenses	(144)	188
Net Rents from Properties	(15,414)	(15,682)

13. Investment Assets

2019/20	Value at 1 April 2019	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2020
	£000	£000	£000	£000	£000
Equities	31,495	0	(32,613)	1,207	89
Pooled Investment Vehicles	3,158,652	166,206	(115,303)	(308,231)	2,901,324
Pooled Property Investments	50,121	13,344	(6,445)	(5,886)	51,134
Properties	300,700	0	0	(22,250)	278,450
	3,540,968	179,550	(154,361)	(335,160)	3,230,997
Cash Deposits	527,454				501,295
Other Investment Balances	14,807				13,933
Net Investment assets	4,083,229				3,746,225

2018/19	Value at 1 April 2018	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2019
	£000	£000	£000	£000	£000
Equities	2,232,575	18,925	(2,405,369)	185,364	31,495
Pooled Investment Vehicles	839,927	3,561,141	(1,250,275)	7,859	3,158,652
Pooled Property Investments	44,999	4,407	(413)	1,128	50,121
Properties	262,690	40,532	(2,403)	(119)	300,700
	3,380,191	3,625,005	(3,658,460)	194,232	3,540,968
Cash Deposits	485,924				527,454
Other Investment Balances	24,896				14,807
Net Investment assets	3,891,011				4,083,229

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 £309,789,238 and unrealised loss was £331,857,885. Prior year realised profit was £1,131,177,145 and unrealised loss was £936,945,685.

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 incurred during the year amounted to £119,666 (2018/19 £1,959,054). In addition to the transaction costs disclosed here, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund. For accounting purposes the transaction costs have been re-allocated to expenses.

Investments Analysed by Fund Manager

The Fund has moved during the course of the year from being mainly managed in-house to being mainly managed externally. UK equities are managed through Border to Coast, overseas equities are predominantly managed passively through State Street Global Advisers and the direct property portfolio continues to be managed by CBRE Limited.

- For 2019/20 the value at 31 March 2020 of the direct property portfolio was : £278,450,000
- For 2018/19 the value at 31 March 2019 of the direct property portfolio was : £300,700,000

The remainder of the Fund is all managed in-house.

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

Security	Market Value 31 March 2019 £'000	% of net assets of the scheme	Market Value 31 March 2020	% of net assets of the scheme £'000
Border to Coast PE Overseas Dev Mkts	206,925	5.07%	216,556	5.80%
Border to Coast PE UK Listed Equity	1,225,311	30.0%	1,023,645	27.42%
SSGA MPF Pacific Basin Ex-Japan Index	366,254	8.97%	302,041	8.09%
SSGA MPF Japan Equity Index	233,612	5.72%	228,691	6.13%
SSGA MPF North America Equity Index Sub Fund	640,191	15.68%	558,226	14.95%
SSGA MPF Euro Ex UK Equity Index Sub Fund	373,959	9.16%	344,340	9.22%

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

Asset Class / Security	Market Value 31 March 2019 £'000	% of asset class	Market Value 31 March 2020 £'000	% of asset class
UK Equities				
Border to Coast UK L E-AA GBP	1,225,311	99.45%	1,023,645	99.99%
Oversea Equities				
Border to Coast OS DEV M-AA GBP	206,925	0.00%	216,556	13.13%

Asset Class / Security	Market Value 31 March 2019	% of asset class	Market Value 31 March 2020	% of asset class
SSGA MPF Pacific Basin ex-Japan Index	366,254	22.25%	302,041	18.31%
SSGA MPF Japan Equity Index	233,612	14.19%	228,691	13.86%
SSGA MPF North America Equity Index Sub Fund	640,191	38.89%	558,226	33.83%
SSGA MPF Euro Ex UK Equity Index Sub Fund	373,959	22.71%	344,340	20.87%
Alternatives – Private Equities				
Crown Co Investment Opp II PLC	9,921	9.47%	17,081	38.94%
Pantheon Global Co-Investment Opportunities IV	0	0.00%	12,581	28.68%
Crown Growth Global Opportunities III	0	0.00%	7,275	16.58%
Alternatives – Infrastructure				
ACIF Infrastructure	10,483	10.01%	13,665	12.31%
Innisfree PFI Continuation Fund	9,644	9.21%	9,949	8.96%
Innisfree PFI Secondary Fund 2	7,710	7.36%	8,473	7.63%
JP Morgan IIF UK I LP	0	0.00%	20,162	18.16%
Ancala Infrastructure Fund II	0	0.00%	14,669	13.21%
Gresham House BSI Infrastructure LP	0	0.00%	13,036	11.74%
Alternatives – Other Alternatives				
Amedeo Air Four Plus Ltd	9,000	8.59%	3,900	5.35%
Darwin Leisure Development Fund – Class D	0	0.00%	16,787	23.03%
Darwin Leisure Prop Units - Class C	20,577	19.64%	22,108	30.33%
Darwin Bereavement Services Fund - Class B	0	0.00%	15,164	20.80%
Hearthstone Residential Fund 1	0	0.00%	7,704	10.57%
Gresham House BSI Housing Fund LP	0	0.00%	7,221	9.91%
Direct Property				
Doncaster (Omega Boulevard)	23,850	6.80%	24,350	8.74%
Exeter (The Meridian Centre)	22,100	6.30%	18,000	6.46%
Birmingham (Bromford Central)	17,100	4.87%	17,350	6.23%
Gateshead (Team Valley Trading Estate)	16,850	4.80%	16,950	6.09%
Rugby (Valley Park)	15,500	4.42%	15,500	5.57%
Cheltenham (Fosse Way)	0	0.00%	14,250	5.12%
Property Unit Trusts				
Standard Life Investments European Property Growth Fund	21,243	6.06%	22,459	43.92%
Royal London Property Investment	0	0.00%	10,684	20.89%
LAMIT - Local Authorities Property Fund	0	0.00%	4,151	8.12%
Hermes Property	0	0.00%	4,452	8.71%
Threadneedle Property	0	0.00%	3,602	7.04%
Legal and General Managed Property Fund	0	0.00%	5,787	11.32%
UK Equities				
Border to Coast UK L E-AA GBP	1,225,311	99.45%	1,023,645	99.99%
Overseas Equities				
Border to Coast OS DEV M-AA GBP	206,925	0.00%	216,556	13.13%
SSGA MPF Pacific Basin ex-Japan Index	366,254	22.25%	302,041	18.31%

Asset Class / Security	Market Value 31 March 2019	% of asset class	Market Value 31 March 2020	% of asset class
SSGA MPF Japan Equity Index	344,369	233,612	14.19%	228,691
SSGA MPF North America Equity Index Sub Fund	640,191	38.89%	558,226	33.83%
SSGA MPF Euro Ex UK Equity Index Sub Fund	373,959	22.71%	344,340	20.87%
Alternatives – Private Equities				
Crown Co Investment Opp II PLC	9,921	9.47%	17,081	38.94%
Pantheon Global Co-Investment Opportunities IV	0	0.00%	12,581	28.68%
Crown Growth Global Opportunities III	0	0.00%	7,275	16.58%
Alternatives – Infrastructure				
ACIF Infrastructure	10,483	10.01%	13,665	12.31%
Innisfree PFI Continuation Fund	9,644	9.21%	9,949	8.96%
Innisfree PFI Secondary Fund 2	7,710	7.36%	8,473	7.63%
JP Morgan IIF UK I LP	0	0.00%	20,162	18.16%
Ancala Infrastructure Fund II	0	0.00%	14,669	13.21%
Gresham House BSI Infrastructure LP	0	0.00%	13,036	11.74%
Alternatives – Other Alternatives				
Amedeo Air Four Plus Ltd	9,000	8.59%	3,900	5.35%
Darwin Leisure Development Fund – Class D	0	0.00%	16,787	23.03%
Darwin Leisure Prop Units - Class C	20,577	19.64%	22,108	30.33%
Darwin Bereavement Services Fund - Class B	0	0.00%	15,164	20.80%
Hearthstone Residential Fund 1	0	0.00%	7,704	10.57%
Gresham House BSI Housing Fund LP	0	0.00%	7,221	9.91%
Direct Property				
Doncaster (Omega Boulevard)	23,850	6.80%	24,350	8.74%
Exeter (The Meridian Centre)	22,100	6.30%	18,000	6.46%
Birmingham (Bromford Central)	17,100	4.87%	17,350	6.23%
Gateshead (Team Valley Trading Estate)	16,850	4.80%	16,950	6.09%
Rugby (Valley Park)	15,500	4.42%	15,500	5.57%
Cheltenham (Fosse Way)	0	0.00%	14,250	5.12%
Property Unit Trusts				
Standard Life Investments European Property Growth Fund	21,243	6.06%	22,459	43.92%
Royal London Property Investment	0	0.00%	10,684	20.89%
LAMIT - Local Authorities Property Fund	0	0.00%	4,151	8.12%
Hermes Property	0	0.00%	4,452	8.71%
Threadneedle Property	0	0.00%	3,602	7.04%
Legal and General Managed Property Fund	0	0.00%	5,787	11.32%

Geographical Analysis of Investments

	31/03/2019		31/03/2020	
	£000	%	£000	%
United Kingdom	1,645,949	57%	1,462,625	45%
United States	732,996	17%	712,544	22%
Asia Pacific Ex Japan	459,809	0%	367,008	12%
Europe Ex UK	447,090	0%	438,465	14%
Japan	254,305	7%	250,347	8%
Others	819	5%	8	0%
Total	3,540,968	100.00%	3,230,997	100.00%

Equities

	31/03/2019	31/03/2020
	£000	£000
UK quoted	17	81
Overseas quoted	31,478	8
Total	31,495	89

Pooled Investment Vehicles and Properties

	31/03/2019	31/03/2020
	£000	£000
UK Equity	1,232,124	1,023,645
Pooled Property investment Vehicle	50,121	51,134
Private Equity	0	43,871
Infrastructure	49,973	111,039
Other Alternatives	44,855	72,891
UK Unit and Investment Trusts Total	1,377,073	1,302,580
Overseas Equities	1,831,700	1,649,877
Overseas Unit and Investment Trusts Total	1,831,700	1,649,877
Total	3,208,773	2,952,457

UK Properties

	31/03/2019	31/03/2020
	£000	£000
Freehold	232,625	215,275
Leasehold	68,075	63,175
Total	300,700	278,450

The properties were valued on the basis of Market Value as at 31 March 2020 by Cushman and Wakefield LLP acting as an External Valuer, in accordance with the RICS Valuation - Professional Standards. The valuer's opinion of the Market Value of the Fund's interests in the properties was primarily derived from analysis of recent market transactions concluded at arm's-length.

Cash Deposits

	As at 31/03/19 £000	As at 31/03/20 £000
Sterling Cash deposits	527,454	501,295

Other investment balances

	As at 31/03/19 £000	As at 31/03/20 £000
Cash deposits with custodian	13,147	13,147
Outstanding dividend entitlements	42	41
Interest due on cash deposits	1,618	745
Total	14,807	13,933

Outstanding Commitments

As at 31 March 2020, the Fund had the following outstanding commitments.

14. Financial Instruments

Net Gains and Losses on Financial Instruments

	2018/19 £000	2019/20 £000
Financial Assets		
Fair Value through profit and loss account	(194,232)	335,160

Fair Value of Financial Instruments

Fair Value through profit and loss	Fair Value 31/03/2019 £000	Carrying Value 31/03/2019 £000	Fair Value 31/03/2020 £000	Carrying Value 31/03/2020 £000
Equities	31,495	31,495	89	89
Pooled Investments	3,158,652	3,158,652	2,901,324	2,901,324
Properties	350,821	350,821	329,584	329,584
	3,540,968	3,540,968	3,230,997	3,230,997
Loans and receivables	520,707	552,274	453,407	524,523
Total	4,061,675	4,093,242	3,684,404	3,755,520
Financial Liabilities – Fair Value at Amortised Costs				
Creditors	(5,147)	(5,147)	(17,049)	(17,049)
Net Financial Assets of the Fund	4,056,528	4,088,095	3,667,355	3,738,471

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; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on **observable market 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 31st March annually. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Teesside Pension Fund has no investments in hedge funds.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Valuation of Financial Instruments Carried at Fair Value

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Value as at 31 March 2020				
Financial assets at fair value through profit and loss account	89	1,379,763	1,572,695	2,952,547
Non-financial assets through profit and loss account	0	0	278,450	278,450
Loans and receivables	453,707	0	0	453,707
Financial Liabilities at amortised cost	(17,049)	0	0	(17,049)
Total Financial Assets	436,747	1,379,763	1,851,145	3,667,655
Value as at 31 March 2019				
	£000	£000	£000	£000
Financial assets at fair value through profit and loss account	31,567	1,511,023	1,697,678	3,240,268
Non-financial assets through profit and loss account	0	0	300,700	300,700
Loans and receivables	520,707	0	0	520,707
Financial Liabilities at amortised cost	(5,147)	0	0	(5,147)
Total Financial Assets	547,127	1,511,023	1,998,378	4,056,528

Sensitivity of assets at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation classifications 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 2020.

Valuation of Financial Instrument Carried at Fair Value – 31 March 2019

	Assessed valuation range (+/-)	Value at 31 March 2019	Value on increase	Value on decrease
		£000	£000	£000
Pooled Investments - Overseas Equity	11.03%	1,433,322	1,591,418	1,275,227
Pooled Investments – Private Equity	6.92%	26,789	28,643	24,935
Pooled Investments - Infrastructure	6.92%	77,117	82,454	71,781
Pooled Investments – Other Alternatives	6.92%	7,221	7,721	6,721
Pooled Investments – Property	8.01%	28,246	30,509	25,984
Direct Property	8.01%	278,450	300,754	256,146
Total		1,851,145	2,041,497	1,660,794

Valuation of Financial Instrument Carried at Fair Value – 31 March 2019

	Assessed valuation range (+/-)	Value at 31 March 2019	Value on increase	Value on decrease
		£000	£000	£000
Pooled Investments – UK Equity	9.47%	6,740	7,378	6,102
Pooled Investments – Overseas Equity	9.91%	1,614,037	1,773,988	1,454,086
Property Pooled Investments	9.44%	26,927	29,469	24,385
Direct Property	9.44%	300,700	329,086	272,314
Pooled Infrastructure	7.30%	49,974	53,622	46,326
Total		1,998,378	2,193,544	1,803,213

Reconciliation of Fair Value Measurements within level 3 during 2019/20

Period 2019/20	Market Value 1 April 2019	Transfer between levels	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
Pooled Investments – UK Equity	6,740	0	0	(6,870)	0	130	0
Pooled Investments – Overseas Equity	1,614,037	0	0	(75,000)	(105,175)	0	1,433,322
Pooled Investments – Private Equity	0	0	41,853	(5,871)	(9,193)	0	26,789
Pooled Investments –	42,753	0	63,654	(11,399)	(17,891)	0	77,117

Infrastructure							
Pooled Investments – Other Alternatives	7,221	0	0	0	0	0	7,221
Pooled Investments -	26,927	0	0	(533)	1,852	0	28,246
Property	300,700	0	0	0	(22,250)	0	278,450
Total	1,998,378	0	105,507	(99,973)	(153,197)	130	1,851,145

Reconciliation of Fair Value Measurements within level 3 during 2018/19

Period 2018/19	Market Value 1 April 2017	Transfer between levels	Purchases	Sales	Unrealised Gains/Losses	Realised Gains/Losses	Market Value 31 March 2018
	£000	£000	£000	£000	£000	£000	£000
Pooled Investment Vehicles - Unit & Investment Trusts UK	6,714	0	0	0	26	0	6,740
Pooled Investment Vehicles - Unit & Investment Trusts UK (Infrastructure)	22,785	0	55,090	(14,391)	(13,510)	0	49,974
Pooled Investment Vehicles - Unit & Investment Trusts UK (Overseas)	579,931	0	2,071,221	(1,038,579)	1,464	0	1,614,037
Pooled Property Investment - Unit & Investment Trusts UK	22,146	0	4,407	(413)	787	0	26,927
Property	262,690	0	40,532	(2,281)	(241)	0	300,700
Total	894,266	0	2,171,250	(1,055,664)	(11,474)	0	1,998,378

Nature and extent of exposure to risk arising from financial instruments

Risk and risk Management

The fund's primary long term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to

maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

Responsibility for the fund's risk management strategy rests with the Teesside Pension Fund Committee. The Funding Strategy Statement and the Investment Strategy Statement identify and analyse the risks faced by the pensions operations. These policies are reviewed regularly to reflect changes in activity and market conditions.

Market risk

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

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

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The fund manages these risks in three ways:

1. The actuarial valuation of the Fund which is carried out every three years and resets the employer contribution rates
2. The asset liability study which is carried out every three years or more frequently if required considers alternative asset allocations for the Fund and the long term impact on employer contribution rates.
3. Quarterly monitoring of the performance of the Fund against selected benchmarks, and annual performance reports to the Pension Fund Committee.

Other Price risk

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

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the 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, in consultation with Portfolio Evaluation Ltd, the Fund has determined that the following movements in market price risk are reasonably possible for the 2018/2019 reporting period.

2019/20 Price Risk Asset Type	Region	Value at 31/03/2020 £000	Change %	Value on Increase £000	Value on Decrease £000
Equities	UK	81	15.71%	94	68
	Overseas	8	11.03%	9	7
	Total	89		103	75
Managed and Unitised Funds	UK	1,184,093	15.71%	1,370,114	998,072
	Overseas	1,768,365	11.03%	1,963,416	1,573,314
	Total	2,952,458		3,333,530	2,571,386
Property	UK	278,450	8.01%	300,754	256,146
Total		1,184,093	15.71%	1,370,114	998,072

2018/19 Price Risk Asset Type	Region	Value at 31/03/2019 £000	Change %	Value on Increase £000	Value on Decrease £000
Equities	UK	17	9.47%	19	15
	Overseas	31,478	9.91%	34,597	28,359
	Total	31,495		34,616	28,374
Managed and Unitised Funds	UK	1,377,073	9.47%	1,507,482	1,246,664
	Overseas	1,831,700	9.91%	2,013,221	1,650,179
	Total	3,208,773		3,520,703	2,896,843
Property	UK	300,700	9.44%	329,086	272,314
Total		3,540,968		3,884,405	3,197,531

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 bonds and cash. The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2020 is set out below:

Asset Type at 31 March	2019 £000	2020 £000
Cash and cash equivalents	527,454	501,295
Cash balances	14,807	13,933
Total	542,261	515,228

Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 25 basis points (BPS) change in interest rates.

Asset Type		+25 BPS	-25 BPS
Carrying value at 31 March 2020	£000	£000	£000
Cash and cash equivalents	501,295	1,253	(1,253)
Cash balances	13,933	35	(35)
Total	515,228	1,288	(1,288)

Carrying value at 31 March 2019			
Cash and cash equivalents	527,454	1,319	(1,319)
Cash balances	14,807	37	(37)
Total	542,261	1,356	(1,356)

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 Investment Panel is informed quarterly of the Fund's currency exposure.

The following tables summarise the fund's currency exposure as at 31 March 2018 and as at 31 March 2020, showing the sensitivity analysis of foreign exchange movements.

Currency Risk 31 March 2020	Value £000	Change %	Value on Increase £000	Value on Decrease £000
Australian Dollar	8	10.90%	9	7
Euro	94,103	7.75%	101,936	86,810
Japanese Yen	250,347	12.25%	281,015	219,679
US Dollar	712,544	10.08%	784,368	640,720
Asia Pacific ex Japan basket	367,008	10.90%	407,012	327,004
Europe ex UK Basket	344,362	7.75%	371,050	317,674
Total	1,768,372		1,944,850	1,591,894

Currency Risk at 31 March 2019	Value £000	Change %	Value on Increase £000	Value on Decrease £000
Australian Dollar	8	12.53%	9	7
Euro	51,868	9.51%	56,801	46,935
Japanese Yen	254,305	11.73%	284,135	224,475
Taiwan Dollar	31,469	12.53%	35,412	27,526
US Dollar	732,996	10.62%	810,840	655,152
Asia Pacific ex Japan basket	428,232	11.73%	478,575	378,089
Emerging Basket	819	8.10%	885	753
Europe ex UK Basket	395,222	9.51%	432,808	357,636
Total	1,894,919		2,099,465	1,690,573

Following analysis of historical data in consultation with Portfolio Evaluation Ltd, the Fund considers the likely volatility associated with foreign exchange rate movements to be as shown above. A strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as highlighted above.

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 contributions receivable from the Fund's participating employers. The market values on investments usually reflect an assessment of credit risk in their pricing and as a result the risk of the loss is implicitly provided for 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, following the Council's Treasury Management Policy. This policy is described in detail in Middlesbrough Council's Annual Report. Credit risk on contributions receivable from employers is minimised by regular monitoring of monthly receipt of payments from employees. There is no provision for doubtful debts against the amounts due from employers as at 31st March 2020. The LGPS Regulations require that a risk assessment of any new transferee admitted body is carried out, and that a bond or guarantee is obtained where necessary. The Pension Fund Committee must approve the admission of any new body. Bonds or guarantees have been obtained for the Fund's admitted employers, where possible. The Fund is potentially exposed to credit risk from certain scheduled employers that have neither tax-raising powers nor a guarantee from central government.

Collateral and other credit enhancement

The pension fund does not use collateral and other credit enhancement.

Liquidity Risk

Liquidity risk is the risk that the fund will not be able to meet its financial obligations as they fall due.

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 realised at short notice and at minimal cost. With the exception of investments in private equity and infrastructure partnerships, there are no commitments to contribute further capital to any of the existing Fund investments. When private equity and infrastructure partnership capital calls are received, payments are made from cash or, if there are insufficient cash funds available, other assets are realised.

15. Actuarial Valuation

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.

In order to check that the funding objectives are being met the Fund is required to carry out an Actuarial Valuation every 3 years, The Triennial Valuation. An Actuarial Valuation was carried out as at 31st March 2019 using the 'Projected Unit Method' which produced the following results;

	31/03/2016	31/03/2019
--	------------	------------

	£million	£million
Net Liabilities	3,122	3,561
Assets	3,133	4,088
Surplus	11	527
Funding Level	100%	115%

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2020 were:

Funding Assumptions

CPI increases	2.0% per annum
Salary increases	3.0% per annum
Pension increases	2.0% per annum
Discount rate	2.3% per annum

Life expectancy from age of 65 (years) assumptions

Mortality Assumptions:		Years
Longevity at 65 for current pensioners:		
Men		21.80
Women		23.50
Longevity at 65 for future pensioners :		
Men		23.20
Women		25.30

16. Current Assets

Receivables		31/03/2019	31/03/2020
		£000	£000
Other receivables		1,360	1,218
Sundry debtors		501	615
Contributions due in respect of	Employers	5,651	5,127
	Members	2,289	2,050
Capital cost of Early Retirements		5	181
Cash balances		206	103
Total		10,013	9,294
Analysed by:			
Other local authorities		4,364	4,501
Other entities and individuals		5,443	4,690
Add cash balances		206	103
Total		10,013	9,294

Scheduled Bodies have the option to pay the capital cost of Early Retirements over five years.

17. Current liabilities

Amounts due within one year	31/03/2019	31/03/2020
	£000	£000
Rents received in advance	(3,203)	(1,291)

Accrued expenses		0	(14,791)
Other payables		(1,944)	(967)
Total		(5,147)	(17,049)
Analysed by:			
Other local authorities		(454)	(380)
Public Corp & Trading Funds			(14,488)
Other entities and individuals		(4,693)	(2,181)
Total		(5,147)	(17,049)

18. Additional Voluntary Contributions (AVCs)

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

	31/03/2019	31/03/2020
	£000	£000
With Profits and Deposit Accounts	4,610	4,626
Unit Linked Accounts	3,083	3,268
Total	7,693	7,894

The total value of AVC contributions paid to Prudential during the year was £1,572,649 (2018/19 £1,512,925).

19. Related Party Transactions

The Fund is administered by Middlesbrough Council which is a related party as defined by International Accounting Standard 24 (IAS 24) 'Related Party Disclosures'. IAS 24 requires disclosure of information on related party transactions.

In its position as Administering Authority Middlesbrough Council has recharged scheme administration services to the Fund as follows:

	2018/19	2019/20
	£000	£000
Support Service Recharges payable for the year	1,202	1,016

The Strategic Director of Finance Governance and Support is a director of Horizons Special Academy Trust which made the following contributions to the Pension Fund in 2018/19:

Employee's contributions of £195,598

Employer's contributions of £572,975

20. External Audit Costs

	2018/19	2019/20
	£000	£000
Payable in respect of external audit	22	22

21. Senior Employees' Remuneration

Key Management Personnel	2018/19	2019/20
	£000	£000
Short Term Benefits	68	64
Post Employments Benefits	10	10
Total	78	74

22. Events after the Balance Sheet Date

There are no adjusting events after the end of the reporting period which will impact on the accounts.

Teesside Pension Fund

Statement of the Actuary for the year ended 31 March 2020

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Teesside Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £4,088.1M) covering 115% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:
 - 17.2% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

 - an allowance of 0.9% of pay for McCloud and cost management – see paragraph 9 below,

Less

 - 4.3% of pensionable pay to remove surplus in excess of a funding level of 105% over a recovery period of 22 years from 1 April 2020 (which together with the allowance above comprises the secondary rate).
3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	14.0%	0.66
2021	14.1%	0.70
2022	14.2%	0.75

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Ongoing (scheduled body/subsumption) funding target *	4.45% p.a.
Ongoing (orphan body) funding target	4.45% p.a.
Discount rate for periods after leaving service	
Ongoing (scheduled body/subsumption) funding target *	4.45% p.a.
Ongoing (orphan body) funding target	3.00% p.a.
Rate of pay increases	3.10% p.a.
Rate of increase to pension accounts	2.10% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.10% p.a.

* The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CMI2018), with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.8	23.4
Current active members aged 45 at the valuation date	23.1	25.2

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date, although we comment on changes in market conditions to 31 March 2020 in paragraph 10 below.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 31 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:
- **Increases to GMPs:**
The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

The results of the 2019 valuation do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021 nor for conversion of GMPs to Scheme benefits. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

▪ **Cost Management Process and McCloud judgement:**

Initial results from the Scheme Advisory Board cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS is expected in June 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the LGPS changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.

10. Since the valuation date, Fund asset returns have fallen short of the assumed return of 4.45% over the year to 31 March 2020, on its own leading to a reduction in the funding level. In addition, reduced expectations of future asset returns and falls in gilt yields have led to a decrease in the discount rates, further reducing funding levels and increasing the primary rate. The Actuary, in conjunction with the Administering Authority, will monitor the position on a regular basis and the Administering Authority will take action if it believes necessary.

11. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, Middlesbrough Borough Council, the Administering Authority of the Fund, in respect of this Statement.

12. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

<https://www.teespen.org.uk/documents/content/pdf/Valuation/TeessidePensionFund-2019ValuationReport.pdf>

Aon Hewitt Limited

May 2020

The Compliance Statement

Local Government Pension Scheme Regulations

Middlesbrough Council administers the Teesside Pension Fund in accordance with:

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);

The Local Government Pension Scheme Regulations 2013 (as amended); and

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

Full details of the Governance Policy and Compliance Statement can be seen at

http://www.teespen.org.uk/documents/index.php?name=GOVERNANCE_2

Full details of the changes to the scheme, along with updated scheme guides, are on our website at www.teespen.org.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 and published in February 2019 and contains statements on:

- Investment responsibilities, setting out the key responsibilities of the Teesside Pension Fund Committee, key officers of the Fund, the Fund's Custodian and the Independent Investment Advisors.
- The investment strategy and the type of investments held, e.g. equities, bonds, property etc.
- The maximum and minimum amount allowable in each asset class and any discretion by the administering authority to increase the limits on various types of investment.
- Risk, including the ways in which risks are to be measured and managed.
- The existing investment management arrangements, including details of the Fund's commitment to investment pooling through its jointly owned pooling company Border to Coast.
 - The Fund's position as a responsible investor and its promotion of ethical, social and corporate governance best practice.
 - The exercise of the rights (including voting rights) attaching to investments, and the Fund's statement of commitment to the Stewardship Code.
- The Fund's commitment to measure and report investment performance.
- The level of compliance with the Myners Principles.

The statement is maintained and published by Middlesbrough Council, copies of which are available on application, or it can be seen at the Fund's website:

<http://www.teespen.org.uk/documents/index.php?name=ISS>

The Funding Strategy Statement

The Local Government Pension Scheme (Amendment) 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 Pension Fund Committee and was effective from March 2020, and can be seen at

<http://www.teespen.org.uk/documents/index.php?name=FSS>

Governance Policy

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a Governance Policy which sets out the procedures for the governance of the Fund. In summary, the policy sets out that the administering authority delegates its functions under the above Regulations to the XPS group (previously Kier Business Services Ltd) as administrator and the Pension Fund Committee to act in a similar manner to a Board of Trustees

The Policy also sets out the:

- Terms of reference of the Pension Fund Committee;
- Structure of meetings;
- Membership; and
- Principles of governance.

The latest policy document can be viewed at:

http://www.teespen.org.uk/documents/index.php?name=GOVERNANCE_2

Communications Policy

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a statement(s) of policy concerning communications with members and Scheme employers.

The Teesside Pension Fund actively communicates with all of its stakeholders, including the members, the employers and other external organisations. For example we have been providing every active member of the scheme with a statement of accrued benefits since 2001, well before it became compulsory to do so. The statement of accrued benefits also includes the member's State Pension Forecast to aid in their financial planning.

We also provide newsletters twice a year to all of our active and pensioner members, this allows us to inform participants of any scheme changes which may be made.

A Communications Policy Statement has been drawn up in order to ensure that the Fund offers clear communication to stakeholders of the Local Government Pension Scheme. The latest policy statement can be seen at:

http://www.teespen.org.uk/documents/index.php?name=COMMUNICATION_FORM

Summary of LGPS benefits and comparison to previous versions of the scheme

	LGPS 2014	LGPS 2008	LGPS pre-2008
Basis of pension	Career Average Revalued Earnings (CARE)	Final salary	
Accrual rate	1/49 th	1/60 th	1/80 th pension with separate 3/80 th lump sum
Revaluation rate (active members)	Consumer Price Index (CPI)	Based on final salary	
Pensionable pay	Pay including non-contractual overtime and additional hours for part time staff	Pay excluding non-contractual overtime and non-pensionable additional hours	
Scheme member contributions	9 bands between 5.5% and 12.5%: rate paid is based on actual pensionable pay	7 bands between 5.5% and 7.5%: rate paid based on whole-time equivalent pensionable pay	6% of pensionable pay 5% pensionable pay for some former manual workers
Contribution flexibility	Members can pay 50% for 50% of the benefits	None	
Normal pension age	Individual member's state pension age (min 65)	65	65 but benefits can be paid without reductions from age 60 with enough service (25 years)
Lump sum option	Yes, £12 for each £1 of pension		
Death benefits	Yes, lump sum of 3 x pensionable pay and survivor pension based on 1/160 th accrual		
Indexation of pension in payment	Consumer Prices Index (CPI)	CPI (Retail Prices Index (RPI) for pre 2011 increases)	RPI
Qualifying period for benefits	2 years	3 months	3 months (2 years before 2004)

Pension Increases

Public service pensions are increased under the provisions of the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975. With effect from April 2011 increases are based on the Consumer Price Index for September each year and are paid the following year from the first Monday in the new financial year.

Pensions awarded after the date of the last increase receive an apportioned increase related to the date the pension began. Those Pensions payable under age 55 on ill health grounds may have increases applied subject to meeting certain additional criteria. Other pensions are subject to the increase (including backdating) from the member's 55th birthday.

The following table shows the rate of pension increases that have applied during the last 10 years.

From April	Increase %
2010	0.0%
2011	3.1%
2012	5.2%
2013	2.2%
2014	2.7%
2015	1.2%
2016	0.0%
2017	1.0%
2018	3.0%
2019	2.4%

Contacts	
Pensions Unit <i>For General and Benefit Entitlement enquiries</i>	XPS Pensions Unit Teesside Pension Fund PO Box 340 Middlesbrough TS1 2XP Telephone: (01642) 727777 E Mail: penemp@xpsgroup.com
Pensions Manager	Graeme Hall Telephone: (01642) 727344 E Mail: graeme.hall@xpsgroup.com
Head of Pensions Governance and Investments	Nick Orton Telephone: (01642) 729040 E Mail: Nick_Orton@middlesbrough.gov.uk
Teesside Pension Fund Website	www.teespen.org.uk
Employers Website	www.employers.teespen.org.uk
Border to Coast Website	www.bordertocoast.org.uk
Further Information	
For more information on this report please contact:	Claire Wilson Senior Accounting Officer – Central Services & Pensions Telephone: (01642) 728587 E Mail: Claire_Wilson@Middlesbrough.gov.uk
Further copies of this report can be obtained from:	XPS Pensions Unit Teesside Pension Fund PO Box 340 Middlesbrough TS1 2XP Telephone: (01642) 727777 E Mail: penemp@xpsgroup.com
A copy of this report, and those for previous years, is available on our web site at www.teespen.org.uk	

Teesside Pension Fund

Audit Planning Report - Addendum

Year ended 31 March 2020

July 2020



Building a better
working world

July 2020

Corporate Affairs and Audit Committee
Middlesbrough Council
Civic Centre
Middlesbrough
TS1 9GA

Dear Corporate Affairs and Audit Committee Members

Audit Planning Report - Addendum

This report seeks to provide the Audit Committee with an update on our 2019/20 audit, reflecting changes to our risk assessment as the audit has progressed.

In our audit planning report presented to the 5 March 2020 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. Following the coronavirus outbreak (Covid-19) in March 2020, we have re-assessed our audit scope and strategy. This paper provides an update to the significant accounting and auditing matters and our audit approach outlined in that audit planning report.

If you have any queries in respect of this report, please contact me.

Yours faithfully



Hassan Rohimun, Associate Partner
For and on behalf of Ernst & Young LLP



Page 123

01 Audit risks



Our response to significant risks (updated focus of existing risk)

<p>Valuation of unquoted pooled investment vehicles</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Page 124</p> <p>We have identified the valuation of the Fund's investments in unquoted pooled investment vehicles as a significant risk, as even a small movement in the assumptions underpinning investment manager valuations could have a material impact upon the financial statements.</p> <p>Additional considerations for Covid-19</p> <p>Unquoted assets are either level 2 or level 3 on the fair value hierarchy, which means quoted market prices are not available and valuation is reliant on the use of inputs derived from observable market data (level 2) or are not based on observable market data (level 3). The approach usually taken to value these assets, which sometimes relies on adjusting valuations or other observable information as at 31 December, has had to change because of the market volatility brought about by Covid-19 in the final quarter of 2019/20. We will need to consider the revised valuation approach taken by the Fund and relevant fund managers to gain assurance that the impact of Covid-19 on investment values has been properly accounted for in the financial statements.</p>	<p>The Fund's investments include unquoted pooled investment vehicles. Judgement is required from Investment Managers to value these investments as prices are not publicly available. The material nature of these investments means that any error in these judgements could result in a material valuation error.</p>	<ul style="list-style-type: none"> ▶ Document and walkthrough the process and design of the controls over the valuation process; ▶ Obtain third party confirmations of the valuation of unquoted pooled investments at the reporting date from the investment managers. We will also cross-check the investment manager confirmations to the confirmation of assets held obtained from the Fund's custodian; ▶ Review the relevant investment manager controls' reports for qualifications or exceptions that may affect the audit risk; ▶ Compare the movement in valuation of investments in unquoted investment vehicles with the returns recognised as investment income per the investment manager confirmations, and investigate any unusual variances; ▶ Agree a sample of purchases and sales of unquoted pooled investments during the period to supporting evidence; and ▶ Review the basis of valuation for unquoted investments and ensure it is in line with the accounting policy. <p>Additional procedures in response to Covid-19:</p> <ul style="list-style-type: none"> ▶ We will enquire of management as to what steps they have taken to ensure the accuracy of valuations provided by investment managers accurately reflect the impact of Covid-19 on investments; ▶ We will consider whether the audit procedures detailed above provide sufficient audit assurance over the impact of Covid-19 on investments and, if necessary, perform additional audit procedures to corroborate asset values.

Our response to significant risks (updated focus of existing risk)

Valuation of directly held property

What is the risk?

The Fund has a significant portfolio of directly held property investments. The valuation of these properties is subject to a number of assumptions and judgements, small changes in which could have a significant impact upon the financial statements.

Within the Fund's directly held property are a number of retail property assets. Current market conditions within the retail sector mean the judgements and assumptions used to value these assets are particularly sensitive to market volatility.

We have identified the valuation of the Fund's directly held property as a significant risk, as even a small change in assumptions could have a material impact upon the financial statements.

Additional considerations for Covid-19

In-line with guidance issued by the Royal Institution of Chartered Surveyors (RICS), the Fund's property valuer has provided their valuation of the Fund's directly held property at 31 March 2020 on the assumption that there is a 'material valuation uncertainty' due to the impact of Covid-19 on the real estate market.

The extent of the additional uncertainty will depend upon the valuation approach adopted for individual assets, with higher uncertainty expected in valuations which are based upon future rental yields or sale prices and lower uncertainty in valuations which are based upon replacement cost.

Due to the nature of property assets held by the Fund, the Fund's directly held property are generally of a nature where the valuation uncertainty would be expected to be higher. We therefore consider the level of uncertainty around the Fund's property valuations to have increased.

We have already previously identified directly held property as a significant risk for our audit therefore the additional uncertainty does not change our overall risk assessment.

Management will however have to include disclosures within the financial statements to inform the users of the financial statements of the material valuation uncertainty.

What will we do?

- ▶ Document and walkthrough the process and design of the controls over the valuation process;
- ▶ Obtain the valuation report from the external valuer (Cushman and Wakefield) and reconcile to the valuations used within the financial statements;
- ▶ Assess the qualifications and experience of the external valuer to ensure that they can be relied upon as management's experts; and
- ▶ Engage EY Property experts to review and challenge the assumptions used by the external valuer to ensure that they are in line with our expectations.

Additional procedures in response to Covid-19:

- ▶ We will review the extent of involvement of our EY Property experts to ensure the additional uncertainty risks are adequately addressed. This may involve asking them to review a larger number of individual property valuations; and
- ▶ Review the accounts disclosures to ensure that appropriate disclosure has been made in the accounts concerning the material valuation uncertainty.



02

Scope of our audit



Impact of Covid-19

Other potential impacts of Covid-19

The ongoing disruption to daily life and the economy as a result of the pandemic will have a pervasive impact upon the financial statements, which will need to reflect the impact of the pandemic upon the Fund's financial position and performance. We have not identified further significant risks or areas of audit focus relating to Covid-19, other than those set out previously in this update, but wish to highlight additional ways in which Covid-19 has or could impact the financial statements and our audit. This includes, but is not limited to:

- ▶ **Going concern and post balance sheet event disclosures** - management's assessment of whether the Fund is a going concern will need to consider the impact of the current conditions on the financial sustainability of the Fund including, but not limited to:
 - ▶ the impact on the carrying value of Fund assets;
 - ▶ the continued ability of scheduled and admitted bodies to pay contributions;
 - ▶ the level of reliance on investment income to pay benefits; and
 - ▶ the ease and speed with which investment assets can be converted to cash if necessary to support liquidity.

Additional narrative disclosure will be required on the future principal risks and uncertainties, including the known impact on investment values in 2020/21 to date. Given the relatively strong financial position of the Fund, as evidenced by the 2019 triennial valuation, our existing knowledge of Fund liquidity and the composition of its investments, we do not consider this to be a significant risk.

EY review and consultation - due to the increased risks of misstatement arising from factors linked to the pandemic, as set out in this update, we have strengthened our internal review procedures and introduced additional consultation processes to consider the impacts of these matters on our audit opinion

In addition to the impact on the financial statements themselves, the disruption caused by Covid-19 may impact on our ability to complete the audit as efficiently as normal. For example, it may be more difficult than usual to access the supporting documentation necessary to support our audit procedures. There will also be additional audit procedures we have to perform to respond to the additional risks caused by the factors noted above.

The changes to audit risks and audit approach will change the level of work we perform. This will impact the audit fee. We will agree changes to the audit fee with management and report back to the Audit Committee.

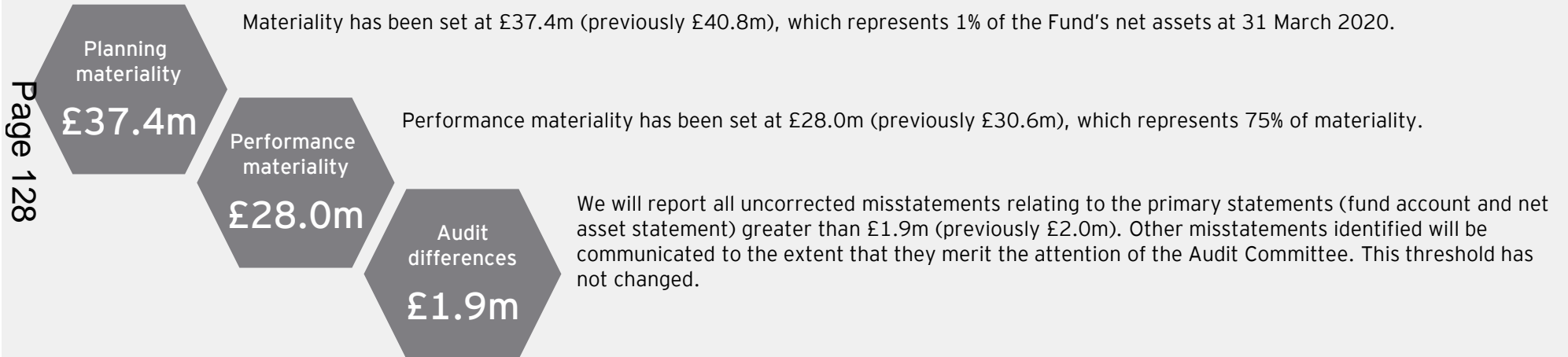


Scope of our audit

Impact of Covid-19

Materiality

We have reconsidered the materiality levels we reported to you in our Audit Planning Report, and whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis and percentages used for planning materiality, performance materiality and our threshold for audit differences reported to you in our Audit Planning Report remain appropriate. We have however updated our assessment based upon the net assets reported in the draft financial statements provided for audit.



TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

TEESSIDE PENSION BOARD REPORT

27 JULY 2020

DIRECTOR OF FINANCE – IAN WRIGHT**Impact of the Coronavirus Pandemic on the Pension Fund****1. PURPOSE OF THE REPORT**

- 1.1 To provide Members of the Teesside Pension Board (the Board) with an initial assessment of the impact of the coronavirus pandemic on the Pension Fund.

2. BACKGROUND

- 2.1 As Members will be aware, a novel coronavirus (subsequently named Covid-19) was initially identified in Wuhan, China towards the end of 2019. It became apparent that human to human transmission was taking place and that individuals could spread the virus even if they displayed no symptoms. The virus is fatal for a small but significant percentage of those infected and has quickly spread across the world. Without an effective treatment or vaccine the virus poses an immediate and real threat. Many countries have enforced stringent measures to prevent the spread of the virus ('lockdowns'), including shutting down large parts of their economies and severely restricting the movement of their citizens.
- 2.2 The loss of life as a consequence of the virus is tragic and substantial – at the time of writing around 580,000 people have died from the virus worldwide with almost 45,000 confirmed deaths in the UK. These figures represent individuals who had been tested for the virus, the actual death figures are likely to be substantially higher (as evidenced by the statistic that over the period of the outbreak to date over 65,000 more people than expected died in the UK). The impact on the global economy caused by the lockdowns put in place to prevent the spread of the virus has also been substantial. This paper will focus on this economic impact and its potential effect on the Pension Fund, together with the potential impact on the governance and administration of the Fund.

3. IMPACT ON ASSET VALUES AND INVESTMENTS

- 3.1 The Pension Fund is primarily invested in equities. Although the strategic asset allocation to equities is set at 50%, this allocation was set relatively recently and the portfolio is only gradually being moved from its current allocation which is significantly higher – typically around 75% equities. The coronavirus pandemic led to a quick and dramatic fall in global stock markets, and this is reflected in the Fund valuation as at 31 March 2020. The Fund's

equity holding reduced in value by around £600 million in the three months to 31 March 2020.

- 3.2 Stock markets to some extent recovered after hitting lows towards the end of March, with US markets in particular improving to the extent that at the time of writing (before market opening on 15th July 2020) the S&P 500 index was only 1% down compared to the end of December 2019 and was up 6% over a year. The UK stock market has not bounced back as quickly – at the time of writing the FTSE All Share index was around 18% down compared to the end of December 2019 and down a similar percentage over a year. This is a significant improvement for both markets compared with the low points since the year end, which saw the S&P 500 and the FTSE All Share indices around 31% and 35% down respectively compared to the end of December 2019.
- 3.3 Other assets held by the Fund have been affected to a lesser degree, partly because their illiquid nature means their valuation is not as volatile as equities. For example the Fund's private equity and infrastructure investments are likely to be adversely affected, but it will take time for any correction to take effect. The value of the Fund's direct UK property portfolio is likely to be affected by the lockdown and the pace at which normality returns. Retail assets in particular will be affected, with rent collection likely to be delayed and perhaps reduced in respect of some businesses that have been unable to trade.
- 3.4 Officers have been meeting (remotely) with most of the Fund's investment managers in order to understand the potential impact of the pandemic on the value of the Fund's current investments and the timing of future planned investments. Much of the Fund's commitments to infrastructure and private equity managers have not yet been invested – it typically takes a number of years for money to be fully invested in these types of vehicles. This means the Fund may ultimately benefit from any correction in asset values in these markets as it should be able to invest a substantial amount of its capital at lower, post-pandemic prices. The investment managers have all confirmed they are looking closely at the underlying investments and companies within their portfolios to ensure value is retained during this turbulent time.
- 3.4 The Fund is a long term investor and, provided over time asset values do recover, the drop in value will not be detrimental to long-term funding. However, there is no guarantee over how long it will take for asset values to recover and there is a real possibility that global economic growth will be flat, low or even negative for a considerable period. Consequently, equity values and dividends from equities could be considerably lower in the short to medium term than was widely expected before the pandemic.
- 3.5 The Fund has been particularly affected by the reduction in stock market values as a consequence of its current asset mix, with around two thirds of the Fund's assets invested in UK or global equities. Members will be aware that the Fund's target strategic asset allocation is for half of its assets to be invested in equities, and officers and advisors continue work to move the Fund towards the target allocation over time. The Fund's officers will also work with advisors to consider whether it is sensible to reduce exposure to equity volatility in other ways, such as through us if derivatives or other financial instruments.

4. IMPACT ON INCOME

4.1 The Pension Fund has for a number of years been cash negative if investment income is ignored. This means the amount paid out in pension benefits exceeds the amount collected in employer and employee contributions. This in itself is not a problem, and is quite normal for a Local Government Pension Scheme fund, particularly one which is relatively well funded and so does not require many of its employers to make additional, deficit correction contributions. Provided the additional cash requirement can be met in a planned way, which does not require the Fund to sell risk assets at an in appropriate time, a cash negative position can be well managed.

4.2 The pandemic has the potential to adversely affect the Fund's cash position in the following two main ways:

- The Fund obtains rental income from its properties – some tenants have asked to defer making rental payments, usually because they are temporarily unable to trade.
- Pension Fund employers may have difficulty making their required employer pension contributions if they have been forced to cease or reduce trading.

In practice, the property rental income position is being monitored and managed by CBRE and currently it does not look likely to result in a significant permanent reduction in income. Almost all employers in the Pension Fund are not expecting to have difficulties in paying their employer contributions.

4.3 The 2019/20 draft accounts show that expenditure on scheme member benefits, transfer values and expenses exceeded income from employer and scheme member contributions by around £55 million in the year. Around £20 million was received in rental income and interest on cash investments and (in 2019/20) around £21 million was received in dividend income – mainly in respect of equities the Fund held directly in the past but also, to a lesser extent, in respect of payments made in respect of private equity and infrastructure investments. This meant the shortfall in 2019/20 was around £14 million, however this shortfall will increase in future years as:

- Contributions from employers will be lower following the latest actuarial valuation – the actuary estimates employers will pay around £8 million a year less into the Fund.
- As the Fund continues to mature, the ratio of pensioners to active members will increase, meaning benefit payments will increase and contributions will reduce.
- Historic dividend income in respect of directly held equities will reduce to zero.

4.4 The Pension Fund has significant cash holdings and, even taking into account the future commitments it has made to invest in infrastructure and private equity, it will have sufficient cash to ensure all pension payments can be made over at least the next couple of years without having to sell any assets. Officers will work with advisors to develop a long-term approach to cash flow management within the Fund.

5 IMPACT ON ADMINISTRATION

5.1 Officers have been in regular contact with XPS (the Fund's outsourced administration provider) throughout the period of the pandemic and subsequent lockdown. XPS was able to move quickly to a position where its team could operate effectively working from home

and continue to administer the Fund. The team is able to continue carrying out all of its administration functions including processing new entrants, leavers and retirements, as well as ensuring pensions continue to be paid.

- 5.2 Postal communication with XPS is now slower than before the pandemic, partly because XPS has reduced access to its office (in order to protect its staff) and partly because Royal Mail's service is also reduced at present. Consequently, XPS is encouraging scheme members to exchange information electronically and has a prominent notice on its scheme member website to this effect.
- 5.2 XPS continues to monitor work load and activity levels amongst its team and reports back to the Board and the Committee at each meeting.

6 IMPACT ON GOVERNANCE

- 6.1 When the UK Government announced lockdown measures on 23rd March 2020 this immediately meant all Council employees were expected to work from home if they were able. Fortunately, the whole of the Pensions Governance and Investments Team was already equipped for working away from the office, and had the hardware and software that made it possible to quickly adapt to working from home. In this respect, the monitoring of investments, governance support and oversight of the outsourced administration contract can continue during the time the team is away from the office.
- 6.2 One area where the Fund's governance was affected was in the cancellation of the Board meeting scheduled for 20 April 2020. Unfortunately, the Council was not in a position to ensure the meeting could be held effectively remotely and the decision was taken to cancel that meeting. Local pension boards are required to meet at least twice a year under the overriding legislation, so there was no question of the Board failing to meet that criteria by cancelling that meeting.
- 6.3 The Pension Fund Committee meeting that was scheduled for 17th June 2020 was able to go ahead as a Webex meeting. The technology worked well, attendance was good and the level of participation within the meeting was at least as high in this virtual meeting as it had been in previous physical meetings of the Committee. The meeting was live streamed on the Council's You Tube channel, and is currently still available to watch again. One possible effect of this is that the Committee meeting itself is more accessible to members of the public than one held as a physical meeting. The technology was able to ensure that the one item on the private part of the agenda was not live streamed to the public and is not available to watch again. That item was only visible to the meeting attendees who needed to see and discuss it.

7. MEDIUM / LONG TERM IMPACTS

- 7.1 As mentioned above, it is impossible to know the long term impact of the pandemic and subsequent economic effects. However, some possible impacts on the Fund are as follows:
- The outcome of the next triennial actuarial valuation (as at 31 March 2022) is now much more likely to be less favourable than the latest valuation. The Fund actuary may also be

less optimistic about future long term investment returns. This in turn makes it more likely that employer contribution rates will need to increase following the next valuation. While this is not a particular problem for the Fund, it will potentially put a financial strain on the Fund's employers. All Fund employers were contacted toward the end of March and told about the potential impact of market falls. Admission body employers were advised that if market falls were sustained it was possible that their employer contribution rates could be recalculated and revised rates applied from April 2021. All other employers were told it was "now looking likely that contribution rate increases will be required from 1 April 2023 following the 2022 valuation, and you should budget for this accordingly."

- UK unemployment has increased significantly over the last few months, as has Government debt. Ultimately this could mean reduced funding for local government and fewer active members contributing to the Fund. This will serve to further accelerate the rate at which the Fund matures, and increase the shortfall between benefits and contributions. This underlines the importance of planning for cash flow provisions within the Fund going forwards.
- Moving Committee meetings online (at least temporarily) will increase visibility of the meetings and meeting agendas. This in turn could lead to greater public interest in the Fund's investments and governance.

8. NEXT STEPS

- 8.1 Officers will continue to monitor and review the impact of the pandemic on the Fund and will report back to the Board with updates as necessary.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

TEESSIDE PENSION BOARD REPORT

22 JULY 2019

DIRECTOR OF FINANCE – IAN WRIGHT

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, and at the cancelled meeting which was due to be held in April 2020.

2. RECOMMENDATION

- 2.1 That Board Members note this report.

3. FINANCIAL IMPLICATIONS

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

4. BACKGROUND

- 4.1 At its meeting on 10 February 2020 the Board agreed a 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 had identified as important for Local Pension Boards to consider.
- 4.2 Included within the work plan to be covered in the April meeting and at today's meeting were the Annual Board Report and the Draft Report and Accounts – these are covered as separate agenda items. Other areas set out in the work plan to be considered at the April 2020 Board meeting (which was cancelled) and at today's meeting are set out below alongside some information and comments.

5. REPORTING BREACHES / REPORTING DUTIES

- 5.1 The Pension Regulator's Code of Practice 14 "Governance and administration of public service pension schemes" explains the legal requirement certain individuals have in relation to reporting breaches of the law in connection with public service pension schemes.

- 5.2 Certain people are required to report breaches of the law to the Regulator where they have reasonable cause to believe that a legal duty relevant to the administration of the scheme has not been, or is not being, complied with and the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions. The people subject to this reporting requirement include scheme managers (officers or members of the Council as administering authority), members of pension boards, any other person involved in administering the scheme, employers and professional advisers.
- 5.3 When the Board was set up in 2015 the following procedure was set out in relation to reporting breaches (amended to reflect the Pension Fund & Investment Panel being renamed the Pension Fund Committee):

“Reporting Procedure

The Board has a duty to report breaches of law to the Pensions Regulator if they have reasonable cause to believe that:

- a legal duty relevant to the administration of the scheme hasn't been or isn't being complied with: this could relate for instance to keeping records, internal controls, calculating benefits, and includes investment governance and administration matters
- this failure to comply is likely to be of 'material significance' to the Pensions Regulator

The following people need to report breaches of the law:

- managers of the scheme
- pension board members
- any other person involved in the administration of the scheme
- employers
- professional advisers including auditors, actuaries, legal advisers and fund managers
- any other person involved in advising the scheme manager in relation to the scheme

Where the Board suspects a breach of the law, they should carry out checks to establish the facts around a suspected breach and inform the Scheme Manager of their concerns. If the breach of law involves the Scheme Manager the Board should take their concerns to the Chair of the Teesside Pension Fund Committee.

When deciding whether a breach is likely to be of material significance to the Pensions Regulator, the Board should consider the cause, effect, reaction to and wider implications of the breach. The Board should consider these points together and, if they believe a breach has occurred, the Board should report it to the Pensions Regulator.

Any suspected breach should be recorded in the Board's minutes even if it is decided that it does not need to be reported to the Pensions Regulator.”

- 5.4 As yet, no breaches of regulations have been brought to the attention of the Board, or reported to the Pensions Regulator. Areas of possible focus include payment of contributions and disclosure regulations:

- Employers have set timescales in which to make payment of employer and employee pension contributions to the Fund – if they consistently miss those deadlines, a report to the Regulator could be considered.
- There are defined timescales set out in regulations detailing when certain information should be provided to scheme members – information such as details of the scheme for new starters, or details of scheme benefits for leavers. If it becomes apparent that those details are not being provided on time to scheme members without reasonable explanation, a report to the Regulator could be considered.

5.5 Officers will continue to work with XPS Administration to identify whether there are any potential regulatory breaches and will report any identified to the Board for consideration.

6. MAINTAINING CONTRIBUTIONS

6.1 The draft 2019/20 Annual Report and Accounts of the Fund shows that at the 31 March 2020 there were 169 employers with active members in the Fund. Between them they paid a total of £99.4 million in employer and employee contributions into the Fund during the year. This was made up of 1,859 separate contribution payments and 55 of these payments were received late. A further breakdown of those late payments is included in the report and is shown below:

The following table shows the late payment history for 2019/20:

Number of days payment was late	Number of late payments	Percentage of late payments
Less than 10	21	38.18%
Between 10 and 19	15	27.27%
Between 20 and 29	7	12.73%
Between 30 and 39	4	7.27%
More than 40	8	14.55%
Total	55	100.0%

6.2 XPS Administration will continue to monitor and report on late payers and have been asked to determine whether any employers are persistently paying late.

7 PENSION BOARD CONFLICT OF INTERESTS

7.1 Appendix A sets out the Board's conflict of interests policy. This was put in place when the Board was established in 2015 and has only been updated to reflect the Pension Fund & Investment Panel being renamed the Pension Fund Committee.

Although experience shows conflicts very rarely arise within the running of the Board, it is important to be aware of the possibility and to have adequate procedures and advice available should they occur.

8 REVIEW THE OUTCOME OF ACTUARIAL REPORTING AND VALUATIONS

- 8.1 The actuary published the final report on the actuarial valuation of the Fund as at 31 March 2019 on 31 March 2020. The full report can be found online at the following link:
<https://www.teespen.org.uk/documents/content/pdf/Valuation/TeessidePensionFund-2019ValuationReport.pdf>
- 8.2 The valuation outcome was broadly in line with the draft summary results provided to the 10 February 2020 Board meeting. Overall the outcome was very positive, with a funding level of 115% and a surplus of £527.3 million relative to the liabilities. The future service rate (the cost of providing a pension going forwards) was higher than at the previous valuation. However, the larger employers in the Fund (those that have a strong covenant) are seeing a reduction in their overall contribution rate through distribution of surplus (at least until the outcome of the next valuation is known).
- 8.3 The actuary included reference in the report to the detrimental effect on financial markets of the Covid-19 pandemic. This acknowledged the significant fall in asset values and the impact this would have if the valuation had been carried out a year later, however the actuary concluded that given the long-term nature of the Fund and the strong covenant of many of its employers, it was still appropriate to proceed with the contribution rate outcomes set out in the report.

AUTHOR: Nick Orton (Head of Pensions Governance and Investments)

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**LOCAL PENSION BOARD OF MIDDLESBROUGH COUNCIL (THE TEESSIDE
PENSION BOARD)**

CONFLICT OF INTEREST POLICY

Status of this policy

The Public Service Pensions Act 2013 (the 2013 Act) makes it a legal requirement that members of local pension boards do not have a conflict of interest. The Local Government Pension Scheme Regulations 2013 (the 2013 Regulations) have been amended accordingly. This policy sets out the principles which members of the Teesside Pension Board are expected to follow in order to fulfil their legal obligations under the 2013 Act in identifying, monitoring and managing potential, actual or perceived conflicts of interest.

Defining Conflicts of Interest

A conflict of interest may arise when a member of the Teesside Pension Board:

- (a) must fulfil their legal duty to assist the Administering Authority; and
- (b) at the same time has:
 - i. a separate personal interest (financial or otherwise); or
 - ii. another responsibility in relation to that matter,
- (c) giving rise to a possible conflict with their first responsibility as a Teesside Pension Board member.

The key issue for a member of the Teesside Pension Board is to consider whether they are subject to a conflict of interest which prevents them from acting entirely independently in their capacity as a member of the Teesside Pension Board. It is recognised that from time to time a person may have interests or responsibilities which are not aligned with their responsibilities as a member of the Teesside Pension Board, but these do not prevent the person from fulfilling their responsibilities as a Board member. This situation may occur when the separate interest is sufficiently immaterial and so does not conflict with the Board member's first obligation to the Teesside Pension Board.

Policy Objectives

1. To ensure that all members of the Teesside Pension Board comply with their statutory requirements under the Public Service Pensions Act 2013 and associated regulations and guidance.
2. Ensure that all Teesside Pension Board members are aware of their duty to act independently and carry out their roles to a high ethical standard.
3. Remove any perception that the actions of the Teesside Pension Board members are influenced by the presence of a separate responsibility or interest that conflict with their responsibilities as a Board member.

4. Maintain appropriate records of declared conflicts of interest and manage any potential conflicts to ensure they do not become actual or perceived conflicts of interest. Records will be lodged in advance of the Board Member's appointment and will be maintained by Middlesbrough Council's Monitoring Officer.
5. Ensure that public confidence in the governance of the Teesside Pension Fund is maintained.

Legislative Background

This policy sets out how members of the Teesside Pension Board are expected to manage potential, perceived or actual conflicts of interest arising in relation to their work as a member of that Pension Board.

Regulation 108 of the 2013 Regulations requires that:

Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest.

Section 5(5) of the 2013 Act defines a conflict of interest as:

A financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).

The 2013 Regulations allow for elected members to sit on a Local Pension Board. Under the Localism Act of 2011 all elected members will be covered by and subject to their own local authority's code of conduct. Nothing in this policy in any way supersedes or replaces any requirements under an elected member's own authority's code of conduct.

The Regulator's Code of Practice on Conflicts of Interest

The Pensions Regulator has responsibility for regulatory oversight of the governance and administration of public service pension schemes, including the Local Government Pension Scheme and therefore by implication includes regulatory oversight of the Teesside Pension Board's activities. The Pensions Regulator has published guidance in the form of a Code of Practice part of which is designed to assist Scheme Managers to meet their legal duty in ensuring that Local Pension Board members do not have a conflict of interest.

Perception of Conflicts of Interest

Members of the Teesside Pension Board should be aware that even if no actual conflict of interest exists it is important to guard against the perception among, for example, Scheme members, the Pensions Regulator, elected members or members of the public that a real conflict of interest exists.

If there is the possibility that a perceived conflict of interest may exist, it should be managed by the Teesside Pension Board in the same way as a real conflict of interest.

Confidential Information

A member of the Teesside Pension Board may, by virtue of their employment by an employing authority within the Teesside Pension Fund, have access to confidential information about their employer.

A member of the Board is not obliged to reveal this information as part of their role on the Teesside Pension Board.

However, if an affected member considers that the information to which they are party may:

- (a) adversely affect the Teesside Pension Fund or an employer within the Fund,
- (b) reasonably cause the Teesside Pension Board to interpret a decision by the Teesside Pension Fund Committee differently or act in a different way were it to be known at the time, and
- (c) the information will not be made available to the Teesside Pension Board through some other means within such time as the Board is able to fully to act upon it,

that the Teesside Pension Board member shall withdraw from all discussion in relation to that issue and notify the Board that a conflict of interest exists. The details of the conflict need not be disclosed.

This scenario may occur where a Board member is aware of legally confidential negotiations around, for example, the takeover of a Fund employer which may radically alter that business and have a corresponding effect on its participation in the fund or the size of its liabilities.

Identifying and monitoring Conflicts of Interest

The Role of Individual Members of the Teesside Pension Board

There is a duty on all prospective Teesside Pension Board members to declare interests prior to appointment to the Board.

Members of the Teesside Pension Board must provide any information requested by the Administering Authority in connection with the Authority's duty to ensure that conflicts of interest do not exist.

Teesside Pension Board members must be conscious of the need to be open about potential and actual conflicts. Board members should be aware of their statutory obligations in this area as well as being familiar with the Pensions Regulator's code of practice and this policy document.

Where a member has declared an interest which has been recorded on the Register of Member Interests it will not typically be necessary to declare that interest in

subsequent Teesside Pension Board meetings unless the materiality of that interest changes in respect of the Board's business.

In cases of exceptional sensitivity a member of the Teesside Pension Board may make a notification of an interest to the Chair of the Board, rather than to the full Board.

In advance of their appointment, each Board Member will be required to complete a 'Register of Interests' document which will be maintained by Middlesbrough Council's Monitoring Officer.

The Role of the Administering Authority

Middlesbrough Council as the Administering Authority for the Teesside Pension Fund must be satisfied that any individual appointed to the Teesside Pension Board does not have a conflict of interest and must also ensure that from time to time no such conflict arises.

Middlesbrough Council shall consider all applications from potential Teesside Pension Board members prior to approval in order to ensure that no conflict exists. The potential for a conflict to arise at some point in future will not in itself be reason to exclude an individual from membership of the Teesside Pension Board, unless the Administering Authority considers that the likelihood of a conflict arising is so high or the conflict itself is likely to arise persistently and frequently enough that it is likely to compromise an individual's ability to participate meaningfully on the Board.

Middlesbrough Council's Monitoring Officer will be available to advise and guide Board Members on matters concerning potential conflicts of interest, should they arise.

The Role of the Teesside Pension Board

The Teesside Pension Board should identify, monitor and manage dual interests and responsibilities which are or have the potential to become actual or perceived conflicts of interest. In determining how to manage conflicts of interest the Teesside Pension Board must comply with the 2013 Act, the 2013 Regulations, guidance from the Pensions Regulator and this policy document.

When seeking to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of the Teesside Pension Board, the Board should consider obtaining legal advice when assessing any option.

There will be a standing agenda item at all meetings of the Teesside Pension Board at which members will be asked to declare any interests. The Teesside Pension Board will ensure that a register of member interests will be kept up to date and be included as part of the papers for each meeting of the Teesside Pension Board.

Managing Conflicts of Interest

In the event that the Teesside Pension Board is of the view that a potential conflict of interest may become an actual or perceived conflict in respect of one or more of its members the Board must determine the appropriate mechanism for managing that conflict. The approach taken will depend on the nature and extent of the potential

conflict. Some possible methods for the management of potential conflicts are given below:

- requiring that the member for whom the conflict exists takes no part in discussions or does not vote in respect of the matter for which they are conflicted.
- If practical the member may relinquish or divest themselves of a personal interest which is the source of a conflict of interest with the Teesside Pension Board.
- If the conflict is likely to be persistent and ongoing in such a way that it is likely to limit a member's meaningful participation in the Teesside Pension Fund, that member should consider resigning from their position.
- The Scheme Manager may remove any individual from the Teesside Pension Board where they consider there is an actual conflict of interest or a potential conflict which is impractical to manage

Adviser and Officer Conflicts

The Teesside Pension Board will be supported and advised by officers of the Fund in its day to day business. Similarly the Board may, if appropriate, seek independent or professional advice for example, legal advice or governance advice.

The Teesside Pension Board must be confident that the advice it receives from officers and advisers is independent and truly in the best interests of the Teesside Pension Fund. For this reason officers and adviser giving advice to the Teesside Pension Board must also declare any situation where a potential, perceived or actual conflict exists, in order that it can be appropriately managed.

Gifts and Hospitality

The Board will be expected to follow Middlesbrough Council's policies gifts and hospitality.

APPENDIX

Relevant References

2011 Act	The Localism Act 2011
2013 Act	The Public Service Pensions Act 2013
2013 Regulations	The Local Government Pension Scheme Regulations 2013 (as amended)
Scheme Manager	The Administering Authority for the Teesside Pension Fund, Middlesbrough Borough Council

Examples of Conflicts of Interest

The following are intended to be examples of potential conflicts for illustrative purposes. The list is not exhaustive and is not intended to provide all the scenarios in which a conflict of interest may arise.

Example 1

The Teesside Pension Board is reviewing a decision by the Teesside Pension Fund Committee to levy an additional charge under the 2013 Regulations to a group of employers whose poor performance in carrying out their statutory functions in respect of the LGPS has caused the Teesside Pension Fund additional costs. Any employer representative on the Board, who is employed by an employer who falls into this category, would need to declare their interest and the resulting conflict of interest would need to be managed.

Example 2

It is possible that a scheme member representative is also employed by a firm to whom the Fund's administration has been outsourced. Such a member is likely to face a conflict of interest when the performance of that company in respect of their administration performance is discussed.

Examples of where a Declared Interest may not constitute a Conflict of Interest

A representative on the Teesside Pension Board holds shares in a company that provides outsourced pension administration services as part of a varied portfolio. The shares are valued at a few hundred pounds and the company's value is many tens of millions. The Pension Board is reviewing the decision to outsource the Fund's administration staff to that company.

In this case the Teesside Pension Board may consider that on grounds of materiality, no conflict of interest exists. The Teesside Pension Board is not responsible for the decision and the impact of the outsourcing will have no effect on the company's share price. The Teesside Pension Board member in question should, however, still declare their interest.

Principles of Public Life

Members of the Teesside Pension Board should follow the seven principles in public life. Namely:

(i) Selflessness

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.

(ii) Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

(iii) Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

(iv) Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

(v) Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

(vi) Honesty

Holders of public office have a duty to declare any private interest relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

(vii) Leadership

Holders of public office should promote and support these principles by leadership and example, and should act in a way that secures or preserves public confidence.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 11

TEESSIDE PENSION BOARD REPORT

27TH JULY 2020

DIRECTOR OF FINANCE – IAN WRIGHT

TEESSIDE PENSION BOARD – ADMINISTRATION REPORT

1. PURPOSE OF THE REPORT

- 1.1 To provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration, Middlesbrough.

2. RECOMMENDATIONS

- 2.1 That Board Members note the contents of the paper.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications for the Fund.

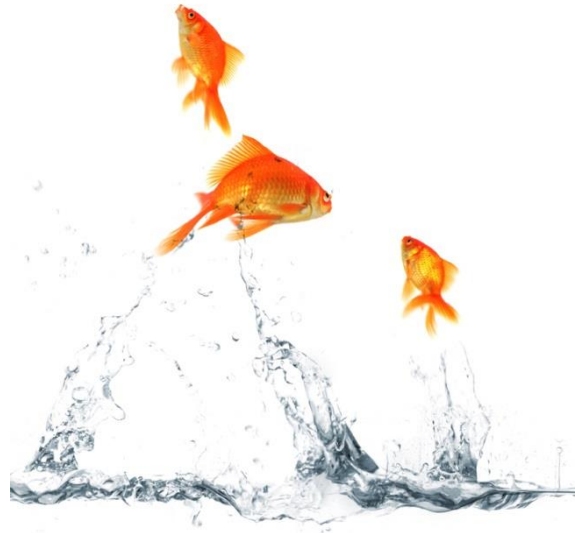
4. BACKGROUND

- 4.1 To enable the Pension Board to gain an understanding of the work undertaken by the Administration Unit and whether they are meeting the requirements of the contract. The report is contained within Appendix A.

CONTACT OFFICER: Graeme Hall (Operations Manager)

TEL. NO.: (01642) 030643

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Teesside Pension Fund

Service Delivery Report

2019/20

Teesside Pensions Fund

Headlines

Market impact of coronavirus

The Scheme Advisory Board has posted a note of comfort for LGPS members reassuring them that recent global falls in the markets in the wake of the coronavirus impact has no bearing on their main LGPS benefits whether in payment or not. This has been posted to the Fund website and has been issued to employers for communication to members.

2020 Budget and pensions

The Lifetime allowance was increased at a slightly above CPI rate to £1,073,100 for the 2020/21 tax year. The standard annual allowance remains at £40,000 but there has been the introduction of relief for high earners that would have previously been affected by the tapered annual allowance. Threshold income level and the adjusted income level have both been increased by £90,000 to £200,000 and £300,000 respectively. As this is a personal taxation issue; there are no direct implications for the Fund or employers.

The government has committed to reviewing options for tax relief on pension contributions and will shortly publish a call for evidence on pension tax relief administration.

The LGPS is a net pay arrangement for tax relief on pension contributions meaning that those with earnings below the personal taxation allowance do not benefit from tax relief on their pension contributions (as contributions are deducted from gross pay and then tax applied). The outcome of any review could impact upon employers, as payroll systems will potentially need revision; we will continue to keep scheme employers advised of developments.

McCloud judgement

On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the McCloud and Sargeant case.

The case concerns the transitional protections provided to older members of the judges and firefighter pension schemes when the schemes were reformed in 2015, as part of the public sector pension scheme changes. On 20 December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

At the Scheme Advisory Board (SAB) meeting in February, the Board agreed to create two working groups to help implement the outcome of the McCloud judgment for the LGPS. These will be:

- a small policy group to help MHCLG consider areas of policy not determined by HMT.
- a larger implementation group made up of practitioners, member representatives, actuaries, software providers, employers and representatives from the Scottish and Northern Irish schemes. It will consider the challenges of implementing and communicating the scheme changes.

We expect a consultation on the LGPS regulation changes in the near future. However, there might be a long delay before new regulations come into force; this will depend on the level of changes to primary legislation. This waiting period could lead to uncertainty for members which might make legal claims against the LGPS and employers more likely. SAB will be issuing communications for employers and scheme members in this period. We have already asked employers to assure their staff that anyone affected will be identified and that no group or individual action need be taken.

Regulations and guidance

The Local Government Pension Scheme (Amendment) Regulations 2019

The above regulations are effective from 31 December 2019. They amend the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 by introducing survivor benefits payable under the earlier regulations for opposite-sex civil partnerships. A person who is the surviving opposite-sex civil partner of a deceased member will be provided with a survivor pension calculated on the basis that the survivor is a widow or widower, depending on their gender.

The LGPS (Amendment) Regulations 2020 – exit credits

On 27 February 2020, MHCLG published a partial response to the consultation covering changes to the local valuation cycle and the management of employer risk. The response covers the proposals on exit credits only. MHCLG will submit a further response to the other proposals covered by this consultation in due course.

The response confirms that most respondents supported the proposal to allow administering authorities to take account of an employer's exposure to risk when calculating an exit credit. MHCLG confirms in the response that they will amend the LGPS regulations so that:

- administering authorities may determine the amount of any exit credit payment due, having regard to any relevant considerations
- the period within which an exit credit must be paid is increased from three months to six months
- administering authorities will not be obliged to enquire into the precise risk sharing arrangement adopted
- any exit credits that have not been paid shall only be due if the administering authority exercises its discretion to pay them
- any exit credits that have already been paid shall be treated as if the administering authority exercised its discretion to pay that amount – an administering authority may not seek to change the amount paid
- the Pensions Ombudsman has jurisdiction to hear complaints if any dispute is not resolved using the internal dispute resolution process
- administering authorities should set out their exit credit policy in their Funding Strategy Statement.

The Local Government Pension Scheme (Amendment) Regulations 2020 giving effect to these proposals were laid in Parliament on 27 February 2020. They came into force on 20 March 2020 but have effect from 14 May 2018.

Responsible Investment guidance

On 24 February 2020 SAB published a [statement](#) on the draft responsible investment guidance.

Responses to the earlier consultation were generally positive with some helpful drafting points. Some respondents raised concerns about fiduciary duty in the context of the LGPS.

The issue of fiduciary duty was discussed in the Supreme Court hearing involving the Palestine Solidarity Campaign and MHCLG. When the judgment is handed down, it might help shed some light on how the fiduciary duty test applies to investment decision makers in the LGPS.

The Government recently introduced amendments to the Pension Schemes Bill 2020. These changes could also impact how investment strategy statements are prepared in relation to issues like climate change.

For these reasons, the SAB has decided not to offer definitive advice or guidance on how the fiduciary duty test applies in the LGPS at this time. It will change direction and restructure the draft guidance to:

- explain and clarify the terminology associated with responsible investment
- provide investment decision makers with a range of information, case studies and tools to help them meet the challenges associated with responsible investment.

SAB will circulate the revised draft guidance to scheme stakeholders for comment in the normal way.

Covid-19

XPS Response

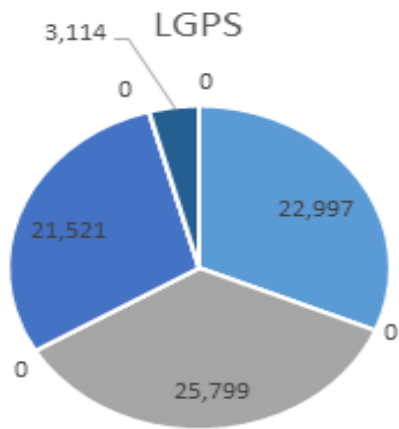
Following the outbreak of Covid-19, and subsequent lockdown, XPS quickly moved to enable all staff to be able to work from home. This involved the provision of laptops for all staff and development of necessary software to allow secure remote working.

Although the majority of staff were able to work from home XPS maintain a service from Vancouver House, covering two days per week, to allow the processing of both incoming and outgoing post.

XPS are currently undertaking risk assessments to allow the commencement of returning to a more normal office working environment but will not be looking to enforce this on any member of the Middlesbrough office if they feel they are being put at risk. At this moment there is no timeframe, nor rush, to commence the return to an office environment. XPS will maintain a watching brief on governmental guidance.

Membership Movement

	Actives		Deferred		Pensioner		Widow/Dependent	
Q4 2019/20	22,997	▼	25,799	▼	21,521	▲	3,114	▲
Q3 2019/20	23,123	▲	25,948	▼	21,355	▲	3,093	▲
Q2 2019/20	22,463	▼	26,136	▲	21,179	▲	3,071	▲
Q1 2019/20	23,008	▼	25,850	▲	20,905	▲	3,045	▲
Q4 2018/19	23,141	-	25,824	-	20,735	-	3,035	-



■ Actives ■ Deferred ■ Pensioner ■ Widow

Additional Work

Guaranteed Minimum Pension reconciliation exercise

Work continues on this project, with the closure scan now expected during 2020.

Complaints

Type of complaint	Date received	Date responded
Dispute on whether an Expression of Wish form is held and therefore who should be entitled to Death in Service Lump Sum Response – no Expression of Wish form held on member record so only in position to pay death in service lump sum to estate. Nothing on record indicates member was intending to complete an Expression of Wish form.	04/03/2019	14/03/2019
Delay in responding to member – query raised on previous correspondence (relating to combining benefits), and a response was provided. The member claimed the response was overly complex, and we said we would try to simplify this for her and unfortunately this did not happen.	18/11/2019	28/11/2019

Internal Dispute Resolution Process

For the 4 months to 31st January 2020 there are two known IDRP cases:

- 1 related to November complaint shown above
- 1 related to escalation to Stage 2 of a previous IDRP case relating to ill health retirement.

Papers have been issued to the Stage 2 nominated person and we are awaiting a response.

Pensions Ombudsman

For the 4 months to 31st January 2020 there are no known cases passed for consideration to, nor a ruling by, the Pensions Ombudsman.

High Court Ruling

For the case ruled by the High Court, discussions on agreeing the interest due to the member are ongoing with their legal representative.

Common Data

Data Item	Teesside Pension Fund			107 dependents
	Max Population	Total Fails	% OK	
NINo	74,028	145	99.80%	
Surname	74,028	0	100.00%	
Forename / Inits	74,028	0	100.00%	
Sex	74,028	0	100.00%	
Title	74,028	26	99.96%	
DoB Present	74,028	0	100.00%	
Dob Consistent	74,028	0	100.00%	
DJS	74,028	0	100.00%	
Status	74,028	0	100.00%	
Last Status Event	74,028	539	99.27%	
Status Date	74,028	1,024	98.62%	
No Address	74,028	346	99.53%	
No Postcode	74,028	470	99.37%	
Address (All)	74,028	3,987	94.61%	
Postcode (All)	74,028	3,989	94.61%	
Common Data Score	74,028	2,170	97.07%	
Members with Multiple Fails	74,028	371	99.50%	

Conditional Data

XPS Administration, Middlesbrough are working on a method to report Conditional Data. Discussions are ongoing with Aquila Heywood on a cost for this reporting function along with investigation on whether this can be achieved internally. This follows the issuance by SAB of 22 data fields that should be reported on.

Customer Service

Since December 2016, XPS Administration, Middlesbrough have included a customer satisfaction survey with the retirement options documentation.

A summary of the main points are as follows:

Issued	Returned	%
15,867	3,055	19.25

Question	Previous Response*	Current Response*
1. It was easy to see what benefits were available to me	4.26	4.27
2. The information provided was clear and easy to understand	4.19	4.19
3. Overall, the Pensions Unit provides a good service	4.29	4.29
4. The retirement process is straight forward	4.03	4.03
5. My query was answered promptly	4.45	4.45
6. The response I received was easy to understand	4.43	4.44
7. Do you feel you know enough about your employers retirement process	76.46%	76.51%
8. Please provide any reasons for your scores (from 18/05/17)		
9. What one thing could improve our service		
10. Did you know about the www.teespen.org.uk website? (from 18/05/17)	47.27%	47.53%
11. Did you use the website to research the retirement process? (from 18/05/17)	27.24%	27.40%
12. Have you heard of Member Self Service (MSS)? (from 18/05/17)	23.75%	23.80%

*scoring is out 5, with 5 being strongly agree and 1 being strongly disagree

Recruitment

Following the agreement of the Pensions Committee to fund enhancements to the Pensions Administration Services at their meeting of 7th March 2018, XPS Administration, Middlesbrough has looked to recruit into the roles required to provide this enhanced service.

The communications role has now been filled and the successful applicant commenced on 16th December 2019. Work has commenced on updating the Teesside Pension Fund website and initial ideas have been shared with the Pension Board during their meeting on 10th February 2020.

XPS are currently reviewing processes to enable a move to monthly contribution postings which should lead to greater efficiencies, and more up to date information on member records.

Performance

Following discussions with both the Pension Board and Committee, XPS Administration are investigating a way to report the time between a member being entitled to a benefit and it being finalized (e.g. time between date of leaving and deferred benefit statement being issued or pension being brought into payment).

XPS Administration are therefore investigating whether sufficient reporting tools already exist within the pension administration system or whether bespoke reports are required to be developed (either internally or via the administration software providers).

The Pension Committee will be kept updated on the progress to provide this information.

Employer Liaison

Employers & Members

Covid-19 has unfortunately at present affected the sessions being hosted to employers and members on site and focus has moved to engagement regarding year end information. We are working hard to ensure records are accurate before annual benefit statements are produced in August.

Due to the circumstances employers have new working conditions to adjust too also, however no extension to the ABS deadline has been given to us so we need the information in a timely manner, so close contact is happening to ensure this.

I am working on producing a questionnaire for employers to see what they need from us whilst in the current situation. I will await there feedback and produce what is requested for example: zoom conferences or virtual presentations on particular subjects.

These are unprecedented times but employers and members are pleased the communication has not stopped and questions, needs are still being looked after in the same way.

List of Engaged Employers

Redcar and Cleveland Borough Council	SLM (Everyone Active)
Stockton Borough Council	One Awards
Middlesbrough Council	Cleveland Fire
Tees Valley Combined Authority	One IT
Beyond Housing	Holy Trinity Primary School
Outwood Academy Trust	Whale Hill Primary School
Tees Valley Education Trust	

The Following employers and members are part of the next tranche of engagement:

Stockton Riverside College (March Session booked)	Hartlepool Borough Council
Teesside University	Steria
Middlesbrough College	Tees Active
Stockton Riverside College	Police and Crime Commissioner

Hartlepool Sixth Form College

The Employer Liaison team are also due to roll out Employer Training from during 2020. The team is attending an LGA course mid-April 2020 which will assist in structuring how this training will be provided.

Member Self Service

Analysis was done 6 months apart and the 1% improvement shows the engagement is increasing the uptake of the online service.

Date 13.06.19

	Active	Deferred	Pensioners	Dependant	Total
Members	22,463	26,136	21,179	3,071	72,849
MSS Sign up	1,908	413	528	11	2,860
	8.5%	1.6%	2.5%	0.4%	3.9%

Date 31.12.19

Members	23,123	25,948	21,355	3,093	73,519
MSS Sign up	2,202	574	711	13	3,500
	9.5%	2.2%	3.3%	0.4%	4.8%

Date 27.05.20

Members	22,997	25,799	21,521	3,114	73,431
MSS Sign up	2,385	608	864	13	3,942
	10.4%	2.3%	4.0%	0.4%	5.4%

Late Payments

Below shows the percentage of late payments each month in relation to the contributions received to the Teesside Pension Fund:

Date	Expected Payments	Late Payments	% Late	<10 Days Late	>10 Days Late
Apr-19	148	11	13.00%	1	10
May-19	148	7	7.00%	2	5
Jun-19	148	4	3.00%	2	2
Jul-19	148	2	2.00%	1	1
Aug-19	148	3	4.00%	2	1
Sep-19	148	4	4.00%	3	1
Oct-19	148	1	4.00%	0	1
Nov-19	156	6	2.00%	2	4
Dec-19	156	4	3.00%	4	0
Jan-20	158	4	3.00%	4	0
Feb-20	158	4	3.00%	4	0
Mar-20	158	2	1.00%	2	0
Apr-20	138*	4	3.00%	-	-

*2 separate academy trusts came together as one which meant the individual schools no longer are in the fund just the overriding trust (AD Astra and Carmel).

Looking further into which employers are not following the schedule of contributions, two have recently changed payroll providers so we are working with them to assist in what is required. Of the other two, one is consistent in their lateness and we are working with them to rectify this (they have provided a year end file for 2019/20 though) and the other may have relevant staff furloughed and therefore we are contacting them for confirmation.

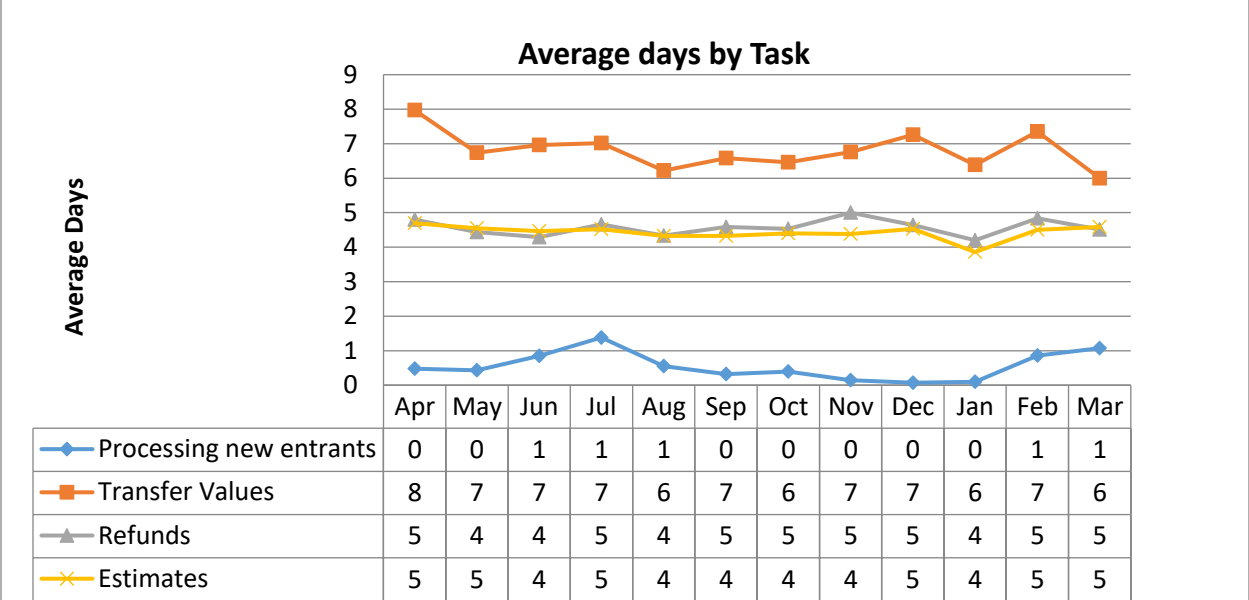
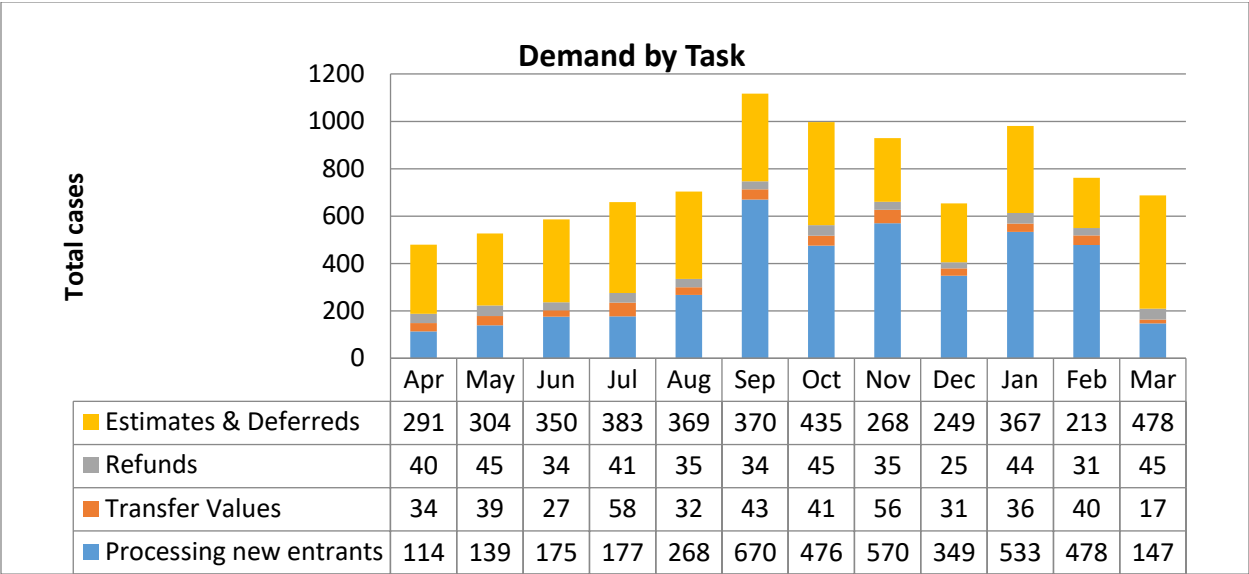
All other late payments are different employers with no pattern forming. We are quick to spot patterns and contact the employer/payroll provider upon any noticeable change in payments.

The expected payment figure increased due to new admitted and scheduled bodies joining the fund before dropping due to two separate academy trusts came together as one which meant the individual schools no longer are in the fund just the overriding trust (AD Astra and Carmel).

There were some initial requests for information on how the Covid-19 pandemic would impact the ability to vary contribution payments, especially where the organisation would be furloughed during the lockdown and income would be very restricted. None of these initial enquiries resulted in an official approach.

Performance Charts

Overall Demand



The following charts show performance against individual service level requirements.

April 2019

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	0.48	114	0	114	114
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	8	34	0	34	34
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	40	0	40	40
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	291	0	291	291
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

May 2019

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	0.43	139	0	139	139
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	39	0	39	39
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	45	0	45	45
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	304	0	304	304
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

June 2019

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	0.85	175	0	175	175
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	27	0	27	27
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	34	0	34	34
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	350	0	350	350
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

July 2019

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.38	177	0	177	177
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	58	0	58	58
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	41	0	41	41
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	383	0	383	383
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

August 2019

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	0.55	268	0	268	268
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	32	0	32	32
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	35	0	35	35
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	369	0	369	369
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

September 2019

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	0.32	670	0	670	670
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	43	0	43	43
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	34	0	34	34
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	370	0	370	370
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

October 2019

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	0.39	476	0	476	476
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	41	0	41	41
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	45	0	45	45
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	435	0	435	435
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

November 2019

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	0.14	570	0	570	570
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	56	0	56	56
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	35	0	35	35
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	268	0	268	268
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

December 2019

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	0.07	349	0	349	349
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	31	0	31	31
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	25	0	25	25
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	249	0	249	249
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

January 2020

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	0.10	533	0	533	533
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	36	0	36	36
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	44	0	44	44
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	367	0	367	367
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

February 2020

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day:	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (AP)	Average Case Time (days)	Number of Cases	Over targ	TOTAL (case)	Within Targ
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	0.86	478	0	478	478
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	40	0	40	40
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	31	0	31	31
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	213	0	213	213
Estimate of benefits - Statement of benefit entitlements to be issued within ten working days of receipt of request, and the correct information being supplied.	Monthly	10	98.25%			213	0	213	213
Deferred Benefits - issue statement within ten working days of receipt of all relevant information.	Monthly	10	98.50%			0	0	0	0
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

March 2020

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.07	147	0	147	147
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	17	0	17	17
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	45	0	45	45
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	478	0	478	478
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		