Legal and Governance

Middlesbrough
moving forward

TEESSIDE PENSION BOARD

Date:	**Monday 19th July, 2021**
Time:	**2.00 pm**
Venue:	**Virtual Meeting**

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 19th July, 2021

AGENDA

1.	Apologies for Absence	
2.	Declarations of Interest To receive any declarations of interest.	
3.	Minutes - Teesside Pension Board - 19 April 2021	3 - 8
4.	Minutes - Teesside Pension Fund Committee - 10 March 2021	9 - 16
5.	Teesside Pension Fund Committee - 23 June 2021 Verbal Report	
6.	Pension Board Membership	17 - 18
7.	Funding Strategy Statement Consultation	19 - 70
8.	Draft Annual Pension Fund Report and Accounts 2020/2021	71 - 150
9.	Update on Current Issues	151 - 154
10.	Work Plan Update	155 - 160
11.	XPS Administration Report	161 - 192
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 9 July 2021

MEMBERSHIP

C Monson (Chair), Councillors W Ayre and B Cooper, J Cook, P Thompson

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 Monday 19 April 2021.

PRESENT: C Monson (Chair), Councillors W Ayre and C Hobson

OFFICERS: S Lightwing, N Orton, W Brown, I Wright, G Hall, S Bonner and J McNally

APOLOGIES FOR ABSENCE: G Whitehouse and J Cook

20/43 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/Nature of Interest
Councillor C Hobson	Non pecuniary	Member of Teesside Pension Fund
C Monson	Non pecuniary	Member of Teesside Pension Fund

20/44 **MINUTES - TEESSIDE PENSION BOARD - 8 FEBRUARY 2021**

The minutes of the meeting of the Teesside Pension Board held on 8 February 2021 were taken as read and approved as a correct record.

20/45 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 9 DECEMBER 2020**

A copy of the minutes of the Teesside Pension Fund Committee meeting held on 9 December 2021 was submitted for information.

NOTED

20/46 **TEESSIDE PENSION FUND COMMITTEE - 10 MARCH 2021**

The Head of Pensions Governance and Investments provided a verbal update on agenda items considered at a meeting of the Teesside Pension Fund Committee held on 10 March 2021.

The main points highlighted were:

- Audit Results Report for Teesside Pension Fund 2019/2020. EY had issued an unqualified audit opinion on the financial statements. The final opinion did not include additional narrative to highlight financial statement disclosures that the valuations of directly held property had been prepared on the basis of a ‘material valuation uncertainty’, as EY had subsequently concluded this narrative was not required.

- Investment Activity Report. The total value of all investments as at 31 December 2020, including cash, was £4,385 million, compared with the last reported valuation as at 30 June 2020, of £4,084 million.
  During the quarter, £45.3 million was invested in Alternatives.

- Presentation from Border to Coast Client Relationship Manager.

- Property report from CBRE. Property rent arrears were currently £1.69 million, however it was anticipated that the majority would be repaid. Under Government legislation passed due to the covid-19 pandemic, no enforcement action could be taken against tenants who were in arrears. CBRE were working with tenants to recover arrears and agree payment plans.

AGREED that the information provided was received and noted.

20/47 **STRATEGIC ASSET ALLOCATION UPDATE**

A report of the Director of Finance was presented to inform Members of the Teesside Pension Board of the revision to the Pension Fund's strategic asset allocation, as agreed at the Pension Fund Committee meeting held on 10 March 2021.

The Pension Fund's target strategic asset allocation was set out in its Investment Strategy Statement which was last updated in February 2019.

The Pension Fund had made slow progress towards its strategic asset allocation, for several reasons: the unattractiveness of bonds, the necessarily slow increase in investments in private equity, infrastructure and other alternatives, and the difficulty in significantly increasing the direct property portfolio. No progress had been made to date in reducing the Pension Fund's equity exposure. This was despite a phased sell-off of £125 million of US equities over the 15 months to 31 December 2020.

While the Pension Fund remained heavily invested in equities its assets were subject to significant volatility. While this could be tolerated to a certain extent given the Pension Fund's long investment time horizon, this volatility could cause issues for the Pension Fund's employers if the triennial valuation coincided with a low point in valuations.

Officers had worked with the Pension Fund's investment advisors to review the strategic asset allocation, with a view to setting a long-term and a short/medium term target for asset allocation. The latter target would allow the Committee and Board to judge more quickly whether appropriate progress was being made in reallocating the Pension Fund's assets.

The revised strategic asset allocation, approved by the Pension Fund Committee at its 10 March 2021 meeting, included the following features:

- A significantly lower allocation to UK equities – this partly reflected the fact the UK market was increasingly concentrated on a number of sectors such as consumer staples, financials and commodities, meaning the market's performance was to some extent linked to the performance of those sectors. It also reflects a recognition that future growth may be limited in the UK compared to other global regions.

- A recognition that infrastructure investments could be classed as 'protection' rather than 'growth' assets – this acknowledged the long-term secure nature of the types of infrastructure the Pension Fund invested in.

- Property debt was also reclassified as part of 'other debt' as a 'protection' asset, and so separated from property which remained classified as a 'growth' asset.

- A short/medium term target of 65% equities by 31 March 2022. This might be challenging and would require careful implementation. The longer term equity target increased slightly from 50% to 55%.

Following the Committee's agreement to the revised strategic asset allocation, the following steps were underway:

- An updated Investment Strategy Statement (ISS) would be circulated to Pension Fund employers for comment. Any substantive changes agreed to the revised ISS following the consultation would be presented to the next Committee meeting. If there were no changes the ISS would be published in due course.

- Officers would work to implement the revised strategic asset allocation and report back to future Committee meetings on progress.

AGREED that the information provided was received and noted.

20/48 **PENSION FUND BUSINESS PLAN**

A report of the Director of Finance was presented to Board Members to inform them of the annual Business Plan including the 2021/22 Pension Fund budget.

The 2021/22 forecast income and expenditure was set out in the Business Plan, and summarised at paragraph 3.1 of the submitted report.

The Business Plan for 2021/24 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 2021/22, and a summary of the performance for 2020/21 (Appendix B).
- The arrangements in place for managing risk and the most up to date risk register for the Fund (see Appendix C).
- Membership, investment and funding details for the Fund.
- An estimated outturn for 2020/21 and an estimate for income and expenditure for 2021/22 (Appendix D and page 21 of Appendix 1).
- An annual plan for key decisions and a forward work programme for 2021/22 and an outline work plan for 2022–2024.

A Board Member raised concern in relation to the income deficit and the Head of Pensions Governance and Investment provided an explanation for the apparent deficit and strategies available for addressing it if needed.

It was suggested that the Board should review the Risk Register for the Fund at a future meeting.

In relation to administrative costs, it was stated that these were mainly attributed to the contract with XPS.

AGREED that the information provided was received and noted.

20/49 **TEESSIDE PENSION BOARD ANNUAL REPORT 2020/2021**

The Teesside Pension Board Annual Report 2020-2021 was presented for Board Members' information.

The report contained information in relation to the Board's activity in 2020-2021, Work Programme, Impact of the Coronavirus/Covid-19 Pandemic, Board Membership and Meeting Attendance.

AGREED that the Teesside Pension Board Annual Report 2020-2021 was approved.

20/50 **NATIONAL KNOWLEDGE ASSESSMENT OUTCOME UPDATE**

A report of the Director of Finance was presented to update Members of the Teesside Pension Board on the proposals by the Pension Fund Committee at a meeting held on 10 March 2021, following the outcome of the National Knowledge Assessment recently undertaken by Board and Pension Fund Committee members.

The Pension Fund Committee agreed the following:

- The training plan attached at Appendix A to the submitted report, should be delivered to Committee and Board members.

- A training budget initially set at £40,000 was set aside to allow external companies and individuals to be commissioned to assist with this training where appropriate.

- Expenditure on external training would be determined by the Head of Pensions Governance and Investments in consultation with the Chair and Vice Chair of the Teesside Pension Fund Committee.

The Head of Pensions Governance and Investments would investigate options to deliver the training plan within budget, and look to ensure maximum participation and value was delivered to Board and Pension Fund Committee members. An initial focus would be on the induction of any new Members following the Council's Annual Meeting in May 2021.

AGREED that the information provided was received and noted.

20/51 **UPDATE ON CURRENT ISSUES**

A report of the Director of Finance was presented to update Members on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

The following issues were highlighted:

- Regulations imposing a £95,000 Exit Cap Revoked.
- Scheme Advisory Board - Good Governance Review Final Report.
- Increasing the Normal Minimum Pension Age: Consultation on Implementation.

The Head of Pensions Governance and Investments provided further explanation of each item, the details of which were contained in the submitted report.

AGREED that the information provided was received and noted.

20/52 **WORK PLAN UPDATE**

The Board was reviewing record-keeping at today's meeting and included in the XPS report at Agenda Item 12 was information in relation to Common and Conditional Data.

The most significant failure on Common Data was address and postcode and this related almost entirely to people who had left the scheme and changed address but failed to notify XPS. The Head of Pensions Governance and Investment was working with XPS to obtain quotes from companies that could assist in locating these individuals and how cost effective that would be.

The Scheme Actuary had been asked to do some analysis in relation to the data extract over the next few months in preparation for the next valuation and the extract in June 2022. In order to improve the quality of the valuation information it was important to start looking at the data now.

In relation to resolving internal disputes – these were reported to the Board every three months by XPS and there had not been any cases referred to the Pension Ombudsman during the last year.

A Board Member suggested that Electoral Services might be able to assist with address and postcode information, subject to data protection considerations.

AGREED that the information provided was received and noted.

20/53 **XPS ADMINISTRATION REPORT**

A report was presented to provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

The following items were highlighted:

- Headlines – 95K Exit Cap and McCloud judgement.
- Covid-19 update.
- Membership Movement.
- Member Self Service - new website.
- Additional Work - Guaranteed Minimum Pension reconciliation exercise.
- Common Data.
- Conditional Data.
- Customer Service.
- Employer Liaison.
- Performance Charts.

XPS was currently surveying all employees regarding returning to work at the office following the lifting of covid-19 stay at home restrictions. Employees could express their preference for working at home, working at the office or a combination of both.

Whilst there had been some late payments from Employers this was not a particular issue and XPS staff were in regular contact to respond to any difficulties experienced due to the pandemic.

AGREED that the information provided was received and noted.

20/54 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED**

None.

This page is intentionally left blank

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 10 March 2021.

PRESENT: Councillors D Coupe (Chair), J Beall, A Bell, B Cooper, S Dean, P Fleck, B Foulger, T Furness, J Hobson, J Rostron, Z Uddin, T Watson and G Nightingale

PRESENT BY INVITATION: Councillors

ALSO IN ATTENDANCE: G Hall, W Bourne (Independent Adviser), P Moon (Independent Adviser), A Owen (CBRE), A Peacock (CBRE), J Roberts (Border to Coast) and M Rutter (External Auditor) (Ernst Young)

OFFICERS: S Lightwing, N Orton, W Brown, I Wright, D Johnson and J McNally

APOLOGIES FOR ABSENCE: Councillors E Polano

20/38 **DECLARATIONS OF INTEREST**

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

20/39 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 9 DECEMBER 2020**

The minutes of the meeting of the Teesside Pension Fund Committee held on 9 December 2020 were taken as read and approved as a correct record.

20/40 **AUDIT COMPLETION REPORT**

The Auditor presented the final Audit Results Report for the Teesside Pension Fund for 2019/2020.

Section one of the report provided an update on the matters noted as outstanding when the provisional audit results report was presented to the Committee in December 2020.

The Auditor confirmed that, as indicated in the provisional audit results report, EY would be issuing an unqualified audit opinion on the financial statements.

The final opinion did not include additional narrative to highlight financial statement disclosures that the valuations of directly held property had been prepared on the basis of a ‘material valuation uncertainty’, as EY had subsequently concluded this narrative was not required.

ORDERED that the report was received and noted.

20/41 **INVESTMENT ACTIVITY REPORT**

A report of the Director of Finance 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. Whilst it was considered that Bond yields would rise in the long run, at present yields did not meet the actuarial requirements for the Fund and should continue to be avoided at these levels unless held as a short term alternative to cash.

The cash levels at the end of December 2020 were 8.26%. The Fund would continue to use 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, £45.3 million 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 October 2020 to 31 December 2020 September 2020. There were net purchases of £45.4m million in the period, this compared to net purchases of £33.2 million in the previous reporting period.

As at 31 December 2020, the Fund had £361.5 million invested with approved counterparties. This was a decrease of £68.3 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 December 2020, including cash, was £4,385 million, compared with the last reported valuation as at 30 June 2020, of £4,084 million.

A summary analysis of the valuation showed the Fund's percentage weightings in the various asset classes as at 31 December 2020 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.

The Fund was currently above its target asset allocation of 50% equities. As at the end of December 2020 the Fund’s equity weighting was 77.04%. The overweight position should be reduced over time through further investment in Alternative assets, however, this was a slow process. As long as suitable alternative investments were available the Fund would look to a reduction in the overweight position of 5% per year.

ORDERED that the report was received and noted.

20/42 **EXTERNAL MANAGERS' REPORTS**

A report of the Director of Finance 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 30 September 2020 the Fund had investments in:

- 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;

  and

- 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 Border to Coast UK Equity Fund was currently performing on target although it was highlighted that the Fund had not yet been invested for three years. There had been a slight dip in performance over the last quarter but overall, since inception, the expected returns had been delivered. The Border to Coast report was attached at Appendix A to the submitted report.

The Head of Pensions Governance and Investments confirmed that he was not alarmed by the slight dip in performance as there had been a significant change in UK market values over the last quarter.

State Street had a passive global equity portfolio invested across four different region tracking indices appropriate to each region. 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 2020.

It was highlighted that companies that breached UN Global Compact or sold controversial weapons had recently been excluded from State Street's funds and the indices they tracked and this had made a difference to the number of companies they could invest in of about 3.6% of the market. However, the expected returns had been delivered to date.

Over the course of the next few months, the Fund would continue to transfer money from State Street to Border to Coast in order to move away from passive investments. Details of the transfers would be reported to the Committee.

ORDERED that the report was received and noted.

20/43 **PRESENTATION FROM BORDER TO COAST CLIENT RELATIONSHIP MANAGER**

The Border to Coast Client Relationship Manager gave a presentation which covered the following issues:

- Border to Coast Update
- Equity Investments Update
- UK Listed Equity Fund
- Overseas Developed Markets Equity Fund
- Alternatives Investments Update
- Private Equity
- Infrastructure

Progress during 2020 included:

- Border to Coast's first co-investment, in its infrastructure fund.
- The launch of two fixed income funds – the £2.5 bn Sterling Investment Grade Credit Fund and the £1.5 bn Sterling Index-Linked Bond Fund.
- Won the Pool of the Year and Collaboration Awards at the LAPF (Local Authority Provident Fund) Investment Awards.
- Over 130 delegates attended Border to Coast's first virtual conference.
- 58 partner Fund workshops were held.
- Continued recruiting, with over 20% of colleagues joining BCPP during lockdown.
- Completed the first "crossing deal" leading to a saving of £3.4 m for the partner funds involved. A "crossing deal" with Teesside had also made a saving of £20,000 for the Fund.

The presentation included the Investment Proposition Launch Timetable with details of the Funds that would be launched in 2022 and 2023 highlighted at the meeting.

Overall there was general confidence with the performance of the UK albeit there was a slight dip over the short term. However, over the three year rolling basis the Fund was in a strong position.

ORDERED that the report was received and noted.

20/44 **STRATEGIC ASSET ALLOCATION UPDATE**

A report of the Director of Finance was presented to ask Members to agree to a revision to the Pension Fund's strategic asset allocation and for a short consultation to be carried out with employers in the Fund to explain the purpose of the proposed changes.

The Pension Fund's target strategic asset allocation was set out in its Investment Strategy Statement (ISS) which was last updated in February 2019. The table at 4.1 of the submitted report showed the strategic asset allocation alongside the actual allocation of the Pension Fund at the end of the quarter the allocation was published (31 March 2019), and at the end of the last quarter (31 December 2020).

The ISS highlighted that the target allocation was a long term goal, and that while bonds continue to be viewed as expensive, the allocation to equities was likely to be towards the high end of the range.

While the Pension Fund remained heavily invested in equities its assets were subject to significant volatility. While this could be tolerated to a certain extent given the Pension Fund's long investment time horizon, this volatility could cause issues for the Pension Fund's employers if the triennial valuation coincided with a low point in valuations.

Officers had been working with the Pension Fund's investment advisors to review the strategic asset allocation, with a view to setting a long-term and a short/ medium term target for asset allocation. The latter target would allow the Committee to judge more quickly whether appropriate progress was being made in reallocating the Pension Fund's assets.

Details of the proposed revised strategic asset allocation was detailed at paragraph 6.4 of the submitted report. The overall split between growth and protection assets would be 75% to 25% in the long term, with UK Equities 10%, Overseas Equities 45%, Property 10%, Private Equity 5%, Other Alternatives 5%. Protection assets – bonds, other debt, and cash - would be combined together. Infrastructure would be reclassified as a protection asset to properly reflect the features of that asset and the fact that it would provide a protection asset in investment terms.

Any substantive changes agreed to the revised ISS following the consultation would be brought to the next Committee meeting. If there were no such changes the ISS would be published in due course.

It was noted that some of the targets were challenging, however the Head of Pensions Governance and Investment confirmed that he felt that they were reasonable. In relation to local investments, it was explained that the Committee had agreed to invest up to 5%, it was not a separate line on the strategic asset allocation. Any local investment would be slotted into the relevant category. However, the Committee would be kept informed of the percentage of investment actually allocated to local investments.

ORDERED as follows:

1. The information provided was received and noted.
2. The table in paragraph 6.4 of the submitted report would be incorporated into an updated ISS and circulated to Pension Fund employers for comment.
3. Any substantive changes agreed to the revised ISS following the consultation would be brought to the next Committee meeting.
4. If there were no substantive changes to report back, the revised ISS would be published.
5. Officers would work to implement the revised strategic asset allocation and would report back to future Committee meetings on progress.

20/45 **NATIONAL KNOWLEDGE ASSESSMENT OUTCOME**

A report of the Director of Finance was presented to inform Members of the outcome of the National Knowledge Assessment recently undertaken by Teesside Pension Board and Pension Fund Committee members, and to discuss a potential training plan to address gaps in knowledge identified by the assessment.

The outcome of the Knowledge Assessment was discussed with the Board at its February 2021 meeting. The Board agreed that a training programme should be discussed and approved by the Committee which Board members could also participate in.

The report identified a number of areas where the Committee and Board would benefit from additional training. A suggested training plan was attached at Appendix A to the submitted report.

The provision of a specific training budget would allow flexibility on how training could be delivered. An initial budget of £40,000 representing £2,000 per Committee and Board member was suggested, with any expenditure subject to discussion and agreement with Chair and Vice Chair, as well as appropriate use of procurement processes and procedures.

Concern was raised in relation to the amount of the suggested budget and it was confirmed that this was a maximum amount and value for money would be sought when arranging any external training.

ORDERED as follows:

- The proposed training plan in Appendix A would be delivered to Committee and Board members.
- A training budget initially set at £40,000 was set aside to allow external companies and individuals to be commissioned to assist with this training where appropriate.
- Expenditure on external training would be determined by the Head of Pensions Governance and Investments in consultation with the Chair and Vice Chair.

20/46 **PENSION FUND BUSINESS PLAN 2021-2024**

A report of the Director of Finance was presented to Committee Members to request approval of the annual Business Plan including the 2021/22 Pension Fund budget.

The 2021/22 forecast income and expenditure was set out in the Business Plan, and summarised at paragraph 3.1 of the submitted report.

The Business Plan for 2021/24 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 2021/22, and a summary of the performance for 2020/21 (Appendix B).
- The arrangements in place for managing risk and the most up to date risk register for the Fund (see Appendix C).
- Membership, investment and funding details for the Fund.
- An estimated outturn for 2020/21 and an estimate for income and expenditure for 2021/22 (Appendix D and page 21 of Appendix 1).
- An annual plan for key decisions and a forward work programme for 2021/22 and an outline work plan for 2022–2024.

ORDERED as follows that:

1. The information provided was received and noted.
2. Teesside Pension Fund's Annual Business Plan including the 2021/22 Pension Fund budget was approved.

20/47 **CURRENT ISSUES**

A report of the Director of Finance was presented to update Members on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

The following issues were highlighted:

- Regulations imposing a £95,000 Exit Cap Revoked.
- Scheme Advisory Board - Good Governance Review Final Report.
- Increasing the Normal Minimum Pension Age: Consultation on Implementation.

The Head of Pensions Governance and Investments provided a detail explanation on each item, the details of which were contained in the submitted report.

ORDERED that the information provided was received and noted.

20/48 **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.

Further commentary was provided at the meeting by both Advisers in relation to the economic recovery from the pandemic, the increase in bond yields, and the potential for inflation.

ORDERED that the information provided was received and noted.

20/49 **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 investment market was currently subdued. Shopping centres were under pressure although industrials continued to grow in favour. There was demand in the office sector for the best quality assets. Although there was an expectation of more liquidity in the markets once lockdown eased, it was not yet clear whether there would be more or less demand for offices or whether the move to online shopping would continue at the same pace.

Confirm that we have no shopping centres in the portfolio and no plans to put one forward as a recommendation. Have a number of retail parks which have been resilient and keeping the team busy in terms of new lettings quite pleasingly and lease renewals. Report refers to a couple of deals at the moment involved in.

The current arrears, as stated in the report, had fallen by £50K to currently £1.69 million. Quarterly collection statistics for this quarter had improved from the 81% as stated, to 85% and that compared quite favourably with most of CBRE's portfolios. It was highlighted that under Government legislation passed due to the covid-19 pandemic, no enforcement action could be taken against tenants who were in arrears. CBRE were working with tenants to recover arrears and agree payment plans.

In relation to vacant properties, the void rate was low: 2.45% against an industry benchmark of 11.9%. Completion of several lettings would further reduce that void rate.

CBRE continued to look for new investments for the Fund but there was a chronic shortage of suitable stock available on the current market. Hopefully the situation would improve lockdown eased and people would look at stock they might want to sell later in the year. It was noted that when suitable assets for the Fund did come to market, bidding could be fierce, particularly in logistics and industrials.

ORDERED that the information provided was received and noted.

ORDERED that the report was received and noted.

20/50 **XPS PENSIONS ADMINISTRATION REPORT**

A report was presented to provide an overview of administration services provided to the

Teesside Pension Fund by XPS Administration.

The following items were highlighted:

- Headlines – 95K Exit Cap and McCloud judgement.
- Membership Movement.
- Member Self Service - new website.
- Additional Work - Guaranteed Minimum Pension reconciliation exercise.
- Common Data.
- Conditional Data.
- Employer Liaison.
- Performance Charts.

In relation to the McCloud judgement, the expected remedy was that everybody who was in the scheme prior to 2012 and from 2014 onwards would now receive the same protections as those who were close to retirement. XPS was in the process of data collection, contacting each employer to ensure both sets of benefits could be calculated for everybody. Pensioners would receive the better of either the CARE benefit or the previous final salary benefits. This could affect a number of people for a number of decades. There could also be other impacts in relation to benefits statements, as potentially both sets of figures would need to be included from 2022, or once the legislation was in place.

It was reported that usage of the Pension Fund website was low and XPS were trying to encourage more people to sign up to it and use it. The website had the facility for members to do their own estimates and work out their benefits.

In relation to the Guaranteed Minimum Pension reconciliation exercise, the next stage would be a final check against HMRC records and then the calculation of any over or underpayments.

During the Covid-19 pandemic the Employer liaison team had been carrying out health checks with Employers virtually rather than in person. Service Level Agreements had been maintained throughout lockdown.

ORDERED that the information provided was received and noted.

20/51 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

This page is intentionally left blank

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 6

TEESSIDE PENSION BOARD REPORT

19 JULY 2021

DIRECTOR FINANCE – IAN WRIGHT

Pension Board Membership

1. PURPOSE OF THE REPORT

1.1 The purpose of the report is

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

2. RECOMMENDATIONS

2.1 That the Board notes the report.

2.2 That the Chair appointments a Deputy Chair from the Board's employer representatives.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications resulting from this report.

4. APPOINTMENT OF DEPUTY CHAIR

4.1 Shortly after the Board's last meeting Gary Whitehouse the Board's Deputy Chair tendered his resignation from the Board owing to the fact that he was leaving his current employment. As an employer-nominated representative this meant he was no longer able to continue on the Board. This means there is a vacancy for Deputy Chair which needs to be filled by an employer-nominated Board member.

4.2 Under the Board's terms of reference, the role of Deputy Chair is appointed by the Chair, hence recommendation 2.1 above. It is worth noting that Deputy Chair will become the Chair by the next meeting through rotation which happened every two years as set out in the terms of reference. The new Chair will be required next meeting to select a Deputy Chair from the scheme-member Board representatives.

5 BOARD VACANCIES

5.1 There is currently a vacancy for an employer-nominated Board member form the 'other employers' constituency, that is all other employers in the Fund excluding the four main Councils (Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton Councils). All employers have been written to asking for expressions of interest but with no response as yet. An additional targeted attempt will be made concentrating on the larger employers with more involvement and connection with the Fund.

5.2 The current pensioner representative and Board Chair Colin Monson's term of office comes to an end at the end of the month. All Fund pensioners will be given the opportunity to apply for the pensioner representative role – this is likely to be publicised online and also through a pensioner newsletter scheduled to go out during late summer / early autumn.

5.3 As set out in the Board's terms of reference, "a selection panel consisting of the Chief Finance Officer, Monitoring Officer and Board Secretary shall form an appointment panel and will be responsible for all appointments to the Pension Board". The intention is that the 'other employers' scheme employer representative and the pensioner representative will be in place in time for the Board's next scheduled meeting in November.

6 NEXT STEPS

6.1 The Head of Pensions Governance and Investments will coordinate the recruitment process set out in paragraph 5 and report back on progress to the next Board meeting.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

TEESSIDE PENSION BOARD REPORT

19 JULY 2021

DIRECTOR FINANCE – IAN WRIGHT

Funding Strategy Statement Consultation

1. PURPOSE OF THE REPORT

1.1 To advise Members of the Teesside Pension Board (the Board) of a consultation on proposed changes to the Funding Strategy Statement which take into account recently published guidance on flexibilities available to employers in the Fund in relation to contribution rates, including contributions due when an employer exits the Fund.

2. RECOMMENDATION

2.1 That Members note that the enclosed revised Funding Strategy Statement has been approved by the Pension Fund Committee and circulated to Fund employers for comment. Should there be any substantive changes following this consultation, the revised wording will be brought back to the Committee for approval, otherwise the document will be published on the Fund's website after the consultation period.

3. FINANCIAL IMPLICATIONS

3.1 There are no specific financial implications arising from this report, although the implementation of the revised provisions of the Funding Strategy Statement may have financial implications for the Fund employers concerned.

4. BACKGROUND

4.1 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, consulting with such persons as it considers appropriate when carrying out this review.

4.2 The purpose of the Funding Strategy Statement as set out in the Statement itself is:

- To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;

- To support the regulatory framework to maintain as nearly constant primary contribution rates as possible;
- To support the fund’s aim to enable overall employer contributions to be kept as constant as possible and (subject to the administering authority not taking undue risks and ensuring that the regulatory requirements are met) at reasonable cost to the taxpayers, scheduled, designating, and admitted bodies;
- To ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the fund are met; and
- To take a prudent longer-term view of funding those liabilities.

These objectives, whilst individually desirable, may be mutually conflicting.

4.3 The Funding Strategy Statement sets out how the administering authority attempts to balance the conflicting aims of affordable contributions, transparency of processes, stability of employers’ contributions, and prudence in the funding basis.

4.4 The Funding Strategy Statement is reviewed at least every three years, as part of the Fund’s actuarial valuation, and is also subject to review when changes to the regulations or guidance governing the Local Government Pension Scheme (LGPS) require this.

5. FLEXIBILITY ON EXIT PAYMENTS AND SETTING EMPLOYER CONTRIBUTION RATES

5.1 Following a consultation exercise, the Ministry for Housing Communities and Local Government (MHCLG) issued the Local Government Pension Scheme (Amendment) (No. 2) Regulations 2020 which took effect from 23 September 2020. These regulations:

- Provide administering authorities with the power to review employer contributions in between triennial valuations where the administering authority thinks that the employer's liabilities have changed significantly, the ability of the employer to pay contributions has changed, or the employer has requested such a review.
- Require administering authorities to determine whether to allow an employer to spread an exit payment, over what period and the proportion of the exit payment to be paid each year, taking account of the interests of all employers and the funds as a whole.
- Introduce “Deferred Employer” as a new category of employer in the scheme together with the facility for administering authorities to enter into a “Deferred Debt Agreement” (DDA) with such an employer. The purpose of this is to formalise arrangements to allow employers with no active members to continue participating in the fund, with contributions set at triennial valuations and any interim reviews in the same way as other fund employers.

5.2 In order to ensure consistency and transparency, administering authorities that wish to make use of these powers are required to set out within their Funding Strategy Statement their policy on interim contribution reviews, spreading of exit payments and DDAs, and to obtain advice from their actuary.

5.3 On 2 March 2021 MHCLG published statutory guidance to assist administering authorities in implementing and operating these regulations on employer flexibilities. The LGPS Scheme Advisory Board also produced more detailed guidance to be read in conjunction with MHCLG's statutory guidance. These documents can be found at the following links:
Guidance on preparing and maintaining policies on review of employer contributions, employer exit payments and deferred debt agreements - GOV.UK (www.gov.uk)
LGPS Scheme Advisory Board - Employer Flexibilities (lgpsboard.org)

5.4 Both sets of guidance have been taken into account in preparing the update to the Funding Strategy Statement, which has also been prepared with substantial input from and discussion with the Fund actuary.

6. REVISED FUNDING STRATEGY STATEMENT

6.1 The revised Funding Strategy Statement is enclosed at Appendix A, the substantive changes from the previous version are as follows:

- The Statement explains how Deferred Employers and their liabilities will be treated. For example for most Deferred Employers the expectation is the funding target for employers with orphan liabilities will be used, as usually no employer will be supporting their liabilities once their deferred debt agreement ends.
- Any employer exits calculated after 23 June 2021 will include an allowance for the cost management process and the proposed remedy for the 'McCloud' discrimination as set out in MHCLG's consultation on draft regulations, as well as an allowance for payment of increases on Guaranteed Minimum Pensions (GMPs) at the full rate of CPI (price inflation) for members with a State Pension Age after 5 April 2016, consistent with the Government's policy intention. This is currently expected to result in an increase in exit liabilities of approximately 0.7%.
- The factors to be considered when considering allowing payment of exit debt in instalments and/or entering into a deferred debt arrangement are set out - such as employer covenant and whether any security or guarantee are available.
- Details of the how the process for reviewing an employer's contribution rate between valuations will operate, including dealing with an employer-generated request in relation to this. This includes clarification that an employer request based purely on a change in market conditions affecting the value of assets and or liabilities will not be allowed. Detail of an appeals process – separate and in addition to the existing dispute resolution procedure which the Fund operates – is also included.
- The section on risks and control has been updated, adding risks relating to climate change and Covid-19 and updating the regulatory risks wording

6.2 The 23 June 2021 Pension Fund Committee approved the revised Funding Strategy Statement and directed that it should be circulated to Fund employers for comment, and if no substantive changes are required following the comments it will be published on the Fund's website. Should the comments result in substantive changes the revised version will be brought back to the Committee for approval and to the Board for noting.

6.3 The consultation is ongoing - at the time of writing only one employer has come forward with any comments, however the consultation end date is not until 23 July 2021.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investment
TEL NO.: 01642 729040

FUNDING STRATEGY STATEMENT
JUNE 2021

Teesside Pension Fund

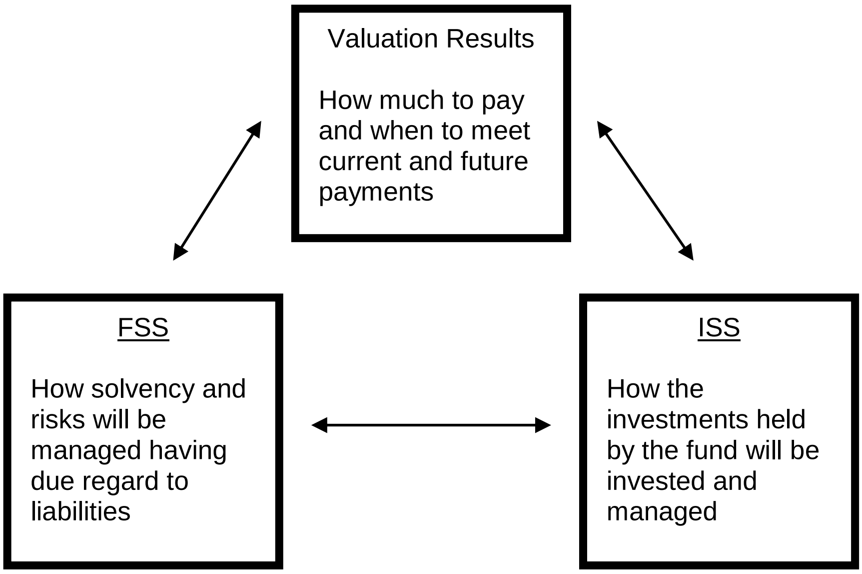
Table of Contents

1. Introduction

The Local Government Pension Scheme (LGPS) Regulations 2013 require funds to produce a Funding Strategy Statement (FSS) having regard to guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is the FSS of the Teesside Pension Fund ("the fund"), which is administered by Middlesbrough Council ("the administering authority").

It has been prepared by the administering authority in collaboration with the fund's actuary, Aon, after consultation with the fund's officers and elected members, employers and investment advisers and is effective from 23 June 2021. The administering authority will next formally review the FSS as part of the triennial valuation of the Fund as at 31 March 2022 unless circumstances arise which require earlier action.

The FSS, the Investment Strategy Statement (ISS) and the Actuarial Valuation are inter-related:



1.1 Regulatory Framework

Members' accrued benefits are guaranteed by statute. The Local Government Pension Scheme is paid for by contributions from both employers and scheme members. The contribution made by scheme members is fixed and generally is not subject to variation. Whereas the contribution paid by scheme employers is variable. This is designed to reflect that the pension scheme is *funded* and the amount of investment return is variable. Therefore, in order to achieve the desired *output* – a fixed benefit payable to a scheme member – three *input* elements have to be combined.

- Member contributions
- Employer contributions
- Investment returns

Because member contributions are fixed and investment returns are variable, then employer contributions have to be variable as well to ensure that any reduction in investment returns can be counterbalanced. This ensures that the required output – the member's benefits – can be achieved.

The Regulations fix members' contributions at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

The FSS forms part of a framework which includes:

- The Local Government Pension Scheme Regulations 2013 (regulation 58 is particularly relevant).
- The Rates and Adjustments Certificate, which can be found appended to the fund actuary's triennial valuation report.
- Actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- The Investment Strategy Statement.

This is the framework within which the fund's actuary carries out triennial valuations. Consequently, this sets the employers' contribution rate, and also provides recommendations to the administering authority when other funding decisions are required, such as when employers join or leave the fund. The FSS applies to all employers participating in the fund.

1.2 Reviews of the FSS

The FSS is reviewed by the administering authority at least every three years as part of the triennial valuation. More frequently, Annex A is updated to reflect any changes to employers.

The FSS is a summary of the fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries please contact Nick Orton in the first instance at nick_orton@middlesbrough.gov.uk or on (01642) 729040.

2. Purpose of the Funding Strategy Statement

2.1 Purpose

The purpose of the FSS is:

- To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- To support the regulatory framework to maintain as nearly constant primary contribution rates as possible;
- To support the fund's aim to enable overall employer contributions to be kept as constant as possible and (subject to the administering authority not taking undue risks and ensuring that the regulatory requirements are met) at reasonable cost to the taxpayers, scheduled, designating, and admitted bodies;
- To ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the fund are met; and
- To take a prudent longer-term view of funding those liabilities.

These objectives, whilst individually desirable, may be mutually conflicting.

This statement sets out how the administering authority attempts to balance the conflicting aims of affordable contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.

The fund currently has slightly negative net cash flow. It is recognised that this outlflow from the fund is likely to increase as budget pressures being experienced by scheme employers leading to workforce reductions and falling active membership will result in reduced levels of income from employer and employee contributions. The FSS supports the process of ensuring adequate funds are set aside to meet future pension liabilities. LGPS regulations specify that implementation of the funding strategy is the responsibility of the fund acting on appropriate advice and following consultation.

The FSS is a comprehensive strategy for the whole fund, balancing and reconciling the many interests who arise from the nature of the Scheme and the requirement to fund benefits now and in the future.

3. Purpose of the fund

3.1 Purpose

The fund is a vehicle by which scheme benefits are delivered. The purpose of the fund is to:

- Receive monies in respect contributions from employers and employees, transfer values and investment income.
- Pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations 2013 and as required in the LGPS (Management and Investment of Funds) Regulations 2016.

3.2 Aims

The aims of the fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to the taxpayers, and scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the fund and employers, and the risk exposure policies of the administering authority and employers alike.
- Seek returns on investments within reasonable risk parameters.

4. Solvency Issues, Long-term Cost Efficiency and Target Funding Levels

4.1 Setting the Employer Contribution Rate

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the "primary contribution rate"; plus

b) an adjustment for the funding position (or "solvency") of accrued benefits relative to the fund's solvency target - this is called the "secondary contribution rate". If there is a surplus there may be a contribution reduction; if a deficit there may be a contribution addition, with the surplus or deficit spread over an appropriate period.

The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates. The secondary rate is an adjustment to the primary rate to arrive at the rate each employer is required to pay. It may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning with 1 April in the year following that in which the valuation date falls. The secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are actually required to pay is the sum of the primary and secondary rates.

The fund's actuary is required by the regulations to report the Primary and Secondary Contribution Rates, for all employers at each triennial valuation.

In effect, the Primary and Secondary Contribution Rate for the whole Fund is a notional quantity. Separate primary contribution rates are calculated for each employer together with secondary contribution rates according to employer-specific spreading and phasing periods. The specific factors which are considered are discussed below. .

For some employers it may be agreed to pool contributions (see Section 4.7.6).

For deferred employers, there will be no Primary Contribution Rate and the Secondary Contribution Rate will be set as a cash amount.

The triennial valuation report contains details of each employer's contribution rate for the inter-valuation period. Annex A to this document shows which employers' contributions have been pooled with others and the deficit recovery period for individual employers.

Any costs of non ill-health early retirements must be paid as lump sum payments at the time of the employer's decision in addition to the contributions described above or, for tax raising bodies, by instalments shortly after the decision.

Employers' contributions are expressed generally as a percentage of payroll plus capital sums towards meeting any deficiency identified in the latest actuarial assessment of the Employer's liabilities. Employers are able to pay additional contributions should they wish to do so. Employers are required to discuss options with the administering authority before attempting to make one-off capital payments.

4.2 Solvency and Target Funding Levels

The fund's liabilities are mainly underwritten by tax-raising bodies and it is therefore able to take a medium to long-term view when determining employing bodies' contribution rates to meet future liabilities by operating a fund with an investment strategy with this long-term view. While there is no certainty regarding investment income continuing at current levels the fund investment strategy, as set out in the Investment Strategy Statement, assesses this risk.

The fund’s actuary is required to report on the “solvency” of the whole fund at least every three years. Solvency for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the Funding Target (as defined below in 4.3). This quantity is known as a funding level.

The fund actuary agrees the financial and demographic assumptions to be used for the Funding Target for each triennial valuation with the administering authority.

The fund operates the same target funding level for all ongoing employers of 100% of their accrued liabilities valued on an appropriate basis (subject to 4.7.2 where an employer is in surplus). Please refer to paragraph 4.8 for the treatment of departing employers.

4.3 Ongoing Funding Basis

Risk Based Approach

The fund adopts a risk based approach to funding rather than a 'deterministic' approach. In particular the discount rate (for most employers) has been set on the basis of the assessed likelihood of meeting the funding objectives. The administering authority has considered 3 key decisions in setting the discount rate:

- The long-term Solvency Target (i.e. the funding objective - where the administering authority wants the fund to get to);
- the Trajectory Period (how quickly the administering authority wants the fund to get there); and
- the Probability of Funding Success (how likely the administering authority wants it to be now that the fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by modelling carried out by the fund actuary, define the discount rate and by definition the appropriate levels of employer contribution. Together they measure the associated risk (and hence also the degree of prudence) of the funding strategy. These are considered in more detail below.

Solvency Target

The administering authority's primary aim is the long-term solvency of the fund. Accordingly, employers’ contributions will be set to ensure that 100% of the liabilities can be met over the long term.

CIPFA defines solvency as the rate of employer contributions should be set at “such level as to ensure that the scheme’s liabilities can be met as they arise”. It is not regarded that this means that the pension fund should be 100% funded at all times. Rather, and for the purposes of Section 13 of the Public Service Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- the rate of employer contributions is set to target a funding level for the whole fund (assets divided by liabilities) of 100% over an appropriate time period and using appropriate actuarial assumptions; and either
- employers collectively have the financial capacity to increase employer contributions, and/or the fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed.

If the conditions above are met, then it is expected that the fund will be able to pay scheme benefits as they fall due.

The Solvency Target is defined as follows:

- For Scheduled Bodies, and certain other bodies where a Scheme Employer of sound covenant has agreed to subsume its assets and liabilities following the exit of the employer from the Fund, the Solvency Target is set at a level advised by the fund's actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period, based on continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases to pensions and pension accounts.
- For certain Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund is believed to be of limited duration through known constraints, reduced covenant, and for which no access to further funding would be available to the Fund after exit, the Solvency Target will be set based on assumed investment in an appropriate portfolio of Government bonds after exit.

Probability of Funding Success

The administering authority considers funding success to have been achieved if the fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers and asset-liability modelling carried out by the fund actuary.

The discount rate, and hence the overall required level of employer contributions, has been set such that the fund actuary estimates there is a 75% chance that the fund would reach or exceed its Solvency Target after 25 years.

Funding Target

The Funding Target is the amount of assets which the fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including the future service costs and any adjustment for the surplus or deficiency set the level of contributions payable, then dictate the chance of achieving the Solvency Target at the end of the Trajectory Period.

Different Funding Targets apply to different employers:

- **Scheduled Bodies and certain other bodies where a Scheme Employer of sound covenant has agreed to subsume its assets and liabilities following the exit of the Employer from the Fund**
  The administering authority will adopt a general approach in this regard of assuming indefinite investment in a broad range of assets of higher risk than low risk assets for Scheduled Bodies and certain other bodies which are long term in nature. This is known as the Ongoing (Scheduled Body/Subsumption) Target.
  At its discretion, the administering authority may agree to adopt this target for certain other bodies of sound covenant open to new entrants.

- **Admission Bodies and certain other bodies whose participation is limited**
  For Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund is 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 the administering authority will have specific regard to the potential for participation to cease (or to have no contributing members), the potential timing of such exit, and any likely change in notional or

actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or whether a guarantor exists to subsume the notional assets and liabilities). This is known as the Ongoing (Orphan body) Funding Target. This funding target was introduced with effect from 31 March 2019 so, for a transitional period, it has been set below its intended long term target level so that the change in Funding Target for those affected employers will be phased in.

- **Orphan liabilities**
  These are liabilities with no access to funding from any employer in the Fund. To minimise the risk to other employers in the Fund, the assets notionally related to these liabilities will be assumed to be invested in low risk investments.

- **Deferred employers**
  For deferred employers the approach taken will be set by considering the funding target that would be adopted once the deferred debt agreement ends. For most such bodies, the liabilities will become orphan liabilities on exit.

The key financial assumptions used for assessing the Funding Target at the 2019 valuation are summarised below.

Assumption	% p.a.
Discount Rate – Ongoing (scheduled body/subsumption) Funding Target	4.45
Discount rate – Ongoing (orphan body) Funding Target	
- In service	4.45
- Left service	3.00
Discount rate – orphan liabilities	1.30
Inflationary Salary Increases	3.1
Consumer Price Indexation (CPI)	2.1

The above financial assumptions are adopted for most ongoing employers, but bespoke funding targets can be set at the discretion of the administering authority.

The demographic assumptions are intended to be best estimates of future experience in the fund. They vary by age and gender reflecting the different exposure of members.

4.4 Primary Contribution Rates

The future service element of the employer contribution rate is calculated on the relevant ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The approach used to calculate each employer’s primary contribution rate depends on whether or not new entrants are being admitted.

4.4.1 Employers that admit new entrants

The employer's primary contribution rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the Projected Unit Method of valuation with a one year control period.

If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

4.4.2 Employers that do not admit new entrants

Certain Admission Bodies are closed to new entrants. This is expected to lead to the average age of employee members increasing over time and hence, all other things being equal, the primary contribution rate is expected to increase as the membership ages.

To give more long term stability to such employers' contributions, the Attained Age funding method is adopted. This will limit the degree of future contribution rises by paying higher rates at the outset.

Both funding methods are described in the actuary's report on the valuation.

Both primary contribution rates will include expenses of administration to the extent that they are borne by the fund and include an allowance for benefits payable on death in service and ill health retirement.

4.5 Adjustments for Individual Employers

The administering authority does not account for each employer's assets separately. The fund's actuary is required to apportion the assets of the whole fund between the employers at each triennial valuation.

This apportionment is carried out in order to establish contribution rates for individual employers or pools of employers and is calculated for funding purposes only, although employers may also use this information for accounting purposes. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets by any individual employer or pool

4.6 Asset Share Calculations for Individual Employers

The notional asset share allocated to each employer will be rolled forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit outgo, transfers in and out and investment income. In general no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year. However, where significant one-off employer contributions have been paid, allowance is made for the timing of such contributions.

Further adjustments are made for:

- A notional deduction to meet the expenses paid from the fund in line with the assumption used at the previous valuation.
- Allowance for death in service lump sum benefits, survivors' pensions on death in service and payment of ill health pensions shared across all employers in the fund.
- Allowance for any known material internal transfers in the fund (cashflows will not exist for these transfers). The fund's actuary will assume an estimated cashflow equal to that which would have been paid had the members individually transferred to or from another LGPS fund unless some other approach has been agreed between the two employers.

- An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund.

In some cases information available will not allow for such cashflow calculations. In such a circumstance:

- Where, in the opinion of the fund's actuary, the cashflow data which is unavailable is of low materiality, estimated cashflows will be used.
- Where, in the opinion of the fund's actuary, the cashflow data which is unavailable is material, the fund's actuary will instead use an analysis of gains and losses approach to roll forward the notional asset share. Analysis of gains and losses methods are less precise than use of cashflows and involve calculation of gains and losses relative to the surplus or deficiency exhibited at the previous valuation. Having established an expected surplus or deficiency at this valuation, comparison of this with the liabilities evaluated at this valuation leads to an implied notional asset share.
- Analysis of gains and losses methods will also be used where the results of the cashflow approach appears to give unreliable results perhaps because of unknown internal transfers.

4.7 Stability of Employer Contributions

4.7.1 Deficit Recovery Periods

The administering authority instructs the actuary to adopt specific deficit recovery periods for all employers when calculating their contributions.

The administering authority normally targets the recovery of any deficit over a period not exceeding 20 years. However, these are subject to the maximum lengths set out in the table below.

Type of Employer	Maximum Length of Deficit Recovery Period
Statutory bodies with tax raising powers (including employers within the same group/pool as a statutory body), Colleges, Universities and Academies	A period of 20 years
Community Admission Bodies with funding guarantees	A period of 20 years
Best Value Admission Bodies	The period from the start of the revised contributions to the end of the employer’s contract. In the event of a contract being extended it is not expected that an exit valuation would be required.
Community Admission Bodies that are closed to new entrants e.g. Bus Companies	A period equivalent to the expected future working lifetime of the remaining scheme members allowing for expected leavers.
Deferred employers	The remaining period of the deferred debt agreement.
All other types of employer	A period equivalent to the expected future working lifetime of the remaining scheme members.

This maximum period is used in calculating each employer’s minimum contributions. Employers may opt to pay higher regular contributions than these minimum rates.

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The administering authority reserves the right to propose alternative spreading periods, for example to improve the stability of contributions.

4.7.2 Surplus Spreading Periods

Any employers deemed to be in surplus may be permitted, at the discretion of the administering authority, to reduce their contributions below the cost of accruing benefits, in the circumstances below:

- In line with the desirability of maintaining as nearly constant a contribution rate at this and future valuations, any employer with a funding level of between 100% - 105% will be required to pay the primary rate (i.e. the future service rate) in full, without any adjustment for a surplus.
- For tax-raising scheduled bodies, a contribution adjustment may be applied to the primary (future service) contribution rate equal to the surplus above the 105% funding level spread over 22 years.
- For other employers subject to the Ongoing (Scheduled Body / Subsumption) Funding Target, a contribution adjustment may be applied to the primary (future service) contribution rate not larger than the surplus above the 105% funding level spread over 22 years. Contribution rates will not be permitted to be reduced below the lower of:
  - the contributions being paid over the year immediately following the valuation date, and
  - the primary (future service) rate plus allowance for benefit improvement uncertainties.
- For employers subject to the Ongoing (Orphan body) Funding Target, a contribution adjustment for surplus will not be permitted unless the employer is over 100% funded on the expected basis to be used on exit.

4.7.3 Phasing in of Contribution Rises

Best Value Admission Bodies are not eligible for phasing in of contribution rises. Other employers may opt to phase in contribution rises as follows:

- for employers contributing at or above their primary contribution rate, phasing in the rise in employer contributions over a period of 6 years;
- for employers contributing at less than their primary contribution rate, phasing in the rise in contribution rises over a period of 3 years.

4.7.4 Phasing in of Contribution Reductions

Normally contribution reductions will not be phased but the administering authority may decide that in exceptional circumstances phasing in of contribution reductions may be appropriate.

4.7.5 The Effect of Opting for Longer Spreading or Phasing-In

Employers which are permitted and elect to use a longer deficit spreading period than was used at the 2016 valuation or to phase-in contribution changes will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Thus, deferring paying contributions will lead to higher contributions in the long-term.

However any adjustment is expressed for different employers, the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

4.7.6 Pooled Contributions

4.7.6.1 Smaller Employers

The administering authority allows smaller employers of similar types to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service. Under normal circumstances any employer other than those listed at 4.7.6.2 will not be pooled once they exceed 50 active members. Consideration may also be given to voluntary pooling arrangements between councils and admission bodies.

Community Admission Bodies that are deemed by the administering authority to have closed to new entrants are not permitted to participate in a pool.

4.7.6.2 Other Contribution Pools

Academy schools are pooled together

Colleges are pooled together.

Some Admission Bodies with guarantors are pooled with their contracting Council.

Those employers that have been pooled are identified in Annex A.

4.7.6.3 Pooling of Risk Benefits

All employers in the Fund are grouped together in respect of the risks associated with payment of lump sum benefits on death in service and, from 1 April 2019, survivors' pensions on death in service and payment of ill health pensions – in other words, the cost of such benefits is shared across the employers in the Fund. Such benefits can cause funding strains which could be significant for some of the smaller employers without insurance or sharing of risks. The Fund, in view of its size, does not see it as cost effective or necessary to insure these benefits externally and this is seen as a pragmatic and low cost approach to spreading the risk.

4.7.7 Interim reviews

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or pool of employers. The administering authority also monitors the position and may amend contributions between valuations as permitted by Regulations 64(4) and 64A.

4.8 Employers exiting the fund

Admission Agreements for Best Value contractors are assumed to expire at the end of the contract or any extension to the original contract. In the event that a Best Value contractor, which is already a member of the fund, wins a re-tendered contract the existing Admission Agreement will generally be allowed to continue.

Admission Agreements for other employers are generally assumed to be open-ended and to continue until the last active member ceases to contribute to the fund. These Admission Agreements can however be terminated at any point. Scheduled bodies may also exit the Fund.

If an employer exits the Fund, the administering authority instructs the fund actuary to carry out an exit valuation to determine whether there is any deficit or surplus, except in cases where the administering authority enters into a deferred debt arrangement with the employer.

On exit, the administering authority must look to protect the interests of ongoing employers and will require the actuary to adopt valuation assumptions for the exit valuation which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. To give effect to this, the administering authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities remaining after any transfer of active members to another employer in the fund with low risk investments, generally Government bonds.

Any deficit would be levied on the departing admission body as a capital payment although, under exceptional circumstances, the administering authority, at its sole discretion, may allow phased payments as permitted under Regulation 64B.

For exits where the calculations are carried out on or after 23 June 2021, the following refinements will be made to the approach that was used at the 2019 funding valuation:

- allowance will be made for the cost management process and the proposed McCloud remedy as set out in MHCLG's consultation on draft Regulations, which may be applied in an approximate manner as advised by the fund's actuary and agreed by the administering authority
- allowance will be made for the payment of increases on Guaranteed Minimum Pensions (GMPs) at the full rate of CPI for members whose State Pension Age (SPA) is after 5 April 2016, consistent with Government's policy intention.

Where the exit date is on or after 14 May 2018, if a surplus is shown, then the administering authority has the discretion to return all or part of this surplus to the exiting employer within 6 months of the later of the exit date and the date at which all information has been provided to the administering authority to request a final exit valuation from the Actuary. The administering authority will take the following factors into account when determining the exit credit payment to be made, with the aim of protect the interests of the members and employers in the fund as a whole:

- The surplus shown in the exit valuation carried out by the fund actuary
- The proportion of this surplus that has arisen due to the contributions paid by the employer
- Representations made to the administering authority by the exiting employer and any guarantor (or relevant scheme employer for Best Value Admission Bodies)
- Any other relevant factors

For Best Value Admission Bodies, the relevant scheme employer will subsume the assets and liabilities of the exiting employer. For other employers, the administering authority may allow another participating scheme employer (such as a guarantor) to subsume the assets and liabilities of the exiting employer. The administering authority will consider all such requests in accordance with its policy on employers exiting the Fund and retains its right to either accept or refuse such requests. The subsuming employer will assume responsibility for all assets and liabilities of the exiting employer and for the future funding of those assets and liabilities. In these circumstances, no exit payment would be required from the exiting employer. All or part of any surplus revealed by the exit valuation could be paid to the employer as an exit credit, unless the agreement between the exiting employer and any employer providing a subsumption agreement provides that a surplus is not returned on exit. Where admission bodies are pooled with the relevant contracting Council / guarantor for the purposes of setting contribution rates, any deficit or surplus on exit would remain with the contracting Council / guarantor unless the pooling arrangement states otherwise.

In certain circumstances it may be agreed to enter into a deferred debt agreement rather than require an immediate exit payment. In that case, the employer would remain a participating body as a deferred employer. For deferred employers where a deferred debt agreement is in place the funding target will take into account any likely change in the notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date the deferred debt agreement is expected to end and any other factors considered to be relevant by the administering authority on the advice of the actuary, which may include, without limitation:

- the agreed period of the deferred debt agreement;
- the type/pool of the employer;
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

4.9 Early Retirement Costs

4.9.1 Non Ill Health retirements

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. Employers are required to pay additional contributions wherever an employee retires before attaining the normal retirement age. The current costs of these are specified in tables supplied by the fund's actuary which are modified from time to time.

4.9.2 Ill health monitoring

The fund monitors each employer's, or pool of employers', ill health experience on an ongoing basis. It may be that an employer or group of employers exceeds the actuarial predictions in any given year. If this happens in consecutive years the fund reserves the right to increase employer contributions accordingly.

4.10 Long Term Cost Efficiency

In order to ensure that measures taken to maintain stability of employer contributions are not inconsistent with the statutory objective for employer contributions to be set so as to ensure the long-term cost efficiency of the Fund, the administering authority has assessed the actual contributions payable by considering:

- The implied average deficit recovery period, allowing for the stepping of employer contribution changes;
- The investment return required to achieve full funding over the recovery period; and
- How the investment return compares to the administering authority's view of the expected future return being targeted by the Fund's investment strategy.

4.11 Benefit uncertainties

Current benefit uncertainties are set out in section 6.4 Regulatory Risk.

At present, the administering authority considers that an allowance should be made for:

- The potential future costs of Scheme changes that are expected to be made following the McCloud/Sargeant cases and cost management, via an increase in ongoing employer contributions and an increase to the liabilities calculated in exit valuations. This allowance will be monitored by the administering authority and fund actuary and may be updated once further information is available.

- The potential future costs of GMP indexation by including in the liabilities the cost of full indexation of all GMPs for members reaching SPA after 5 April 2016.

5. Links to Investment Strategy

Funding and investment strategy are inextricably linked. Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice.

5.1 Investment Strategy

The investment strategy currently being pursued is described in the fund's Investment Strategy Statement (ISS).

The investment strategy is set for the long-term, but is reviewed every three years as part of the fund's Asset/Liability Study to ensure that it remains appropriate to the fund's liability profile. In addition short-term investment strategy is reviewed every three months by the fund's advisors. The administering authority has adopted a strategic benchmark, which determines the mix of assets best able to meet the long-term liabilities of the fund. As at 31 March 2019 the actual assets of the fund, compared with the current strategic benchmark can be shown:

	Fund Assets %	Target Strategic Benchmark %
UK Equities	30	22
Overseas Equities	45	28
Bonds/Cash	13	20
Property	9	15
Alternatives	3	15

The investment strategy of lowest risk – but not necessarily the most cost-effective in the long-term – would be 100% investment in index-linked government bonds.

The fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from index-linked bonds

The same investment strategy is currently followed for all employers. The administering authority does not currently have the facility to operate different investment strategies for different employers.

5.2 Consistency with Funding Basis

The fund actuary has based the risk assessment underpinning the ongoing funding target on its asset class return, volatility and correlation assumptions. The return assumptions are best estimates of annualised returns, that is, there is a 50/50 chance that actual returns will be above or below the assumptions. The assumptions are long-term assumptions, based on 10 year and 30 year projection periods and are based on a quarterly basis.

By setting the discount rate such that it is expected that there is a 75% chance the fund would reach or exceed its Solvency Target after 25 years, the fund can demonstrate that it has taken a prudent-longer term view of funding the liabilities.

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of those required to meet the solvency target. The risk-based approach and other stability measures described in Section 5 will damp down, but not remove, the effect on employers' contributions.

5.3 Balance between risk and reward

Prior to implementing its current investment strategy, the administering authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates.

6. Key Risks and Controls

6.1 Types of Risk

The administering authority's has an active risk management programme in place. The measures that the administering authority has in place to control key risks are summarised below under the following headings:

- Financial;
- Demographic;
- Regulatory;
- Governance; and
- Pooling

6.2 Financial Risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Analyse progress at three yearly valuations for all employers. Regular funding updates will be obtained between formal valuations.
Inappropriate long-term investment strategy	The fund sets fund-specific benchmarks, informed by Asset-Liability modelling of liabilities. The fund measures performance and sets managers' targets relative to a Liability / Customised Benchmark Portfolio. Fund uses two Independent investment advisors to inform strategy setting.
Price inflation is significantly above expectation, leading to increase in liabilities	Inter-valuation monitoring, as above. Investment in diverse range of assets to ensure some asset values should rise in inflationary environment.

Active investment manager under-performance relative to benchmark	Short term (quarterly) investment monitoring analyses market performance of the investment team relative to their benchmark. This is supplemented with an analysis of absolute returns against a Liability Benchmark portfolio. This gives an early warning of contribution rises ahead. However, if underperformance is sustained over periods greater than 5 years, contributions would rise more.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	Seek feedback from employers on scope to absorb short-term contribution rises. Mitigate impact through deficit spreading and phasing in of contribution rises.
Climate change - potential impact on the value of both assets and liabilities	The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors. The Fund's policy in relation to how it takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Responsible Investment Policy In relation to the funding implications, the administering authority keeps the effect of climate change on future returns and demographic experience, e.g. longevity, under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.

6.3 Demographic Risks

Risk	Summary of Control Mechanisms
Pensioners living longer leads to increased fund liabilities	Set mortality assumptions with some allowance for future increases in life expectancy.
Unanticipated pay rises increase final salary linked liabilities	Employers will monitor own experience and are made aware of generic impact salary increases can have upon final salary linked elements of LGPS benefits.

6.4 Regulatory

Risk	Summary of Control Mechanisms
Changes to regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees	The administering authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself. It considers all consultation papers issued by the DCLG and comments where appropriate. The administering authority will consult employers where it considers that it is appropriate.

There are a number of uncertainties associated with the benefit structure at the current time including:

- The timing of regulations to extend the interim solution to the issues of GMP indexation and equalisation for the LGPS beyond expiry of the current interim solution from 6 April 2021
- The timing of any final regulations in relation to the remedy to compensate members for illegal age discrimination following the outcome of the McCloud/Sargeant cases.
- The outcome of the 2016 and 2020 cost management processes, noting the agreement reached in relation to the 2016 Scheme Advisory Board (SAB) process for member contributions to be reduced and benefits enhanced to achieve an additional cost of 0.9% of pay, before the process was paused due to the McCloud/Sargeant ruling.
- The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the chief secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

In determining how these uncertainties should be allowed for in employer contributions from 1 April 2020 the administering authority will have regard to guidance issued by the SAB, taking account of the fund actuary's advice.

In addition, a consultation document was issued by MHCLG entitled "Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk" dated May 2019. This included a proposal to change the LGPS local fund valuations to quadrennial cycles. The administering authority will have regard to any changes in the LGPS 2013 Regulations as a result of this consultation and consider any actions required at the 2019 or subsequent valuations, taking account of the advice of the fund's actuary.

6.5 Governance

Risk	Summary of Control Mechanisms
The administering authority is unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements). The administering authority not advised of an employer closing to new entrants.	The administering authority monitors membership movements on an annual basis, via a report from the administrator. The actuary may be instructed to consider revising the Rates and Adjustments certificate to increase an employer's contributions (under Regulation 64) between triennial valuations Deficit contributions are generally expressed as monetary amounts (see Annex A).
The administering authority fails to commission the fund actuary to carry out a termination valuation for a departing employer and losing the opportunity to call in a debt.	In addition to the administering authority monitoring membership movements on an annual basis, it requires employers with Best Value contractors to inform it of forthcoming changes. It also operates a diary system to alert it to the forthcoming termination of Best Value Admission Agreements.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The administering authority believes that it would normally be too late to address the position if it was left until the time of departure. The risk is mitigated by: • Maintaining a knowledge base on employers, their basis of participation and their legal status (e.g. charities, companies limited by guarantee, group/subsidiary arrangements) and using this information to inform the FSS. • Carrying out risk assessments for employers and deferred employers, as appropriate, to inform covenant risk. • Seeking a funding guarantee from another scheme employer, or external body, where-ever possible. • Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. • Vetting prospective employers before admission. • Requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer failed. • Imposing higher employer contributions for

	Employers to reduce the risk of volatile contributions and a significant debt crystallising on termination. • In due course the administering authority will also ask the Fund Actuary to review the funding position of any deferred employers on a regular basis between triennial valuations, to assess when the deferred employer has paid sufficient secondary contributions to cover the exit payment.
The response to the COVID-19 pandemic may have adverse consequences in relation to employer finances and their ability to make contributions.	The administering authority monitors employer payments and expects employers in financial difficulty to engage with the fund, noting that contributions can be reviewed between formal valuations if the conditions in Regulation 64A and the terms of the fund's policy are met.

6.6 Pooling

Risk	Summary of Control Mechanisms
Pooling investment underperformance: Investments in the investment pool not delivering the required return	Border to Coast sub-fund performance is monitored on an on-going basis, as part of a formal part of the normal Border to Coast governance, and reported upon to the Committee. As joint owner of Border to Coast, the administering authority has a degree of control and oversight over the funding and operation of the investment pooling company. Working collectively with the other partner funds in Border to Coast and liaising with the company on a regular basis ensures the best chance of delivering effective investment outcomes.
Systemic and other investment risks not being properly managed within the investment pool; for example appropriate diversification, credit, duration, liquidity and currency risks	Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. Border to Coast sub-fund investment elements are monitored on an on-going basis, and reported to the Committee.

7. Responsibilities of the Key Parties

7.1 Responsibilities

The efficient and effective management of the pension fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently.

There are a wide range of stakeholders in LGPS funds, all of whom have a role in its effective management. Bankers, custodians, investment managers, auditors and legal, investments and governance advisors all form part of the fund management process. Consequently the Funding Strategy Statement (FSS) should recognise these roles and define the responsibilities attached to them. However, the primary parties to the FSS are the administering authority, scheme employers and the fund actuary. The FSS should document their specific roles in more detail.

Many of the roles and responsibilities of administering authorities, scheme employers and actuaries are set out in LGPS legislation. Others are defined in guidance and professional standards or by an agreement between the parties.

7.2 Responsibilities of Primary Parties

The administering authority is required to:

- Operate a pension fund;
- Collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations;
- Pay from the pension fund the relevant entitlements as stipulated in LGPS Regulations;
- Invest surplus monies in accordance with the LGPS Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the regulations to safeguard the fund against the consequences of employer default;
- Manage the valuation process in consultation with the fund's actuary;
- Prepare and maintain a FSS and an Investment Strategy Statement (ISS), both after proper consultation with interested parties;
- Monitor all aspects of the fund's performance and funding, and amend the FSS accordingly;
- Effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer; and
- Enable the local pension board to review the valuation process as set out in their terms of reference.
- Ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into deferred debt arrangements and spreading exit payments, and ensure the process of applying those policies is clear and transparent to all fund employers.

The individual scheme employer is required to:

- Deduct contributions from employees' pay correctly;
- Pay all ongoing contributions, including employer contributions determined by the actuary and set out in the rates and adjustments certificate, promptly by the due date;

- Develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework;
- Make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain;
- Notify the administering authority promptly of all changes to active membership which affect future funding; and
- Pay any exit payments on ceasing participation in the fund.

The fund actuary should:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and LGPS Regulations;
- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added year costs, etc.;
- Provide advice and valuations on the termination of admission agreements and exit of employers;
- Provide advice to the administering authority on bonds and other forms of security against the financial effect on the fund of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations, and in particular in relation to any review of contributions under regulation 64A;
- Assist the administering authority is relation to any decision by the administering authority to put in place a deferred debt agreement under regulation 64(7A) or spread and exit payment under regulation 64B; and
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the fund.

Annex A – Employers' Contributions, Spreading and Phasing Periods

Following the 2019 valuation, the minimum employer contributions shown in the Rates and Adjustment certificate attached to the 2019 valuation report are based on the deficit recovery periods and phasing periods shown in the table below. The table also shows the individual adjustments under Regulation 62(7) to each employer's contributions from the Primary Contribution Rate.

Table to be updated when employer contribution rates agreed

Employer Code	Employer	Recovery Period Years	Phasing Period Years
Scheduled Body Pools			
Hartlepool Borough Council Pool			
102	Hartlepool Council	22.0	n/a
151	Community Integrated Care	n/a	n/a
Middlesbrough Council Pool			
104	Middlesbrough Council	22.0	n/a
329	SLM Charitable Trust (MBC)	22.0	n/a
330	SLM Food and Beverage Ltd (MBC)	22.0	n/a
331	SLM Fitness and Health (MBC)	22.0	n/a
X0384	XPS	22.0	n/a
Redcar and Cleveland Borough Council Pool			
103	Redcar and Cleveland	22.0	n/a
237	Fleet Factors (RCBC)	22.0	n/a
241	SLM Community Leisure Charitable Trust (RCBC)	22.0	n/a
242	SLM Food and Beverage Ltd (RCBC)	22.0	n/a
243	SLM Fitness and Health Ltd (RCBC)	22.0	n/a
Stockton Borough Council Pool			
105	Stockton Council	22.0	n/a
Other Scheduled Bodies Pool			

Employer Code	Employer	Recovery Period Years	Phasing Period Years
6	Guisborough Town Council	22.0	n/a
7	Saltburn and Marske Parish Council	22.0	n/a
20	Loftus Town Council	22.0	n/a
191	Ingleby Barwick Town Council	22.0	n/a
200	Yarm Town Council	22.0	n/a
214	Skelton and Brotton Parish Council	22.0	n/a
215	Billingham Town Council	22.0	n/a
274	Lockwood Parish Council	22.0	n/a
College Pool			
27	Hartlepool College of Further Education	Surplus used to reduce contribution rate to current level	n/a
33	Hartlepool Sixth Form College	Surplus used to reduce contribution rate to current level	n/a
38	Cleveland College of Art and Design	Surplus used to reduce contribution rate to current level	n/a
51	Redcar and Cleveland College	Surplus used to reduce contribution rate to current level	n/a
61	Middlesbrough College	Surplus used to reduce contribution rate to current level	n/a
194	Stockton Riverside College	Surplus used to reduce contribution rate to current level	n/a
Cleveland Fire Pool			
48	Cleveland Fire Brigade	22.0	n/a
202	Cleveland Fire Support Network	22.0	n/a
Cleveland Police Pool			
49	Cleveland Police	22.0	n/a
211	Steria Ltd	22.0	n/a
235	Police and Crime Commissioner for Cleveland	22.0	n/a
236	Chief Constable for Cleveland	22.0	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
Academy Pool			
37	Stockton Sixth Form College	Surplus used to reduce contribution rate to current level	n/a
63	Unity City Academy	Surplus used to reduce contribution rate to current level	n/a
64	Emmanuel Schools Foundation	Surplus used to reduce contribution rate to current level	n/a
181	Macmillan Academy	Surplus used to reduce contribution rate to current level	n/a
207	North Shore Academy	Surplus used to reduce contribution rate to current level	n/a
226	Pennyman Primary Academy	Surplus used to reduce contribution rate to current level	n/a
227	Chandlers Ridge Academy	Surplus used to reduce contribution rate to current level	n/a
228	Nunthorpe Academy	Surplus used to reduce contribution rate to current level	n/a
229	Ormesby School	Surplus used to reduce contribution rate to current level	n/a
230	KTS Academy	Surplus used to reduce contribution rate to current level	n/a
231	All Saints Academy	Surplus used to reduce contribution rate to current level	n/a
233	North Ormesby Primary Academy	Surplus used to reduce contribution rate to current level	n/a
234	Redcar Academy	Surplus used to reduce contribution rate to current level	n/a
238	Conyers School	Surplus used to reduce contribution rate to current level	n/a
239	St Gregory's Catholic Academy	Surplus used to reduce contribution rate to current level	n/a
244	Dyke House Academy	Surplus used to reduce contribution rate to current level	n/a
245	Caldicotes Primary Academy	Surplus used to reduce contribution rate to current level	n/a
249	Hardwick Green Primary Academy	Surplus used to reduce contribution rate to current level	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
251	Extol Academy Trust	Surplus used to reduce contribution rate to current level	n/a
252	Stranton Academy Trust	Surplus used to reduce contribution rate to current level	n/a
253	Eskdale Academy	Surplus used to reduce contribution rate to current level	n/a
254	Catcote Academy	Surplus used to reduce contribution rate to current level	n/a
255	Horizons Academy Trust	Surplus used to reduce contribution rate to current level	n/a
256	St Michaels Catholic Academy	Surplus used to reduce contribution rate to current level	n/a
260	Fredrick Nattrass Primary Academy	Surplus used to reduce contribution rate to current level	n/a
261	Oak Tree Primary Academy	Surplus used to reduce contribution rate to current level	n/a
262	Outwood Academy Acklam	Surplus used to reduce contribution rate to current level	n/a
263	Dormanstown Primary Academy	Surplus used to reduce contribution rate to current level	n/a
264	Skelton Primary Academy	Surplus used to reduce contribution rate to current level	n/a
265	St Bede's Catholic Academy	Surplus used to reduce contribution rate to current level	n/a
267	Sunnyside Academy	Surplus used to reduce contribution rate to current level	n/a
268	Rose Wood Academy	Surplus used to reduce contribution rate to current level	n/a
269	Viewley Hill Academy Trust	Surplus used to reduce contribution rate to current level	n/a
270	Hemlington Hall Academy	Surplus used to reduce contribution rate to current level	n/a
271	Norton Primary Academy	Surplus used to reduce contribution rate to current level	n/a
272	Yarm Primary School	Surplus used to reduce contribution rate to current level	n/a
273	Grangefield Academy	Surplus used to reduce contribution rate to current level	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
276	English Martyrs Education Trust	Surplus used to reduce contribution rate to current level	n/a
277	Easterside Academy	Surplus used to reduce contribution rate to current level	n/a
278	St Margaret Clithero's Primary Academy	Surplus used to reduce contribution rate to current level	n/a
279	St Gabriel's Catholic Academy	Surplus used to reduce contribution rate to current level	n/a
281	St Peters Academy of Maths and Computing	Surplus used to reduce contribution rate to current level	n/a
282	Green Lane Primary Academy	Surplus used to reduce contribution rate to current level	n/a
283	Kader Primary School	Surplus used to reduce contribution rate to current level	n/a
284	Normanby Primary School	Surplus used to reduce contribution rate to current level	n/a
285	Nunthorpe Primary Academy	Surplus used to reduce contribution rate to current level	n/a
286	Ingleby Manor Free School	Surplus used to reduce contribution rate to current level	n/a
287	Hillsview Academy	Surplus used to reduce contribution rate to current level	n/a
289	Harrow Gate Primary Academy	Surplus used to reduce contribution rate to current level	n/a
290	Ian Ramsey COE Academy	Surplus used to reduce contribution rate to current level	n/a
291	Ash Trees Academy	Surplus used to reduce contribution rate to current level	n/a
296	West View Academy	Surplus used to reduce contribution rate to current level	n/a
297	Outwood Academy Bydales	Surplus used to reduce contribution rate to current level	n/a
298	West Park Primary School	Surplus used to reduce contribution rate to current level	n/a
299	Our Lady & St Bede Academy	Surplus used to reduce contribution rate to current level	n/a
312	Manor Community Academy	Surplus used to reduce contribution rate to current level	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
316	Saint Benedict's PCV Academy	Surplus used to reduce contribution rate to current level	n/a
317	Our Lady – Christ the King	Surplus used to reduce contribution rate to current level	n/a
319	Our Lady – St Patrick Primary	Surplus used to reduce contribution rate to current level	n/a
320	Our Lady St Therese of Lisieux	Surplus used to reduce contribution rate to current level	n/a
321	Wynyard C of E Primary School	Surplus used to reduce contribution rate to current level	n/a
322	Outwood Academy – Ormesby	Surplus used to reduce contribution rate to current level	n/a
323	Sacred Heart SCV Academy	Surplus used to reduce contribution rate to current level	n/a
324	Tees Valley Education Trust	Surplus used to reduce contribution rate to current level	n/a
325	Enquire Learning Trust Central	Surplus used to reduce contribution rate to current level	n/a
327	St Hilda's Catholic Academy Trust	Surplus used to reduce contribution rate to current level	n/a
332	Tees Valley Collaborative Trust	Surplus used to reduce contribution rate to current level	n/a
333	River Tees Multi Academy Trust	Surplus used to reduce contribution rate to current level	n/a
334	St Thomas of Canterbury Multi Academy Trust	Surplus used to reduce contribution rate to current level	n/a
338	Brougham Primary School	Surplus used to reduce contribution rate to current level	n/a
339	Vision Learning Trust	Surplus used to reduce contribution rate to current level	n/a
340	Jesmond Gardens Primary School	Surplus used to reduce contribution rate to current level	n/a
342	Rosebrook Primary School	Surplus used to reduce contribution rate to current level	n/a
344	Teesside Learning Trust	Surplus used to reduce contribution rate to current level	n/a
345	Ormesby Primary School	Surplus used to reduce contribution rate to current level	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
346	Zetland Primary School	Surplus used to reduce contribution rate to current level	n/a
347	Outwood Academy Bishopsgarth	Surplus used to reduce contribution rate to current level	n/a
349	Our Children 1st Academy	Surplus used to reduce contribution rate to current level	n/a
350	Rye Hills Academy	Surplus used to reduce contribution rate to current level	n/a
351	St Mark's Academy	Surplus used to reduce contribution rate to current level	n/a
352	Pentland Academy	Surplus used to reduce contribution rate to current level	n/a
357	Outwood Academy Redcar	Surplus used to reduce contribution rate to current level	n/a
358	Riverdale Primary School	Surplus used to reduce contribution rate to current level	n/a
359	Holy Trinity Primary School	Surplus used to reduce contribution rate to current level	n/a
360	St Aydan's Primary School	Surplus used to reduce contribution rate to current level	n/a
361	Egglescliffe Primary School	Surplus used to reduce contribution rate to current level	n/a
363	Crooksbarn Primary School	Surplus used to reduce contribution rate to current level	n/a
365	Galileo Multi Academy Trust	Surplus used to reduce contribution rate to current level	n/a
367	Endeavour Academies Trust	Surplus used to reduce contribution rate to current level	n/a
369	Legacy Learning Trust	Surplus used to reduce contribution rate to current level	n/a
371	Nicholas Postgate Catholic Academy Trust	Surplus used to reduce contribution rate to current level	n/a
373	Ayresome Primary School	Surplus used to reduce contribution rate to current level	n/a
374	Our Lady of Most Holy Rosary	Surplus used to reduce contribution rate to current level	n/a
375	St Joseph's Catholic Primary	Surplus used to reduce contribution rate to current level	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
376	James Cook Learning Trust	Surplus used to reduce contribution rate to current level	n/a
377	Overfields Primary School	Surplus used to reduce contribution rate to current level	n/a
378	Prince Regent Street	Surplus used to reduce contribution rate to current level	n/a
380	Northern Lights Learning Trust	Surplus used to reduce contribution rate to current level	n/a
Other Employers (Not Pooled)			
25	Teesside University	22.0	n/a
60	Future Regeneration of Grangetown	20.0	n/a
72	Stagecoach Transit	10.0	n/a
155	One Awards	20.0	n/a
163	Beyond Housing (formerly Coast and Country Housing)	20.0	6
170	Liberata UK Ltd	22.0	n/a
177	Tees Active Limited	Surplus used to reduce contribution rate to current level	n/a
193	Beamish Museum	Surplus used to reduce contribution rate to current level	n/a
195	Thirteen Group	20.0	6
199	Business and Enterprise North East	20.0	n/a
201	Care Quality Commission	Surplus used to reduce contribution rate to current level	n/a
246	One IT Solutions Ltd	Future working lifetime of active members	n/a
250	Ecocleen Services Ltd	n/a	n/a
266	Mellors Catering Services Ltd	TBC	n/a
275	Diocese of Middlesbrough Trust	Future working lifetime of active members	n/a
288	Creative Management Services Ltd	20.0	3
295	Mellors Catering Services Ltd (Central)	TBC	n/a
313	Mellors Catering – Dormanstown	Surplus used to reduce contribution rate to current level	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
315	KGB Cleaning Ltd – LJS	Surplus used to reduce contribution rate to current level	n/a
328	Tees Valley Combined Authority	22.0	n/a
335	Onsite Building Trust	Future working life time of active members	n/a
336	NMRN Operations	Future working lifetime of active members	n/a
337	Hartlepool Care Services Ltd	20.0	3
341	One IT Solutions – Porter	n/a	n/a
348	Tees Valley Community Asset Preservation Trust	Future working lifetime of active members	n/a
353	Caterlink – RCBC	Future working lifetime of active members	n/a
355	Caterlink – St Oswalds	Future working lifetime of active members	n/a
364	South Tees Development Corporation	20.0	n/a
366	Compass Contract Services Ltd	TBC	n/a
370	Care and Custody Health Ltd	Future working lifetime of active members	n/a
394	Mellors NPCAT	TBC	n/a
395	Mellors Ironstone	TBC	n/a

Annex B – Further Explanation of the Fund's Treatment of Employers

1. Background

This Annex explains the fund's policies and procedures in the treatment of employers including the commencement or admission, participation and exit of employers in the fund, as administered by Middlesbrough Council.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

Where the information relates to a particular type of employer, this will be explained. If no type of employer is indicated the information relates to all employers in the Fund.

The administering authority's aim is to minimise risk to the fund by ensuring that the employers participating in the Fund are managed in a way that ensures they are able to adequately fund the liabilities attributable to them and, in particular to pay any deficit due when leaving the fund.

The administering authority has an obligation to pursue all liabilities owed so any shortfall from an individual employer does not fall back on other employers.

2. Process for Admission Bodies

An employer who wishes to join the fund may apply to the administering authority for admission. If admitted, that employer becomes an admission body and specified categories of its employees can participate as members of the Fund.

The administering authority is responsible for deciding whether an application from an employer to become an admission body within the Fund should be declined or accepted.

Bond, Indemnity or Guarantee

It is important to minimise the risk that a new admission body might create for the Fund and the other employers in the Fund. This risk will be taken into account by the administering authority in considering the application for admission, who may put in place conditions on any approval of admission to the fund to minimise this risk, such as a satisfactory guarantee, indemnity or bond and a satisfactory risk assessment.

An indemnity / bond is a way of insuring against the potential cost of the admission body failing by reason of insolvency, winding up or liquidation and hence being unable to meet its obligations to the Fund.

In order to reduce the risk of the liabilities not being funded at the point of exit, the Regulations require that a risk assessment be carried out, taking account of actuarial advice, on the level of risk arising on premature termination on insolvency, winding up or liquidation. This assessment is carried out by the Admission Body to the satisfaction of the administering authority. In an outsourcing situation, the risk assessment must also be to the satisfaction of the letting employer (i.e. the employer that the outsourcing is coming from). Usually the actuarial advice is provided to the administering authority by the fund's actuary and the cost for this is recharged to the admission body or, where appropriate, to the letting employer.

The risk must be kept under review throughout the period of the admission and assessed at regular intervals and otherwise as required by the administering authority.

Where there is an employer prepared to act as a guarantor (including a letting employer in an outsourcing situation), the bond will be largely for that fund employer's protection (rather than for all employers in the fund), in which case the guarantor must decide if the admitted body will be required to provide a higher bond than that calculated by the fund's actuary.

Where the liabilities on exit from the fund cannot be fully met by a guarantor or insurer, the Regulations provide that:

- the letting employer will be liable in an outsourcing situation; and
- in all other cases the liabilities will fall on all the other employing authorities within the Fund.

3. Actuarial Calculations

Funding Target

The funding target relates to what is expected to happen to the liabilities in respect of the employees of the employer on exit of that employer.

For tax raising scheduled bodies, the funding target is set out in section 4 of the FSS.

For Best Value Admission the letting employer will provide a "subsumption commitment" (i.e. be responsible for the future funding of the Admission Body's pension liabilities after any exit payment has been made).

Best Value Admission Bodies and other employers subject to a subsumption commitment from another scheduled body employer in the Fund (e.g. via a guarantee) will be subject to the funding target of the body providing the subsumption commitment.

Outstanding liabilities of employers from whom no further funding can be obtained are known as orphan liabilities. The administering authority must look to protect the interests of ongoing employers and will require the actuary to adopt valuation assumptions for such employers which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future.

To achieve this, the exit valuation for an employer is carried out to enable the Fund to match the transferring liabilities with low risk investments. (Generally Government fixed-interest and index-linked bonds).

Initial notional asset transfer

When a new employer starts in the Fund, and members transfer from another employer in the Fund, a notional transfer of assets is needed from the original employer to the new employer.

When a new admission body starts in the Fund, they will usually start as fully funded. This means that any past service surplus or deficit for the members who are transferring to the new employer remains with the original employer and does not transfer to the new employer.

Another option for the initial notional asset transfer is to allow for the funding level of the original employer, and therefore to transfer any past service surplus or deficit in respect of the transferring membership to the new employer. This approach would normally apply to new scheduled bodies.

For academies, a prioritised share of fund approach is followed. This involves fully funding the non-active members of the original employer, and using the residual assets to calculate the funding level applicable to the active members of the original employer, to a maximum of the overall funding level of the original employer. This funding level is then used to calculate the notional asset transfer to the new employer.

Where the new employer will participate in a pool of employers, the notional asset transfer would be to the relevant pool of employers.

Employer Contribution Rate

Initial Rate

When a new employer joins the fund, the fund's actuary determines the initial employer contribution rate payable. The contribution rate will include an addition of 0.9% of pay to allow for the potential Scheme changes arising from the cost management process and the McCloud/Sargeant judgement. The form and extent of any such increase in benefits is currently uncertain, and so this is an approximate allowance calculated to cover the expected increase in liabilities for an average employer in the Fund, and is the same as the allowance added to employer contribution rates at the 2019 valuation of the Fund.

Where the new employer:

- has less than 10 members,
- the notional asset transfer is on a fully funded approach, and
- is not subject to the ongoing (orphan body) funding target

an interim contribution rate is set until the next Actuarial Valuation of the fund. Currently the interim contribution rates are 17.9% of pay for an employer open to new entrants and 18.9% of pay for an employer closed to new entrants. The administering authority may change these interim contribution rates from time to time at its discretion.

Where the new employer joins a pool of employers, then it will generally pay the employer’s contribution rate applicable to that pool. New academies will automatically join the Academy Pool.

In other cases, the fund’s actuary will calculate an individual contribution rate for the new employer to be paid from commencement.

The employer contribution rate will be set in accordance with the Funding Strategy Statement, taking into consideration elements such as:

- Any past service or inherited liabilities.
- Whether the new employer is open or closed to new entrants.
- For admission bodies, whether the admission agreement is fixed term or not, and the period of any fixed term contract period.
- The funding target that applies to the employer.
- Other relevant circumstances.

Varying the Employer Contribution Rate

The Regulations require a triennial Actuarial Valuation of the fund. As part of each Actuarial Valuation the contribution rates paid by each employer in the fund are reviewed and may be increased or reduced.

Employer contribution rates may also be reviewed outside of the triennial Actuarial Valuations as permitted by Regulations 64(4) and 64A.

The administering authority will consider reviewing employer contributions between formal valuations in the following circumstances:

- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme;
- it appears to the administering authority that it is likely that the Scheme employer will become an exiting employer before the next Rates and Adjustments Certificate is due and that employer's funding plan is not adequately targeting the expected exit position; or
- Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review;

For the avoidance of doubt, the administering authority will not consider a review of contributions under Regulation 64A purely on the grounds of a change in market conditions affecting the value of assets and/or liabilities.

Determining whether a review is appropriate

In determining whether or not a review should take place under 64A, the administering authority will consider the following factors (noting that this is not an exhaustive list):

- the circumstances leading to the change in liabilities arising or likely to arise, for example whether this is the result of a decision by the employer, such as a significant outsourcing or transfer of staff, closure to new entrants, material redundancies or significant pay awards, or other factors such as ill-health retirements, voluntary withdrawals or the loss of a significant contract;
- the materiality of any change in the employer's membership or liabilities, taking account of the actuary's view of how this might affect its funding position, primary or secondary contribution rate;
- whether, having taken advice from the actuary, the administering authority believes a change in ongoing funding target or deficit recovery period would be justified, e.g. on provision or removal of any security, subsumption commitment, bond, guarantee, risk-sharing arrangement, or other form of indemnity in relation to the employer's liabilities in the Fund;
- the materiality of any change in the employer's financial strength or longer-term financial outlook, based on information supplied by the employer and supported by a financial risk

assessment or more detailed covenant review carried out by the actuary or other covenant adviser to the fund;

- the general level of engagement from the employer and its adherence to its legal obligations as set out in the fund's pension administration strategy and elsewhere, including the nature and frequency of any breaches such as failure to pay contributions on time and data quality issues due to failure to provide new starter or leaver forms.

For an admission body where contributions may be reviewed under Regulation 64(4), the following considerations will apply:

- Whether a review has been requested by the relevant guarantor or subsuming employer, or for transferee and Schedule 2 Part 3 (1)(d) admission bodies the relevant scheme employer;
- A material change in circumstances, such as the date of exit becoming known, material membership movements or material financial information coming to light may cause the administering authority to informally review the situation and subsequently formally request an interim valuation;
- Where an employer has a subsumption guarantee from another employer in the fund, annual reviews of contribution rates are anticipated in the period prior to exit.

Notwithstanding the above guidelines, the administering authority reserves the right to request an interim valuation of any employer at any time if Regulation 64(4) or 64A applies.

<u>Impact on other employers</u>

In determining whether or not a review should take place, the administering authority will generally focus on the materiality of any potential changes in the context of the employer concerned; its financial position and current contribution levels. As a matter of principle, the administering authority does not consider that a review is not justified just because an employer is small in the context of the fund as a whole, noting that failure to act could make discussions at the next formal valuation more difficult and compound the risk to the fund. However, in determining the extent and speed of any changes to the employer's contributions the administering authority will consider the effect on the overall funding position of the fund, i.e. other fund employers.

Where contributions are being reviewed for an employer with links to another fund employer, particularly where this is a formal organisational or contractual link, e.g. there is a tripartite admission agreement, an ownership relationship or a formal guarantee, subsumption commitment or risk sharing arrangement is in place, the administering authority will consider the potential risk/impact of the contribution review on those other employer(s), taking advice from the fund's actuary as required.

<u>Employer involvement</u>

It is expected that in most cases the employer will be aware of the proposed review of their contributions since this will be triggered by an employer's action and employers should be aware of the need to engage with the fund in relation to any activity which could materially affect their liabilities or ability to meet those liabilities.

In other cases information will be required from the employer, e.g. in relation to its financial position and business plans which could be the catalyst for informing the employer that a review is being proposed. In all cases the administering authority will advise the employer that a review is being carried out and share the results of the review and any risk or covenant assessment as appropriate. It should be noted that the fact of a review being carried out does not automatically mean that contributions will be amended (up or down) since that will depend upon the materiality of the changes and other factors such as the outcome of discussions with the employer and any related/linked employer in the fund and the proximity to the next formal valuation.

Where, following representations from the employer, the administering authority is considering not increasing the employer's contributions following a review, despite there being good reason to do so from a funding and actuarial perspective, e.g. if it would precipitate the failure of the employer or otherwise seriously impair the employer's ability to deliver its organisational objectives or it is expected that the employer's financial position will improve significantly in the near-term, the administering authority will consult with any related/linked employers with a view to seeking their agreement to this approach.

The administering authority will consult with the employer on the timing of any contribution changes and there will be a minimum of 4 weeks' notice given of any contribution increases. In determining whether, and when, any contribution changes are to take effect the administering authority will also take into account the timing of contribution changes flowing from the next formal valuation. As a result, contribution reviews are unlikely to be carried out during the 12 month period from the valuation date although if there were any material changes to the expected amount of liabilities arising or the ability of the employer to meet those liabilities during that period, this should be taken into account when finalising the Rates and Adjustments Certificate produced from the valuation.

Appeals process

Any appeal against the administering authority’s decision must be made in writing to the administering authority’s Director of Finance within two months of being notified of the decision.

An appeal will require the employer to evidence one of the following:

- A deviation from the published policy or process by the administering authority, or
- Any further information (or interpretation of information provided) which could influence the outcome, noting new evidence to be considered at the discretion of the Administering Authority.

The appeals process itself will be subject to the following parameters:

- The process and any amendments to it are subject to consultation with employers through inclusion in this FSS, which is subject to employer consultation.
- The appellant will be granted a reasonable period of time both to make any appeal following a decision and in order to prepare the basis of their appeal (an initial two months to submit an appeal and a further two months to prepare any further evidence).
- The process will reflect the responsibilities of the Administering Authority in respect of the triennial Fund valuation or other regulatory obligations which may supersede prior to the completion of any appeal.
- The process, including the timescales and requirements for evidence will be accessible, clearly signposted and transparent, as shown through its inclusion in this FSS.
- Any review of a decision will be considered independently from those directly involved in the original decision.

The appeals process described above does not supersede or replace the ability for a person to make a complaint under Regulation 74 (applications for adjudication of disagreements).

Requesting a review

Before requesting a review, employers should consider the regulatory requirements and the Fund's policy as set out above and satisfy themselves that there has been a relevant change in the expected amount of liabilities or their ability to meet those liabilities. The employer should use the contact details in section 1.2 and complete the necessary information requirements for submission to the administering authority in support of their application.

The administering authority will consider the employer's request and may ask for further information or supporting documentation/evidence as required. If the administering authority, having taken actuarial advice as required, is of the opinion that a review is justified, it will advise the employer and provide an indicative cost. Employers should be aware that all advisory fees incurred by the fund associated with a contribution review request, whether or not this results in contributions being amended, will be recharged to the employer.

Exit from the Fund (terminations)

If an exit is triggered, the employer will be responsible for all costs (including any deficit). An exit valuation will be carried out when an employer becomes an "exiting employer", i.e. it either:

- ceases to be a Fund employer (including ceasing to be an admission body participating in the Fund); or
- no longer has any active members contributing towards the Fund and does not enter into a deferred debt agreement; or
- a deferred debt agreement ends.

If an employer exits the fund (for example, an admission body's admission agreement is terminated), the administering authority will instruct the fund's actuary to carry out an exit valuation to determine whether there is any deficit or surplus in the fund.

The assumptions adopted to value the departing employer's liabilities for this valuation will be set to enable the Fund to match the exiting employer's former liabilities (after any transfer of active members to other employers in the fund) with low risk investments (generally Government fixed-interest and index-linked bonds).

For exits where the calculations are carried out on or after 23 June2021, the following refinements will be made to the approach that was used at the 2019 funding valuation:

- allowance will be made for the cost management process and the proposed McCloud remedy as set out in MHCLG's consultation on draft Regulations, which may be applied in an approximate manner as advised by the fund's actuary and agreed by the administering authority
- full indexation of GMPs assumed to be paid by the fund for all of the employer's members whose State Pension Age is on or after 6 April 2016.

This policy will be kept under review and may change at any time.

For Best Value Admission bodies, and other employers where the administering authority has agreed that another employer within the fund may subsume the assets and liabilities of the exiting employer (i.e. the subsuming employer will assume responsibility for all assets and liabilities of the exiting employer and for the future funding of those assets and liabilities), the assets, liabilities and any deficit or surplus will be transferred to the subsuming employer. In such cases, no exit payment would be required from the exiting employer, but all or part of any surplus revealed by the exit valuation could be paid to the employer as an exit credit, unless the agreement between the exiting employer and any employer providing a subsumption commitment provides that any surplus is not returned on exit.

At the administering authority's discretion it is possible to suspend a demand for an exit payment for up to 3 years where the administering authority believes that the employer is likely to have one or more active members contributing to the fund within the period specified in the suspension notice. The administering authority considers that it may be appropriate to exercise that discretion in relation to Town and Parish Councils.
If this occurs, the Fund will issue written notice of the period of the suspension. Whilst under such a suspension notice, the employer must continue to pay any deficit payments and the fund's actuary will recalculate any deficit at the next Actuarial Valuation.

Where the exit date is on or after 14 May 2018, if a surplus is shown in the exit valuation then the administering authority has the discretion to return all or part of this surplus to the exiting employer as an exit credit payment. The exit credit will be paid within 6 months of the later of the exit date and the date at which all information has been provided to the administering authority to request a final exit valuation from the Actuary, unless the agreement between the exiting employer and any employer providing a subsumption commitment provides that any surplus is not returned on exit.

The administering authority will take the following factors into account when determining the exit credit payment to be made, with the aim of protect the interests of the members and employers in the fund as a whole:

- The surplus shown in the exit valuation carried out by the fund actuary
- The proportion of this surplus that has arisen due to the contributions paid by the employer
- Representations made to the administering authority by the exiting employer and any guarantor (or relevant scheme employer for Best Value Admission Bodies)
- Any other relevant factors

Pooled employers

1. Admission bodies pooled with the outsourcing employer

Where an admission body is pooled with the outsourcing employer the exit valuation will be carried out in accordance with the agreement between the admission body and the outsourcing employer. Generally, any deficit or surplus on exit would remain with the contracting Council / guarantor unless the pooling arrangement states otherwise.

2. Other pools of employers

When a pooled employer (other than those admission bodies pooled with the original outsourcing employer, covered in 1 above) is exiting the fund, the assets notionally allocated to the relevant employer are deemed to be equal to the product of the liabilities relating to that employer and the funding level of the pool as a whole. Normally the funding level of the pool will be measured at triennial Actuarial Valuation dates and will then be rolled forward on a pooled basis between Actuarial Valuations.

Exit payments

Any deficit would normally be levied on the departing employer as a single capital payment although, under exceptional circumstances, the administering authority may, at its sole discretion, allow phased payments as permitted under Regulation 64B.

It is envisaged that spreading of exit payments will only be considered at the request of an employer. The administering authority will then engage/consult with the employer to consider its application and determine whether or not spreading the exit payment is appropriate and the terms which should apply.

In determining whether or not to permit an exit payment to be spread, the administering authority will consider factors including, but not limited to:

- The ability of the employer to make a single capital payment;
- Whether any security is in place, including a charge over assets, bond, guarantee or other indemnity;
- Whether the overall recovery to the Fund is likely to be higher if spreading the exit payment is permitted.

In determining the employer's ability to make a single payment the administering authority will seek actuarial, covenant or legal advice as required. Where the administering authority considers that the employer is financially able to make a single capital payment it will not normally be appropriate for the exit payment to be spread.

The employer will be required to provide details of its financial position, business plans and financial forecasts and such other information as required by the administering authority in order for it to make a decision on whether or not to permit the exit payment to be spread. This information must be provided within 2 months of request.

In determining the appropriate length of time for an exit payment to be spread, the administering authority will consider the affordability of the instalments using different spreading periods for the employer. The default spreading period will be 3 years but longer periods will be considered where the administering authority is satisfied that this doesn't pose undue risk to the fund in relation to the employer's ability to continue to make payments over the period.

Whilst the administering authority's preference would be for an employer to request spreading of any exit payment in advance of the exit date, it is acknowledged that a final decision by the employer (and the administering authority) on whether this will be financially beneficial/appropriate may not be possible until the employer has exited. Exiting employers will be advised of the exit deficit and the spreading of any payment will only be considered at the request of the employer. Where there is a guarantor or subsuming employer, the guarantor/subsuming employer will also be consulted and any agreement to spread the exit deficit may be conditional on the guarantee continuing in force during the spreading period.

The amount of the instalments due under an exit deficit spreading agreement will generally be calculated as level annual amounts allowing for interest over the spreading period in line with the discount rate used to calculate the exit liabilities. Where the exit amount is significant, monthly payments may be required or the administering authority may require a higher initial payment with lower annual payments thereafter to reduce the risk to the Fund. Alternative payment arrangements may be made in exceptional circumstances as long as the administering authority is satisfied that they don't materially increase the risk to the Fund.

Where it has been agreed to spread an exit payment the administering authority will advise the employer in writing of the arrangement, including the spreading period; the annual payments due; interest rates applicable; other costs payable and the responsibilities of the employer during the spreading period. Where a request to spread an exit payment has been denied the administering authority will advise the employer in writing and provide a brief explanation of the rationale for the decision. The administering authority will endeavour to notify the employer of its decision within 2 months of the provision of the required information by the employer. The employer will be given a period of 1 month to respond to the decision. Payments will be expected to commence by the later of 2 months following the administering authority's decision, or 6 months of the exit date.

The administering authority will generally review spreading agreements as part of its preparation for each triennial valuation and will take actuarial, covenant, legal and other advice as considered necessary. In addition, employers will be expected to engage with the administering authority during the spreading period and adhere to the notifiable events framework as set out in the fund's administration strategy. If the administering authority has reason to believe the employer's circumstances have changed such that a review of the spreading period (and hence the payment amounts) is appropriate, it will consult with the employer and a revised payment schedule may be implemented. Whilst this review may also consider the frequency of payments, it should be noted that it is not envisaged that any review will consider changes to the original exit amount nor interest rate applicable. An employer will be able to discharge its obligations under the spreading arrangement by paying off all future instalments at its discretion. The administering authority will seek actuarial advice in relation to whether or not there should be a discount for early payment given interest will have been added in line with the discount rate used for the exit valuation.

Deferred debt agreements (DDAs)

Regulation 64(7A) permits the administering authority to enter into a written agreement with an exiting Scheme employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the secondary rate (a 'deferred debt agreement' or 'DDA'). An employer which has entered into a DDA is known as a 'deferred employer'.

The administering authority's policy in relation to the entering of a DDA under Regulation 64(7A) is set out below.

In determining whether or not to enter into a DDA with an employer the administering authority will take into account the following factors, including but not limited to:

- The materiality of the employer and any exit deficit in terms of the fund as a whole;
- The risk to the fund of entering into a DDA, in terms of the likelihood of the employer failing before the DDA has ended, based on information supplied by the employer and generally supported by a financial risk assessment or more detailed covenant review carried out by the actuary or other covenant adviser;
- The rationale for the employer requesting a DDA, particularly if the administering authority believes it would be able to make an immediate payment to cover the exit deficit; and
- Whether an upfront payment will be made towards the deficit, and/or any security is, or can be, put in place (for example a charge over assets, bond, guarantee or other indemnity), to reduce the risk to other employers.

Where it is expected that the employer's covenant may materially weaken over time, or where the employer's financial capacity to support an increase in the exit debt is limited, the administering authority is very unlikely to consider entering into a DDA with that employer. Further, where an employer can demonstrably meet the exit payment in a single instalment, the administering authority would be unlikely to enter into a DDA unless it was clear that this wouldn't increase risk to the fund, e.g. if the employer was fully taxpayer-backed and sufficient assurance was in place that all contributions due, including any residual deficit at the end of the DDA, would be met in full.

It is envisaged that DDAs will only be entered into at the request of an employer. The administering authority will then engage/consult with the employer to consider the application and determine whether or not a DDA is appropriate and the terms which should apply. As part of its application for a DDA, the administering authority will require information from the employer to enable the administering authority to take a view on the employer's strength of covenant. Information will also be required on an ongoing basis to enable the employer's financial strength/covenant to be monitored.

The matters which the administering authority will reflect in the DDA include:

- An undertaking by the employer to meet all requirements on Scheme employers, including payment of the secondary rate of contributions, but excluding the requirement to pay the primary rate of contributions;
- A provision for the DDA to remain in force for a specified period, which may be varied by agreement of the administering authority and the deferred employer;
- A provision that the DDA will terminate on the first date on which one of the following events occurs-
    - the deferred employer enrols new active members;
    - the period specified, or as varied, elapses;
    - the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
    - the administering authority serves a notice on the deferred employer that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months; or
    - the fund's actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment that would have been due if the employer had become an exiting employer on the calculation date.
- The responsibilities of the deferred employer;
- the circumstances triggering a cessation of the arrangement leading to an exit payment (or credit) becoming payable, in addition to those set out in Regulation 64 (7E) and above.

The administering authority will monitor the funding position and risk/covenant associated with deferred employers on a regular basis. This will be at least triennially and most likely annually, but the frequency will depend on factors such as the size of the employer and any deficit and the materiality of movements in market conditions or the employer's membership.

The circumstances in which the administering authority may consider seeking to agree a variation to the length of the agreement under regulation 64(7D) include:

- Where the exit deficit has reduced (increased) such that it is reasonable to reduce (extend) the length of the recovery period and associated period of the DDA assuming that, in the case of the latter, this does not materially increase the risk to the other employers/Fund;
- Where the deferred employer's business plans, staffing levels, finances or projected finances have changed significantly, but, in the case of a deterioration, the administering authority, having taken legal, actuarial, covenant or other advice as appropriate, does not consider that there is sufficient evidence that deferred employer’s ability to meet the contributions payable under the DDA has weakened materially, or is likely to weaken materially in the next 12 months; and

- Where the level of security available to the Fund has changed in relation to the DDA, as determined by the administering authority, taking legal, actuarial or other advice as appropriate.

At each triennial valuation, or more frequently as required, the administering authority will carry out an analysis of the financial risk or covenant of the deferred employer, considering actuarial, covenant, legal and other advice as necessary. Where supported by the analysis and considered necessary to protect the interests of all employers, the administering authority will serve notice on the deferred employer that the DDA will terminate on the grounds that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially, or is likely to weaken materially in the next 12 months, as set out under regulation 64(7E)(d).

It is expected that employers will make a request to consider a DDA before they would otherwise have exited the Fund under Regulation 64(1) and that a DDA should be entered into within 6 months of that date. The employer should continue to make secondary contributions at the prevailing rate whilst the DDA is being considered unless the administering authority, having taken actuarial and other advice as appropriate, determines that increased contributions should be payable. In exceptional circumstances, e.g. where there has been a justifiable delay due to circumstances outside of the employer's control, and at the sole discretion of the administering authority, a DDA may be entered into more than 6 months after the exit date.

Deferred employers will be expected to engage with the administering authority during the period of the DDA and adhere to the notifiable events framework as set out in the pensions administration strategy as well as providing financial and other information on a regular basis. This will be necessary to support the effective monitoring of the arrangement and will be a requirement of the DDA.

Responsibilities of employers in the Fund

Individual employers will pay for any legal, covenant and actuarial costs incurred on their behalf. This includes costs in respect of joining and exiting the fund, including in respect of spreading exit costs or entering into and monitoring a DDA.

The administering authority expects all employers in the Fund to take into consideration the effect of their behaviours on the Fund and any pool they are part of, for example when considering:

- Discretions policies
- Outsourcing decisions
- Salary increases

Employers should have regard to the fund administration strategy at all times.

All employers need to inform the Fund of any changes to the organisation that will impact on their participation in the Fund. This includes change of name or constitution or mergers with other organisations or other decision which will or may materially affect the employer's Fund membership.

Employers considering outsourcing any services should have regard to and adhere to the requirements of the Fair Deal Policy/Best Value direction. They should also advise the administering authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

TEESSIDE PENSION BOARD REPORT

19 JULY 2021

DIRECTOR OF FINANCE – IAN WRIGHT

Draft Annual Pension Fund Report and Accounts 2020/21

1. PURPOSE OF THE REPORT

1.1 To present Members of the Teesside Pension Board (the Board) with the 2020/21 draft unaudited Annual Report and Accounts for the Teesside Pension Fund.

2. RECOMMENDATION

2.1 That Members note the 2020/21 draft unaudited 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 unaudited Report and Accounts for the year ended 31 March 2021 which will be presented to the Pension Fund Committee meeting on 28 July 2021.

5. PERFORMANCE SUMMARY

5.1 Global equity markets saw a very strong recovery from the severe drop in markets towards the end of 2019/20 triggered by the Covid-19 pandemic and concerns about its financial impact. The recovery was particularly strong in the US, where the stock market recovered to pre-pandemic levels in the first half of the financial year and continued to new record levels during the remainder of the year. The recovery was less strong in other markets, most noticeably in the UK, where although there was a significant market recovery, stock indices were still around 10% below pre-pandemic highs by the end of the financial year.

5.2 Much of the recovery in financial markets was a consequence of the quick and significant intervention from governments across the world in an effort to support global markets, economies and businesses deal with the financial consequences of the pandemic and the social, economic and trade restrictions put in place to deal with it. Market sentiments were also boosted by the significant rapid scientific achievement of the development and distribution of a number of different effective vaccines against Covid-19, giving the prospect of a return to social and economic normality in the near future (at least for some parts of the world).

5.3 The overall financial performance of the Fund for the year to 31 March 2021 was very positive. The Fund's value rose to £4.553 billion, an increase over the year of approximately £847 million. This increase in value served to offset what was a negative performance in the previous year, and puts the Fund broadly on track with expectations at the last triennial valuation of the Fund, details of which are set out below.

5.4 The membership of the Fund has increased, with total membership at the year-end now standing at 72,926 an increase of 1,349 over last year. The number of active members has increased by 800 or 3.4% over the year, and increased by 1.9% over the past four years. The number of pensioners increased by 715 or 2.9% over the year, and increased by 14.4% over the past four years. The number of deferred members decreased last year by 166 or 0.7%, but has increased by 2.0% over the past four years.

5.5 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.

5.6 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 the third time in succession that the Fund was able to declare it was 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.

8. NEXT STEPS

8.1 The Annual Report and Accounts presented here are in draft form and, whilst the main numbers and outcomes are not expected to change, changes may be needed as further review takes place. In addition, the audit process is not complete and further changes may be required as a consequence of this. When complete and fully audited the Annual Report and Accounts will be published on the Pension Fund’s website.

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

TEL NO: 01642 729024

This page is intentionally left blank

Teesside Pension Fund

Annual Report and Accounts for the year ended

31 March 2021

Contents

Report of those charged with Governance

Chairman's Introduction

Welcome to the 2020/21 Annual Report and Accounts of the Teesside Pension Fund. During the year most of the Fund's assets continued to be managed externally and around three quarters of those asset were invested in publicly-quoted equities – shares in companies listed on stock markets across the world. All of the Fund's UK equities and, by the end of the year, approximately 44% of its overseas equities were managed by Border to Coast Pensions Partnership ('Border to Coast'). The other 56% its overseas equities at the end of the year was invested passively through State Street Global Investors. 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 50% of the Fund's assets were invested through Border to Coast, with this percentage expected to increase over the coming year and beyond.

Global equity markets saw a very strong recovery from the severe drop in markets towards the end of 2019/20 triggered by the Covid-19 pandemic and concerns about its financial impact. The recovery was particularly strong in the US, where the stock market recovered to pre-pandemic levels in the first half of the financial year and continued to new record levels during the remainder of the year. The recovery was less strong in other markets, most noticeably in the UK, where although there was a significant market recovery, stock indices were still around 10% below pre-pandemic highs by the end of the financial year.

Much of the recovery in financial markets was a consequence of the quick and significant intervention from governments across the world in an effort to support global markets, economies and businesses deal with the financial consequences of the pandemic and the social, economic and trade restrictions put in place to deal with it. Market sentiments were also boosted by the significant rapid scientific achievement of the development and distribution of a number of different effective vaccines against Covid-19, giving the prospect of a return to social and economic normality in the near future (at least for some parts of the world).

Many other potentially significant market events were somewhat overshadowed by the concentration of the progress of the global response to the pandemic: Joe Biden ultimately convincingly won a protracted presidential election against Donald Trump. President Biden has already differentiated himself from his predecessor with significant spending pledges (including a substantial commitment to infrastructure spending) and a willingness to engage on global issues, such as tackling climate change. Brexit was finally concluded during the year, although the fall-out in relation to trade and Northern Ireland's position in relation to this continues to cause reverberations.

The Fund adjusted its asset allocation during the year, slightly increasing its long term equity allocation target but at the same time making a more definitive commitment to reduce its equity overweight position in the short to medium term.

The overall financial performance of the Fund for the year to 31 March 2021 was very positive. The Fund's value rose to £4.553 billion, an increase over the year of approximately £847 million. This increase in value served to offset what was a negative performance in the previous year, and puts the Fund broadly on track with expectations at the last 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 72,926 an increase of 1,349 over last year. The number of active members has increased by 800 or 3.4% over the year, and increased by 1.9% over the past four years. The number of pensioners increased by 715 or 2.9% over the year, and increased by 14.4% over the past four years. The number of deferred members decreased last year by 166 or 0.7%, but has increased by 2.0% 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 over £4.3 million from these early retirement recharges, an 8% increase on last year's figure of just under £4.0 million.

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):

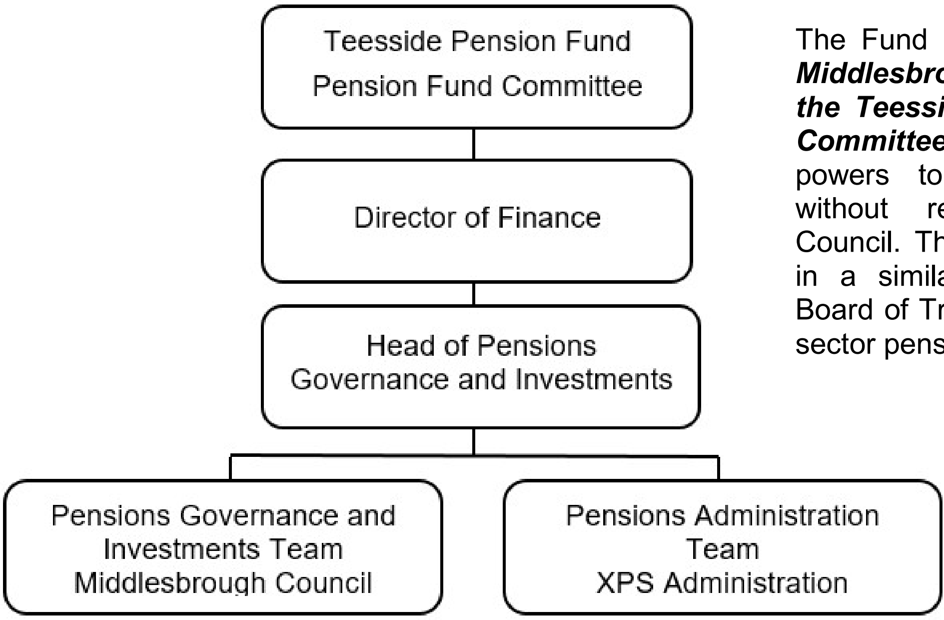
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme Regulations 2013; and
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

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 Fund’s assets, after payment of benefits, are invested as directed by the Pension Fund Committee. The Committee comprises elected members of Middlesbrough Council, representatives of the other unitary authorities, 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 Director of Finance of Middlesbrough Council who is responsible for implementing the strategies and policies set by the Pension Fund Committee. Supporting the Director is the Head of Pensions Governance and Investments who oversees two groups: The Pensions Administration Team is responsible for the calculation and payment of pension benefits and for looking after employer interests in the Fund. This function 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 Advisors, as well as providing support to the Pension Fund Committee and Teesside Pension Board.

The Teesside Pension Fund Committee

Committee membership and meeting attendance during the year 2020/21

Members	With voting rights	Jun	Sep	Dec	Mar
Middlesbrough Council	Councillor DP Coupe	✓	✓	✓	✓
	Councillor J Rostron	✓	✓	✓	✓
	Councillor E Polano	✓	✓	✓	
	Councillor A Bell	✓	✓	✓	✓
	Councillor J Hobson	✓	✓	✓	✓
	Councillor T Furness	✓	✓	✓	✓
	Councillor M Storey				✓
	Councillor A Waters				
	Councillor S Walker	✓			
	Councillor B Cooper	✓	✓	✓	✓
	Councillor S Dean	✓	✓	✓	
	Councillor Z Uddin	✓	✓	✓	✓
Redcar & Cleveland BC	Councillor Nightingale	✓		✓	✓
Stockton BC	Councillor J Beall	✓	✓	✓	✓
Hartlepool BC	Vacant				
Independent	Mr P Fleck	✓			✓
Trades Unions	Tony Watson (UNISON)		✓	✓	✓
	B Foulger (GMB)				✓

Declaration of Interest
Councillor J Rostron, B Cooper, J Beall, Z Uddin

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, and an additional meeting to review the Fund's draft report and accounts.

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 the administer the Fund including collecting payments due,

calculating and paying benefits, gathering information from and providing information to scheme members and employers.

v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.

vi) Discretions – determining how the various administering authority discretions are operated for the Fund.

e) Monitoring the implementation of these policies and strategies on an ongoing basis.

f) In relation to the Border to Coast; the asset pooling collaboration arrangements:

  i) Monitoring the performance of the Border to Coast and recommending actions to the Border to Coast Joint Committee, The Mayor or his Nominee (in his role as the nominated person to exercise Shareholder rights and responsibilities), Officers Groups or Border to Coast, as appropriate.

  ii) Undertake the role of Authority in relation to the Inter Authority Agreement, including but not limited to:

  - Requesting variations to the Inter Authority Agreement
  - Withdrawing from the Inter Authority Agreement
  - Appointing Middlesbrough Council officers to the Officer Operations Group.

g) Considering the Fund's financial statements and the Fund’s annual report.

h) Selection, appointment, dismissal and monitoring of the Fund’s 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	Ian Wright
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 are 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 £1.0731m from April 2020, however the government has announced that it will not increase beyond that level until at least the 2025/26 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.

The government consulted during the year on changes required to the scheme to remove discrimination identified by the courts that took place when public sector pensions were changed in 2014 and 2015, including when the 2014 career average LGPS was introduced. Further announcements and draft regulations are expected on this in the coming year however the outcome is expected to mean that some scheme members will receive higher retirement benefits from the scheme. This will usually be where a scheme member has had a significant pay rise and so would have been better off if they have been able to remain in the final salary version of the LGPS. The scheme actuary has already factored in the approximate expected additional cost of this when calculating employer contribution rates at the last valuation (published in March 2020), and will be able to include a more accurate assessment of the cost when the next valuation is prepared. Only a small proportion of scheme members are likely to be affected by these changes, and all those affected will be automatically notified of any additional benefit.

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) (No. 2) Regulations 2020, which came into force on 23 September 2020 introduced changes to the way debts owed by scheme employers leaving the scheme can be dealt with. The regulations:

- Enable an administering authority and a Scheme employer to agree to defer exit payments in return for an ongoing commitment to meet their existing liabilities in a deferred debt agreement and
- Enable administering authorities to offer employers exiting the Local Government Pension Scheme the option to spread exit payments by obtaining a revised rates and adjustments certificate setting out the proportion of the exit payments that is to be paid in each year after exit, over a period to be determined by the administering authority.

Administering authorities are required to set out their policy in relation to these new flexibilities within their Funding Strategy Statement. The Fund's Funding Strategy Statement has been updated and at the time of writing the changes are out for consultation with employers.

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.

Interaction with scheme members and employers over the year has been primarily been on-line, by telephone and to a lesser extent by mail, rather than face to face. This has been an inevitable consequence of the coronavirus restrictions and various lockdowns in place during the year.

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.

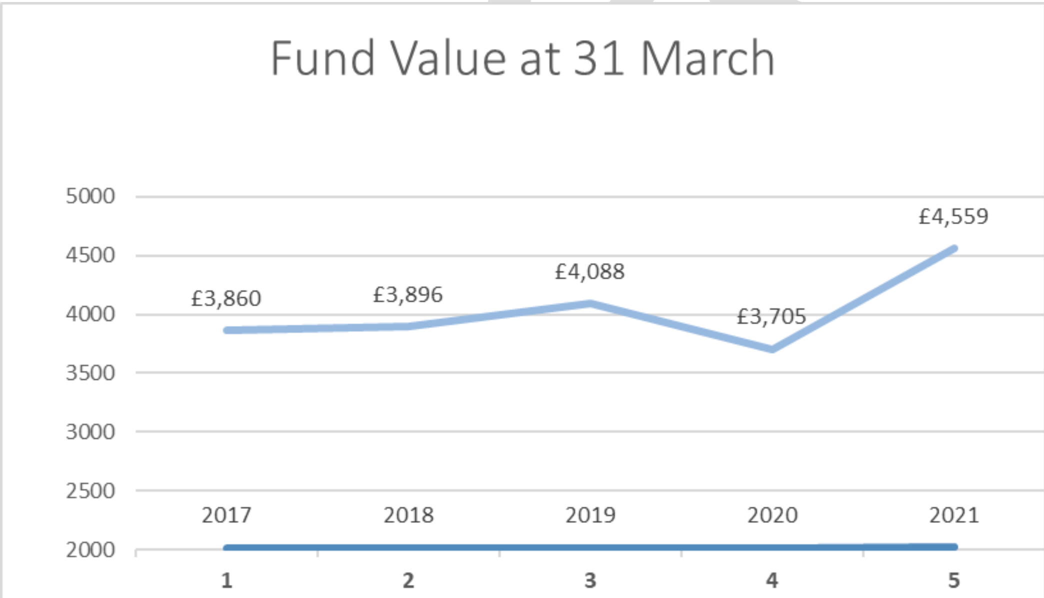
For the Fund to significantly outperform its benchmark it needs to have an asset mix which is different from that of its benchmark. The more outperformance is required the greater the differences will need to be. In other words outperformance cannot be achieved without taking risks. Measurement of risk 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 meets 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 increased by 19% compared to the previous year. Over the last 5 years, from the 2017 value of £3,860million, the value of Net Assets has increased by 18%.



Finance Performance Report

	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	**£000**	**£000**	**£000**	**£000**
Fund Value at the start of the year	3,133,118	3,859,589	3,896,452	4,088,095	3,705,473
Income	199,644	207,829	159,468	152,932	117,772
Expenditure	(139,542)	(146,866)	(162,057)	(167,397)	(165,464)
Change in Market Value of Investments	666,369	(24,100)	194,232	(368,157)	901,667
Increase/(Decrease) in Fund during the year	726,471	36,863	191,643	(382,622)	853,975
Fund Value at the end of the year	**3,859,589**	**3,896,452**	**4,088,095**	**3,705,473**	**4,559,448**
Change in Fund Value %	**23%**	**1%**	**5%**	**(9%)**	**23%**

Financial Highlights

	£000	£000	£000	£000	£000
Pensions Paid	101,668	105,369	113,219	119,302	123,640
Administration Costs	1,870	1,672	1,692	2,185	1,938
Investment Management Costs	2,596	2,451	5,314	1,480	4,957
Oversight and Governance Costs	207	684	1,238	3,768	588

Membership

	2016	2017	2018	2019	2020
	No	**No**	**No**	**No**	**No**
Active	23,791	23,295	22,274	23,438	24,238
Deferred	22,861	23,243	23,361	23,488	23,322
Pensioner	22,177	22,757	23,983	24,651	25,366
Total	**68,829**	**69,295**	**70,068**	**71,577**	**72,926**

Fund Averages

	£	£	£	£	£
Fund value per member	56,075	56,230	58,345	51,769	62,522
Average Pension Paid	4,584	4,630	4,721	4,840	4,874
Total expenses cost per member	68	69	118	104	103
Administration Cost per member	27	24	24	31	27
Investment Management cost per member	38	35	76	21	68
Oversight and Governance costs per member	3	10	18	53	8

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 2020/21

Fund Account	Notes	2019/20 £ ' 000	2020/21 £ ' 000	Change
Contributions and Other Income				
Employers Normal & Deficit	1	69,495	64,965	(7%)
Employers Additional	2	12	13	(8%)
Employees Normal	3	29,914	30,415	2%
Transfers in	4	8,546	3,061	(64%)
Capital Costs of Early Retirements	5	3,982	4,311	8%
Other Income		3	1,266	42,100%
Total Income		**111,952**	**104,031**	**(7%)**
Benefits and Other Expenditure				
Benefits	6	119,302	123,640	4%
Benefits - Basic Lump Sum	7	24,257	22,947	(5%)
Benefits - Lump Sums on Death		2,700	3,198	18%
Individual Transfers to other Schemes	8	13,279	7,794	(41%)
Administrative Expenses	9	2,185	1,938	(11%)
Investment Management Expenses	10	1,480	4,957	235%
Oversight and Governance Costs	11	3,790	588	(84%)
Other Expenditure	12	404	364	(10%)
Total Expenditure		**167,397**	**165,426**	**(1%)**
Return on Investments				
Dividends	13	20,764	(511)	(102%)
Rents	14	15,682	12,584	(20%)
Interest	15	4,534	1,668	(63%)
Profit on Sale of Investments		22,069	136,402	518%
Unrealised gain / (loss) on Revaluation		(390,226)	765,265	296%
Total Return on Investments		**(327,177)**	**915,408**	**(380%)**
Net Increase in the Fund in the Year		**(382,622)**	**854,013**	**(323%)**

Explanation of variances

1 Employers Normal Contributions & Deficit contributions - £000

2019/20	2020/21		
69,495	64,965	decrease of	(7%)

Employers normal contributions have decreased by £4.5m, and deficit contributions have stayed the same, which has given an overall decrease of £4.5m in the year.

2 Employers Additional Contributions - £000

2019/20	2020/21		
12	13	increase of	8%

Payments of additional contributions for authorised leave and maternity have increased during 2020/21.

3 Employees Normal Contributions - £000

2019/20	2020/21		
29,914	30,415	increase of	2%

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.

4 Transfers In - £000

2019/20	2020/21		
8,546	3,061	decrease of	(64%)

In 2020/21 141 transfers were received into the scheme at an average value of £21.7k, compared to 286 transfers at an average value of £29.6k in 2019/20.

5 Capital Cost of Early Retirements - £000

2019/20	2020/21		
3,982	4,311	increase of	8%

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

	Number	Total Cost	Average
Hartlepool Borough Council	17	£165,078	£9,710
Middlesbrough Council	9	£693,734	£77,082
Stockton Borough Council	10	£957,658	£95,766
Redcar & Cleveland Borough Council	3	£77,531	£25,844
Total	**39**	**£1,894,001**	**£48,564**

6	Benefits - £000	2019/20	2020/21		
		119,302	123,640	increase of	4%

At the year-end there were 25,336 Pensioner Members / Dependants receiving pension benefits, at an average of £4,880 per annum. (2019/20 24,651 receiving benefits at an average of £4,840 per annum)

7	Benefits - Basic Lump Sum - £000	2019/20	2020/21		
		24,257	22,947	decrease of	(5%)

There has been a decrease of 5% in the value of Lump Sums paid by the Fund during the year.

8	Individual Transfers to Other Schemes - £000	2019/20	2020/21		
		13,279	7,794	decrease of	(41%)

Transfers out can vary quite markedly year on year depending on both numbers and the type of people transferring. For 2020/21, the individual transfers out was £7,794k (2019/20 £13,279k), a decrease from the previous year. In term of numbers, the transfers out for 2020/21 were 150 (2019/20 200)

	Number	Total Cost	Average
2020/21	150	£7,794,000	£51,960
2019/20	200	£13,279,500	£66,398

9	Administrative Expenses - £000	2019/20	2020/21		
		2,185	1,938	decrease of	(11%)

There has been a decrease of 11% in Administration costs in 2020/21.

10	Investment Management Expenses - £000	2019/20	2020/21		
		1,480	4957	increase of	235%

An increase in transaction costs from £120k 19/20 to 719k 20/21. Includes Border to Coast management fees of £1.642 million. Includes management fees for investments in Private Equity, Infrastructure and Other Alternative investment funds of £1.416 million. £497k for Property management fees 20/21.

	2019/20	2020/21		
11 Oversight and Governance Costs - £000	3,790	588	decrease of	(84%)

Border to Coast management costs have been moved to Investment Management expenses.

	2019/20	2020/21		
12 Other Expenditure - £000	404	364	decrease of	(10%)

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

	2019/20	2020/21		
13 Dividend Income - £000	20,764	4,948	decrease of	(76%)

Overall Dividend Income has decreased by £15.8 million which is due to the sale of all fund equities. Equities are now mainly owned by the Fund in pooled vehicles, where dividend income is reinvested instead of being distributed.

	2019/20	2020/21		
14 Rent - £000	15,682	12,584	decrease of	(20%)

Reduced rental income due to Covid-19, rent free periods have been provided to tenants and a number of rent re-gears have been approved, in turn reducing the amount of rent received in 20/21.

	2019/20	2020/21		
15 Interest - £000	4,534	1,668	decrease of	(63%)

The base rate continues to be low along with fewer cash investments has led to a decrease in interest received.

	2019/20	2020/21		
16 Investments - £000	3,198,000	4,211,320	increase of	32%

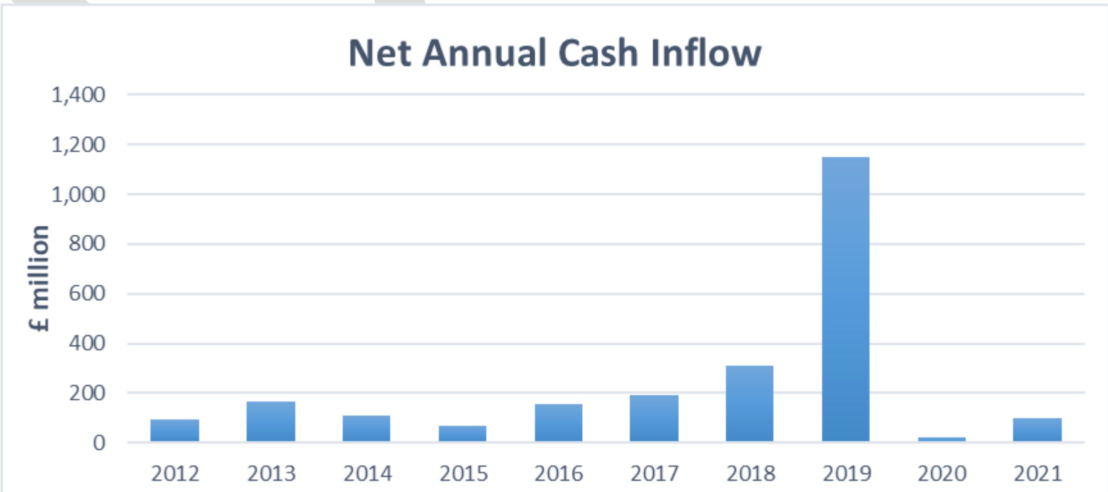
Investment values for the portfolio showed a 32% increase in value (£1.013 billion) for the year.

	2019/20	2020/21		
17 Cash - £000	515,228	349,550	decrease of	(32%)

Cash levels have continued to reduce 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 2019/20	£000 2020/21
Cashflow from Operating Activities		
Cash received for Contributions	100,185	95,267
Cash received for Early Retirements	3,948	2,970
Cash Received from Transfers In	8,546	3,061
Cash Received from Investments	53,900	25,484
Cash Received from Sales of Investments	22,069	136,402
Cash from Other Income	3	1,266
Total Cash Received	**188,651**	**264,450**
Cash paid for Benefits	146,259	149,785
Cash paid for Transfers Out	13,683	8,158
Cash paid for Management Expenses	7,433	9,913
Total Cash Paid	**167,375**	**167,856**
Net Cash Inflow from Operating Activities	**21,276**	**96,594**
Application of Cash		
Net Sales / Purchases of Investments	46,447	246,999
Increase in Cash with Custodian	0	0
Increase in Cash on Deposit	(26,159)	(151,745)
Decrease in Cash at Bank	(103)	703
Increase in Other Debtor Balances	114	568
Increase in Other Creditor Balances	977	69
	21,276	**96,594**



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 2021 the actual assets compared to the benchmark as follows;

	Pension Fund at 31/03/2021	Pension Fund Target Strategic Allocation	Investment Strategy Statement Max	Investment Strategy Statement Min
UK Equities	28%	22%	80%	40%
Overseas Equities	48%	28%		
Alternatives	9%	15%	20%	10%
Property and Property Debt	8%	15%	20%	10%
Bonds	0%	18%	40%	2%
Cash	7%	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

	2019/20 £ ' 000	2020/21 £ ' 000
Current Assets		
Contributions in Respect of Employers	5,127	4,123
Contributions in Respect of Members	2,050	3,180
Amounts due in respect of early retirements	181	0
	7,358	**7,303**

The Contributions due are in respect of March 2021 and were received in April 2021.

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	1,632
Number received late	66

The following table shows the late payment history for 2020/21 :-

Number of days payment was late	Number of late payments	Percentage of late payments
Less than 10	16	24.24%
Between 10 and 19	9	13.63%
Between 20 and 29	5	7.58%
Between 30 and 39	7	10.61%
More than 40	29	43.94%
Total	**66**	**100.0%**

Analysis of Contribution rates and amounts received 2020/21

	Employers Rate %	Employees £000	Employers £000
Ad_Astra Academy Trust	17.5%	198	602
All Saints Academy	17.5%	31	88
Ash Trees Academy	17.5%	236	0
Badger Hill Academy	17.5%	9	27
Barnard Grove Primary School	17.5%	-12	5
Beamish Museum Ltd	23.3%	123	510
Beyond Housing	19.3%	470	1,381
Billingham Town Council	17.7%	6	18
Bulloughs Cleaning Services	17.9%	10	31
Caldicotes Primary Academy	17.5%	7	20
Care and Custody Health Ltd	15.9%	5	13
Care Quality Commission	17.9%	1,038	2,405
Carmel Education Trust	17.5%	262	798
Catcote Academy	17.5%	103	313
Caterlink - RCBC - 00353	21.5%	7	29
Caterlink - St_Oswalds	22.3%	3	13
Churchill's Collaborative Trust	17.9%	1	4
Churchill's Hardwick Green	17.0%	2	8
Churchill's Harewood	17.0%	0	1
Churchill's Outwood Grange	17.9%	3	7
Churchill's Yarm Primary	17.0%	1	3
Cleveland Fire Brigade	14.8%	220	496

Cleveland Fire Support Network	14.8%	2	0
Community Integrated Care	23.0%	0	3
Compass Contract Services Ltd	17.9%	10	32
Conyers School	17.5%	149	449
Creative Management Services Ltd	24.9%	2	7
Diocese of Middlesbrough Trustee	22.3%	9	20
Dyke House Academy	17.5%	77	225
Easterside Academy	17.5%	29	89
Ecocleen Services (Operations) Ltd	26.4%	0	1
Eden Academy Trust Limited	17.5%	72	215
Egglescliffe Primary School	17.5%	6	20
Emmanuel School Foundation	17.5%	77	231
Endeavour Academies Trust	17.5%	132	382
Enquire Learning Trust (Central)	17.5%	81	155
Eskdale Academy	17.5%	-3	-8
Extol Academy Trust (Eldon Grove)	17.5%	48	174
Fabrick Housing Group	17.4%	1,049	2,631
Falcon Education Academies Trust	17.5%	16	43
Fleet Factors RCBC	10.2%	1	2
Forward Swindon Ltd	0.0%	0	350
Frederick Nattrass Primary Academy	17.5%	20	59
Freebrough Academy	17.5%	46	136
Future Regeneration of Grangetown	30.9%	2	12
Galileo Multi Academy Trust	17.5%	227	679
Grangefield Academy	17.5%	46	136
Green Lane Primary Academy	17.5%	33	102
Guisborough Town Council	17.7%	6	18
Hardwick Green Primary Academy	17.5%	21	62
Harrow Gate Primary Academy	17.5%	29	87
Hartlepool Borough Council	12.4%	3,291	6,397
Hartlepool Care Services Ltd	24.7%	2	10
Hartlepool College of Further Education	15.2%	161	410
Hartlepool Sixth Form College	15.2%	20	52
Hemlington Hall Academy	17.5%	28	84
Holy Trinity Primary School	17.5%	14	43
Horizons Specialist Academy Trust	17.5%	208	613
Hutchinson's Catering	17.9%	3	11
Ian Ramsey Church of England Academy	17.5%	190	0
Ingleby Barwick Town Council	17.7%	3	6
Ingleby Manor Free School & Sixth Form	17.5%	38	111

James Cook Learning Trust	17.5%	58	172
Kader Academy	17.5%	19	57
KGB Cleaning Ltd - LJS	14.8%	1	3
KTS Academy	17.5%	79	247
Legacy Learning Trust	17.5%	151	446
Liberata UK Ltd	0.0%	44	0
Lockwood Parish Council	17.7%	1	2
Loftus Town Council	17.7%	2	5
Manor Community Academy	17.5%	58	169
Mellors Catering Ltd - Dormanstown	21.2%	1	4
Mellors Catering Services Ltd (Central)	17.9%	4	12
Mellors Catering Services Ltd (Normanby)	17.9%	2	7
Mellors Ironstone	17.9%	3	11
Mellors NPCAT	17.9%	14	45
Middlesbrough and Stockton Mind	17.5%	2	7
Middlesbrough College	15.2%	393	972
Middlesbrough Council	11.5%	5,318	8,133
Mitie Cleveland Fire	17.5%	1	2
Nicholas Postgate Catholic Academy Trust	17.5%	522	1,532
NMRN Operations	15.8%	4	11
Normanby Primary School	17.5%	32	99
North Ormesby Primary Academy	17.5%	18	54
North Shore Academy	17.5%	44	133
Northern Lights Learning Trust	17.5%	10	30
Norton Primary Academy	17.5%	25	75
Nunthorpe Academy	17.5%	89	255
Nunthorpe Primary Academy	17.5%	14	42
Oak Tree Academy	17.5%	27	82
One Awards Limited	22.2%	29	92
One IT Services and Solutions Ltd	15.6%	52	103
One IT Services Ltd - Porter	15.9%	2	5
ONsite Building Trust	19.3%	3	9
Ormesby Primary School	17.5%	15	48
Our Children 1st Academy Trust	17.5%	33	103
Outwood Academy Acklam	17.5%	75	229
Outwood Academy Bishopsgarth	17.5%	46	136
Outwood Academy Bydales	17.5%	32	96
Outwood Academy Normanby	17.5%	37	108
Outwood Academy Ormesby	17.5%	51	154
Outwood Academy Redcar	17.5%	32	96

Outwood Academy Riverside	17.5%	7	21
Overfields Primary School	17.5%	13	39
Pentland Academy	17.5%	27	84
Police & Crime Commissioner for Cleveland	14.5%	93	168
Prince Regent Street trust	17.5%	46	138
Redcar & Eston CIC	17.9%	4	10
Redcar and Cleveland Borough Council	10.2%	3,193	5,033
River Tees Multi Academy Trust	17.5%	54	153
Riverdale Primary School	17.5%	8	26
Rose Wood Academy	17.5%	22	63
Rye Hills Academy	17.5%	54	158
Saltburn Marske and New Marske Parish Council	17.7%	4	10
Skelton and Brotton Parish Council	17.7%	3	10
Skelton Primary School	17.5%	36	101
SLM Charitable Trust MBC	11.5%	51	94
SLM Community Leisure Charitable Trust	19.2%	36	112
SLM Fitness & Health Ltd (MBC)	11.5%	4	9
SLM Fitness and Health Ltd	19.2%	2	8
SLM Food & Beverage Ltd (MBC)	11.5%	3	6
SLM Food and Beverage Ltd	19.2%	1	4
Sopra Steria Ltd	14.5%	134	294
South Tees Development Corporation	20.2%	86	184
St_Aidans Primary School	17.5%	18	54
St_Bede's Catholic Academy	17.5%	2	7
St_Francis of Assisi	17.5%	20	60
St_Mark's Academy	17.5%	30	90
St_Mary's CE Primary School	17.5%	6	22
Stagecoach Transit	43.5%	2	582
Steel River Academy Trust	17.5%	72	219
Stockton Borough Council	13.1%	5,124	10,622
Stockton Riverside College	15.2%	370	907
Sunnyside Academy	17.5%	49	149
Tascor Services Ltd - PFI	18.0%	1	5
Tees Active Limited	18.2%	99	271
Tees Valley Collaborative Trust	17.5%	99	285
Tees Valley Combined Authority	15.3%	319	652
Tees Valley Community Asset Preservation Trust	17.0%	2	5
Tees Valley Education Trust	17.5%	102	296
Teesside Learning Trust	17.5%	20	49
Teesside University	15.8%	2,018	4,646

Teesville Primary School	10.2%	37	45
The Chief Constable for Cleveland	14.5%	1,377	3,033
The Northern School of Art	15.2%	120	288
Thornaby C of E Primary	17.5%	19	59
Thornaby Town Council	17.7%	1	2
UMi Commercial Ltd	24.5%	3	97
Unity City Academy	17.5%	56	164
Veritau Tees Valley	17.5%	8	12
Viewley Hill Academy Trust	17.5%	18	54
Vision Academy Learning Trust	17.5%	239	717
Whitecliffe Academy	17.5%	6	19
Wynyard Church of England Primary School	17.5%	18	55
XPS Administration Ltd	11.5%	31	66
Yarm Primary School	17.5%	20	60
Zetland Primary School	17.5%	18	56
Total Contributions 2020/21		**30,415**	**64,978**

Note: net rate of contribution payable by each employing Organisation for the period 1 April 2020 to 31 March 2021 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 2020/21	Achieved within timescale
Processing New Starters	**20 days** from receipt	**99.69%**
Processing Transfer Values (TV's)	**10 working days** from the date of notification	**99.29%**
Refund of Contributions	**10 working days** from the request date	**100%**
Estimates of Benefit Entitlements	**10 working days** from date of request	**99.77%**
Pension benefits	**10 working days** from the receipt of all relevant information	**99.94%**
Deferred Benefits	**10 working days** from notification of leaving	**98.92%**

Key procedure volumes

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

Procedure	2018/19	2019/20	2020/21
Processing New Starters	3,646	4,065	**2,235**
Processing Transfer Values	306	333	**563**
Refund of Contributions	399	440	**508**
Estimates of Benefit Entitlements	2,181	2,297	**4,702**
Pension benefits	1,533	1,480	**1,807**
Deferred Benefits	2,083	1,759	**3,808**
Deaths	536	499	**514**
Divorces	139	141	**133**
General Enquiries	1,571	1,348	**1,420**
Total	**12,394**	**12,362**	**15,690**

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).

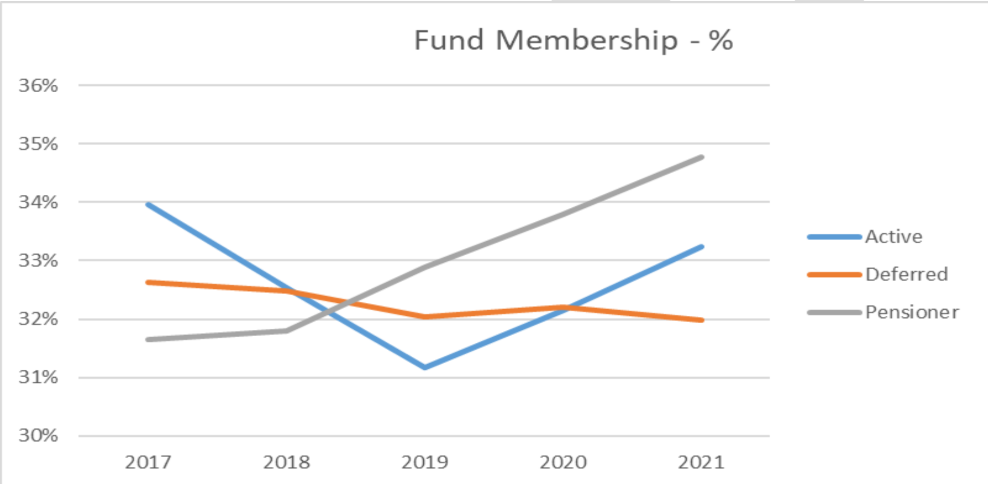
Membership

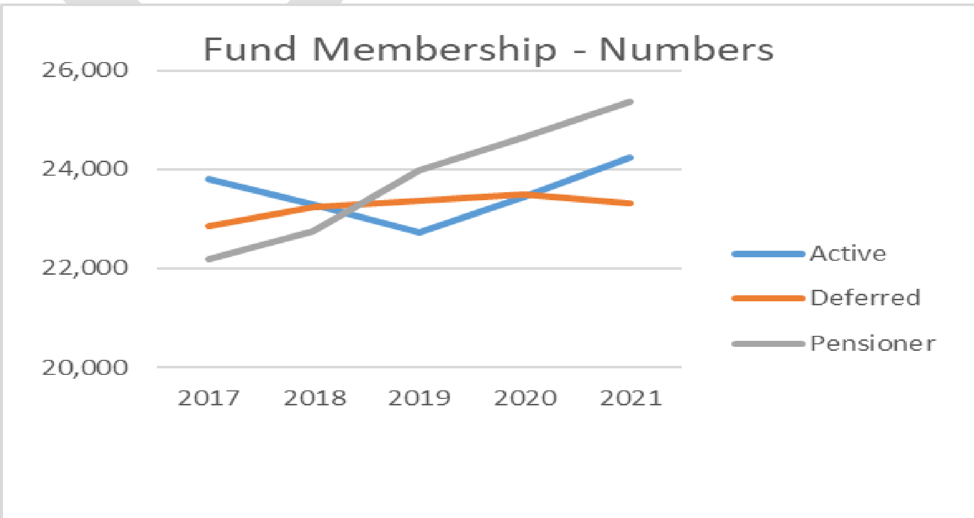
In 2020/21 financial year the total membership of the Fund increased by 1,349 to the current total of 72,926.

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

Membership Numbers

	2017	2018	2019	2020	2021
Active	23,791	23,295	22,724	23,438	24,238
Deferred	22,861	23,243	23,361	23,488	23,322
Pensioner	22,177	22,757	23,983	24,651	25.366
Total	68,829	69,295	70,068	71,577	72,926





Summary of Membership Changes

	Active Members	Deferred Members	Pensioners		Total
			Members	Dependants	
At 1 April 2020	**23,438**	**23,488**	**21,538**	**3,113**	**71,577**
Adjustments	187	73	104	8	372
New Members	2,743	730	1,304	308	5,085
Change in Status	(558)	(777)	(177)	0	(1,512)
Leavers	(1,572)	(192)	(613))	(219)	(2,596)
At 31 March 2021	**24,238**	**23,322**	**22,156**	**3,210**	**72,926**
% of Total at 1 April 2020	**32.7%**	**32.8%**	**30.1%**	**4.4%**	**100.0%**
% of Total at 31 March 2021	**33.2%**	**32.0%**	**30.4%**	**4.4%**	**100.0%**

During the year we had 9 new employers and 21 left the fund which means as at year end there were 148 employers in the Fund. The new employers were as follows: 3 were scheduled employers and 6 were admitted bodies. The majority of the leavers were schools merging into their trust as one and not exits from the fund. 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
GUISBOROUGH TOWN COUNCIL	6	1	4	0	11
SALTBURN AND MARSKE PC	3	2	1	0	6
LOFTUS TOWN COUNCIL	3	0	1	0	4
TEESSIDE UNIVERSITY	1,309	839	588	89	2,825
HARTLEPOOL COLLEGE OF FE	185	200	125	13	523
Longlands College of FE	1	2	2	0	5
HARTLEPOOL 6TH FORM COLLEGE	31	33	16	4	84
THE NORTHERN SCHOOL OF ART	110	83	57	11	261
CLEVELAND FIRE+RESCUE SERVICE	139	88	88	9	324
CLEVELAND POLICE	1	233	230	25	489
REDCAR AND CLEVELAND COLLEGE	22	114	64	4	204
FUTURE REGENERN OF GRANGETOWN	1	2	3	0	6
MIDDLESBROUGH COLLEGE	466	356	164	13	999
UNITY CITY ACADEMY	65	79	25	3	172
EMMANNUEL SCHOOLS FOUNDATION	87	57	37	1	182
TRANSIT STAGECOACH	2	4	140	21	167
HARTLEPOOL B.C.	2,642	2,957	1,978	246	7,823
REDCAR AND CLEVELAND BC	2,402	3,673	2,857	306	9,238

MIDDLESBROUGH COUNCIL	3,474	4,343	3,223	333	11,373
STOCKTON BOROUGH COUNCIL	4,128	5,139	3,854	434	13,555
CIC ELDERLY PERSONS HOMES	3	20	62	1	86
One Awards Ltd (formerly OCN)	13	18	15	2	48
TRISTAR HOMES LTD	158	134	149	18	459
Beyond Housing	244	234	249	31	758
LIBERATA UK LTD	19	33	68	10	130
HOUSING HARTLEPOOL	119	98	131	10	358
TEES ACTIVE LTD	80	85	47	4	216
ERIMUS HOUSING LTD	72	75	242	16	405
MACMILLAN ACADEMY	2	60	29	4	95
INGLEBY BARWICK TOWN COUNCIL	2	0	0	0	2
BEAMISH MUSEUM LIMITED	89	49	29	2	169
Stockton Riverside College	378	185	75	4	642
THIRTEEN GROUP (FABRICK HSG)	75	23	52	7	157
Business and Enterprise Ltd	1	25	21	3	50
Care Quality Commission	294	136	386	13	829
FREEBROUGH ACADEMY	3	15	8	0	26
NORTH SHORE ACADEMY	60	72	11	2	145
THORNABY ACADEMY	1	20	15	2	38
SKELTON AND BROTTON PC	3	0	1	0	4
Billingham Town Council	4	5	0	0	9
Chandlers Ridge Academy	1	3	2	0	6
Nunthorpe Academy Limited	91	27	14	0	132
Ormesby School	1	11	10	0	22
KTS Academy	106	17	10	1	134
All Saints Academy	37	16	3	1	57
NORTH ORMESBY PRIMARY ACADEMY	24	5	3	0	32
CRIME COMMISSIONER CLEVELAND	32	27	28	5	92
CHIEF CONSTABLE FOR CLEVELAND	877	110	62	1	1,050
Fleet Factors (RCBC)	1	0	1	0	2
THE 1590 TRUST	236	54	23	2	315
KGB Cleaning and Supp Serv Ltd	1	1	0	0	2
SLM Community Leis Char Trust	37	11	17	0	65
SLM Food and Beverage Ltd	1	1	0	0	2
SLM Fitness and Health Limited	7	5	0	0	12
Dyke House Academy	74	43	11	0	128
Caldicotes Primary Academy	15	7	2	0	24
One IT Solutions Ltd	15	3	2	0	20
Tascor Services Ltd û PFI	2	0	1	0	3
Hardwick Green Primary Academy	28	5	1	0	34
Extol MAT	57	12	2	0	71

Eden Academy Trust Limited	79	21	2	1	103
Catcote Academy	116	47	15	0	178
Horizons Specialist Academy Tr	236	61	17	6	320
St Michael's Catholic Academy	3	13	9	0	25
Fredrick Nattrass Primary Acad	24	13	5	0	42
Oak Tree Primary Academy	45	21	11	9	86
Outwood Academy Acklam	82	13	12	1	108
Skelton Primary School	50	12	6	0	68
St Bede's Catholic Academy	3	22	2	4	31
Mellors Catering Services Ltd	11	4	8	2	25
Sunnyside Academy	58	39	9	1	107
Rose Wood Academy	41	13	4	0	58
Viewley Hill Academy Trust	28	9	1	2	40
Hemlington Hall Academy	48	6	2	0	56
Norton Primary Academy	32	27	8	2	69
Yarm Primary School	36	12	3	0	51
Grangefield Academy	53	30	10	0	93
Lockwood Parish Council	1	0	0	0	1
Diocese of Middlesbrough Trust	1	0	0	0	1
Easterside Academy	55	6	1	0	62
Green Lane Primary Academy	51	13	10	0	74
Kader Academy	25	6	2	0	33
Normanby Primary School	55	18	2	8	83
Nunthorpe Primary Academy	34	14	1	0	49
Ingleby Manor Free School	39	7	0	0	46
Hillsview Academy	2	19	7	0	28
Creative Management Serv Ltd	5	11	7	0	23
Harrow Gate Primary Academy	38	9	5	0	52
Ian Ramsey CoE Academy	63	15	16	0	94
Ash Trees Academy	83	32	12	0	127
Mellors Catering - CENTRAL	5	0	0	1	6
Outwood Academy Bydales	37	9	7	0	53
Our Lady and St Bede Academy	17	18	13	1	49
Mellors Catering Ltd - Eston	3	0	0	0	3
Manor Community Academy	66	30	25	1	122
Mellors Catering - Dormanstown	2	0	0	0	2
KGB Cleaning Ltd û LJS	4	0	0	0	4
Our Lady - St Patrick Primary	1	2	6	2	11
Wynyard C o E Primary School	23	2	0	0	25
Outwood Academy - Ormesby	66	21	5	0	92
Sacred Heart SCV Academy	2	6	5	0	13
Tees Valley Education Trust	97	17	5	0	119

Enquire Learning Trust Central	14	2	1	0	17
St Hildas Catholic Academy Tr	1	38	27	1	67
Tees Valley Combined Authority	127	22	10	0	159
SLM Charitable Trust (MBC)	59	20	5	0	84
SLM Food and Beverage Ltd MBC	5	4	0	0	9
SLM Fitness and Health (MBC)	5	3	0	0	8
TeesValley Collaborative Trust	131	35	3	0	169
River Tees Multi Academy Trust	38	3	2	0	43
St Thomas of Canterbury MAT	6	15	5	1	27
ONsite Building Trust	3	0	0	0	3
NMRN Operations	5	0	1	0	6
Hartlepool Care Services Ltd	3	0	0	0	3
Vision Academy Learning Trust	381	42	14	0	437
Jesmond Gardens Primary School	1	11	0	0	12
ONE IT SERVICES LTD - PORTER	1	0	0	0	1
Teesside Learning Trust	1	0	0	0	1
Ormesby Primary School	27	8	2	0	37
Zetland Primary School	39	2	2	0	43
Outwood Academy Bishopsgarth	66	16	3	0	85
Tees Valley CAPT	1	0	0	0	1
Our Children 1st Academy Trust	57	8	3	0	68
Rye Hills Academy	52	16	7	0	75
St MarkÆs Academy	50	8	4	0	62
Pentland Academy	44	7	2	0	53
Caterlink û RCBC	14	2	1	0	17
Caterlink û St Oswalds	6	0	0	0	6
Outwood Academy Redcar	43	5	1	0	49
Riverdale Primary School	19	7	2	0	28
Holy Trinity Primary School	21	3	1	0	25
St Aidans Primary School	19	2	1	0	22
Egglescliffe Primary School	15	5	0	0	20
South Tees Development Corp	20	1	0	0	21
Galileo Multi Academy Trust	355	49	23	0	427
Compass Contract Services Ltd	23	4	0	3	30
Endeavour Academies Trust	139	14	8	0	161
Legacy Learning Trust	155	5	3	0	163
Care and Custody Health Ltd	3	1	0	0	4
Nicholas Postgate CA Trust	801	86	42	0	929
St MaryÆs CE Primary School	10	4	0	0	14
Our Lady of Most Holy Rosary	5	3	1	0	9
St Josephs Catholic Primary	4	2	4	0	10
James Cook Learning Trust	83	6	5	0	94

Overfields Primary School	25	3	3	0	31
Prince Regent Street Trust	77	3	4	0	84
Teesville Primary School.	32	7	2	0	41
Northern Lights Learning Trust	13	0	1	0	14
Churchill's (Outwood Grange)	15	0	0	0	15
Churchill's Collaborative	7	1	1	0	9
XPS Administration Ltd	11	0	2	0	13
Steel River Academy Trust	132	0	4	0	136
Badger Hill Academy	9	6	4	0	19
Whitecliffe Academy	17	1	3	0	21
Freebrough Academy	34	17	8	0	59
Outwood Academy Normanby	34	3	0	0	37
Thornaby C of E Primary	39	5	1	0	45
St Francis of Assisi	33	2	1	0	36
Mitie Cleveland Fire	2	0	0	0	2
Mellors NPCAT	36	1	4	0	41
Mellors Ironstone	7	0	1	0	8
Bulloughs Cleaning Services	10	0	0	0	10
Veritau Tees Valley	4	0	0	0	4
Hutchinsons Catering	6	0	0	0	6
Carmel Education Trust	440	11	10	0	461
Thornaby Town Council	1	0	0	0	1
Ad Astra Academy Trust	278	13	4	0	295
Mbro and Stockton Mind	3	0	0	0	3
Falcon Education Academies Tru	28	7	4	0	39
Outwood Riverside	3	0	0	0	3
Redcar and Eston CIC	7	0	0	0	7
Compass BFW	6	0	0	0	6
Compass Group Manor	13	0	0	0	13
Mellors Riverdale	3	0	1	0	4
Mellors Skelton	1	0	0	0	1
Employers No Active Members		2315	6423	1513	10251
	24,238	**23,322**	**22,156**	**3,210**	**72,926**

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	5
Cases resolved in year	4 Ongoing/Ombudsmen
Cases resolved in year	1 Cases Upheld

Head of Pensions Governance and Investments' Report

During the year, the Fund benefitted from its overweight equity position relative to its long term strategic asset allocation, as equities bounced back strongly from a significant fall towards the end of the last financial year, in February and March 2020. Governments reacted to the global pandemic by introducing restrictions on movement and social contact in an effort to protect the vulnerable and inhibit the spread of the virus. These restrictions had inevitable negative economic consequences, as large parts of economies were unable to function effectively and many individuals effectively became economically inactive. Governments in many developed economies injected significant amounts of capital into financial systems to keep them working effectively and to stimulate those economies, as well as directing financial support to individuals and companies that were forced into inactivity. This financial stimulus boosted equity markets, further suppressed bond yields and also led to concerns about future inflation. Inflation, which has been low across many developed economies for many years, is now a source of concern partly because spending, which has been deferred during the pandemic, may drive prices higher but also because governments are heavily indebted and so incentivised to tolerate higher inflation which will reduce that debt burden.

The Bank of England is suggesting that domestic inflation will be a temporary blip, however any longer term systemic increase will have implications for the Fund. The Fund's liabilities – the pensions it pays, as well as the deferred benefits awaiting payment and the career average pensions that active scheme members build up each year, all increase in line with inflation. This makes it important that the Fund's investment assets are also able to increase as inflation grows. Some assets (such as some infrastructure investments) deliver income or capital growth that is explicitly linked to inflation. Others (such as equities and property) have a more complex interaction with inflation. This is an area that the Fund and its advisers are closely monitoring.

During the year the Fund's advisors expressed increasing concerns that equity valuations were increasingly high and that a correction could be due. The Fund's previous attempts to rebalance its investments to be closer to its strategic asset allocation had been hampered by a combination of:

- the slow rate at which 'alternatives' fund managers working in asset classes such as private equity and infrastructure were investing money allocated to them
- the Fund's advisors consistent view that bonds were overpriced, so money should not be allocated to them currently
- the strong growth in equity valuations throughout the year.

Towards the end of the year, the Fund agreed to a revised strategic asset allocation setting out a slightly higher long-term target for equity allocation, together with an interim target for the end of March 2021. This approach should ensure the Fund is less exposed to the volatility caused by a high equity allocation.

During the year the Fund's UK equities, along with a proportion of its overseas equities, continued to be managed by Border to Coast. Border to Coast has continued 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. However, towards the end of the year the process began of moving most of the passively managed overseas equities across to be actively managed by Border to Coast. The Fund typically favours active management and it was always planned that these assets would transfer to Border to Coast at around this time.

At the start of the year, the Fund's directly held UK property portfolio was subject to a "material uncertainty" qualification in relation to its valuation – meaning the property valuer was not able to value the portfolio with their normal level of confidence. This was primarily a consequence of the swift and sudden reduction in commercial property transactions at the start of the pandemic which led to uncertainty over values. By the middle of the year this uncertainty qualification had been lifted and it is pleasing to report that the by the end of the year the property portfolio had retained over 99.5% of its value over the year, partly as a consequence of the Fund's property asset mix - comparatively low exposure to the 'difficult' retail and office sectors and higher exposure to industrial, retail warehouse and supermarkets.

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

- The Fund commenced a transfer of £1.3 billion of overseas assets from State Street Global Advisors (passively managed) to Border to Coast's active, internally-managed Overseas Developed Markets Fund. As at 31 March 2021 £670 million had been transferred, with the remainder transferring over the following two months.
- 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 £50 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 affect from April 2020 and many employers saw a reduction to their contribution rate to allow for some distribution of surplus.

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 £4.553 billion, an increase of approximately £847 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 31/03/2020	Teesside Pension Fund at 31/03/2021	Teesside Pension Fund Benchmark	Investment Strategy Statement Max	Investment Strategy Statement Min
UK Equities	27.67%	28.39%	22%	80%	40%
Overseas Equities	43.99%	48.08%	28%		
Alternatives	5.87%	8.53%	15%	20%	10%
Property	8.91%	7.50%	15%	20%	10%
Bonds	0.00%	0.00%	18%	40%	2%
Cash	13.56%	7.50%	2%		
	100.00%	100.00%	100%		

The largest 10 holdings (excluding property and cash), which make up 79.11% of the value of the portfolio as at 31 March 2021 are:

Security Description	**% of Total Investments**	**Market value £'000**
BORDER TO COAST UK L E-AAGBP	28.39%	1,292,616
BORDER TO COAST OS DEV M-AA GBP	20.94%	953,478
SSGA MPF N AMERICAN EQUITY SUB-FUND	10.27%	467,716
SSGA MPF PAC BASIN EX-JAPAN INDEX	9.92%	451,648
SSGA MPF EUROPE EX UK SUB-FUND	4.56%	207,819
SSGA MPF JAPAN EQUITY INDEX	2.38%	108,266
JP MORGAN IIF UK LP	0.81%	36,719
STANDARD LIFE INVESTMENTS EUROPEAN PROPERTY GROWTH	0.80%	36,403
BORDER TO COAST PRIVATE EQUITY SERIES 1A	0.54%	24,546
DARWIN LEISURE PRO UNITS CLS 'C'	0.50%	22,769
	79.11%	**3,601,980**

INVESTMENT MANAGERS / INVESTMENTS

As at 31 March 2021 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	1,235,449	27.14%
Border to Coast Pensions Partnership	UK Equities	1,292,616	28.39%
	Overseas Equities	953,478	20.94%
	Alternatives	47,494	1.04%
Internal Team	Cash	341,439	7.50%
	Overseas Equities	9	0.00%
	UK Equities	82	0.00%
CBRE - Direct Property Portfolio	Property and Property Debt	277,200	6.09%
Darwin Leisure	Alternatives	71,528	1.57%
JP Morgan IIF UK LP	Alternatives	36,719	0.81%
Standard Life Aberdeen	Property and Property Debt	36,403	0.80%
Gresham House	Alternatives	18,331	0.40%
Innisfree	Alternatives	18,357	0.40%
Legal & General	Property and Property Debt	5,937	0.13%
Royal London	Property and Property Debt	9,832	0.22%
Access Capital Partners	Alternatives	43,817	0.94%
Foresight Group	Alternatives	1,693	0.04%
Hermes	Property and Property Debt	8,003	0.18%
CCLA Investment Management Limited	Property and Property Debt	4,017	0.09%
Threadneedle	Property and Property Debt	3,520	0.08%
Hearthstone	Alternatives	8,498	0.19%
LGT Capital Partners	Alternatives	33,592	0.74%
Unigestion SA	Alternatives	9,809	0.21%
Pantheon Ventures (UK)	Alternatives	16,771	0.37%
Blackrock Fund Managers Ltd	Alternatives	14,020	0.31%
Capital Dynamics	Alternatives	32,598	0.72%
Ancala	Alternatives	9,946	0.22%
Nimrod Capital PLC	Alternatives	1,600	0.04%
The Model T Finance Company	Alternatives	20,000	0.44%
Total		**£4,552,759**	**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 2020/2021 the Fund achieved a return of 26.1% compared to our benchmark return of 23.6%.

In the three-year period to 2020/2021 the Fund achieved a return of 7.8% per annum compared to our benchmark return of 6.7%.

In the five-year period to 2020/2021 the Fund achieved a return of 9.9% per annum compared to our benchmark return of 8.8%.

In the ten-year period to 2020/2021 the Fund achieved a return of 7.4% per annum compared to our benchmark of 8.0%.

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

	Performance measurement period					
	One Year			Three Years		
Asset class	Fund return	Benchmark return	Excess	Fund return	Benchmark return	Excess
UK Equities	26.3%	26.7%	-0.4%	5.5%	3.2%	2.3%
Overseas Equities	37.8%	40.4%	-2.6%	11.6%	11.4%	0.2%
Property	8.1%	2.7%	5.4%	3.9%	2.8%	1.1%
Alternatives	6.9%	4.7%	2.2%	4.8%	4.8%	0.0%
Cash	2.2%	0.0%	2.2%	0.9%	0.4%	0.5%
Total Fund	26.1%	23.6%	2.5%	7.8%	6.7%	1.1%

	Performance measurement period					
	Five Years			Ten Years		
Asset class	Fund return	Benchmark return	Excess	Fund return	Benchmark return	Excess
UK Equities	7.8%	6.3%	1.5%	6.4%	6.0%	0.4%
Overseas Equities	29.7%	28.8%	1.1%	24.5%	23.8%	1.3%
Property	5.6%	4.6%	1.0%	6.4%	7.5%	-1.1%
Alternatives	6.3%	5.0%	1.3%	2.1%	5.8%	-3.7%
Cash	0.7%	0.3%	0.4%	0.6%	0.3%	0.3%
Total Fund	9.9%	8.8%	1.1%	7.4%	8.0%	-0.7%

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

INVESTMENT POOLING

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

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

The Teesside Pension Fund made the decision to work with eleven other administering authorities as part of the Border to Coast Pensions Partnership ("Border to Coast"). All of the administering authorities in Border to Coast formally approved arrangements for setting up Border to Coast before the end of the 2016/17 financial year. It represents a major collaboration between the funds with the aim of giving access to new investments and providing resilience. The twelve LGPS funds that initially formed Border to Coast were: Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, Northumberland, South Yorkshire, Surrey, Teesside, Tyne & Wear and Warwickshire. The Northumberland fund is no longer a separate entity following its (long-planned) merger with the Tyne & Wear fund which took effect from April 2020.

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

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

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

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. During 2020/21, the Fund paid £1.642 million in investment management fees to Border to Coast.

By the end of 2020/21 Border to Coast had 100 employees and was managing £21.7 billion of assets within ten different sub-funds, and in addition had commitments of £5 billion to its alternative ‘private markets’ assets programme.

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

Statement of Responsibilities for the Financial Statements – Teesside Pension Fund

Statement of Responsibilities

Middlesbrough Council Responsibilities

The Council is required to:

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

0

The Chief Finance Officer's Responsibilities

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

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

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

Confirmation of the Statement of Accounts

I confirm that the Teesside Pension Fund Statement of Accounts gives a true and fair view of the financial position of the Fund at 31 March 2021 and of its income and expenditure for that year.

Ian Wright

Director of Finance

Middlesbrough Council

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

Fund Accounts and Net Asset Statements

Fund Accounts for the year ended 31st March 2021

2019/20			**2020/21**
£000	**Contributions and Benefits**		**£000**
	Dealings with members, employers and others directly involved in the Fund		
(99,421)	Contributions	**6**	**(95,393)**
(8,546)	Transfers in from other pension funds	**8**	**(3,061**
(3,985)	Other income	**9**	**(5,577)**
(111,952)	Total Income from Members		**(104,031)**
146,259	Benefits payable	**7**	**149,785**
13,683	Payments to and on account of leavers	**10**	**8,158**
159,942	Total Expenditure to Members		**157,943**
47,990	**Net (additions) / withdrawals from dealings with members**		**53,912**
7,455	Management expenses	**11,20**	**7,521**
55,445	**Net (additions) / withdrawals from dealings with members, employers and others directly involved in the Fund**		**61,433**
	Returns on investment		
(40,980)	Investment income	**12**	**(13,741)**
368,157	Profits and losses on disposal of investments and changes in market value of investments	**13**	**(901,667)**
327,177	**Net returns on investments**		**(915,408)**
382,622	**Net (increase) / decrease in the net assets available for benefits during the year**		**(853,975)**
4,088,095	**Net assets of the scheme as at 1st April**		**3,705,473**
3,705,473	**Net assets of the scheme as at 31st March**		**4,559,448**
2019/20	**Net Assets Statement as at 31st March**		**2020/21**
3,713,228	Investments Assets	**13**	**4,562,717**
9,294	Current Assets	**16**	**12,032**
(17,049)	Current liabilities	**17**	**(15,301)**
3,705,473	**Net assets of the scheme at 31st March**		**4,559,448**

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

Notes to the Pension Fund Accounts

1. Basis of Preparation

The accounts are prepared on a going concern basis; that is, on the assumption that the Council will continue to operate as the administering authority for the Pension Fund and the Pension Fund will continue to meet its financial obligations for the foreseeable future from the date that the audited accounts are issued, this period being at least twelve months from the approval of these financial statements.

The financial statements are prepared in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting, which states that as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council is established under the Local Government Regulations 2013 as an Administering Authority of the Local Government Pensions Scheme and is therefore a statutory body expected to be a going concern until notification is given that the body will be dissolved, and its functions transferred.

The Pension Fund has carried out an assessment on its financial position and performance during 2021/22 and beyond as part of its going concern assessment. This included consideration of the following:

- The Fund had assets of c. £4.55 billion as at 31 March 2021. £3.82 billion (84%) of this is held in assets which are considered to be liquid and which could be converted to cash if required (including £0.34 billion actually held as cash).
- The Fund has estimated that in 2021/22 it will pay out approximately £175 million in benefits and other outgoings in the coming twelve months and is forecasting contribution income in the region of £85 million. This shortfall in contribution income verses benefits and other expenditure of £90 million will be met partly from other regular investment income, which is estimated to be £20 million in 2021/22 with the remaining £70 million being taken from the Fund's cash balance, which was £341 million at the 31 March 2021.

On this basis, management believes it is appropriate to continue to prepare the financial statements on a going concern basis, and that there are no material uncertainties in relation to this basis of preparation.

The statement of accounts summarises the Fund's transactions for the 2020/21 financial year and its position as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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).

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.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted:

- 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 no recognition for low-value and short-term leases). CIPFA/LASAAC have however deferred implementation of IFRS16 for local government to 1 April 2021 due to the impact of Covid-19.

- IFRS 17 requires entities to identify portfolios of insurance contracts, which comprise contracts that are subject to similar risks and are managed together.

- IAS 19 Employee Benefits will require the remeasurement of the net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact

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 2021 was £149,793,736 (£33,836,477 at 31st March 2020).

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	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 £103.658 million.

	actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	
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 valuation.	Unobservable market values amount to £4,211 billion and are relating to infrastructure, real estate, and pooled equity vehicles.
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 (8.69%) in the value of directly held property £24.1 million, on a fair basis of £277.2 million.
Freehold and leasehold property: COVID 19 - material valuation uncertainty	Cushman & Wakefield has stated that their valuations as at 31 March 2021 have been reported on the basis of 'material valuation uncertainty' and consequently, less certainty and a higher degree of caution should be attached to their valuations that would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, they have recommend that the valuation of the directly held properties is kept under frequent review, as it is each quarter. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. The statement is a disclosure, not a disclaimer. It is used in order to be clear and transparent with all parties that – in the extraordinary circumstances that applied at the valuation date – less certainty can be attached to the valuation than would otherwise be the case.	

6. Contributions Receivable

		2019/20	2020/21
		£000	£000
Employers	Normal	(68,491)	(63,910)
	Additional Contributions	(12)	(13)
	Deficit Recovery Contributions	(1,004)	(1,055)
Members	Normal	(29,914)	(30,415)
	Total	(99,421)	(95,393)
	Analysis of Total Contributions	2019/20	2020/21
		£000	£000
	Administering Authority – Middlesbrough Council	(14,925)	(13,451)
	Scheduled Bodies	(71,009)	(68,071)
	Admitted Bodies	(13,487)	(13,871)
	Total	(99,421)	(95,393)

7. Benefits Payable

		2019/20	2020/21
		£000	£000
	Pensions	119,302	123,640
	Commutations and lump sum retirement benefits	24,257	22,947
	Lump sum death benefits	2,700	3,198
	Total	146,259	149,785
	Analysis of Total Benefits		
	Administering Authority – Middlesbrough Council	24,275	24,159
	Scheduled Bodies	87,288	91,840
	Admitted Bodies	34,696	33,787
	Total	146,259	149,785

8. Transfers in from Other Pension Funds

		2019/20	2020/21
		£000	£000
	Individual transfers in from other schemes	(8,546)	(3,061)
	Total	(8,546)	(3,061)

9. Other Income

		2019/20	2020/21
		£000	£000
	Capital Costs of Early Retirements	(3,982)	(4,311)
	Other Income	(3)	(1,266)
	Total	(3,985)	(5,577)

10. Payment to and on Account of Leavers

		2019/20	2020/21
		£000	£000
	Refunds to members leaving service	309	205
	Payments for members joining state scheme	95	159
	Individual transfers to other schemes	13,279	7,794
	Total	**13,683**	**8,158**

11. Management Expenses

		2019/20	2020/21
		£000	£000
	Administrative costs	2,185	1,938
	Investment management expenses	1,480	4,957
	Oversight and governance costs	3,768	588
	Total	**7,433**	**7,483**

Investment Management Expenses

		2019/20	2020/21
		£000	£000
	Management fees	840	3,664
	Custody fees	14	23
	Transaction costs	120	719
	Loans & Investment support service charges	506	551
	Total	**1,480**	**4,957**

12. Investment Income

		2019/20	2020/21
		£000	£000
	Income from equities	(1,511)	0
	Income from pooled investment vehicles	(19,253)	511
	Net rents from properties (see note below)	(15,682)	(12,584)
	Interest on cash deposits	(4,534)	(1,668)
	Total	**(40,980)**	**(13,741)**
		2020/21	2020/21
	Rental Income and Property Expenses	£000	£000
	Gross Rental income	(15,870)	(13,563)
	Property Expenses / (Income)	188	979
	Net Rents from Properties	**(15,682)**	**(12,584)**

13. Investment Assets

2020/21	Value at 1 April 2020	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2021
			£000	£000	£000
Equities	89	0	0	1	**90**
Pooled Investment Vehicles	2,868,327	876,896	(765,047)	889,814	**3,869,990**
Pooled Property Investments	51,134	190	(386)	13,102	**64,040**
Properties	278,450	0	0	(1,250)	**277,200**
	3,198,000	**877,086**	**(765,433)**	**901,667**	**4,211,320**
Cash Deposits	501,295				**349,550**
Other Investment Balances	13,933				**1,847**
Net Investment assets	3,713,228				**4,562,717**

2019/20	Value at 1 April 2019	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2020
			£000	£000	£000
Equities	31,495	0	(32,613)	1,207	**89**
Pooled Investment Vehicles	3,158,652	166,206	(115,303)	(341,228)	**2,868,327**
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)**	**(368,157)**	**3,198,000**
Cash Deposits	527,454				**501,295**
Other Investment Balances	14,807				**13,933**
Net Investment assets	**4,083,229**				**3,713,228**

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 £136,402,035 and unrealised gain was £765,265,080. Prior year-realised profit was £22,068,647 and unrealised loss was £390,225,586.

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 £719,226 (2019/2020 £119,666). 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 is mainly in-house managed with the only exception being the direct property portfolio managed by CBRE Limited.

- For 2020/2021 the value at 31 March 2021 of the direct property portfolio was: £277,200,000
- For 2019/20 the value at 31 March 2020 of the direct property portfolio was : £278,450,000

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 2020	% of net assets of the scheme	Market Value 31 March 2021	% of net assets of the scheme
	£'000			£'000
Border to Coast PE Overseas Dev Mkts	194,064	5.23%	953,478	22.64%
Border to Coast PE UK Listed Equity	1,023,645	27.60%	1,292,616	30 .69%
SSGA MPF Pacific Basin Ex-Japan Index	302,041	8.14%	451,648	10.72%
SSGA MPF Japan Equity Index	228,691	6.17%	0	0.00%
SSGA MPF North America Equity Index Sub Fund	558,226	15.05%	467,716	11.11%
SSGA MPF Euro Ex UK Equity Index Sub Fund	344,340	9.29%	0	0.00%

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

Asset Class / Security	Market Value 31 March 2020	% of asset class	Market Value 31 March 2021	% of asset class
	£’000		£'000	
UK Equities				
Border to Coast UK L E-AA GBP	1,023,645	99.99%	**1,292,616**	**99.99%**
Oversea Equities				
Border to Coast OS DEV M-AA GBP	194,064	11.92%	**953,478**	**43.56%**

Asset Class / Security	Market Value 31 March 2020	% of asset class	Market Value 31 March 2021	% of asset class
SSGA MPF Pacific Basin ex-Japan Index	302,041	18.56%	**451,648**	**20.63%**
SSGA MPF Japan Equity Index	228,691	14.05%	**0**	**0%**
SSGA MPF North America Equity Index Sub Fund	558,226	34.30%	**467,716**	**21.37%**
SSGA MPF Euro Ex UK Equity Index Sub Fund	344,340	21.16%	**207,819**	**9.49%**
Alternatives – Private Equities				
Crown Co Investment Opp II PLC	17,081	33.55%	**17,658**	**11.79%**
Pantheon Global Co-Investment Opportunities IV	12,581	24.71%	**12,276**	**8.20%**
Border to Coast Private Equity Series 1A	9,192	18.05%	**24,546**	**16.39%**
Crown Growth Global Opportunities III	7,275	14.29%	**11,278**	**7.53%**
Unigestion Secondary V	0	0.00%	**9,560**	**6.44%**
Crown Global Opportunities VII	0	0.00%	**9,660**	**6.45%**
Blackrock Private Opportunities Fund IV	0	0.00%	**9,229**	**6.16%**
Capital Dynamics Global Secondaries V	0	0.00%	**10,402**	**6.94%**
The Model T Finance Company	0	0.00%	**20,000**	**13.35%**
Alternatives – Infrastructure				
ACIF Infrastructure	13,665	14.62%	**18,647**	**12.71%**
Innisfree PFI Continuation Fund	9,949	10.64%	**9,729**	**6.63%**
Innisfree PFI Secondary Fund 2	8,473	9.06%	**8,628**	**5.88%**
Border to Coast Infrastructure Series 1A	12,450	13.32%	**17,918**	**12.21%**
Capital Dynamics Clean Energy & Infrastructure VIII	5,223	5.59%	**8,365**	**5.70%**
JP Morgan IIF UK I LP	20,162	21.57%	**36,719**	**25.03%**
Ancala Infrastructure Fund II	6,082	6.51%	**9,946**	**6.78%**
Gresham House BSI Infrastructure LP	13,036	13.94%	**12,525**	**8.54%**
Alternatives – Other Alternatives				
Amedeo Air Four Plus Ltd	3,900	5.35%	**0**	**0.00%**
Darwin Leisure Development Fund – Class D	16,787	23.03%	**17,400**	**18.93%**
Darwin Leisure Prop Units - Class C	22,108	30.33%	**22,769**	**24.77%**
Darwin Bereavement Services Fund - Class B	15,164	20.80%	**16,070**	**17.48%**
Hearthstone Residential Fund 1	7,704	10.57%	**8,498**	**9.24%**
Gresham House BSI Housing Fund LP	7,221	9.91%	**5,806**	**6.32%**
Direct Property				
Doncaster (Omega Boulevard)	24,350	8.74%	**30,350**	**10.95%**
Exeter (The Meridian Centre)	18,000	6.46%	**13,900**	**5.01%**
Birmingham (Bromford Central)	17,350	6.23%	**18,150**	**6.55%**
Gateshead (Team Valley Trading Estate)	16,950	6.09%	**20,500**	**7.40%**
Rugby (Valley Park)	15,500	5.57%	**17,250**	**6.22%**
Cheltenham (Fosse Way)	14,250	5.12%	**15,175**	**5.47%**
Lutterworth (Magna Park)	0	0.00%	**15,700**	**5.66%**
Property Unit Trusts				
Standard Life Investments European Property Growth Fund	22,459	43.92%	**36,403**	**56.84%**
Royal London Property Investment	10,684	20.89%	**9,832**	**15.35%**

Asset Class / Security	Market Value 31 March 2020	% of asset class	Market Value 31 March 2021	% of asset class
LAMIT - Local Authorities Property Fund	4,151	8.12%	**4,017**	**6.27%**
Hermes Property	4,452	8.71%	**4,330**	**6.76%**
Threadneedle Property	3,602	7.04%	**3,520**	**5.50%**
Legal and General Managed Property Fund	5,787	11.32%	**5,937**	**9.28%**

Geographical Analysis of Investments

	31/03/2020		31/03/2021	
	£000	%	£000	%
United Kingdom	**1,443,038**	**45%**	**1,755,016**	**42%**
United States	**721,216**	**22%**	**1,029,673**	**24%**
Asia Pacific Ex Japan	**360,260**	**11%**	**737,691**	**17%**
Europe	**425,381**	**14%**	**485,317**	**12%**
Japan	**248,097**	**8%**	**203,614**	**5%**
Others	**8**	**0%**	**9**	**0%**
Total	**3,198,000**	**100.00%**	**4,211,320**	**100.00%**

Equities

		31/03/2020	31/03/2021
		£000	£000
	UK quoted	81	81
	Overseas quoted	8	9
	Total	**89**	**90**

Pooled Investment Vehicles and Properties

	31/03/2020	31/03/2021
	£000	£000
UK Equity	1,023,638	1,292,616
Pooled Property investment Vehicle	51,134	64,040
Private Equity	50,918	149,794
Infrastructure	93,487	146,725
Other Alternatives	72,891	91,928
UK Unit and Investment Trusts Total	**1,292,068**	**1,745,103**
Overseas Equities	1,627,393	2,188,927
Overseas Unit and Investment Trusts Total	**1,627,393**	**2,188,927**
Total	**2,919,461**	**3,934,030**

UK Properties

	31/03/2020	31/03/2021
	£000	£000
Freehold	215,275	**215,275**
Leasehold	63,175	**61,475**
Total	**278,450**	**277,200**

The properties were valued on the basis of Material Valuation Uncertainty at 31 March 2021 by Cushman and Wakefield LLP acting as an External Valuer. The valuer's opinion of the Market Value of the Fund's interests in the properties has been reported (as per VPS 3 and VPGA 10 of the RICS Red Book Global). The current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Cash Deposits

	As at 31/03/20	As at 31/03/21
	£000	£000
Sterling Cash deposits	501,295	**349,550**

Other investment balances

	As at 31/03/20	As at 31/03/21
	£000	£000
Cash deposits with custodian	13,147	**1,470**
Outstanding dividend entitlements	41	**0**
Interest due on cash deposits	745	**377**
Total	**13,933**	**1,847**

Outstanding Commitments

As at 31 March 2021, the Fund had the following outstanding commitments.

	Initial Commitment	Capital Payments made	Outstanding commitments at 31 March 2020
Infrastructure			
	GBP	**GBP**	**GBP**
Border to Coast Infrastructure Series 1A	100,000,000	25,993,784	74,006,216
Border to Coast Infrastructure Series 1B	50,000,000	5,043,886	44,956,114
Capital Dynamics Clean Energy Infrastructure Fund VIII	20,000,000	9,100,754	10,899,246
Capital Dynamics Clean Energy Infrastructure Fund VIII - Co Investment	10,000,000	4,550,377	5,449,623
Gresham House	20,000,000	12,599,002	7,400,998
Innisfree PFI Continuation Fund	10,000,000	9,708,498	291,502
Innisfree PFI Secondary Fund 2	10,000,000	8,360,796	1,639,204
Total GBP	**220,000,000**	**75,357,097**	**144,642,903**
	EUR	**EUR**	**EUR**
Access Capital Infrastructure Fund	23,000,000	20,677,000	2,323,000
Access Capital Infrastructure Fund II	20,000,000	7,860,000	12,140,000
Access Capital Infrastructure Fund II (Fund 2)	22,000,000	2,100,000	19,900,000
Ancala Infrastructure Fund II	23,000,000	12,106,917	10,893,083

Foresight Energy Infrastructure	17,000,000	3,697,048	13,302,952
Total EUR	**105,000,000**	**46,440,966**	**58,559,034**
	USD	**USD**	**USD**
Blackrock Global Energy & Power Infrastructure Fund III	25,000,000	9,003,141	15,996,859
Blackrock Global Renewable Power III	25,000,000	3,144,238	21,855,762
Total USD	**50,000,000**	**12,147,379**	**37,852,621**
Other Alternatives			
	GBP	**GBP**	**GBP**
Bridges Evergreen TPF Housing Co-Investment LP	5,000,000	360,633	4,639,367
Gresham House, British Strategic Investment Housing Fund LP	20,000,000	6,740,693	13,259,307
Hearthstone Residential Fund 1	10,000,000	9,645,955	354,045
Total GBP	**35,000,000**	**16,747,281**	**18,252,719**
Pantheon Senior Debt Secondaries II	25,000,000	8,774,390	16,225,610
Total USD	**25,000,000**	**8,774,390**	**16,225,610**
Private Equity			
	GBP	**GBP**	**GBP**
Border to Coast Private Equity Series 1A	100,000,000	27,175,743	72,824,257
Border to Coast Private Equity Series 1B	50,000,000	728,104	49,271,896
Capital Dynamics LGPS Collective for Pools	10,000,000	3,100,000	6,900,000
The Model T Finance Company	19,999,950	19,999,950	0
Hermes Innovation Fund	15,000,000	5,073,397	9,926,603
Total GBP	**194,999,950**	**56,077,194**	**138,922,756**
	EUR	**EUR**	**EUR**
Access Capital Fund VIII Growth Buy-Out Europe	30,000,000	5,130,000	24,870,000
Access Capital Co-Investment Fund Buy-Out Europe II	22,000,000	6,750,000	15,250,000
Capital Dynamics Mid-Market Direct V	20,000,000	7,600,000	12,400,000
Crown Growth Global Opportunities III	30,000,000	13,350,000	16,650,000
Unigestion Direct II	25,000,000	2,525,542	22,474,458
Unigestion Secondary V	50,000,000	11,000,000	39,000,000
Total EUR	**177,000,000**	**46,355,542**	**130,644,458**
	USD	**USD**	**USD**
Blackrock Private Opportunities Fund IV	25,000,000	12,181,751	12,818,249
Capital Dynamics Global Secondaries V	22,000,000	10,120,000	11,880,000
Crown Co-Investment Opportunties II	30,000,000	20,805,000	9,195,000
Crown Global Opportunities VII	40,000,000	12,280,000	27,720,000
Crown Secondaries Special Opportunities II	25,000,000	5,875,000	19,125,000
Pantheon Global Co Investment Opportunities IV	30,000,000	20,770,000	9,230,000
Total USD	**172,000,000**	**82,031,751**	**89,968,249**

14. Financial Instruments

Net Gains and Losses on Financial Instruments

	2019/20	2020/21
Financial Assets	**£000**	**£000**
Fair Value through profit and loss account	368,157	**(901,667)**

Fair Value of Financial Instruments

	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	As at 31/3/20			As at 31/3/21		
Financial Assets	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Equities	**89**			**90**		
Pooled Investments	**2,868,327**			**3,869,990**		
Pooled Property	**51,134**			**64,040**		
Cash		**501,295**			**349,550**	
Other investment balances		**13,933**			**1,847**	
Sundry debtors and prepayments		**9,294**			**12,032**	
Total	**2,919,550**	**524,522**	**0**	**3,934,120**	**363,429**	**0**
Financial Liabilities						
Loans and receivables						
Creditors			(17,049)			(15,301)
			(17,049)			**(15,301)**
Net Financial Assets of the Fund	**2,919,550**	**524,522**	**(17,049)**	**3,934,120**	**363,429**	**(15,301)**

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**
Value as at 31 March 2021	**£000**	**£000**	**£000**	**£000**
Financial assets at fair value through profit and loss account	90	2,465,168	1,468,862	**3,934,120**
Non-financial assets through profit and loss account	0	0	277,200	**277,200**
Loans and receivables	363,429	0	0	**363,429**
Financial Liabilities at amortised cost	(15,301)	0	0	**(15,301)**
Total Financial Assets	**348,218**	**2,465,168**	**1,746,062**	**4,559,448**
Value as at 31 March 2020	**£000**	**£000**	**£000**	**£000**
Financial assets at fair value through profit and loss account	89	1,357,271	1,562,190	**2,919,550**
Non-financial assets through profit and loss account	0	0	278,450	**278,450**
Loans and receivables	524,522	0	0	**524,522**
Financial Liabilities at amortised cost	(17,049)	0	0	**(17,049)**
Total Financial Assets	**507,562**	**1,357,271**	**1,840,640**	**3,705,473**

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 2021

	Assessed valuation range (+/-)	**Value at 31 March 2021**	**Value on increase**	**Value on decrease**
		£000	**£000**	**£000**
Pooled Investments - Overseas Equity	**13.46%**	1,235,449	1,401,741	1,069,158
Pooled Investments – Private Equity	**17.27%**	149,794	175,664	123,925
Pooled Investments - Infrastructure	**17.27%**	35,473	41,599	29,347
Pooled Investments – Other Alternatives	**17.27%**	5,806	6,809	4,803
Pooled Investments – Property	**8.69%**	42,340	46,019	38,661
Total		**1,468,862**	**1,671,832**	**1,265,894**

Valuation of Financial Instrument Carried at Fair Value – 31 March 2020

	Assessed valuation range (+/-)	Value at 31 March 2020	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%**	33,836	36,178	31,495
Pooled Investments - Infrastructure	**6.92%**	59,565	63,687	55,443
Pooled Investments – Other Alternatives	**6.92%**	7,221	7,721	6,721
Pooled Investments – Property	**8.01%**	28,246	30,509	25,984
Total		**1,562,190**	**1,729,513**	**1,394,870**

Reconciliation of Fair Value Measurements within level 3 during 2020/21

Period 2020/21	Market Value 1 April 2020	Transfer between levels	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Pooled Investments – Overseas Equity	1,433,322	0	0	(745,023)	405,904	141,246	1,235,449
Pooled Investments – Private Equity	33,836	0	108,082	(6,850)	14,726	0	149,794
Pooled Investments – Infrastructure	59,565	(59,322)	22,195	(3,554)	16,589	0	34,473
Pooled Investments – Other Alternatives	7,221	0	1,686	(2,166)	(935)	0	5,806
Pooled Investments – Property	28,246	0	13,534	(386)	946	0	42,340
Total	**1,562,190**	**(59,322)**	**145,497**	**(757,979)**	**437,230**	**141,246**	**1,468,862**

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	1,433,862
Pooled Investments – Private Equity	0	0	41,853	(5,871)	(2,146)	0	33,836
Pooled Investments – Infrastructure	42,753	0	63,654	(11,399)	(35,443)	0	59,565
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
Total	**1,697,678**	**0**	**105,507**	**(99,673)**	**(140,912)**	**130**	**1,562,730**

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.

2020/21 Price Risk Asset Type		**Value at 31/03/2021**	**Change**	**Value on Increase**	**Value on Decrease**
	Region	**£000**	**%**	**£000**	**£000**
Equities	UK	81	16.07%	94	68
	Non UK	9	13.46%	10	8
	Total	**90**		**104**	**76**
Managed and Unitised Funds	UK	1,477,735	16.07%	1,715,207	1,240,263
	Non UK	2,456,295	13.46%	2,786,912	2,125,678
	Total	**3,934,030**		**4,502,119**	**3,365,941**
Total		**3,934,120**		**4,502,224**	**3,366,016**

2019/20 Price Risk Asset Type		**Value at 31/03/2020**	**Change**	**Value on Increase**	**Value on Decrease**
	Region	**£000**	**%**	**£000**	**£000**
Equities	UK	81	15.71%	94	68
	Non UK	8	11.03%	9	7
	Total	**89**		**103**	**75**
Managed and Unitised Funds	UK	1,164,506	15.71%	1,347,450	981,562
	Non UK	1,754,955	11.03%	1,948,527	1,561,383
	Total	**2,919,461**		**3,295,977**	**2,542,945**
Total		**2,919,550**		**3,296,080**	**2,543,020**

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 2020 and 31 March 2021 is set out below:

Asset Type at 31 March	**2020**	**2021**
	£000	**£000**
Cash and cash equivalents	501,295	**349,550**
Cash balances	13,933	**1,847**
Total	**515,228**	**351,397**

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 2021	**£000**	**£000**	**£000**
Cash and cash equivalents	349,550	874	(874)
Cash balances	1,847	5	(5)
Total	**351,397**	**878**	**(878)**
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)**

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 2020 and as at 31 March 2021, showing the sensitivity analysis of foreign exchange movements.

Currency Risk 31 March 2021	**Value £000**	**Change %**	**Value on Increase £000**	**Value on Decrease £000**
Australian Dollar	9	8.60%	10	8
Euro	485,317	5.80%	513,465	457,169
Japanese Yen	203,613	9.30%	222,549	184,677
US Dollar	1,029,673	8.60%	1,118,225	941,121

Asia Pacific ex Japan basket	737,691	8.60%	801,132	674,250
Total	**2,456,303**		**2,655,381**	**2,257,225**

Currency Risk 31 March 2020	**Value £000**	**Change %**	**Value on Increase £000**	**Value on Decrease £000**
Australian Dollar	8	10.90%	9	7
Euro	425,381	7.75%	458,348	392,414
Japanese Yen	248,097	12.25%	278,489	217,705
US Dollar	721,216	10.08%	793,915	648,517
Asia Pacific ex Japan basket	360,260	10.90%	399,528	320,992
Total	**1,754,962**		**1,930,289**	**1,579,635**

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 2021. 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 Teesside Pension Fund and Investment Panel 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, infrastructure partnerships and other alternatives there are no commitments to contribute further capital to any of the existing fund investments. When private equity, infrastructure partnership and other alternatives 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 2021 were:

Funding Assumptions

CPI increases	2.7% per annum
Salary increases	3.7% per annum
Pension increases	2.7% per annum
Discount rate	2.1% per annum

Life expectancy from age of 65 (years) assumptions

Mortality Assumptions:	
Longevity at 65 for current pensioners:	**Years**
Men	21.90
Women	23.60
Longevity at 65 for future pensioners :	
Men	23.30
Women	25.30

16. Current Assets

Receivables		**31/03/2020**	**31/03/2021**
		£000	**£000**
Other receivables		1,218	2,740
Sundry debtors		615	1,183
Contributions due in respect of	Employers	5,127	4,123
	Members	2,050	3,180
Capital cost of Early Retirements		181	0
Cash balances		103	806

Total		**9,294**	**12,032**
Analysed by:			
Other local authorities		4,501	3,918
Other entities and individuals		4,690	7,308
Add cash balances		103	806
Total		**9,294**	**12,032**

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

17. Current liabilities

Amounts due within one year		**31/03/2020**	**31/03/2021**
		£000	**£000**
Rents received in advance		(1,291)	(2,042)
Accrued expenses		(14,791)	(12,361)
Other payables		(967)	(898)
Total		**(17,049)**	**(15,301)**
Analysed by:			
Other local authorities		(380)	(1,120)
Public Corp & Trading Funds		(14,488)	(1,058)
Other entities and individuals		(2,181)	(13,123)
Total		**(17,049)**	**(15,301)**

18. Additional Voluntary Contributions (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested with the Fund's nominated AVC providers, the Prudential Assurance Co Ltd. These contributions are not part of the Pension Fund and are not reflected in the Fund's accounts in accordance with regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
The value of AVC investments are as follows:

Prudential AVC balances

	31/03/2020	**31/03/2021**
	£000	**£000**
With Profits and Deposit Accounts	4,626	
Unit Linked Accounts	3,268	
Total	7,894	

The total value of AVC contributions paid to Prudential during the year was £tbc (2019/20 £1,572,649).

19. Related Party Transactions

The Fund is administered by Middlesbrough Council. During the reporting period, the council incurred costs of £1,120,000 (2019/20: £1,016,000) in relation to the administration and management of the fund and was reimbursed by the fund for these expenses. Middlesbrough Council is one of the largest members of the pension fund and made employer contribution payments of £8.1 million over the period (2019/20 - £11.0 million).

20. External Audit Costs

	2019/20	**2020/21**
	£000	**£000**
Payable in respect of external audit	22	**38**

21. Senior Employees' Remuneration

	2019/20	**2020/21**
Key Management Personnel	£000	**£000**
Short Term Benefits	64	**66**
Post Employments Benefits	10	**10**
Total	74	**76**

Teesside Pension Fund

Statement of the Actuary for the year ended 31 March 2021

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 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 (CP)I	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 %
2012	5.2%
2013	2.2%
2014	2.7%
2015	1.2%
2016	0.0%
2017	1.0%
2018	3.0%
2019	2.4%
2020	1.7%
2021	0.5%

Contacts and further information

Contacts	
Pensions Unit *For General and Benefit Entitlement enquiries*	XPS Pensions Unit Teesside Pension Fund PO Box 340 Middlesbrough TS1 2XP Telephone: (01642) 030696 E Mail: pensionsunit@xpsgroup.com
Pensions Manager	Graeme Hall Telephone: (01642) 030643 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) 030693 E Mail: pensionsunit@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

Administered by Middlesbrough Council

AGENDA ITEM 9

TEESSIDE PENSION BOARD REPORT

19 JULY 2021

DIRECTOR FINANCE – IAN WRIGHT

Update on Current Issues

1. PURPOSE OF THE REPORT

1.1 To provide Members of the Teesside Pension Board (the Board) with an update on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

2. RECOMMENDATIONS

2.1 That Members note this report.

3. FINANCIAL IMPLICATIONS

3.1 There are no specific financial implications in respect of the information contained in this report.

4. REVIEW OF THE COST CONTROL MECHANISM

4.1 In 2014 and 2015 all the main public service pension schemes were significantly changed, with normal retirement ages typically linked to the state pension age going forwards and schemes moving from being final salary to (revalued) career average salary schemes. When the changes were introduced the government put in place a mechanism for checking whether the cost of providing each scheme was falling outside of an agreed cost envelope. The intention was to ensure if the schemes became more expensive some of this cost could be borne by the scheme members and not just the taxpayer and, conversely, if the schemes became cheaper than anticipated, scheme members' benefits or contributions could be adjusted to ensure they were still getting equivalent value from their scheme.

4.2 The method for carrying out this check is known as the cost control mechanism and an assessment was intended to be carried out after each valuation (every 3 or 4 years depending on the scheme). The cost control mechanism assesses certain elements of the costs of the schemes. If the assessed cost has decreased/increased by more than 2% of pensionable pay compared to their original level then member benefits are increased/reduced to bring the assessed costs back to the original level. Unfortunately, the first assessment carried out into the unfunded public service pension schemes following their 2016 valuations produced what many consider to be a perverse outcome, where member benefits (and so employer contributions) were due to increase despite these benefits already being generous, and against a backdrop of increasing disparity between public and private sector pension provision and a difficult economic climate. As it transpired, and scheduled increase to benefits has been put on hold until the outcome and cost of rectifying the discrimination revealed following the McCloud case has been determined. In the meantime the government asked the Government Actuary to carry out a review into how the cost control mechanism operates.

4.3 The Government Actuary has provided a final report to HM Treasury, which has issued a consultation document proposing three changes to the cost control mechanism:

- Moving to a reformed scheme only design: to remove any allowance for legacy schemes in the cost control mechanism, so the mechanism only considers past and future service in the reformed schemes. This ensures consistency between the set of benefits being assessed and the set of benefits potentially being adjusted;
- Widening the corridor: to widen the corridor from 2% to 3% of pensionable pay. This aims to achieve a better balance between stability and responsiveness of the cost control mechanism; and
- Introducing an economic check: currently the mechanism does not include changes in long-term economic assumptions and therefore cannot consider the actual cost to the Government of providing the pension benefits. The Government proposes introducing an economic check so that a breach of the mechanism would only be implemented if it would still have occurred had the long-term economic assumptions been considered.

The full consultation document can be accessed here:
https://www.gov.uk/government/consultations/public-service-pensions-cost-control-mechanism-consultation

4.4 The impact on the LGPS if these proposals took effect is currently unclear, this is how actuarial firm Hymans Robertson assessed the position:

"The cost control mechanism applies to all public sector pension schemes, including the LGPS. Therefore, the consultation proposals, if implemented, will apply to future LGPS cost cap valuations. The "Reformed scheme only" and "Widened corridor" proposals can be relatively easily applied to the LGPS. However, the "economic check" proposal is slightly more complicated.

In the LGPS, employer contribution rates are set locally and are significantly influenced by the level of asset returns achieved to date and the future level of expected investment returns, both of which vary by investment strategy. However, it is proposed that the "economic check" is based on the same discount rate used to value the unfunded schemes – future expectations of growth in UK Gross Domestic Product (GDP). Whilst the consultation acknowledges this difference, the Government Actuary and Government believe that the difference is not significant enough to warrant any different treatment. This is an opinion we would disagree with, mainly because LGPS funds invest globally so we do not believe UK GDP is a suitable proxy for future expected LGPS investment returns.

The LGPS in England & Wales is also slightly different to other public sector schemes as there exists a Scheme Advisory Board (SAB) cost control mechanism which runs alongside the Treasury mechanism (further detail can be found on the SAB's website). The existence of this additional mechanism seeks to recognise the unique nature of the LGPS in the world of public sector pension schemes (having assets to pay the liabilities). At the time of writing there is no detail on whether the SAB mechanism will be amended in line with any of the consultation's proposals."

5.1 **CLIMATE CHANGE DISCLOSURES**

5.2 The government published a response to its January 2021 consultation on "Taking action on climate risk: improving governance and reporting by occupational pension schemes" on 2 July 2021. The consultation response can be found at the following link: https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes#chapter-2-scope-and-timing

5.3 The outcome of the consultation confirmed that by 1 October 2021, private sector schemes with assets in excess of £5 billion, and by 1 October 2022, private sector schemes with assets in excess of £1 billion, will need to have appropriate governance arrangements in place to identify, assess and manage climate-related risks and opportunities and be preparing to publish annual reports setting out climate-related metrics, targets and transition plans in line with the Task force on Climate-related Financial Disclosures (TCFD).

5.4 The new requirements are expected to become law in the coming months.

5.5 Trustees of schemes in scope of the new requirements should now take steps to ensure that they will be in a position to comply with the new requirements by the relevant date. The government has made it clear that all trustees are expected to take action to address climate risk in line with their fiduciary duties.

5.6 None of this directly applies to the LGPS but the government has indicated that a consultation will be issued soon (followed by regulations) to bring the LGPS into line with private sector schemes in this area.

5.7 The Fund is in ongoing discussions with Border to Coast and with its partner Funds in Border to Coast to investigate whether there is an opportunity for collaboration or joint working in measuring carbon exposure and meeting the TCFD reporting requirements. The Fund has also made initial contact with all its investment managers to understand what reporting details will be initially available in respect of each of the Fund's investments.

6. NEXT STEPS

6.1 Further updates will be provided periodically.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

TEESSIDE PENSION BOARD REPORT

19 JULY 2021

DIRECTOR OF FINANCE – IAN WRIGHT

WORK PLAN UPDATE

1. PURPOSE OF THE REPORT

1.1 To ask Members of the Teesside Pension Board (the Board) to agree a future work plan framework, subject of course to any suggestions made at this or subsequent meetings.

2. RECOMMENDATION

2.1 That Members agree the proposed work plan (at Appendix A) for future meetings.

3. FINANCIAL IMPLICATIONS

3.1 There are no specific financial implications arising from this report. Should any additional budget be required to carry out any aspects of the plan, this will be authorised by the Pension Fund Committee through the normal budget process.

4. BACKGROUND

4.1 The Board's Terms of Reference summarise the purpose and duties of the Board as follows:

> "**Statement of purpose**
>
> 6. The Board is responsible for assisting the Administering Authority:
>
> (a) to secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and
>
> (b) to ensure the effective and efficient governance and administration of the Scheme.
>
> 7. The Council considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a

decision making body in relation to the management of the Pension Fund. The Board makes recommendations and provides assurance to assist in the management of the Fund.

Duties of the Board

8. The Board should at all times act in a reasonable manner in the conduct of its purpose. It will ensure that in performing their role it is:

- done effectively and efficiently and
- complies with relevant legislation and
- done by having due regard and in the spirit of the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator and any other relevant statutory or non-statutory guidance.

9. In support of this duty Board members should be subject to and abide by the Code of Conduct for Board members. The Board will adopt Middlesbrough Borough Council's Members' Code of Conduct for this purpose."

4.2 More detail on the areas a pension board is expected to concentrate on is available on The Pension Regulator's website and the website of the national Scheme Advisory Board for the Local Government Pension Scheme (LGPS).

4.3 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)

4.4 The Scheme Advisory Board produced best practice guidance on the creation and operation of Local Pension Boards, this guidance provides more detail of suggested areas and activities that LGPS Pension Boards can focus on. An annotated extract from the guidance, showing how the Board has covered or will cover each area, is enclosed as Appendix B, the full guidance can be found at the following link: http://www.lgpsboard.org/images/Guidance/LGPS_Board_Guidance_FINAL_PUBLISHEDv1%201clean.pdf

5. UPDATED WORKPLAN

5.1 The work plan was prepared taking into account the work the Board has already covered since its creation, the guidance from the Pensions Regulator and the Scheme Advisory Board, and the previous workplan agreed at the Board's 10 February 2020 meeting and reviewed at the Board's 8 February 2021 meeting. The work plan is intended to be a living document and can be updated and amended at any point. It can also be changed whenever national guidance is updated.

5.2 The items on the work plan will be delivered mainly through reports provided at future Board meetings from the Head of Pension Governance and Investments.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

Teesside Pension Board Work Plan		
Date of Board meeting and any standard items scheduled	**Suggested areas of focus (from the Pensions Regulator's list)**	**Suggested activities (from the Scheme Advisory Board guidance)**
July 2021 Draft Report and Accounts		
November 2021 Annual Review of Board Training	Pension board conflict of interest	Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme
February 2022	Reporting breaches Maintaining contributions Reporting duties	Review procurements carried out by Fund
April 2022 Annual Board Report	Internal controls and managing risks	Review the complete and proper exercise of employer and administering authority discretions.
July 2022 Draft Report and Accounts	Record keeping Resolving internal disputes	Review performance and outcome statistics Review handling of any cases referred to Pensions Ombudsman
November 2022 Annual Review of Board Training	Regulator Code of Practice Gap Analysis	Review the outcome of actuarial reporting and valuations.
February 2023		Review the outcome of actuarial reporting and valuations.
April 2023 Annual Board Report	Communicating to members Publishing scheme information	Review standard employer and scheme member communications
July 2023 Draft Report and Accounts		

Appendix B – Functions of an LGPS Pension Board

(taken from "Schedule A – Example remit of a Local Pension Board" from the Scheme Advisory Board's document "Guidance on the creation and operation of Local Pension Boards in England and Wales)

Function	When	How
Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.	Ongoing	Review of Committee papers and minutes, attendance at meetings.
Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code of Practice.	Schedule into work plan	Code of Practice gap analysis
Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.	Schedule into work plan	Code of Practice gap analysis
Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.	Ongoing	Consider and review as statements are updated by Committee
Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.	Schedule into work plan	Review standard employer and scheme member communications
Monitor complaints and performance on the administration and governance of the scheme.	Ongoing	XPS quarterly report
Assist with the application of the Internal Dispute Resolution Process.	Schedule into work plan	Review performance and outcome statistics
Review the complete and proper exercise of Pensions Ombudsman cases.	Schedule into work plan	Review handling of any cases referred to Pensions Ombudsman
Review the implementation of revised policies and procedures following changes to the Scheme.	As required	Following legislative changes to the Scheme
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.	Schedule into work plan	
Review the complete and proper exercise of employer and administering authority discretions.	Schedule into work plan	
Review the outcome of internal and external audit reports.	Ongoing	Audit reports and outcomes are supplied to

Function	When	How
		Committee and Board
Review draft accounts and scheme annual report.	Annually	Accounts presented to July Board
Review the compliance of particular cases, projects or process on request of the Committee.	As required	
Any other area within the core function (i.e. assisting the Administering Authority) the Board deems appropriate.	As required	
Assist with the development of improved customer services.	Ongoing	
Monitor performance of administration, governance and investments against key performance targets and indicators.	Ongoing	XPS quarterly report
Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.	Schedule into work plan	Review procurements carried out by Fund
Monitor investment costs including custodian and transaction costs.	Annual	Included in accounts
Monitor internal and external audit reports.	Ongoing	Audit reports and outcomes are supplied to Committee and Board
Review the risk register as it relates to the scheme manager function of the authority.	Periodically	As risk register is presented to Committee and Board
Assist with the development of improved management, administration and governance structures and policies.	As required	
Review the outcome of actuarial reporting and valuations.	Schedule into work plan	
Assist in the development and monitoring of process improvements on request of Committee.	As required	
Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.	As required	Asset voting and engagement mainly delivered by Border to Coast post-pooling
Any other area within the core function (i.e. ensuring effective and efficient governance of the Scheme) the Board deems appropriate.	As required	

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 11

TEESSIDE PENSION BOARD REPORT

19 JULY 2021

XPS 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

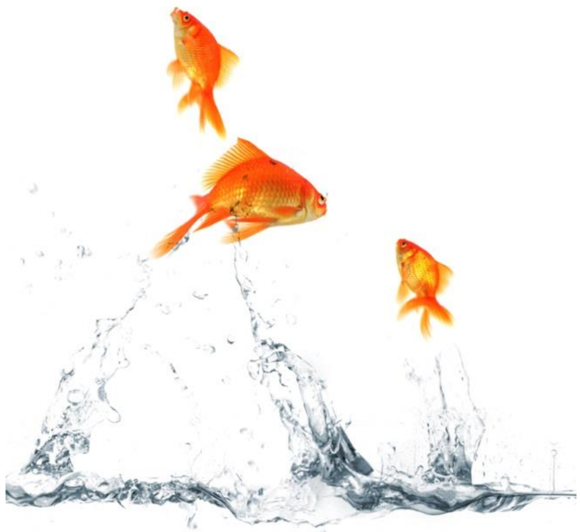
4.1 To enable the Pension Board to gain an understanding of the work undertaken by the Administration Unit and whether they are meeting the requirements of the contract. The report is contained within Appendix A.

CONTACT OFFICER: Graeme Hall (Operations Manager)

TEL. NO.: (01642) 030643

This page is intentionally left blank

XPS Administration



Teesside Pension Fund

Service Delivery Report

2020/21

Teesside Pensions Fund

Headlines

2020 LGPS Scheme Annual Report

On 18 May 2021, Councillor Roger Phillips, the SAB Chair, launched the 2020 LGPS England and Wales Scheme Annual Report. Highlights from the report include:

Total membership up by 4.2% to 6.1 million members compared with 2019.

Total assets decreased by 4.9% to £276 billion. These assets were invested in:
- 68% pooled investment vehicles
- 14% public equities
- 6% bonds
- 3% direct property
- 9% other asset classes.

The Local Authority return on investment over 2019/20 was -4.8%. This was reflective of the market conditions during the year and set against the UK return of -28.3%.

The Scheme maintained a positive cash-flow position overall, including investment income.

Over 1.8 million pensioners paid in the year.

LGPS liabilities estimated at £291 billion on 31 March 2019. This indicates an overall funding level of 98%. The next triennial valuation of the LGPS will be as at 31 March 2022.

Written Ministerial Statement on McCloud

On 13 May 2021, Luke Hall, Minister for Regional Growth and Local Government, made a Written Ministerial Statement on McCloud and the LGPS. The statement confirms the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination. The statement confirms that:

• The age requirement for underpin protection will be removed

• A member will not need to leave with an immediate entitlement to benefits to qualify for underpin protection • the remedy period will end on 31 March 2022

• The underpin calculation will be based on final pay at the underpin date, even when this is after 31 March 2022

• There will be two stages to the underpin calculation:

♣ the first on the underpin date – the date of leaving or on the normal pension age in the 2008 Scheme, if earlier

♣ the second when the benefits are paid • the regulations will be retrospective to 1 April 2014.

We expect MHCLG to issue a full response to the consultation and to publish draft regulations later this year.

DWP -Consultation on pension scams

On 14 May 2021, the DWP launched a consultation on pension scams: empowering trustees and protecting members. The consultation proposes new requirements on trustees and scheme managers before a pension transfer can be completed. The consultation document can be found at https://www.lgpsregs.org/landscape/consultations.php

The Queen's Speech

The Government's legislative programme was laid out in the Queen's Speech delivered on 11 May 2021.

The Government announced:

• A Public Service Pensions and Judicial Offices Bill that will introduce amendments to incorporate the McCloud judgment into public service pension schemes including the LGPS, and

• A Boycotts, Divestment and Sanctions Bill which aims to stop public bodies imposing their own views about international relations by preventing boycott, divestments or sanctions against foreign countries.

Direction on GMP indexation

The Government has decided to discount conversion as a long-term policy solution and make the interim solution the permanent solution for indexing guaranteed minimum pensions (GMPs) in public service pension schemes. HMT has updated their direction under section 59A of the Social Security Pensions Act 1975, implementing the decision. The updated direction commenced on 6 April 2021 and applies in England, Scotland and Wales.

Prudential

Prudential has announced that they will be updating their brand with a fresh new look and feel (including a new logo). This will include updating their websites, social media, brochures, letters and emails. Prudential has said that the brand update will have no impact on either their contact details or login details to their online services.

Covid-19

XPS update

Following easing of lockdown restrictions, we have seen an increase in staff returning to the office. XPS have released a new working model called “My XPS, My Choice” which will trial from August 2021 whereby staff can decide if they want to be office based, home based, or work flexibly between the two. Due to the requirements of the Teesside Pension Fund contract, there will always be a member of the Local Government team in the office to take queries from walk in members.

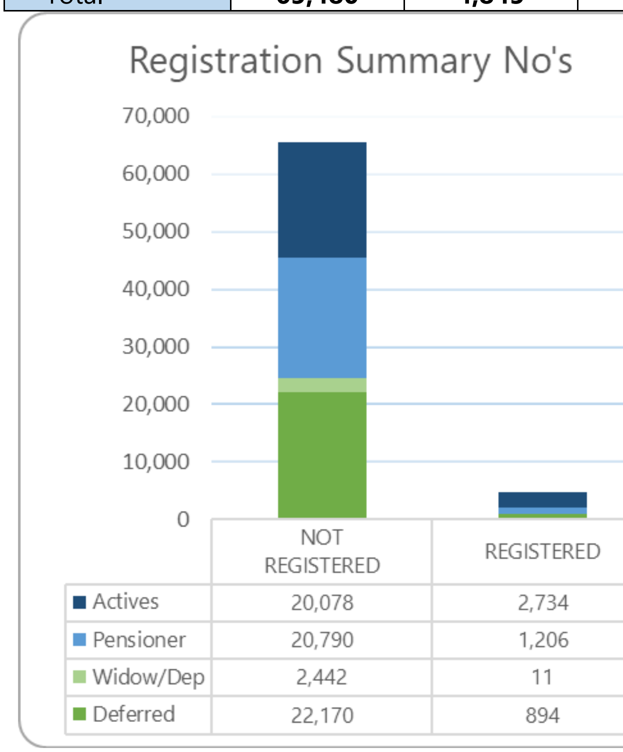
Membership Movement

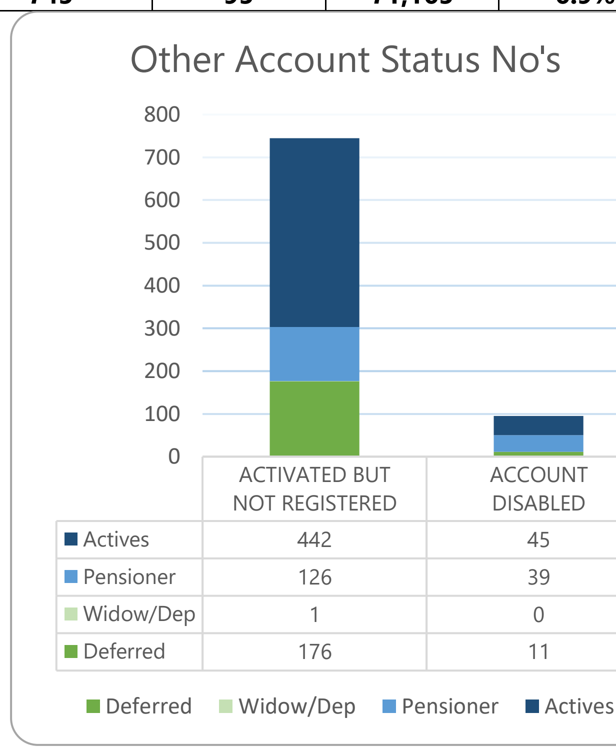
	Actives		Deferred		Pensioner		Widow/Dependent	
Q4 2020/21	23,332	▲	25,703	▼	22,100	▲	3,191	▲
Q3 2020/21	23,199	▲	25,713	▼	21,971	▲	3,182	▲
Q2 2020/21	23,018	▼	25,936	▼	21,763	▲	3,134	▲
Q1 2020/21	23,243	▲	25,958	▲	21,538	▲	3,101	▼
Q4 2019/20	22,997	▼	25,799	▼	21,521	▲	3,114	▲
Q3 2019/20	23,123	▲	25,948	▼	21,355	▲	3,093	▲

Member Self Service

Below is an overview on the activity and registration of the Member Self Service System:

	NOT REGISTERED	**REGISTERED**	**ACTIVATED BUT NOT REGISTERED**	**ACCOUNT DISABLED**	**TOTAL**	**% Uptake**
Actives	20,078	2,734	442	45	**23,299**	**11.9%**
Deferred	22,170	894	176	11	**23,251**	**3.9%**
Pensioner	20,790	1,206	126	39	**22,161**	**5.6%**
Widow/Dep	2,442	11	1	0	**2,454**	**0.4%**
Total	**65,480**	**4,845**	**745**	**95**	**71,165**	**6.9%**



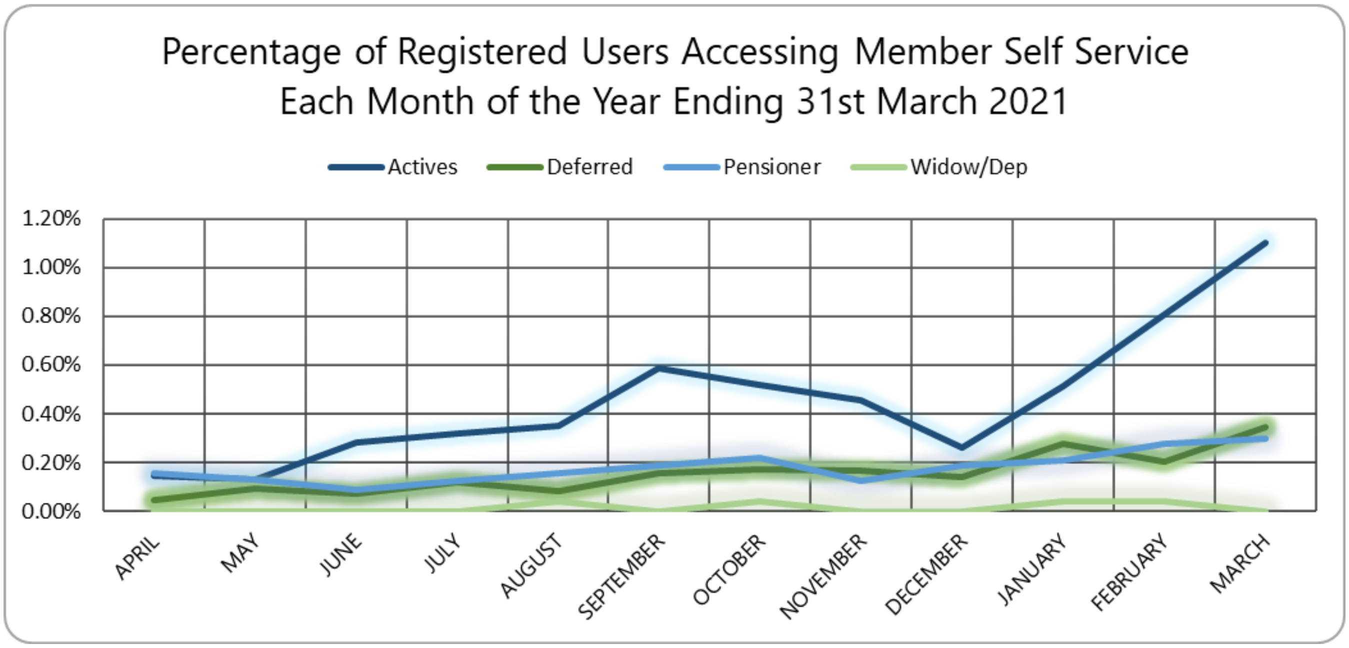


		APRIL		MAY		JUNE	
QUARTER 1	Actives	34	0.15%	30	0.13%	66	0.28%
	Deferred	10	0.04%	22	0.09%	17	0.07%
	Pensioner	34	0.15%	29	0.13%	19	0.09%
	Widow/Dep	-	-	-	-	-	-
	Total	**78**		**81**		**102**	

		JULY		AUGUST		SEPTEMBER	
QUARTER 2	Actives	74	0.32%	82	0.35%	137	0.59%
	Deferred	27	0.12%	19	0.08%	36	0.15%
	Pensioner	27	0.12%	35	0.16%	42	0.19%
	Widow/Dep	-	-	1	0.04%	-	-
	Total	**128**		**137**		**215**	

		OCTOBER		NOVEMBER		DECEMBER	
QUARTER 3	Actives	121	0.52%	106	0.45%	61	0.26%
	Deferred	40	0.17%	38	0.16%	33	0.14%
	Pensioner	48	0.22%	28	0.13%	41	0.19%
	Widow/Dep	1	0.04%	-	-	-	-
	Total	**210**		**172**		**135**	

		JANUARY		FEBRUARY		MARCH	
QUARTER 4	Actives	119	0.51%	188	0.81%	257	1.10%
	Deferred	64	0.28%	47	0.20%	80	0.34%
	Pensioner	46	0.21%	61	0.28%	66	0.30%
	Widow/Dep	1	0.04%	1	0.04%	-	-
	Total	**230**		**297**		**403**	



Additional Work

Guaranteed Minimum Pension reconciliation exercise

Work continues on this project, with expectation being Stage 2 will be complete by end of May. We will then move on to Rectification Stage 1 which will highlight those cases that need recalculating.

Complaints

Type of complaint	Date received	Date responded

Internal Dispute Resolution Process

For the 3 months to 31st March 2021 there are two known IDRP cases:

- Relates to a misquote of benefits for a member with multiple employments – Stage One appeal with the Scheme Employer.
- Relates to a 2nd stage appeal which has been partially upheld. The correct benefits are being paid, however, a suggestion has been made to offer compensation. The Scheme Member appears unhappy with this and will approach the pensions ombudsman.

Pensions Ombudsman

For the 3 months to 31st March 2021 there are no known cases passed for consideration to, nor a ruling by, the Pensions Ombudsman. We are expecting a ruling shortly on an ongoing case which relates to the backdating of ill health benefits.

High Court Ruling

For the 3 months to 31st March 2021 there are no known cases.

Common Data

Data Item	Teesside Pension Fund Max Population	Total Fails	% OK	Prev %	
NINo	74,742	140	99.81%	99.80%	107 dependents
Surname	74,742	0	100.00%	100.00%	
Forename / Inits	74,742	0	100.00%	100.00%	
Sex	74,742	0	100.00%	100.00%	
Title	74,742	52	99.93%	99.96%	
DoB Present	74,742	0	100.00%	100.00%	
Dob Consistent	74,742	0	100.00%	100.00%	
DJS	74,742	0	100.00%	100.00%	
Status	74,742	0	100.00%	100.00%	
Last Status Event	74,742	652	99.13%	99.27%	
Status Date	74,742	1,349	98.20%	98.62%	
No Address	74,742	349	99.53%	99.53%	
No Postcode	74,742	467	99.38%	99.37%	
Address (All)	74,742	4,104	94.51%	94.61%	
Postcode (All)	74,742	4,115	94.49%	94.61%	
Common Data Score	**74,742**	**2,597**	**96.53%**	**97.07%**	
Members with Multiple Fails	**74,742**	**396**	**99.47%**	**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.

An overview of the Conditional (Scheme Specific) Data for the Teesside Pension Fund:

Scheme	Member Total	Errors from tests carried out	%age accuracy based on tests carried out
TPF (inc GMP)	68,296	9,151	86.60
TPF (exc GMP)	68,296	1,197	98.25

These scores come from the following tests. Only those tests shown in yellow have been reported on; the other reports will be developed and added to results in future reports.

Report	Report Description	Test 1	Test 2	Test 3	Member Totals	Errors	%
1.1.1	Divorce Details						
1.1.2	Transfers in	Date the transfer in was received is present on record	Ensure the transfer value on record isn't blank	N/A	45,183	65	99.86
1.1.3	Additional Voluntary Contribution (AVC) Details and other additional benefits						
1.1.4	Total Original Deferred Benefit						
1.1.5	Tranches of Original Deferred Benefit						
1.1.6	Total Gross Pension						
1.1.7	Tranches of Pension						
1.1.8	Total Gross Dependant Pension						
1.1.9	Tranches of Dependant Pension						
1.2.1	Date of Leaving	Date of Leaving Blank	Date joined blank or <01/01/1900	Date joined later than Date of Leaving	4,164	43	98.97
1.2.2	Date Joined scheme	Check all Key Dates are present and later than 01/01/1900	N/A	N/A	68,296	11	99.98
1.2.3	Employer Details	Employer Code present	N/A	N/A			

1.2.4	Salary	Pay not within 12 months	N/A	N/A	46,338	1,078	97.67
1.3.1	CARE Data	CARE Missing on relevant records	N/A	N/A			
1.3.2	CARE Revaluation						
1.4.1	Benefit Crystallisation Event (BCE) 2 and 6						
1.4.2	Lifetime allowance						
1.4.3	Annual allowance						
1.5.1	Date Contracted Out	Date Contracted Out missing					
1.5.1	NI contributions and earnings history						
1.5.2	Pre-88 GMP				24,400	7,954	67.40
1.5.3	Post-88 GMP						

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

Service Development

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.

Additional funds were only drawn down when roles were filled to undertake the additional services. This has so far led to:

Initial Planning

To help with the creation of the teams that will assist with the additional services two new posts were created to covering Governance & Communications plus Systems & Payroll. These were filled by Paul Mudd and Neale Watson respectively on 11th July 2018. Their roles were then to look at how XPS could then provide the agreed services to the Fund.

Employer Liaison

On 1st May 2019, the Employer Liaison team leader was appointed. Quickly followed by an assistant on 24th June 2019.

Since appointment, they have undertaken numerous tasks including Employer training, late contribution monitoring, and data cleansing. They have recently started Employer Health checks, which are now undertaken virtually due to the Covid restrictions.

The team are also working with the actuary to provide relevant and timely information.

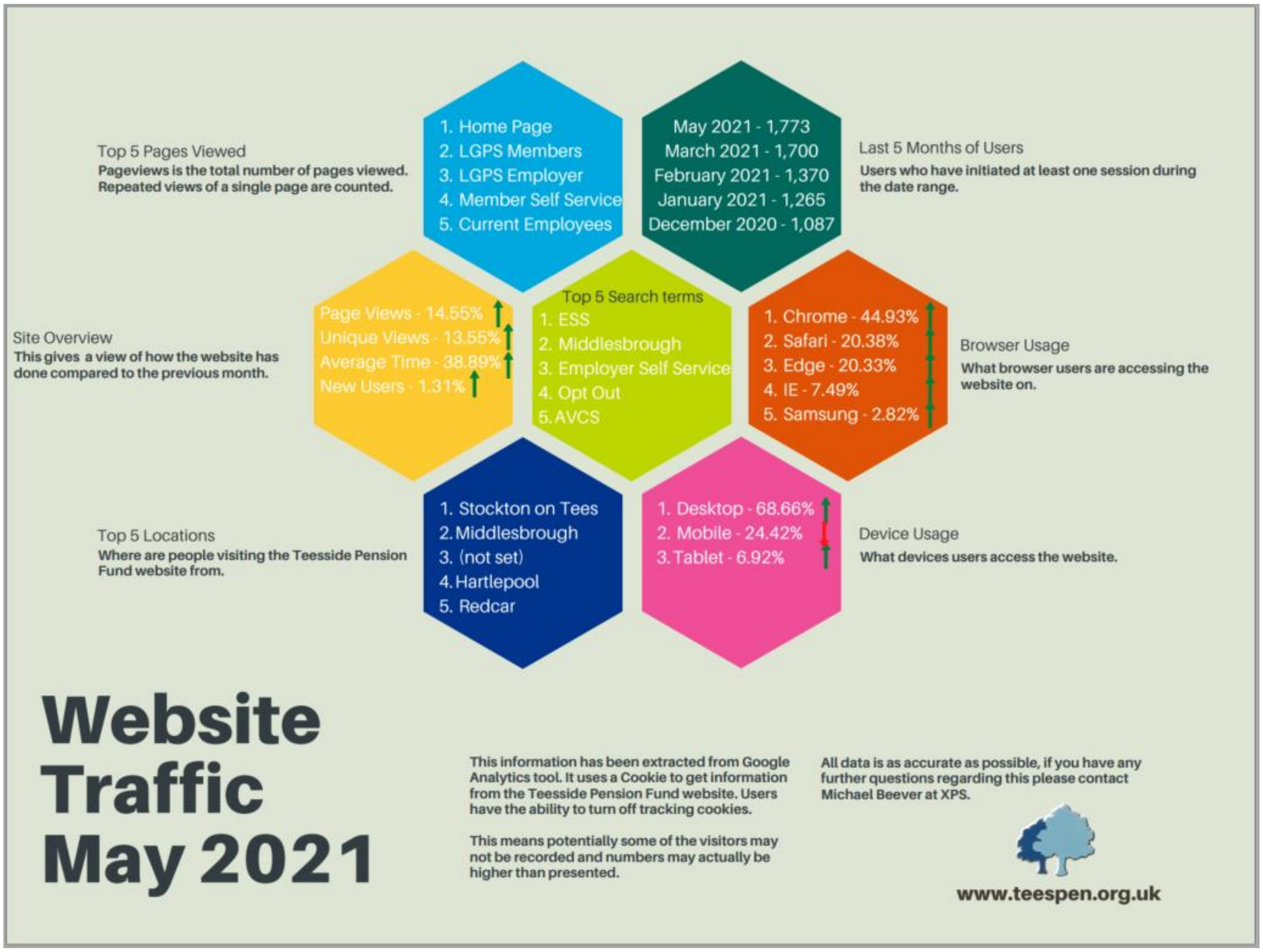
Next steps will be to work with the Fund to determine how to undertake employer covenant and introducing the monthly contribution process across all employers.

Communications

The new website was launched to Scheme Members and Employers on the 5th May 2021 and feedback received from both cohorts has been very positive. We are conducting a full feedback review of the site and will share this with the Board.

Underpinning the website is a raft of analytical data which serves to tell us limited information about the audience. This allows us to target news and important items to pages we now know people are viewing and searching for.

Below is an infographic showing a number of measures for the month 5th May 2021 to 4th June 2021:



We can learn a lot from this data and we will of course be trying to increase footfall to the site by strategically linking the site with participating employers.

As well as these above analytics, we are testing the website regularly to prove its structural and technical integrity. This ensures that people see exactly what we want them to see, regardless of what browser or device they use. We are able to test these levels and do so several times per week to ensure the web coding is robust and modern. It all helps with the overall Member and Employer experience and allows web indexation to be that much better. This promotes the website in something like a google search.

Next Steps

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. It is expected that this will occur during the 2021/22 financial year. Since March 2018, the plan has changed from the recruitment of two additional members of staff to use a piece of software that will provide an auditable process that will allow employers to upload member data directly to records. This will help ensure starters, leavers and variations are provided in a timely manner and current data is held to speed up the calculation process.

The next steps will include the procurement of the additional software and the recruitment of at least one further member of staff to assist with the processing of the data.

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

Employer Health Checks have continued as well as some face to face employer training which has been extremely well received and a lovely easing back into a normal way of life. With restrictions easing we are keen to get back out and about and already the enquiries on delivering member awareness sessions and employer training have increased, I believe this is due to the pandemic and members reassessing options in relation to their pension and retirement.

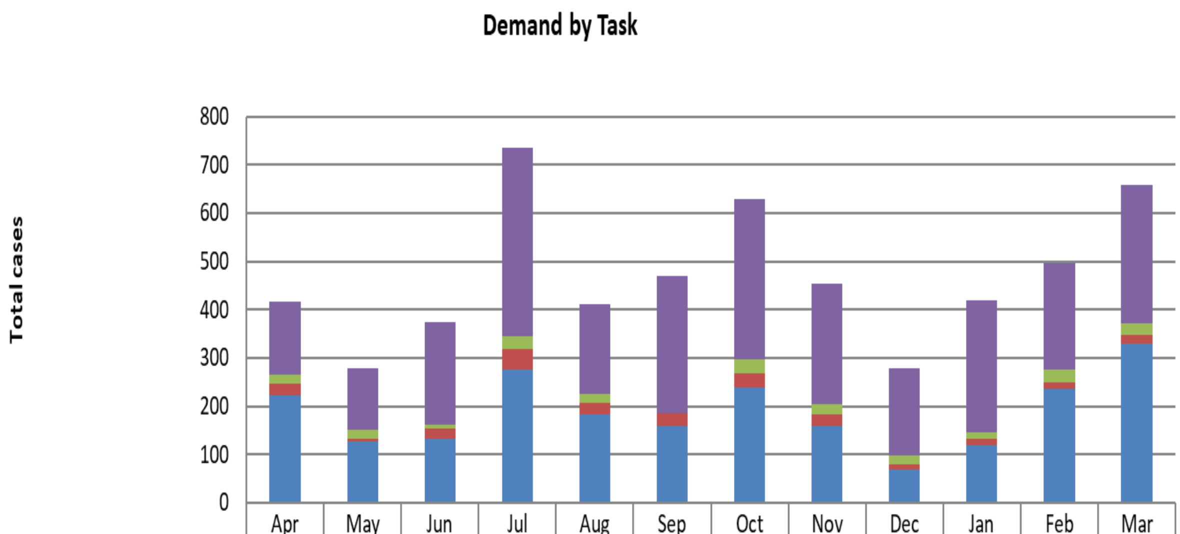
Late Payments

Date	Late Payments	Expected Payments	% Late	<10 Days Late	>10 Days Late
Apr-20	4	151	3.00%	0	4
May-20	3	151	2.00%	0	3
Jun-20	2	151	1.00%	1	1
Jul-20	6	150	4.00%	6	0
Aug-20	9	150	6.00%	0	9
Sep-20	8	149	5.00%	3	5
Oct-20	3	149	2.00%	3	0
Nov-20	3	149	2.00%	3	0
Dec-20	2	149	1.00%	0	2
Jan-21	2	149	1.00%	2	0
Feb-21	4	149	3.00%	0	4
Mar-21	3	149	2.00%	1	2
Apr-21	8	148	5.00%	7	1
May-21	0	148	0.00%	0	0

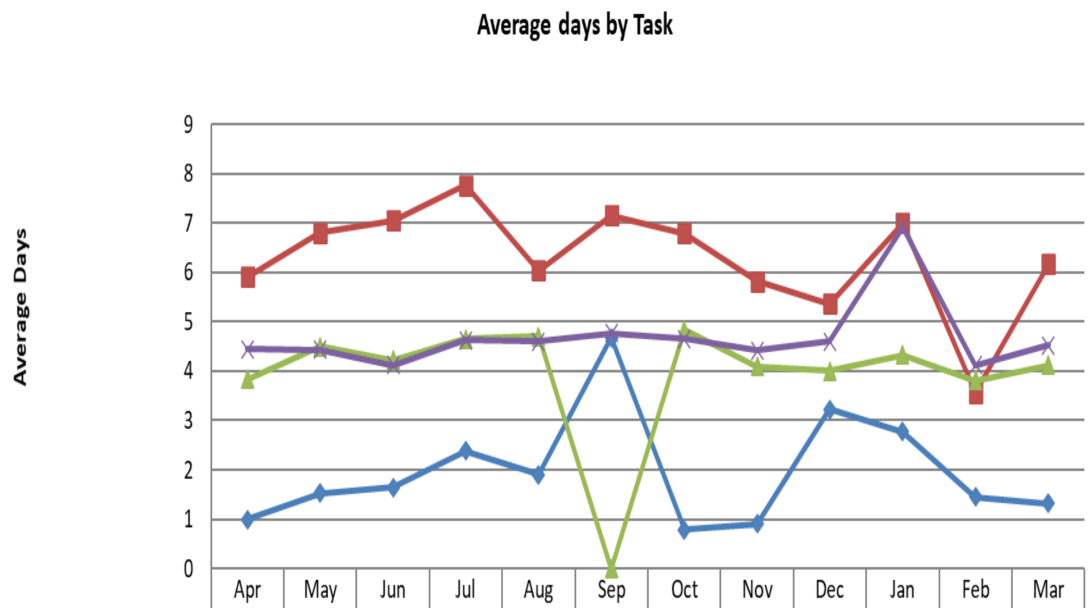
April 21 late payments are due to not receiving the sheets for the new year ... we now have a very good system with accounts and this should minimize the late payments and also the days late. We continue to work closely with the regular late employers.

Performance Charts

Overall Demand



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Estimates & Deferreds	151	128	213	392	186	285	331	248	181	272	220	287
Refunds	19	18	9	26	20		29	23	17	15	27	25
Transfer Values	24	5	21	43	23	26	29	23	11	14	14	18
Processing new entrants	222	128	132	275	183	159	239	159	69	118	235	329



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Processing new entrants	1	2	2	2	2	5	1	1	3	3	1	1
Transfer Values	6	7	7	8	6	7	7	6	5	7	4	6
Refunds	4	5	4	5	5	0	5	4	4	4	4	4
Estimates	4	4	4	5	5	5	5	4	5	7	4	5

The following charts show performance against individual service level requirements.

April 2020

Standard Reference No.	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
F64	All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	99.55%	1.00	222	1	222	221
F65	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	24	0	24	24
F67	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	19	0	19	19
F68 & F72	Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	151	0	151	151
F78	Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
F83	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		
F86	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		
F87	Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
F88	All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

May 2020

Standard Reference No.	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
F64	All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.53	128	0	128	128
F65	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	5	0	5	5
F67	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	18	0	18	18
F68 & F72	Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	128	0	128	128
F78	Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
F83	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		
F86	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		
F87	Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
F88	All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

June 2020

Standard Reference No.	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
F64	All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.64	132	0	132	132
F65	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	21	0	21	21
F67	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	9	0	9	9
F68 & F72	Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	213	0	213	213
F78	Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
F83	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		
F86	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		
F87	Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
F88	All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

July 2020

Standard Reference No.	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
F64	All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.39	275	0	275	275
F65	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	43	0	43	43
F67	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	26	0	26	26
F68 & F72	Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	392	0	392	392
F78	Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
F83	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		
F86	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		
F87	Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
F88	All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

August 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%	1.90	183	0	183	183
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	23	0	23	23
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	20	0	20	20
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	186	0	186	186
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 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%	4.68	159	5	159	159
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	26	0	26	26
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%	0%	#DIV/0!	0	0	0	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	0.0%	5	285	0	285	285
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 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%	0.79	239	0	239	239
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	29	0	29	29
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	29	0	29	29
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	331	0	331	331
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 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%	0.91	159	0	159	159
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	23	0	23	23
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	23	0	23	23
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	248	0	248	248
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 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%	3.23	69	0	69	69
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	5	11	0	11	11
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	17	0	17	17
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	181	0	181	181
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 2021

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%	2.77	118	0	118	118
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	14	0	14	14
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	15	0	15	15
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	7	272	0	272	272
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 2021

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%	1.45	235	0	235	235
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	4	14	0	14	14
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	27	0	27	27
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	220	0	220	220
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 2021

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%	1.32	329	0	329	329
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	18	0	18	18
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	25	0	25	25
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	287	0	287	287
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		

This page is intentionally left blank