

## TEESSIDE PENSION BOARD

|                                     |
|-------------------------------------|
| <b>Date:</b> Monday 18th July, 2022 |
| <b>Time:</b> 2.00 pm                |
| <b>Venue:</b> Oberhausen Room       |

### AGENDA

1. Welcome and Evacuation Procedure
2. Apologies for Absence
3. Declarations of Interest  
To receive any declarations of interest.
4. Appointment of Chair 3 - 4
5. Minutes - Teesside Pension Board - 11 April 2022 5 - 10
6. Minutes - Teesside Pension Fund Committee - 16 March 2022 11 - 20
7. Teesside Pension Fund Committee - 29 June 2022  
Verbal Report
8. Draft Annual Pension Fund Report and Accounts 2021/22 21 - 104
9. Update on Current Issues 105 - 114
10. Work Plan Update 115 - 136

11. XPS Administration Report 137 - 156
12. Any other urgent items which in the opinion of the Chair, may be considered
13. Exclusion of Press and Public
- To consider passing a Resolution Pursuant to Section 100A (4) Part 1 of the Local Government Act 1972 excluding the press and public from the meeting during consideration of the following items on the grounds that if present there would be disclosure to them of exempt information falling within paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
14. Actuarial Valuation Update 157 - 160

Charlotte Benjamin  
Director of Legal and Governance Services

Town Hall  
Middlesbrough  
Friday 8 July 2022

#### MEMBERSHIP

Councillors S Walker (Chair), P Thompson (Vice-Chair), W Ayre, J Cook and J Bell

#### **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](mailto:susan_lightwing@middlesbrough.gov.uk)**

# TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 3

## TEESSIDE PENSION BOARD REPORT

18 JULY 2022

DIRECTOR OF FINANCE – IAN WRIGHT

### APPOINTMENT OF CHAIR

#### 1. PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to ask the Board to appoint a Chair from the employer representatives.

#### 2. RECOMMENDATION

- 2.1 That the Board appointments a Chair from the Board's three employee representatives.

#### 3. FINANCIAL IMPLICATIONS

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

#### 4. APPOINTMENT OF CHAIR

- 4.1 The Board's Terms of Reference set out the following in relation to the roles of Chair and Deputy Chair:

“(a) The role of Chair will be rotated every two years with the Deputy Chair.

Each of the posts will be held by one employer representative and one scheme member representative.

(b) The existing Deputy Chair will become the Chair at the point of rotation.

(c) A new Deputy Chair will be appointed from the appropriate representatives (i.e. employer or scheme member depending on the rotation) by the new Chair of the Pension Board. The Deputy Chair will then take over as Chair after a period of two years.”

- 4.2 The previous Chair (Cllr Barrie Cooper) stood down when he no longer held the Finance brief for the Council and was replaced on the Board by Cllr Stefan Walker. The position of

Chair does not automatically transfer and is therefore open to any employer representatives on the Board.

**5 NEXT STEPS**

- 5.1 Whoever the Board appoints as Chair will serve the remainder of the employer side's two year term of office as Chair, which ends on 14 November 2023.

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

TEL NO.: 01642 729040



**TEESSIDE PENSION BOARD**

A meeting of the Teesside Pension Board was held on Monday 11 April 2022.

**PRESENT:** Councillor B Cooper and P Thompson

**ALSO IN ATTENDANCE:** P Mudd, XPS

**OFFICERS:** S Lightwing, N Orton and I Wright

**APOLOGIES FOR ABSENCE:** were submitted on behalf of J Bell

21/31 **WELCOME AND EVACUATION PROCEDURE**

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

21/32 **DECLARATIONS OF INTEREST**

| Name of Member      | Type of Interest | Item/Nature of Interest         |
|---------------------|------------------|---------------------------------|
| Councillor B Cooper | Non pecuniary    | Member of Teesside Pension Fund |

21/33 **MINUTES - TEESSIDE PENSION BOARD - 21 FEBRUARY 2022**

The minutes of the meeting of the Teesside Pension Board meeting held on 21 February 2022 were taken as read and approved as a correct record.

21/34 **MINUTES - TEESSIDE PENSION FUND COMMITTEE -15 DECEMBER 2021**

A copy of the minutes of the Teesside Pension Fund Committee meeting held on 15 December 2021 was submitted for information.

**NOTED**

21/35 **TEESSIDE PENSION FUND COMMITTEE -16 MARCH 2022**

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 16 March 2022. Items considered by the Committee included:

- Investment Activity Report - The Fund continued to favour growth assets over protection assets and currently had no investments in Bonds. The cash level of the Fund at the end of December 2021 was approximately 11% which was in the maximum agreed level of 20%, although it had increased since then. The value of the Fund was just over £5 billion at the end of December 2021 although it had since fallen back. The Fund's equity weighting was 67.1% compared to 70.9% at the end of September 2021. Border to Coast (BCP) had just launched its second series of Alternatives and the Fund had committed to £150 million for infrastructure, £100 million for private equity and £80 million to the Climate Opportunities Fund.
- Reports from the External Managers.
- Presentation from Hymans Robertson – The new Actuary explained the purpose of the valuation, key decisions, outlook and timetable for the valuation. The next step would be for Hymans Robertson to finalise their financial assumptions for the valuation. A further report with the outcomes would be presented to the Committee.
- Pension Fund Business Plan.

- Breaches Log.

#### EXEMPT ITEMS:

- Presentation from the Chief Executive of Border to Coast (BCP) - It was confirmed that the Teesside Pension Fund has investments in Russia through the BCP Emerging Markets Equity Fund. Prior to the invasion of Ukraine the Fund had approximately £5 million invested. BCP would be looking to divest, when that was possible, and in the meantime would be writing that asset down to zero.
- Border to Coast's (BCP) Environmental Social and Governance (ESG) reports.
- Three local investments – this report would be presented to the next meeting of the Committee.

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

21/36

#### **PROPOSED CHANGE TO PENSION BOARD TERMS OF REFERENCE**

A report of the Director of Finance was presented to propose a change to the Board's Terms of Reference to allow greater flexibility in appointing Board members.

At present, the Board's Terms of Reference sets out that the Board should have six members, three drawn from the scheme employers and three from scheme members.

Recent attempts to fill Board vacancies have had mixed results. A pensioner representative was successfully appointed following a selection process after four applicants responded to an article placed in the newsletter sent to the Fund's pensioners. However, despite emails to all relevant employers, followed by a further more targeted email to all the larger employers in that group, no volunteer had come forward to take up the "other scheme employers" place on the Board and a vacancy remained.

The proposed amendment to the Terms of Reference was as follows:

Add the following sentence to paragraph 22 of the existing Terms of Reference:

"In circumstances where no suitable volunteers apply from a particular employer or membership group and a Board vacancy remains, the selection panel is able to appoint another suitable individual to that vacancy from outside that particular membership group, always ensuring that only scheme member representatives are appointed to a scheme member vacancy and only scheme employer representatives are appointed to a scheme employer vacancy."

The amended paragraph 22 was shown in context in a 'tracked changes' version of the Terms of Reference attached at Appendix A to the submitted report.

If agreed by the Board, the proposed amendment would be submitted to the Annual Council meeting on 25 May 2022 for approval.

The Head of Pensions Governance and Investments would continue to work with colleagues in XPS Administration to identify suitable individuals in the Other Employers group who might wish to join the Board.

**AGREED** as follows that the:

1. report was received and noted.
2. Teesside Pension Board's Terms of Reference would be amended with the following addition to paragraph 22: "In circumstances where no suitable volunteers apply from a particular employer or membership group and a Board vacancy remains, the selection panel is able to appoint another suitable individual to that vacancy from outside that particular membership group, always ensuring that only scheme member representatives are appointed to a scheme member vacancy and only scheme employer representatives are appointed to a scheme employer vacancy."
3. amended Terms of Reference would be submitted to Council for approval.

21/37

**PENSION FUND BUSINESS PLAN**

The Head of Pensions Governance and Investments presented the annual Pension Fund Business Plan 2022/2025, including the 2022/2023 Pension Fund budget, for information. The Plan had been approved at the March meeting of the Teesside Pension Fund Committee.

The 2022/23 forecast income and expenditure was set out in the Business Plan, and summarised at paragraph 3.1 of the submitted report. It was highlighted that income was expected to be about £62 million less than expenditure and there were additional administration and management expenses of £7.5 million. Estimated investment income was £56 million, leaving a shortfall of around £12 million in the year. This was not of great concern currently as the Fund continued to hold large amounts of cash - anticipated to be over £700 million by the end of March 2022.

A copy of the Business Plan for 2022/25 was attached at Appendix 1 to the submitted report. The Business Plan 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 2022/23, and a summary of the performance for 2021/22 (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 2021/22 and an estimate for income and expenditure for 2022/23 (see Appendix D and page 21 of Appendix 1).
- An annual plan for key decisions and a forward work programme for 2022/23 and an outline work plan for 2022–2025.

The Head of Pensions Governance and Investments highlighted that income was expected to be about £62 million less than expenditure and there were additional administration and management expenses of £7.5 million. The estimated on investments was £56 million, leaving a shortfall of around £12 million in the year. However, the Fund anticipated holding around £800 million in cash at the year end. It was important to keep this under review and consider where future income would come from.

A query was raised in relation to increasing Membership of the Fund. In terms of the membership split it was roughly a third (pensioner/active/deferred) with the number of active members slightly higher. The number of pensioners was steadily increasing as the Fund was a maturing scheme. The Fund needed to plan to be more cash negative going forward.

The Council had been promoting the benefits of the Fund to employees and auto enrolment began in April. It was acknowledged that the current cost of living crisis could impact on people's decision-making as to whether they could afford to join the Fund.

**AGREED** that the Pension Fund Business Plan 2022/2025 was received and noted.

21/38

**TEESSIDE PENSION BOARD ANNUAL REPORT 2021/22**

The Head of Pensions Governance and Investments presented the Teesside Pension Board's Annual Report 2021/22 for information.

The report included information in relation to the Board's Activity 2021-2022, Work Plan, Board Membership and Attendance.

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

21/39

**UPDATE ON CURRENT ISSUES**

The Head of Pensions Governance and Investments updated the Board on the Amendment to the Public Service Pensions and Judicial Offices Bill.

The Government was progressing this Bill through Parliament which was primarily designed to

remove unlawful discrimination in the protections introduced when public sector schemes were changed in 2014 and 2015. Robert Jenrick MP, proposed an amendment to the Bill which, supported by the government, was subsequently accepted that would add an additional unconnected provision directly affecting the Local Government Pension Scheme (LGPS).

The amendment changed the Public Service Pensions Act 2013 to give the Secretary of State the explicit power to issue guidance or directions to administering authorities on investment decisions which it was not proper for the scheme manager to make in light of UK foreign and defence policy.

It was disappointing that the amendment to this Bill allowed the Secretary of State to gain potentially significant additional power to direct how LGPS funds could invest, without appropriate consultation with the LGPS itself. Also, without sight of the guidance, it was not clear how this new power would work.

Further information would be provided to the Board and Committee when available.

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

21/40

## **UPDATE ON WORKPLAN ISSUES**

A report of the Director of Finance was presented to provide Members of the Teesside Pension Board with information on items scheduled in the Work Plan for consideration at the meeting.

At a meeting on 19 July 2021 the Board agreed an updated work plan that set out areas for the Board to discuss or consider at subsequent meetings. A copy of the work plan was attached at Appendix A to the submitted report. These were typically areas that the Pensions Regulator and/or the Scheme Advisory Board had identified as important for Local Pension Boards to consider.

### Internal Controls and Managing Risk

The Fund's approach to managing risk was detailed within its Risk Management Policy which was included for information at Appendix B to the submitted report. A summary of the approach was also presented in the Fund's Business Plan.

It was not possible, or even desirable, to completely eliminate risk and some level of risk in (for example) investments, was necessary to achieve the Fund's long term objectives. It was important that risks were identified and managed, and the Fund's approach to this was summarised in the section on risk management philosophy on page 3 of Appendix B.

One important output of the Fund's risk management approach was the Fund's Risk Register, which listed and assessed the main risks to the Fund. The Risk Register was presented to the Committee and the Board at least once a year as part of the annual Pension Fund Business Plan. As the Business Plan was being presented to this meeting, Members had the opportunity to review and comment on the current risk register.

### Discretions within the Local Government Pension Scheme (LGPS) Regulations

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

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

The Local Government Association (LGA) had produced a full list of discretionary policies to be determined upon by scheme employers, administering authorities and other parties. Some

of the main discretions employers had that impacted directly on scheme members included:

- Whether to allow late requests to aggregate LGPS benefits or transfer in benefits from another scheme ('late' in this context meant over a year after a member joined the LGPS).
- Whether to waive early retirement reductions (and if so, in what circumstances).
- Whether to award additional pension to scheme members on retirement.
- Whether to allow flexible retirement.
- Allowing people to have a shared cost AVC additional voluntary contributions.

XPS Administration carried out an exercise several years ago to collect information from all scheme employers in relation to LGPS discretions. This exercise was likely to be repeated in future. XPS Administration also ensured that appropriate employer approval was received whenever an event that required the exercise of an employer discretion took place.

With reference to the discretion to allow employees to aggregate after twelve months of joining, this was to be extended for anyone who had joined since March 2020 in order that they were not disadvantaged due to the Covid 19 pandemic.

In relation to benefits for widows and widowers, the Head of Pensions Governance and Investments indicated that a report in relation to legal discrimination on benefits would be brought to a future Board meeting. There were currently 3,214 widowers or dependents in the Fund.

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

21/41

## **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
- Membership Movement.
- Member Self-Service.
- Complaints.
- Common Data.
- Conditional Data.
- Customer Service.
- Service Development.
- Performance.
- Employer Liaison
- Performance Charts.

XPS had assessed pensioner payments in light of the conflict in Ukraine and established that there were no payments to bank accounts or anyone living in Russia.

The 2021/2022 financial year was currently being closed down and work continuing on 2022/2023. Pensioners would be notified of a 3.1% increase and would receive a payslip and P60 this month. XPS had written to 160 employers to advise them of the new rates and salary ranges to enable them to allocate the correct contribution band to each member and also remind them of their own contribution rate.

Work had started on reviewing the age profile of those members signed up to self-service and further information would be brought to a future meeting. The re-designed website was now a year old and feedback would be sought from members.

The additional work on the Guaranteed Minimum Pension had not moved on since the last meeting due to difficulties obtaining data from HMRC.

There were no new complaints and one of the IDRPCs had gone to stage 2.

Common Data scores remained static and discussions were underway with private companies around services they could provide and costs. The proposal was to address the postcode and address failures which mainly related to deferred members. XPS was

looking at the mortality screen and one company subscribed to certain registers and information sources that enabled them to tap into that data and check that people were still alive and where they resided. This would enable a higher rate for the deferred benefit statements for this year in June/July.

There was no progress on Conditional Data and an update would be presented at the next meeting.

There was a very small number of fails on KPIs – only 3 under 1400 items which was a healthy performance.

A new Employer Liaison Leader had been appointed from 1 May 2022. This was an internal appointment that would bring technical benefits into the team as well as legislation knowledge. This would enhance the current offering to Employers.

The next At Ease newsletter would include an introduction to the new pensioner representative on the Board and a feedback form would be included on the website to enable some interaction between pensioners and their new representative.

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

21/42

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

None.

**TEESSIDE PENSION FUND COMMITTEE**

A meeting of the Teesside Pension Fund Committee was held on Wednesday 16 March 2022.

**PRESENT:** Councillors D Coupe (Chair), E Polano (Vice-Chair), J Beall, A Bell, R Creevy, T Furness and G Wilson

**ALSO IN ATTENDANCE:** W Bourne (Independent Adviser), P Moon (Independent Adviser)  
R Elwell (Border to Coast Pension Partnership)  
D Green (Hymans Robertson)  
P Mudd (XPS Administration)  
C Martindale (CBRE), A Owen (CBRE), A Peacock (CBRE)

**OFFICERS:** W Brown, S Lightwing, J McNally and N Orton

**APOLOGIES FOR ABSENCE:** Councillors Ms J Flaws, Mr B Foulger, J Hobson, G Nightingale, J Rostron, M Storey, S Walker and Mr T Watson

21/45 **DECLARATIONS OF INTEREST**

| Name of Member    | Type of Interest | Item/Nature of Interest         |
|-------------------|------------------|---------------------------------|
| Councillor Beall  | Non pecuniary    | Member of Teesside Pension Fund |
| Councillor Creevy | Non pecuniary    | Member of Teesside Pension Fund |

21/46 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 15 DECEMBER 2021**

The minutes of the meeting of the Teesside Pension Fund Committee held on 15 December 2021 were taken as read and approved as a correct record.

21/47 **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.

At the June 2018 Committee it was agreed that a maximum level of 20% of the Fund would be held in cash. Cash levels at the end of December 2021 were 11.23%. 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. There were no sales or purchases during the quarter.

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. £87.2 million was invested in the quarter.

Appendix A to the submitted report detailed transactions for the period 1 October 2021 to 31 December 2021. There were net sales of £60.3 million in the period, this compared to net sales of £100.8 million in the previous reporting period.

As at 30 December 2021, the Fund had £565.2 million invested with approved counterparties. This was an increase of £30.5million 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 2021, including cash, was £5,040 million, compared with the last reported valuation as at 30 September 2021, of £4,871 million.

A summary analysis of the valuation, attached at Appendix C to the submitted report, showed the Fund's percentage weightings in the various asset classes as at 31 December 2021 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 long term target Strategic Asset Allocation and the targets for 31 March 2022 were shown at paragraph 8.2 of the submitted report.

At the end of December 2021 the Fund's equity weighting was 67.1% compared to 70.9% at the end of September 2021. A schedule was in place to reduce investment in equities over the period 1 April 2021– 31 March 2022 by £725 million, and this figure would be reviewed throughout the year. In the quarter October-December 2021 the Fund sold £185 million. Further transactions would be reported at future meetings.

A summary of equity returns for the quarter 1 October–31 December 2021 was contained at paragraph 8.3 of the submitted report.

The Border to Coast Series 2 Alternative Funds would be live from 1 April 2022, and the Fund had agreed to commit £150 million per year for the next 3 years to the Infrastructure Fund and £100 million per year for the next 3 years to the Private Equity Fund. The Fund would also commit £100 million over the 3 year period to a new Border to Coast Climate Opportunities Fund. This amount might be scaled back to £80 million due to over-commitments.

As at 28 February 2022 total commitments to private equity, infrastructure, other alternatives and other debt were approaching £1,203 million and a breakdown of that figure was included at paragraph 8.7 of the submitted report.

**ORDERED** that the report was received and noted.

21/48

## **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 31 December 2021, the Fund had investments in the Border to Coast UK Listed Equity Fund, the Border to Coast Overseas Developed Markets Equity Fund and the Border to Coast Emerging Markets Equity Funds. For all three sub funds the return target was an annual amount, expected to be delivered over rolling three year periods, before calculation of the management fee.

The Fund also had investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. Total commitments of £50 million were made to each of these sub-funds for 2020/2021, in addition to £100 million commitments to each sub-fund in 2019/2020. These investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report.

The Border to Coast report showed the market value of the portfolio as at 31 December 2021 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast had also provided additional information within an appendix to that report in relation to the Overseas Developed Markets Equity Fund, giving a breakdown of key drivers of and detractors from performance in relation to each of its four regional elements. Market background information and an update of some news items related to Border to Coast were also included. Border to Coast's UK Listed Equity Fund was slightly below target and their Overseas Developed Markets Equity Fund was slightly above target since inception. The performance of the Emerging Markets Equity Fund was above benchmark (but below target) in the last quarter, however the Fund's investments only began earlier this year and it was too early to draw any meaningful conclusions from such a short



investment period.

The State Street report (attached at Appendix B to the submitted report) showed the market value of the State Street passive equity portfolio and the proportions invested in each region as at 31 December 2021. Performance figures were also shown in the report over a number of time periods and from inception – the date the Fund started investing passively with State Street in that region: for Japan and Asia Pacific ex Japan the inception date was 1 June 2001, as the Fund had been investing a small proportion of its assets in these regions passively since then. For North America and Europe ex UK the inception date was in September 2018, therefore performance figures only covered just over three years as this represented a comparatively new investment for the Fund. The nature of passive investment – where an index was closely tracked in an automated or semi-automated way – meant deviation from the index should always be low.

State Street continued to include additional information with their report this quarter, giving details of how the portfolio compared to the benchmark in terms of environmental, social and governance factors including separate sections on climate and stewardship issues. Since the State Street investments were passive and closely tracked the appropriate regional equity indices, the portfolio's rating in those terms closely matched the benchmark indices ratings.

As previously reported to the Committee, State Street advised investors in a number of its passively-invested funds, including the four State Street equity funds the Fund invests in, that it had decided to exclude UN Global Compact violators and controversial weapons companies from those funds and the indices they tracked.

The latest report showed performance of the State Street funds against the revised indices – excluding controversies (UN Global Compact violators) and excluding companies that manufactured controversial weapons. As expected for a passive fund, performance closely matched the performance of the respective indices.

It was confirmed that immediately prior to Russia's invasion of Ukraine, through the Border to Coast Emerging Markets Equity Fund approximately 0.1% of the Teesside Pension Fund was invested in Russia – about £5 million. Whilst the Teesside Pension Fund would look to disinvest, those assets could not currently be traded as the markets were closed. The value of those assets would be written down to zero or close to zero value in any case. There would be impacts on markets more widely because of the conflict but it was too early to say the longer term impact of this would be including, for example, on global energy prices.

**ORDERED** that the report was received and noted.

21/49

## **PRESENTATION FROM THE FUND ACTUARY**

A representative from Hymans Robertson, the Fund's Actuary, gave a presentation covering the following items:

- Background to the Actuarial Valuation.
- Key Valuation Decisions and Outcomes.
- Outlook for the 2022 Valuation.
- Valuation Timetable.

Work had started on the valuation and assumptions would be presented to the Teesside Pension Fund Committee in the next quarter. Some modelling on Council contributions would also be presented. The Whole Fund results would be presented in the autumn and new contributions would be implemented from April 2023.

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

21/50

## **PENSION FUND BUSINESS PLAN 2021-22**

The Head of Pensions Governance and Investments presented the annual Pension Fund Business Plan 2022/2025, including the 2022/2023 Pension Fund budget, for approval.

The 2022/23 forecast income and expenditure was set out in the Business Plan, and summarised at paragraph 3.1 of the submitted report. It was highlighted that income was

expected to be about £62 million less than expenditure and there were additional administration and management expenses of £7.5 million. Estimated investment income was £56 million, leaving a shortfall of around £12 million in the year. This was not of great concern currently as the Fund continued to hold large amounts of cash - anticipated to be over £700 million by the end of March 2022.

A copy of the Business Plan for 2022/25 was attached at Appendix 1 to the submitted report. The Business Plan 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 2022/23, and a summary of the performance for 2021/22 (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 2021/22 and an estimate for income and expenditure for 2022/23 (see Appendix D and page 21 of Appendix 1).
- An annual plan for key decisions and a forward work programme for 2022/23 and an outline work plan for 2022 – 2025.

The Committee was informed that Stockton On Tees Borough Council had recently undertaken a scrutiny investigation regarding Pension Fund Membership and how to encourage uptake. It was agreed that a copy of the Final Report would be forwarded to the Head of Pensions Governance and Investment for information.

**ORDERED** that the Pension Fund Business Plan 2022/2025 was approved.

21/51

## **CURRENT ISSUES**

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

The issues covered in the report included:

- LGPS and Levelling Up.
- Government Actuary's Department Section 13 Report – Main Findings.
- Government Actuary's Department Section 13 Report – Fund Comparisons.
- Triennial Actuarial Valuation as at 31 March 2022.
- Department for Work and Pensions (DWP) Consultation on the Draft Pensions Dashboard Regulations 2022.
- Public Service Pensions and Judicial Offices Bill – Amendment.

The Head of Pensions Governance and Investment highlighted the following points:

### LGPS and Levelling Up

The Government published its “Levelling up the United Kingdom” White Paper on 2 February 2022. The scope of the White Paper was broad: its stated objective was to take radical steps to improve UK prosperity by “tackling the regional and local inequalities that unfairly hold back communities and to encourage private sector investment right across the UK”. The White Paper included information about the role the Local Government Pension Scheme will be expected to play with a number of references to Local Government Pension Scheme (LGPS) Funds being used to support local investment.

There was huge potential for institutional investment to support levelling up, across infrastructure, housing, regeneration and SME finance. Institutional investors currently held UK pension assets of over £3.5tn. Within that, the LGPS had total investments of over £330bn, making it the largest pension scheme in the UK. Only a tiny fraction of those funds were currently allocated to local projects. If all LGPS funds were to allocate 5% to local investing, this would unlock £16bn in new investment.

Since 2016 the Teesside Pension Fund had put in place a protocol to enable local investment opportunities to be considered and, where suitable, approved by the Pension Fund Committee. The Fund defined “local” within the context of its own geographical area, so local investments in this context were those within the Teesside area (the areas covered by Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees Councils). The Fund’s investment approach allowed up to 5% of its assets to be invested in local projects. One of the important criteria for assessing any potential local investment was to ensure it had the right risk and return characteristics to meet the Fund’s financial objectives. Any local investment in itself needed to generate an acceptable economic return for the Fund.

A consultation document was expected later in the year which should provide more clarity on the government’s ambition for LGPS Funds to invest 5% of their assets in projects that supported local areas, and on whether this would be implemented through statutory guidance or legislation.

#### Government Actuary’s Department Section 13 Report – Main Findings

On 16 December 2021 the Government Actuary’s Department (GAD) published its Section 13 Report on the actuarial valuations carried out across the LGPS as at 31 March 2019. The Report was named after Section 13 of the Public Service Pensions Act 2013 which required the government to commission a report after each triennial valuation to assess whether the following four aims had been achieved: compliance, consistency, solvency and long term cost efficiency. A summary of the report’s findings was included in the submitted report.

The Report was broadly positive about the LGPS and acknowledged that since the 31 March 2016 valuation, market value of the scheme’s assets increased from £217 billion to £291 billion and its aggregate funding position on prudent local bases had increased from 85% to 98%. GAD added a note of caution about potential funding issues in the future: “the size of funds has grown significantly over the three years to 31 March 2019. However, the ability of tax backed employers to increase contributions if this was to be required (as measured by their core spending power) has not kept pace. This could be a risk if, for example, there was to be a severe shock to return seeking asset classes.”

#### Government Actuary’s Department Section 13 Report – Fund Comparisons

In producing the Report, GAD compared each LGPS Fund’s 31 March 2019 valuation on a single standard basis which was typically less prudent than the Fund’s own basis but allowed better comparison between Funds. An extract from the Report’s appendix including several relevant graphs was attached at Appendix A to the submitted report. The main points to note from the comparison graphs were as highlighted as follows:

- The Teesside Pension Fund had the second highest funding level in the LGPS on a local valuation basis but was only the twentieth highest on a Scheme Advisory Board standard basis.
- The Fund had the sixth smallest percentage difference between the funding level it reported in its valuation report and the standard basis funding level.
- The Fund had the 22nd highest pre-retirement discount rate and the 10th highest assumed asset outperformance within its discount rate. This was an assessment by GAD of the degree of investment return the Fund was assuming compared with ‘risk-free’ (government bonds) investment taking inflation into account.

These points indicated that the Fund might have probability of funding success that could be lower than average, and might also be anticipating a higher return from its assets than the average LGPS Fund. However this needed to be considered in the context of the Fund’s asset mix which, at the last valuation, was significantly more heavily weighted towards equities than the average LGPS Fund. By its nature, GAD’s Report was primarily backward looking, although the recommendations would be considered and taken into account, where relevant, by the Fund’s actuary as the 31 March 2022 valuation was undertaken.

Department for Work and Pensions (DWP) Consultation on the Draft Pensions Dashboards Regulations 2022

On 31 January 2022 the DWP published a consultation document on draft regulations designed to implement pensions dashboards. Pensions dashboards would be an internet-based service which allowed individuals to access information about their pensions, ideally from all sources (private sector, public sector and state pension) all in one place. The intention was that pensions dashboards would put individuals in control of planning for their retirement by bringing together their pensions information from multiple sources, including information on their State Pension, which could be accessed at a time of their choosing.

Consultation responses were required by 13 March 2022. The Local Government Association (LGA) had prepared a response to the consultation and would share this with LGPS Funds prior to the response deadline. The Head of Pensions Governance and Investments would consider whether a separate response was required from the Fund and, if so, would submit this after consultation with the Chair and Vice Chair of the Pension Fund Committee.

#### Public Service Pensions and Judicial Offices Bill – Amendment

The Government was progressing a bill through parliament: the Public Service Pensions and Judicial Offices Bill, designed primarily to remove unlawful discrimination in the protections introduced when public sector schemes were changed in 2014 and 2015. Robert Jenrick MP, proposed an amendment to the Bill which, supported by the government, was subsequently accepted which will add an additional unconnected provision that directly affects the LGPS.

The amendment changed the Public Service Pensions Act 2013 to give the Secretary of State the explicit power to issue guidance or directions to administering authorities on investment decisions which it was not proper for the scheme manager to make in light of UK foreign and defence policy.

It was disappointing that the amendment to this Bill allowed the Secretary of State to gain potentially significant additional power to direct how LGPS funds could invest without allowing appropriate consultation with the LGPS itself. Also, without sight of the guidance, it was not clear how this new power would work.

Further information on this issue would be presented to the Committee as and when it became available.

**ORDERED** as follows that the:

1. information provided was received and noted.
2. Head of Pensions Governance and Investments would submit a response to the Draft Pensions Dashboards Regulations 2022 consultation, if required, in consultation with the Chair and Vice Chair of the Pension Fund Committee.

#### 21/52 **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 by both Advisors at the meeting in relation to the current conflict in the Ukraine and the potential impact on the economy and markets, inflation and rising energy costs.

The Advisors recommended that the Fund continued with its current asset allocation strategy.

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

#### 21/53 **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 market remained strong for primary assets in all sectors leading to limited stock availability. Although this was positive in terms of the Fund's existing assets it made buying

new assets very challenging.

There were no sales or acquisitions during the last quarter.

The Fund had agreed terms for a lease renewal at Bromford Central to Harrow Green Ltd. This leasing transaction maintained a fully let estate and increased the rent on Unit 4 by 23% (+£31,455 p.a). This was part of the wider estate asset management plan, whereby a number of leasing negotiations would take place in 2022. It was confirmed that existing arrears would be cleared by the company prior to the lease agreement being signed off.

The Fund had also agreed terms with Pure Gym for a new 15-year lease at Unit H, Congleton.

CBRE continued to seek long-let institutional stock in a range of sectors, primarily industrial, retail warehousing and supermarket sectors to deliver the secure index linked income streams identified within the Fund's strategy. Whilst many of these have not progressed quickly CBRE was optimistic that they may gain traction over the next few weeks as investors began to consider their post pandemic strategies.

The report was written prior to the invasion in Ukraine and it was suggested that this might discourage investment in eastern Europe which could have a knock-on effect on property in London, which was in high demand. This could force investors into the regional markets where the Teesside Pension Fund operated.

CBRE continued to work on reducing tenants' rent arrears through continued dialogue. The protection scheme put in place for tenants during the Covid-19 remained in place until the end of March.

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

21/54

## **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.
- Membership Movement.
- Member Self Service.
- Additional Work.
- Complaints
- Common Data.
- Conditional Data.
- Customer Service.
- Service Development.
- Performance.
- Employer Liaison.
- Annual Benefit Statements.
- Performance Charts.

In relation to performance it had been a really strong quarter with only two instances of failure within the KPIs that did not impact pension payment or experience. There were no new complaints.

XPS had been working on closing off 2021/2022 and opening 2022/2023 and had sent templates to all Employers to capture the year end data. This data would inform annual benefit statement production, the actuarial valuation and the pension saving exercise.

All Employers had received a reminder about their contribution rates effective from 1 April 2022.

An error was noted in the Membership Movement figures and the officer undertook to ensure this was amended for the next report.

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

21/55

### **BREACHES LOG**

A report of the Director of Finance was reported to provide Members of the Pension Fund Committee (the Committee) with an update on a regulatory breach that had been added to the Breaches Log.

Under the Pensions Act 2004 certain categories of people involved with a pension scheme had a duty to make a report to the Pensions Regulator where they had reasonable cause to believe that:

- a) a legal duty relating to the administration of the scheme had not been or was not being complied with; and
- b) the failure to comply was likely to be of material significance to the Pensions Regulator.

The Fund had a policy on reporting breaches, which was reviewed and approved by the 15 December 2021 Pension Fund Committee, a copy of which was attached at Appendix A to the submitted report. The policy included information on how to report a suspected breach of regulations and how a reported breach was evaluated to assess how it should be dealt with, and whether it should be reported to the Pensions Regulator.

The procedure, and the requirement to report breaches has been in place since 2015. The current Breaches Log was attached as Appendix B to the submitted report. This contained one new addition relating to the provision of benefit statements to deferred members.

Deferred members were members of the pension scheme who had left active employment and no longer contributed to the scheme, but had not yet drawn their pension benefits, normally because they were not old enough yet. Depending on the age of the individual, it could be many years between their leaving the scheme and drawing their pension, and it was not unusual for the individual to move house and not inform the pension scheme during that time. This resulted in mail being returned from that address and that individual being categorised as a 'gone-away'. This in turn makes it impossible to provide that individual with an annual benefit statement (which, according to the LGPS regulations, needs to be provided to all active and deferred members by 31 August each year).

The entry in the Breaches Log outlined the position, and explained that a decision had been taken to record but not report this breach, as it had a straightforward explanation, did not result in a loss to the individual and steps were being taken to look to improve the situation. These steps involved XPS working with the Head of Pensions Governance and Investments to consider cost-effective ways to trace the 'gone-aways' with a view to substantially reducing their number for the 2022 annual benefit statements.

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

21/56

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

None.

21/57

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

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

21/58

### **PRESENTATION FROM BORDER TO COAST'S CEO**

The Chief Executive Officer from Board to Coast Pensions Partnership provided an update.

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

21/59 **BORDER TO COAST ESG REPORTS**

A report of the Director of Finance was presented to provide Members of the Committee with Border to Coast's Environmental Social and Governance (ESG) reports for the quarter ending 31 December 2021 in relation to the three listed equity sub-funds the Pension Fund invested in.

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

21/60 **LOCAL INVESTMENTS UPDATE**

**ORDERED** that the report was **DEFERRED** for consideration at a future meeting.

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## TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

### **TEESSIDE PENSION BOARD REPORT**

18 JULY 2022

**DIRECTOR OF FINANCE – IAN WRIGHT**

#### **Draft Annual Pension Fund Report and Accounts 2021/22**

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

- 1.1 To present Members of the Teesside Pension Board (the Board) with the 2021/22 draft unaudited Annual Report and Accounts for the Teesside Pension Fund.

#### **2. RECOMMENDATION**

- 2.1 That Members note the 2021/22 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 2022, a further updated version of which will be presented to the Pension Fund Committee meeting on 27 July 2022.

#### **5. PERFORMANCE SUMMARY**

- 5.1 The overall financial performance of the Fund for the year to 31 March 2022 was for a second consecutive year very positive. The Fund's value rose to £5.073 billion, an increase over the year of approximately £514 million. This increase in value is mainly a result of equity market performance, which was positive for the year as a whole, albeit deteriorating towards the end of the year and beyond.
- 5.2 The Fund's asset value as at 31 March 2022 will be used by the Fund actuary when calculating the three-yearly valuation of the Fund. The value of the Fund's assets has risen by around a billion pounds in the three years since the last valuation, an increase of around 25% in that period compared with an expected increase (based on the actuary's assumptions) of around 14%. Although welcome news, it is

important to recognise the long-term nature of the Fund and the volatility of many of its assets mean that the actuary has to look beyond just the immediate value of the assets when carrying out the valuation. In addition, the size of the Fund's liabilities (the cost of paying current and future benefits) is just as important when carrying out the valuation and setting employer contribution rates. Factors such as the actuary's view of future inflation rates, future investment returns and life expectancy expectations will play a key part in the actuary's valuation calculations.

- 5.3 The membership of the Fund has increased, with total membership at the year-end now standing at 77,895 an increase of 4,696 over last year. The number of active members has increased by 1,196 or 4.9% over the year, and increased by 9.2% over the past four years. The number of pensioners increased by 846 or 3.3% over the year, and increased by 15.2% over the past four years. The number of deferred members has increased by 2,927 or 12.6% over the year, and increased by 12.9% over the past four years. Note, most of the increase in the number of deferred members is because we are now recognising in the count of deferred members those individuals who have left employment but not yet had their benefits fully processed, this explains some of the increase in total headcount as well.
- 5.4 Every three years the Fund actuary, 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.
- 5.5 The latest actuarial valuation of the Fund was as at 31 March 2019, with the final report published at the end of March 2020. The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level. The aim of the Fund is to be 100% funded, and at the latest valuation the actuary was able to declare a funding level of 115%. This is particularly pleasing since it is the third time in succession that the Fund is able to declare it is fully funded. The next valuation is due to be carried out as at 31 March 2022 with the final report due to be published in March 2023 and any changes required to employer contribution rates due to come into force from April 2023.

## **6. FRS / IAS REPORTS**

- 6.1 Financial Reporting Standards (FRS) and International Accounting Standards (IAS) require employers to disclose in their accounts their share of the assets and liabilities in the Pension scheme. The Fund's actuary, Hymans Robertson, offers to produce 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. Some gaps or text from the previous year exist in this draft where further input is required and some charts remain to be updated. A further updated draft will be presented to the Pension Fund Committee later this month. 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

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**Teesside Pension Fund**

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

**31 March 2022**

# Contents

|   |           |
|---|-----------|
| <i>Report of those charged with Governance</i> .....                                    | 3         |
| <i>Membership</i> .....   | 26        |
| <b><i>Head of Pensions Governance and Investments' Report</i></b> .                     | <b>34</b> |
| <i>Financial Statements</i> .....   | 44        |
| <i>Statement of Responsibilities for the Financial Statements</i> ....                  | 45        |
| <i>Fund Accounts and Net Asset Statements</i> .....                                     | 47        |
| <i>Notes to the Pension Fund Accounts</i> .....   | 48        |
| <i>Statement of the Actuary</i> .....   | 72        |
| <i>The Compliance Statement</i> .....   | 75        |
| <i>Summary of LGPS benefits and comparison to previous versions of the scheme</i> ..... | 77        |
| <i>Pension increases</i> .....  | 78        |
| <i>Contacts and further information</i> .....   | 79        |

## Report of those charged with Governance

### Chairman's Introduction

Welcome to the 2021/2022 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 60% of those assets 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 75% of its overseas equities were managed by Border to Coast Pensions Partnership ('Border to Coast'). The other 25% of its overseas equities at the end of the year were invested passively through State Street Global Investors. A 60% allocation to publicly-quoted equities represents a significant reduction from the 76% allocation at the start of the year, and this part of a planned approach to move the Fund closer to its long-term strategic asset allocation position.

During the year significant additional 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 eleven 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 around 52% of the Fund's assets were invested through Border to Coast, with this percentage expected to increase over the coming years.

Although developed global equity markets performed well over the year as a whole, there was a marked deterioration in the final quarter. This was partly a result of increasing commodity prices (including oil and gas), anticipation of increasing potentially persistent inflation coupled with downgrading of growth predictions, and global instability – primarily a consequence of Russia's invasion of Ukraine.

Financial markets have got used to relying on significant government intervention to avert potential crises such as the package of measures deployed to protect financial markets in the 2007/2008 Global Financial Crisis 2008 and more widely from 2020 onwards to support global markets, economies and businesses to deal with the financial consequences of the Covid-19 pandemic and the social, economic and trade restrictions put in place to deal with it. Given the indebtedness of many developed market economies, there is perhaps limited scope for governments to continue spending their way out of difficulty. Significant state spending and economic stimulus is arguably one of the factors behind the return this year of inflation - an issue not faced in any significant way for many years in some of the world's larger economies.

Central banks have a difficult balance to strike on dealing with inflation – increasing interest rates too quickly could further damage growth and make 'stagflation' (the unpleasant and persistent mixture of stagnant or negative growth and inflation) more likely, but failure to act decisively could prolong the inflationary period. During the year central banks' predictions on how high inflation will go have been revised ever upwards into double digits not seen for decades. However banks and markets still expect a fairly swift return from these peaks to

much lower levels – of course, it remains to be seen whether high inflation will disappear as quickly as it arrived.

Emerging market equities did not perform well during the year, partly as a result of Russian equities being effectively revalued to zero following Russia's widely reviled invasion of Ukraine, but mainly as a consequence of much lower than expected growth in China, partly linked to continuing Covid-19 lockdowns in China affecting production.

The overall financial performance of the Fund for the year to 31 March 2022 was for a second year very positive. The Fund's value rose to £5.073 billion, an increase over the year of approximately £514 million. This increase in value is mainly a result of equity market performance, which was positive for the year as a whole, albeit deteriorating towards the end of the year and beyond. The Fund's asset value as at 31 March 2022 will be used by the Fund actuary when calculating the three-yearly valuation of the Fund. The value of the Fund's assets has risen by around a billion pounds in the three years since the last valuation, an increase of around 25% in that period compared with an expected increase (based on the actuary's assumptions) of around 14%. Although welcome news, it is important to recognise the long-term nature of the Fund and the volatility of many of its assets mean that the actuary has to look beyond just the immediate value of the assets when carrying out the valuation. In addition, the size of the Fund's liabilities (the cost of paying current and future benefits) is just as important when carrying out the valuation and setting employer contribution rates. Factors such as the actuary's view of future inflation rates, future investment returns and life expectancy expectations will play a key part in the actuary's valuation calculations. Work is ongoing in preparing the valuation as at 31 March 2022, with the final report due to be published before the end of March 2023 – the outcome will also be reported in next year's annual report. More information on the outcome of the last actuarial valuation of the Fund is set out later in this introduction.

The membership of the Fund has increased, with total membership at the year-end now standing at 77,895 an increase of 4,696 over last year. The number of active members has increased by 1,196 or 4.9% over the year, and increased by 9.2% over the past four years. The number of pensioners increased by 846 or 3.3% over the year, and increased by 15.2% over the past four years. The number of deferred members has increased by 2,927 or 12.6% over the year, and increased by 12.9% over the past four years. Note, most of the increase in the number of deferred members is because we are now recognising in the count of deferred members those individuals who have left employment but not yet had their benefits fully processed, this explains some of the increase in total headcount as well.

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 around £2.75 million from these early retirement recharges, a 36% reduction on last year's figure of just over £4.3 million.

Every three years the Fund actuary, 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):

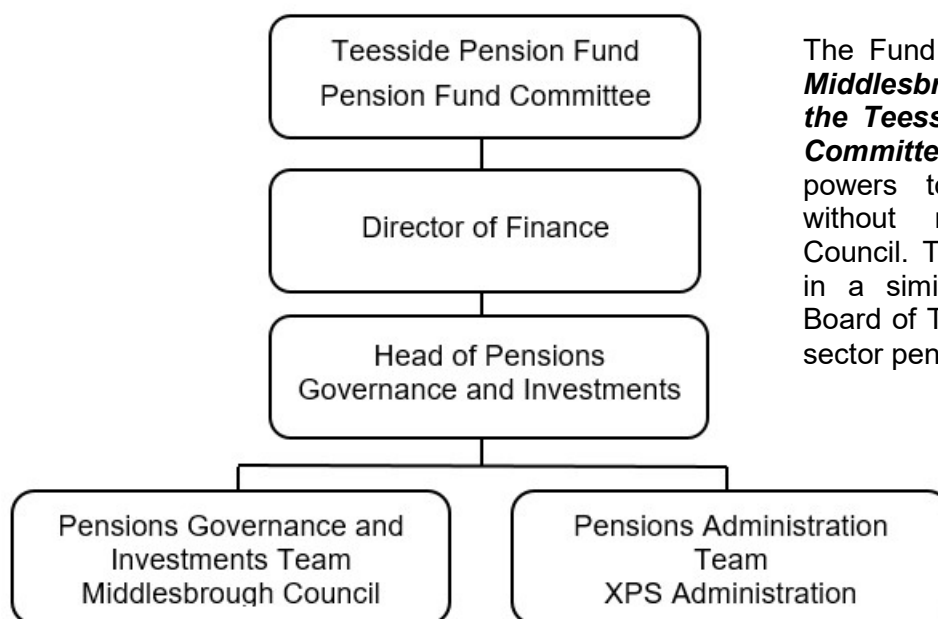
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme Regulations 2013; and
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

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](http://www.lgpsmember.org) and on our website at: [www.teespen.org.uk](http://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, a representative of the other employers in the Fund and two scheme member representatives provided by the Trade Unions. The Committee is advised by relevant Council officers supported by external experts including the Fund's Investment Advisors.

## Management of the Fund



The Fund is administered by **Middlesbrough Council** via the **Teesside Pension Fund Committee** which has plenary powers 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 2021/22

| Members (all have voting rights) |                                     | Jun | Oct | Dec | Mar |
|----------------------------------|-------------------------------------|-----|-----|-----|-----|
| Middlesbrough Council            | Councillor David Coupe (Chair)      | ✓   | ✓   | ✓   | ✓   |
|                                  | Councillor Eric Polano (Vice Chair) | ✓   | ✓   |     | ✓   |
|                                  | Councillor Julia Rostron            | ✓   | ✓   | ✓   |     |
|                                  | Councillor Allan Bell               | ✓   | ✓   | ✓   | ✓   |
|                                  | Councillor John Hobson              | ✓   |     | ✓   |     |
|                                  | Councillor Theo Furness             | ✓   | ✓   | ✓   | ✓   |
|                                  | Councillor Rachel Creevey           | ✓   |     | ✓   |     |
|                                  | Councillor Stephen Hill             |     |     |     |     |
|                                  | Councillor Dennis McCabe            |     |     |     |     |

| <b>Members (all have voting rights)</b> |                             | <b>Jun</b> | <b>Oct</b> | <b>Dec</b> | <b>Mar</b> |
|---|-----------------------------|------------|------------|------------|------------|
|   | Councillor Stefan Walker    |            | ✓          | ✓          |            |
|   | Councillor Ashley Waters    | ✓          |            |            |            |
|   | Councillor Matthew Storey   | ✓          |            | ✓          |            |
|   | Councillor Graham Willson   |            |            |            | ✓          |
| <b>Redcar &amp; Cleveland BC</b>        | Councillor Glyn Nightingale | ✓          | ✓          |            |            |
| <b>Stockton BC</b>                      | Councillor Jim Beall        | ✓          |            | ✓          | ✓          |
| <b>Hartlepool BC</b>                    | Councillor Rachel Creevy    |            |            | ✓          | ✓          |
|   | Julie Flaws                 |            |            | ✓          |            |
| <b>Trades Unions</b>                    | Tony Watson (UNISON)        |            |            | ✓          |            |
|   | B Foulger (GMB)             | ✓          |            | ✓          |            |

### **Declaration of Interest**

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 advisors:

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

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

### **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    | Hymans Robertson                    |
| Solicitors | Nabarro LLP & Freeth Cartwright LLP |

|                     |                                    |
|---------------------|------------------------------------|
| Auditors            | Ernst & Young LLP                  |
| Investment Advisors | William Bourne and Peter Moon      |
| Property Managers   | CBRE                               |
| Custodian           | The Northern Trust Company         |
| AVC Providers       | Prudential Assurance, Phoenix Life |
| Bankers             | The NatWest Bank Plc               |

## The Pensions Landscape

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

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

The limits on tax relief available for pension saving have remained static 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 remained at £1.0731m, the level set from April 2020, the government having 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 government confirmed during the what changes would be made 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. The remedy to this discrimination will involve carrying out a check when someone leaves the scheme and when they draw their pension benefits to ensure the benefit they get in respect of service between April 2014 and March 2022 is at least as good as it would have been as they would have got if the old final salary rules had continued to apply. This check was already carried out for older leavers but will in future be applied to everyone who was in the scheme on April 2012. Detailed regulations are still expected in the coming year but in the meantime additional data will need to be collected from employers to perform the new check accurately, and systems and processes will have to be updated. The overall outcome will be 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 actuary already factored in the approximate expected additional cost of this when calculating employer contribution rates at the last valuation (published in March 2020), and may be able to include a more accurate assessment of the cost as 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 1/49<sup>th</sup> of pensionable pay each year where the previous scheme rate was 1/60<sup>th</sup>.
- 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 later in this report in the section entitled "Summary of LGPS benefits and comparison to previous versions of the scheme".

## **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.

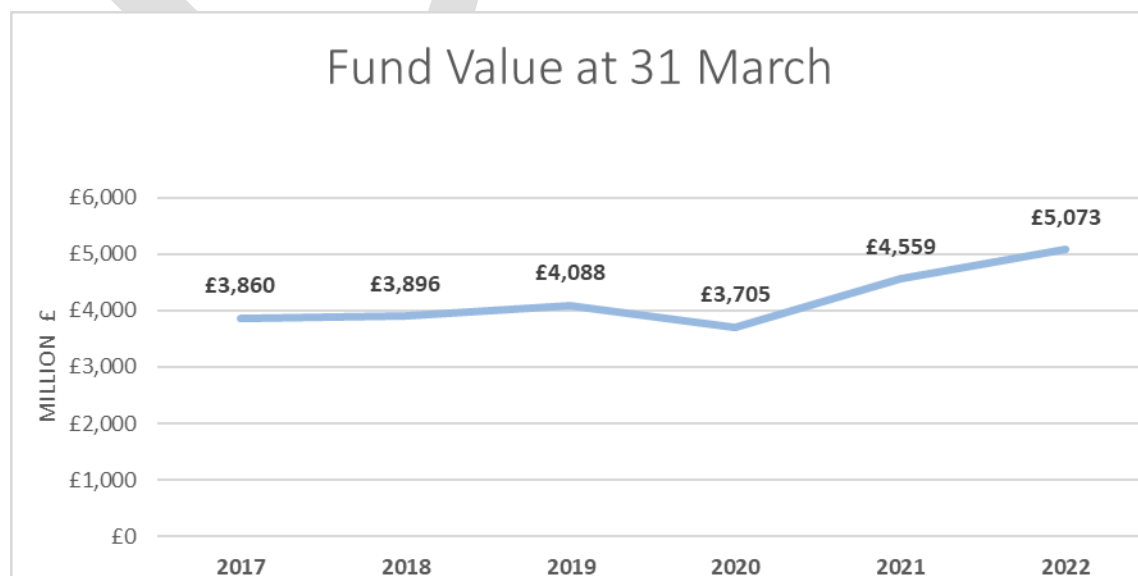
For the Fund to significantly outperform its benchmark it needs to have an asset mix which is different from that of its benchmark. The more outperformance is required the greater the differences will need to be. In other words outperformance cannot be achieved without taking risks. Measurement of risk 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 meet its liabilities and in particular to achieve the goal of employer contribution rates which are both low and stable.

## Financial Performance Report

### Income, Expenditure and Fund value

The Fund's Financial Statements show that the Net Asset Value has increased by 11% compared to the previous year. Over the last 4 years, from the 2018 value of £3,896 million, the value of Net Assets has increased by 30%.



## Finance Performance Report

|   | 2017/18          | 2018/19          | 2019/20          | 2020/21          | 2021/22          |
|---|------------------|------------------|------------------|------------------|------------------|
|   | £000             | £000             | £000             | £000             | £000             |
| Fund Value at the start of the year         | 3,859,589        | 3,896,452        | 4,088,095        | 3,705,473        | 4,559,485        |
| Income                                      | 207,829          | 159,468          | 152,932          | 117,772          | 280,028          |
| Expenditure                                 | (146,866)        | (162,057)        | (167,397)        | (165,427)        | (167,860)        |
| Change in Market Value of Investments       | (24,100)         | 194,232          | (368,157)        | 901,667          | 401,744          |
| Increase/(Decrease) in Fund during the year | 36,863           | 191,643          | (382,622)        | 854,012          | 513,912          |
| <b>Fund Value at the end of the year</b>    | <b>3,896,452</b> | <b>4,088,095</b> | <b>3,705,473</b> | <b>4,559,485</b> | <b>5,073,397</b> |
| <b>Change in Fund Value %</b>               | <b>1%</b>        | <b>5%</b>        | <b>(9%)</b>      | <b>23%</b>       | <b>11%</b>       |

### Financial Highlights

|                                | £000    | £000    | £000    | £000    | £000    |
|--------------------------------|---------|---------|---------|---------|---------|
| Pensions Paid                  | 105,369 | 113,219 | 119,302 | 123,640 | 127,421 |
| Administration Costs           | 1,672   | 1,692   | 2,185   | 1,938   | 2,238   |
| Investment Management Costs    | 2,451   | 5,314   | 1,480   | 4,955   | 5,474   |
| Oversight and Governance Costs | 684     | 1,238   | 3,768   | 553     | 397     |

### Membership

|              | 2017          | 2018          | 2019          | 2020          | 2021          |
|--------------|---------------|---------------|---------------|---------------|---------------|
|              | No            | No            | No            | No            | No            |
| Active       | 23,295        | 22,274        | 23,438        | 24,238        | 25,434        |
| Deferred     | 23,243        | 23,361        | 23,488        | 23,322        | 26,249        |
| Pensioner    | 22,757        | 23,983        | 24,651        | 25,366        | 26,212        |
| <b>Total</b> | <b>69,295</b> | <b>70,068</b> | <b>71,577</b> | <b>72,926</b> | <b>77,895</b> |

### Fund Averages

|   | £      | £      | £      | £      | £      |
|---|--------|--------|--------|--------|--------|
| Fund value per member                     | 56,230 | 58,345 | 51,769 | 62,522 | 65,131 |
| Average Pension Paid                      | 4,630  | 4,721  | 4,840  | 4,874  | 4,861  |
| Total expenses cost per member            | 69     | 118    | 104    | 102    | 104    |
| Administration Cost per member            | 24     | 24     | 31     | 27     | 29     |
| Investment Management cost per member     | 35     | 76     | 21     | 68     | 70     |
| Oversight and Governance costs per member | 10     | 18     | 53     | 8      | 5      |

## 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 2021/22

| Fund Account                            | Notes | 2020/21<br>£ ' 000 | 2021/22<br>£ ' 000 | Change       |
|---|-------|--------------------|--------------------|--------------|
| <b>Contributions and Other Income</b>   |       |                    |                    |              |
| Employers Normal & Deficit              | 1     | 64,965             | 67,720             | 4%           |
| Employers Additional                    | 2     | 13                 | 12                 | (8%)         |
| Employees Normal                        | 3     | 30,415             | 29,934             | (2%)         |
| Transfers in                            | 4     | 3,061              | 2,371              | (23%)        |
| Capital Costs of Early Retirements      | 5     | 4,311              | 2,748              | (36%)        |
| Other Income                            |       | 1,266              | 878                | (31%)        |
| <b>Total Income</b>                     |       | <b>104,031</b>     | <b>103,663</b>     | <b>0%</b>    |
| <b>Benefits and Other Expenditure</b>   |       |                    |                    |              |
| Benefits                                | 6     | 123,640            | 127,421            | 3%           |
| Benefits - Basic Lump Sum               | 7     | 22,947             | 22,750             | (1%)         |
| Benefits - Lump Sums on Death           |       | 3,198              | 3,587              | 12%          |
| Individual Transfers to other Schemes   | 8     | 7,794              | 5,974              | (23%)        |
| Administrative Expenses                 | 9     | 1,938              | 2,238              | 15%          |
| Investment Management Expenses          | 10    | 4,955              | 5,474              | 10%          |
| Oversight and Governance Costs          | 11    | 553                | 397                | (28%)        |
| Other Expenditure                       | 12    | 402                | 19                 | (95%)        |
| <b>Total Expenditure</b>                |       | <b>165,427</b>     | <b>167,860</b>     | <b>1%</b>    |
| <b>Return on Investments</b>            |       |                    |                    |              |
| Dividends                               | 13    | (511)              | 159,957            | (31,403%)    |
| Rents                                   | 14    | 12,584             | 15,554             | 24%          |
| Interest                                | 15    | 1,668              | 854                | (49%)        |
| Profit on Sale of Investments           |       | 136,402            | 228,315            | 67%          |
| Unrealised gain / (loss) on Revaluation |       | 765,265            | 173,429            | (77%)        |
| <b>Total Return on Investments</b>      |       | <b>915,408</b>     | <b>578,109</b>     | <b>(37%)</b> |

**Net Increase in the Fund in the Year**

**854,012**

**513,912**

**(40%)**

**Explanation of variances**

|  | <b>2020/21</b> | <b>2021/22</b> |                       |
|--|----------------|----------------|-----------------------|
| <b>1 Employers Normal Contributions &amp; Deficit contributions - £000</b> | <b>64,965</b>  | <b>67,720</b>  | <b>increase of 4%</b> |

Employers normal contributions have increased by £3.3m, and deficit contributions have decreased by £0.5m, which has given an overall increase of £2.8m in the year.

|  | <b>2020/21</b> | <b>2021/22</b> |                         |
|--|----------------|----------------|-------------------------|
| <b>2 Employers Additional Contributions - £000</b> | <b>13</b>      | <b>12</b>      | <b>decrease of (8%)</b> |

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

|  | <b>2020/21</b> | <b>2021/22</b> |                         |
|--|----------------|----------------|-------------------------|
| <b>3 Employees Normal Contributions - £000</b> | <b>30,415</b>  | <b>29,934</b>  | <b>decrease of (2%)</b> |

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.

|                              | <b>2020/21</b> | <b>2021/22</b> |                          |
|------------------------------|----------------|----------------|--------------------------|
| <b>4 Transfers In - £000</b> | <b>3,061</b>   | <b>2,371</b>   | <b>decrease of (23%)</b> |

In 2021/22 93 transfers were received into the scheme at an average value of £25.5k, compared to 141 transfers at an average value of £21.7k in 2020/21.

|   | <b>2020/21</b> | <b>2021/22</b> |                          |
|---|----------------|----------------|--------------------------|
| <b>5 Capital Cost of Early Retirements - £000</b> | <b>4,311</b>   | <b>2,748</b>   | <b>decrease of (36%)</b> |

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;

|                                    | <b>Number</b> | <b>Total Cost</b> | <b>Average</b> |
|------------------------------------|---------------|-------------------|----------------|
| Hartlepool Borough Council         | 13            | £463,599          | £35,661        |
| Middlesbrough Council              | 7             | £141,877          | £20,268        |
| Stockton Borough Council           | 9             | £68,233           | £7,581         |
| Redcar & Cleveland Borough Council | 16            | £604,557          | £37,785        |

|              |           |                   |                |
|--------------|-----------|-------------------|----------------|
| <b>Total</b> | <b>45</b> | <b>£1,278,266</b> | <b>£28,406</b> |
|--------------|-----------|-------------------|----------------|

|                          | <b>2020/21</b> | <b>2021/22</b> |                    |           |
|--------------------------|----------------|----------------|--------------------|-----------|
| <b>6 Benefits - £000</b> | <b>123,640</b> | <b>127,421</b> | <b>increase of</b> | <b>3%</b> |

At the year-end there were 26,212 Pensioner Members / Dependants receiving pension benefits, at an average of £4,861 per annum. (2020/21 25,366 receiving benefits at an average of £4,880 per annum)

|   | <b>2020/21</b> | <b>2021/22</b> |                    |             |
|---|----------------|----------------|--------------------|-------------|
| <b>7 Benefits - Basic Lump Sum - £000</b> | <b>22,947</b>  | <b>22,750</b>  | <b>decrease of</b> | <b>(1%)</b> |

There has been a decrease of 1% in the value of Lump Sums paid by the Fund during the year.

|   | <b>2020/21</b> | <b>2021/22</b> |                    |              |
|---|----------------|----------------|--------------------|--------------|
| <b>8 Individual Transfers to Other Schemes - £000</b> | <b>7,794</b>   | <b>5,292</b>   | <b>decrease of</b> | <b>(23%)</b> |

Transfers out can vary quite markedly year on year depending on both numbers and the type of people transferring. For 2021/22, the individual transfers out was £5,974k (2020/21 £7,794k), a decrease from the previous year. In term of numbers, the transfers out for 2021/22 were 150 (2020/21 150).

|                | <b>Number</b> | <b>Total Cost</b> | <b>Average</b> |
|----------------|---------------|-------------------|----------------|
| <b>2021/22</b> | <b>76</b>     | <b>£5,292,018</b> | <b>£69,632</b> |
| <b>2020/21</b> | <b>150</b>    | <b>£7,794,000</b> | <b>£51,960</b> |

|   | <b>2020/21</b> | <b>2021/22</b> |                    |            |
|---|----------------|----------------|--------------------|------------|
| <b>9 Administrative Expenses - £000</b> | <b>1,938</b>   | <b>2,238</b>   | <b>increase of</b> | <b>16%</b> |

There has been an increase of 16% in Administration costs in 2021/22.

|   | <b>2020/21</b> | <b>2021/22</b> |                    |            |
|---|----------------|----------------|--------------------|------------|
| <b>10 Investment Management Expenses - £000</b> | <b>4,957</b>   | <b>5,474</b>   | <b>increase of</b> | <b>10%</b> |

An increase in transaction costs of £200k to 939k 21/22. Includes Border to Coast management fees of £1.775 million. Includes management fees for investments in Private Equity, Infrastructure and Other Alternative investment funds of £1.564 million. £549k for Property management fees 21/22.

|   | 2020/21    | 2021/22    |                    |              |
|---|------------|------------|--------------------|--------------|
| <b>11 Oversight and Governance Costs - £000</b> | <b>588</b> | <b>397</b> | <b>decrease of</b> | <b>(28%)</b> |

Border to Coast Governance costs included at £300k.

|                                    | 2020/21    | 2021/22   |                    |              |
|------------------------------------|------------|-----------|--------------------|--------------|
| <b>12 Other Expenditure - £000</b> | <b>402</b> | <b>19</b> | <b>decrease of</b> | <b>(95%)</b> |

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

|                                  | 2020/21      | 2021/22        |                    |                |
|----------------------------------|--------------|----------------|--------------------|----------------|
| <b>13 Dividend Income - £000</b> | <b>(511)</b> | <b>159,957</b> | <b>increase of</b> | <b>31,303%</b> |

Dividend Income from Equities held direct with Border to Coast for the last 3 years has not be accounted for until 21/22. £13.565 million in Overseas Equities and £112.867 million in UK Equities. The remaining £33.5 million is new dividend income received from investments in Private Equity, Infrastructure and Other Alternatives.

|                       | 2020/21       | 2021/22       |                    |            |
|-----------------------|---------------|---------------|--------------------|------------|
| <b>14 Rent - £000</b> | <b>12,584</b> | <b>15,554</b> | <b>increase of</b> | <b>24%</b> |

Following the end of the Covid-19, rental income has returned to normal rates, any rent free periods have been removed and the majority of rent arrears have been recovered in year.

|                           | 2020/21      | 2021/22    |                    |              |
|---------------------------|--------------|------------|--------------------|--------------|
| <b>15 Interest - £000</b> | <b>1,668</b> | <b>854</b> | <b>decrease of</b> | <b>(49%)</b> |

The base rate continued to be at a record low for the majority of the year, sometimes with negative interest rates, along with fewer cash investments has led to a decrease in interest received across the period.

|                              | 2020/21          | 2021/22          |                    |           |
|------------------------------|------------------|------------------|--------------------|-----------|
| <b>16 Investments - £000</b> | <b>4,211,320</b> | <b>4,253,011</b> | <b>increase of</b> | <b>1%</b> |

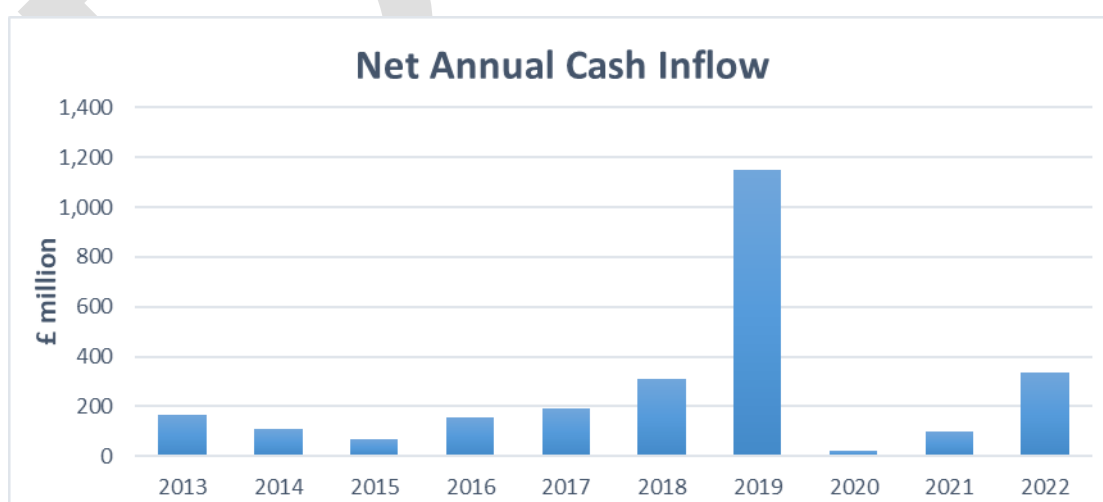
Investment values for the portfolio showed less than a 1% increase in value of £41.7M for the year.

|                       | 2020/21        | 2021/22        |                    |             |
|-----------------------|----------------|----------------|--------------------|-------------|
| <b>17 Cash - £000</b> | <b>340,650</b> | <b>817,250</b> | <b>increase of</b> | <b>140%</b> |

Cash levels have increased over the year due to the sale of some UK and Overseas Equities. This has been partially reinvested into new funds for example Other Debt and continued investments in Private Equity, Infrastructure and Other Alternatives.

## Cashflow Statement

|  | £000<br>2020/21 | £000<br>2021/22 |
|--|-----------------|-----------------|
| <b>Cashflow from Operating Activities</b>        |                 |                 |
| Cash received for Contributions                  | 95,267          | 96,287          |
| Cash received for Early Retirements              | 2,970           | 2,765           |
| Cash Received from Transfers In                  | 3,061           | 2,371           |
| Cash Received from Investments                   | 25,484          | 177,091         |
| Cash Received from Sales of Investments          | 136,402         | 228,315         |
| Cash from Other Income                           | 1,266           | 878             |
| <b>Total Cash Received</b>                       | <b>264,450</b>  | <b>507,707</b>  |
| Cash paid for Benefits                           | 149,785         | 153,758         |
| Cash paid for Transfers Out                      | 8,158           | 5,974           |
| Cash paid for Management Expenses                | 9,913           | 12,092          |
| <b>Total Cash Paid</b>                           | <b>167,856</b>  | <b>171,824</b>  |
| <b>Net Cash Inflow from Operating Activities</b> | <b>96,594</b>   | <b>335,883</b>  |
| <b>Application of Cash</b>                       |                 |                 |
| Net Sales / Purchases of Investments             | 246,999         | (131,075)       |
| Increase in Cash with Custodian                  | 0               | 0               |
| Increase in Cash on Deposit                      | (151,745)       | 476,600         |
| Decrease in Cash at Bank                         | 703             | (8,958)         |
| Increase in Other Debtor Balances                | 568             | (568)           |
| Increase in Other Creditor Balances              | 69              | (116)           |
|  | <b>96,594</b>   | <b>335,883</b>  |



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 2022 the actual assets compared to the benchmark as follows;

|                           | Pension Fund at 31/03/2022 | Pension Fund Target Strategic Allocation | Investment Strategy Statement Max | Investment Strategy Statement Min |
|---------------------------|----------------------------|--|-----------------------------------|-----------------------------------|
| UK Equities               | 12.2%                      | 10%                                      | 80%                               | 40%                               |
| Overseas Equities         | 48.2%                      | 45%                                      |                                   |                                   |
| Property                  | 7.8%                       | 10%                                      | 15%                               | 5%                                |
| Private Equity            | 7.3%                       | 5%                                       | 10%                               | 0%                                |
| Other Alternatives        | 2.4%                       | 5%                                       | 10%                               | 0%                                |
| Bonds / Other Debt / Cash | 17.3%                      | 15%                                      | 45%                               | 5%                                |
| Infrastructure            | 4.8%                       | 10%                                      |                                   |                                   |
|                           | 100%                       | 100%                                     |                                   |                                   |

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

## Amounts due to the Fund from Employers

|                                       | 2020/21<br>£ ' 000  | 2021/22<br>£ ' 000  |
|---------------------------------------|---------------------|---------------------|
| <b>Current Assets</b>                 |                     |                     |
| Contributions in Respect of Employers | 4,123               | 5,965               |
| Contributions in Respect of Members   | 3,180               | 2,755               |
|                                       | <b><u>7,303</u></b> | <b><u>8,720</u></b> |

The Contributions due are in respect of March 2022 and were received in April 2022.

## 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.



### **Updated table required**

### **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%                      |
| <b>Total</b>                    | <b>66</b>               | <b>100.0%</b>               |

### **Analysis of Contribution rates and amounts received 2021/22**

|                                 | 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          | 2,404          |
| 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 Natrass 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   | 971   |
| 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% | 5,123 | 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            |               |
| <b>XPS Administration Ltd</b>            |       | 11.5% | <b>31</b>     | <b>66</b>     |
| Yarm Primary School                      |       | 17.5% | 20            | 60            |
| Zetland Primary School                   |       | 17.5% | 18            | 56            |
| <b>Total Contributions 2020/21</b>       |       |       |               |               |
|  |       |       | <b>30,415</b> | <b>64,977</b> |

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 (Updated figures required)

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 2021/22   | 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.

| <b>Procedure</b>                  | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> |
|-----------------------------------|----------------|----------------|----------------|
| 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          |
| <b>Total</b>                      | <b>12,394</b>  | <b>12,362</b>  | <b>15,690</b>  |

## 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 2021/22 financial year the total membership of the Fund increased by 4,969 to the current total of 77,895.

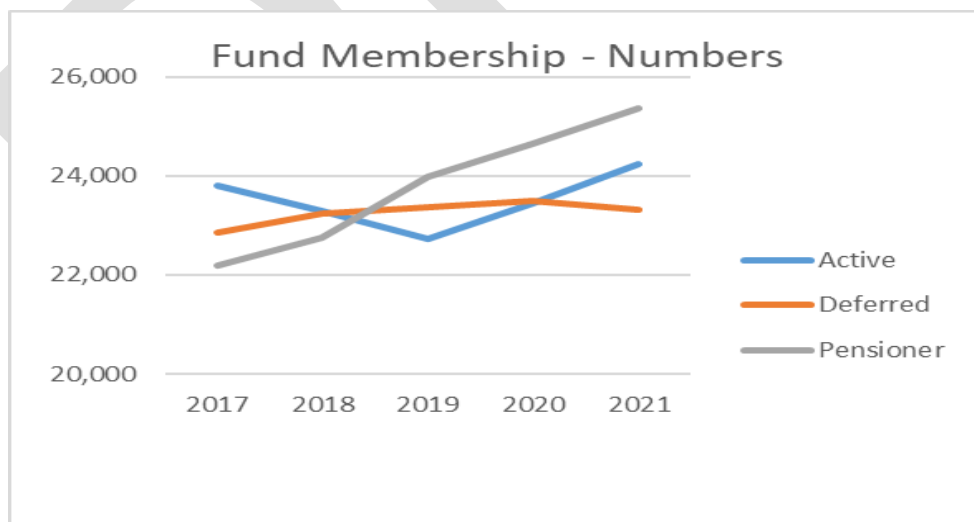
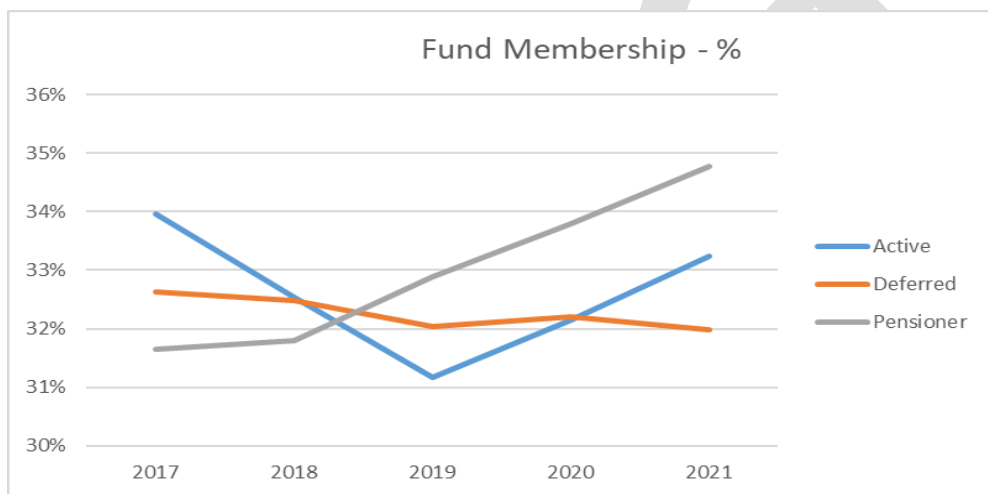
The number of pensioners continues to increase but proportionately the Fund membership remains broadly split between the three categories of member.

**Updated charts to be inserted to replace the following**



**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        |
| <b>Total</b> | <b>68,829</b> | <b>69,295</b> | <b>70,068</b> | <b>71,577</b> | <b>72,926</b> |



## Summary of Membership Changes

|                                    | Active Members | Deferred Members | Pensioners    |              | Total         |
|------------------------------------|----------------|------------------|---------------|--------------|---------------|
|                                    |                |                  | Members       | Dependants   |               |
| At 1 April 2021                    | <b>24,238</b>  | <b>23,322</b>    | <b>22,156</b> | <b>3,210</b> | <b>72,926</b> |
| Adjustments                        | (85)           | 3055             | 105           | 16           | 3,091         |
| New Members                        | 3,347          | 719              | 1,316         | 261          | 5,643         |
| Change in Status                   | (539)          | (708)            | (175)         | 0            | (1,422)       |
| Leavers                            | (1,527)        | (139)            | (495)         | (182)        | (2,343)       |
| <b>At 31 March 2022</b>            | <b>25,434</b>  | <b>26,249</b>    | <b>22,907</b> | <b>3,305</b> | <b>77,895</b> |
| % of Total at 1 April 2021         | <b>33.2%</b>   | <b>32.0%</b>     | <b>30.4%</b>  | <b>4.4%</b>  | <b>100.0%</b> |
| <b>% of Total at 31 March 2022</b> | <b>32.7%</b>   | <b>33.7%</b>     | <b>29.4%</b>  | <b>4.2%</b>  | <b>100.0%</b> |

During the year we had TBC new employers and TBC left the fund which means as at year end there were TBC employers in the Fund. The new employers were as follows: TBC were scheduled employers and TBC were admission 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<br>(Includes 2965 Undecided Leavers) | Pensioners (Members) | Dependants | Total |
|-----------------------------------|----------------|---|----------------------|------------|-------|
| GUISBOROUGH TOWN COUNCIL          | 6              | 2   | 4                    | 0          | 12    |
| SALTBURN AND MARSKE PC            | 4              | 2   | 1                    | 0          | 7     |
| LOFTUS TOWN COUNCIL               | 3              | 0   | 2                    | 0          | 5     |
| TEESSIDE UNIVERSITY               | 1387           | 1159  | 623                  | 99         | 3268  |
| HARTLEPOOL COLLEGE OF FE          | 220            | 279   | 125                  | 17         | 641   |
| BEDE COLLEGE                      | 1              | 8   | 9                    | 4          | 22    |
| HARTLEPOOL 6TH FORM COLLEGE       | 21             | 45  | 17                   | 4          | 87    |
| STOCKTON SIXTH FORM COLLEGE       | 1              | 14  | 19                   | 0          | 34    |
| THE NORTHERN SCHOOL OF <b>ART</b> | 99             | 107   | 59                   | 11         | 276   |
| CLEVELAND FIRE+RESCUE SERVICE     | 143            | 105   | 94                   | 8          | 350   |
| CLEVELAND POLICE                  | 1              | 227   | 236                  | 26         | 490   |
| REDCAR AND CLEVELAND COLLEGE      | 26             | 123   | 69                   | 4          | 222   |
| PRIOR PURSGLOVE COLLEGE           | 3              | 37  | 32                   | 1          | 73    |
| FUTURE REGENERN OF GRANGETOWN     | 1              | 2   | 3                    | 0          | 6     |
| MIDDLESBROUGH COLLEGE             | 523            | 434   | 173                  | 13         | 1143  |
| UNITY CITY ACADEMY                | 58             | 97  | 27                   | 3          | 185   |



|  |      |      |      |     |       |
|--|------|------|------|-----|-------|
| EMMANNUEL SCHOOLS FOUNDATION           | 96   | 71   | 39   | 0   | 206   |
| HARTLEPOOL B.C.                        | 2617 | 3200 | 2100 | 263 | 8180  |
| REDCAR AND CLEVELAND <b>BC</b>         | 2530 | 3853 | 2981 | 329 | 9693  |
| MIDDLESBROUGH COUNCIL                  | 3623 | 4778 | 3321 | 362 | 12084 |
| STOCKTON BOROUGH COUNCIL               | 4251 | 5466 | 4061 | 454 | 14232 |
| CIC ELDERLY PERSONS HOMES              | 3    | 19   | 63   | 1   | 86    |
| One Awards Ltd ( <b>formerly OCN</b> ) | 13   | 19   | 16   | 2   | 50    |
| TRISTAR HOMES LTD                      | 145  | 136  | 160  | 19  | 460   |
| Beyond Housing                         | 221  | 238  | 264  | 33  | 756   |
| LIBERATA UK LTD                        | 19   | 33   | 68   | 10  | 130   |
| HOUSING HARTLEPOOL                     | 113  | 106  | 132  | 11  | 362   |
| TEES ACTIVE LTD                        | 75   | 97   | 54   | 4   | 230   |
| ERIMUS HOUSING LTD                     | 66   | 77   | 247  | 16  | 406   |
| MACMILLAN ACADEMY                      | 9    | 73   | 29   | 4   | 115   |
| INGLEBY BARWICK TOWN COUNCIL           | 2    | 1    | 0    | 0   | 3     |
| BEAMISH MUSEUM LIMITED                 | 86   | 80   | 32   | 3   | 201   |
| Stockton Riverside College             | 393  | 266  | 85   | 3   | 747   |
| THIRTEEN GROUP (FABRICK HSG)           | 69   | 28   | 57   | 8   | 162   |
| Business and Enterprise Ltd            | 1    | 23   | 22   | 6   | 52    |
| Care Quality Commission                | 267  | 136  | 416  | 14  | 833   |
| FREEBROUGH ACADEMY                     | 3    | 15   | 8    | 0   | 26    |
| NORTH SHORE ACADEMY                    | 71   | 88   | 14   | 2   | 175   |
| THORNABY ACADEMY                       | 13   | 21   | 16   | 2   | 52    |
| SKELTON AND BROTTON PC                 | 3    | 0    | 1    | 0   | 4     |
| Billingham Town Council                | 4    | 7    | 0    | 0   | 11    |
| Nunthorpe Academy Limited              | 93   | 58   | 17   | 0   | 168   |
| KTS Academy                            | 128  | 57   | 12   | 1   | 198   |
| All Saints Academy                     | 39   | 21   | 3    | 1   | 64    |
| NORTH ORMESBY PRIMARY ACADEMY          | 20   | 14   | 3    | 0   | 37    |
| CRIME COMMISSIONER CLEVELAND           | 28   | 34   | 29   | 5   | 96    |
| CHIEF CONSTABLE FOR CLEVELAND          | 923  | 166  | 97   | 5   | 1191  |
| THE 1590 TRUST                         | 246  | 73   | 29   | 2   | 350   |
| KGB Cleaning and Supp Serv <b>Ltd</b>  | 1    | 2    | 0    | 0   | 3     |
| SLM Community Leis Char <b>Trust</b>   | 29   | 24   | 21   | 0   | 74    |
| SLM Food and Beverage Ltd              | 1    | 1    | 0    | 0   | 2     |
| SLM Fitness and Health Limited         | 7    | 6    | 0    | 0   | 13    |
| Dyke House Academy                     | 73   | 63   | 14   | 0   | 150   |
| Caldicotes Primary Academy             | 20   | 8    | 2    | 0   | 30    |
| One IT Solutions Ltd                   | 15   | 3    | 2    | 0   | 20    |
| Tascor Services Ltd û <b>PFI</b>       | 1    | 1    | 1    | 0   | 3     |
| Hardwick Green Primary Academy         | 27   | 20   | 3    | 0   | 50    |
| Extol MAT                              | 62   | 21   | 3    | 0   | 86    |

|                                      |     |    |    |   |     |
|--------------------------------------|-----|----|----|---|-----|
| Eden Academy Trust Limited           | 102 | 40 | 5  | 2 | 149 |
| Catcote Academy                      | 126 | 61 | 20 | 0 | 207 |
| Horizons Specialist Academy Tr       | 306 | 67 | 21 | 6 | 400 |
| St Michael's Catholic <b>Academy</b> | 1   | 15 | 9  | 0 | 25  |
| Fredrick Natrass Primary Acad        | 25  | 20 | 5  | 0 | 50  |
| Oak Tree Primary Academy             | 48  | 25 | 12 | 9 | 94  |
| Outwood Academy Acklam               | 103 | 41 | 13 | 1 | 158 |
| Skelton Primary School               | 50  | 25 | 6  | 0 | 81  |
| St Bede's Catholic Academy           | 3   | 21 | 3  | 4 | 31  |
| Mellors Catering Services Ltd        | 11  | 12 | 8  | 2 | 33  |
| Sunnyside Academy                    | 59  | 46 | 9  | 2 | 116 |
| Rose Wood Academy                    | 52  | 24 | 4  | 0 | 80  |
| Viewley Hill Academy <b>Trust</b>    | 29  | 9  | 2  | 2 | 42  |
| Hemlington Hall Academy              | 7   | 0  | 0  | 0 | 7   |
| Norton Primary Academy               | 30  | 36 | 8  | 2 | 76  |
| Yarm Primary School                  | 47  | 32 | 3  | 0 | 82  |
| Grangefield Academy                  | 61  | 36 | 11 | 0 | 108 |
| Diocese of Middlesbrough Trust       | 1   | 0  | 0  | 0 | 1   |
| Easterside Academy                   | 57  | 13 | 4  | 0 | 74  |
| Green Lane Primary Academy           | 61  | 17 | 11 | 0 | 89  |
| Kader Academy                        | 28  | 7  | 3  | 0 | 38  |
| Normanby Primary School              | 56  | 25 | 3  | 8 | 92  |
| Nunthorpe Primary Academy            | 37  | 23 | 1  | 0 | 61  |
| Ingleby Manor Free <b>School</b>     | 42  | 11 | 0  | 0 | 53  |
| Hillsview Academy                    | 1   | 22 | 8  | 0 | 31  |
| Creative Management Serv Ltd         | 5   | 10 | 8  | 0 | 23  |
| Harrow Gate Primary Academy          | 38  | 35 | 5  | 0 | 78  |
| Ian Ramsey CoE <b>Academy</b>        | 64  | 25 | 17 | 0 | 106 |
| Ash Trees Academy                    | 64  | 56 | 18 | 0 | 138 |
| Mellors Catering - CENTRAL           | 5   | 0  | 0  | 0 | 5   |
| Outwood Academy Bydales              | 38  | 22 | 8  | 0 | 68  |
| Our Lady and St <b>Bede Academy</b>  | 1   | 17 | 15 | 1 | 34  |
| Mellors Catering Ltd - Eston         | 3   | 1  | 0  | 0 | 4   |
| Manor Community Academy              | 60  | 58 | 25 | 1 | 144 |
| Mellors Catering - Dormanstown       | 2   | 0  | 0  | 0 | 2   |
| KGB Cleaning Ltd û LJS               | 4   | 1  | 0  | 0 | 5   |
| Our Lady - St <b>Patrick Primary</b> | 2   | 2  | 6  | 1 | 11  |
| Wynyard C o E <b>Primary School</b>  | 41  | 3  | 0  | 0 | 44  |
| Outwood Academy - Ormesby            | 63  | 34 | 5  | 0 | 102 |
| Sacred Heart SCV Academy             | 1   | 11 | 5  | 0 | 17  |
| Tees Valley Education Trust          | 119 | 36 | 7  | 0 | 162 |
| Enquire Learning Trust Central       | 16  | 3  | 1  | 0 | 20  |

|                                |     |     |    |   |      |
|--------------------------------|-----|-----|----|---|------|
| St Hildas Catholic Academy Tr  | 1   | 42  | 28 | 1 | 72   |
| Tees Valley Combined Authority | 156 | 31  | 12 | 0 | 199  |
| SLM Charitable Trust (MBC)     | 56  | 23  | 6  | 0 | 85   |
| SLM Food and Beverage Ltd MBC  | 3   | 7   | 1  | 0 | 11   |
| SLM Fitness and Health (MBC)   | 2   | 4   | 3  | 0 | 9    |
| TeesValley Collaborative Trust | 144 | 43  | 9  | 0 | 196  |
| River Tees Multi Academy Trust | 47  | 15  | 3  | 0 | 65   |
| St Thomas of Canterbury MAT    | 2   | 17  | 5  | 1 | 25   |
| Onsite Building Trust          | 2   | 2   | 1  | 0 | 5    |
| NMRN Operations                | 5   | 1   | 1  | 0 | 7    |
| Hartlepool Care Services Ltd   | 2   | 2   | 0  | 0 | 4    |
| Vision Academy Learning Trust  | 427 | 67  | 25 | 0 | 519  |
| ONE IT SERVICES LTD - PORTER   | 1   | 0   | 0  | 0 | 1    |
| Ormesby Primary School         | 33  | 14  | 2  | 0 | 49   |
| Zetland Primary School         | 39  | 4   | 2  | 0 | 45   |
| Outwood Academy Bishopsgarth   | 69  | 27  | 3  | 0 | 99   |
| Tees Valley CAPT               | 1   | 1   | 0  | 0 | 2    |
| Our Children 1st Academy Trust | 67  | 12  | 5  | 0 | 84   |
| Rye Hills Academy              | 6   | 26  | 7  | 0 | 39   |
| St MarkÆs Academy              | 47  | 17  | 6  | 0 | 70   |
| Pentland Academy               | 43  | 15  | 8  | 0 | 66   |
| Caterlink ù RCBC               | 13  | 4   | 1  | 0 | 18   |
| Caterlink ù St Oswalds         | 6   | 0   | 0  | 0 | 6    |
| Outwood Academy Redcar         | 39  | 11  | 2  | 0 | 52   |
| Riverdale Primary School       | 24  | 8   | 4  | 0 | 36   |
| Holy Trinity Primary School    | 20  | 6   | 1  | 0 | 27   |
| St Aidans Primary School       | 24  | 2   | 1  | 0 | 27   |
| Egglescliffe Primary School    | 19  | 6   | 0  | 6 | 31   |
| South Tees Development Corp    | 34  | 3   | 1  | 0 | 38   |
| Galileo Multi Academy Trust    | 381 | 73  | 26 | 2 | 482  |
| Compass Contract Services Ltd  | 23  | 6   | 1  | 3 | 33   |
| Endeavour Academies Trust      | 134 | 32  | 11 | 1 | 178  |
| Legacy Learning Trust          | 170 | 24  | 4  | 0 | 198  |
| Care and Custody Health Ltd    | 2   | 2   | 0  | 0 | 4    |
| Nicholas Postgate CA Trust     | 828 | 183 | 56 | 1 | 1068 |
| St MaryÆs CE Primary School    | 10  | 5   | 0  | 0 | 15   |
| Ayresome Primary School        | 6   | 2   | 1  | 0 | 9    |
| Our Lady of Most Holy Rosary   | 1   | 3   | 2  | 0 | 6    |
| St Josephs Catholic Primary    | 2   | 3   | 4  | 0 | 9    |
| James Cook Learning Trust      | 87  | 12  | 7  | 0 | 106  |
| Overfields Primary School      | 28  | 3   | 3  | 0 | 34   |
| Prince Regent Street Trust     | 89  | 8   | 6  | 0 | 103  |

|                                  |              |              |              |             |              |
|----------------------------------|--------------|--------------|--------------|-------------|--------------|
| Teesville Primary School.        | 29           | 8            | 5            | 0           | 42           |
| Northern Lights Learning Trust   | 14           | 8            | 1            | 0           | 23           |
| Churchill's (Outwood Grange)     | 15           | 3            | 0            | 0           | 18           |
| Churchill's Collaborative        | 7            | 1            | 1            | 0           | 9            |
| XPS Administration (Pen Unit)    | 11           | 0            | 2            | 0           | 13           |
| Steel River Academy Trust        | 138          | 14           | 4            | 0           | 156          |
| Badger Hill Academy              | 11           | 8            | 6            | 0           | 25           |
| Whitecliffe Academy              | 18           | 3            | 3            | 0           | 24           |
| Freebrough Academy               | 49           | 25           | 8            | 0           | 82           |
| Outwood Academy Normanby         | 32           | 9            | 1            | 0           | 42           |
| Thornaby C of E <b>Primary</b>   | 39           | 7            | 2            | 0           | 48           |
| St Francis of <b>Assisi</b>      | 34           | 3            | 3            | 0           | 40           |
| Mitie Cleveland Fire             | 2            | 0            | 0            | 0           | 2            |
| Mellors NPCAT                    | 31           | 12           | 6            | 0           | 49           |
| Mellors Ironstone                | 6            | 3            | 1            | 0           | 10           |
| Bulloughs Cleaning Services      | 11           | 0            | 0            | 0           | 11           |
| Veritau Tees Valley              | 4            | 0            | 0            | 0           | 4            |
| Hutchinsons Catering             | 7            | 0            | 0            | 0           | 7            |
| Carmel Education Trust           | 607          | 38           | 20           | 0           | 665          |
| Thornaby Town Council            | 1            | 0            | 0            | 0           | 1            |
| Barnard Grove Primary School     | 1            | 0            | 0            | 0           | 1            |
| Ad Astra Academy <b>Trust</b>    | 257          | 48           | 14           | 0           | 319          |
| Mbro and Stockton Mind           | 3            | 0            | 0            | 0           | 3            |
| Falcon Education Academies Tru   | 28           | 10           | 5            | 0           | 43           |
| Outwood Riverside                | 12           | 2            | 0            | 0           | 14           |
| Redcar and Eston CIC             | 7            | 1            | 0            | 0           | 8            |
| NEAT Academy Trust               | 41           | 3            | 1            | 0           | 45           |
| Lingfield Academy Trust          | 74           | 13           | 5            | 0           | 92           |
| Compass BFW                      | 4            | 0            | 1            | 0           | 5            |
| Compass Group Manor              | 13           | 0            | 1            | 0           | 14           |
| Mellors Riverdale                | 3            | 0            | 1            | 0           | 4            |
| North East Learning <b>Trust</b> | 59           | 3            | 0            | 0           | 62           |
| RM Education                     | 1            | 0            | 0            | 0           | 1            |
| Employers with no active members | 0            | 2275         | 6354         | 1499        | 10128        |
| <b>Total</b>                     | <b>25434</b> | <b>26249</b> | <b>22907</b> | <b>3305</b> | <b>77895</b> |

## 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 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  | To update |
| Cases ongoing in year  | To update |
| Cases resolved in year | To update |

## Head of Pensions Governance and Investments' Report

During the year, the Fund saw a benefit from its overweight equity position relative to its long term strategic asset allocation, as overall global equities performed strongly for most of the year. However, the most significant change to the Fund's investments during the year was a reduction in overall equity allocation from 76% to 60% of the Fund at the end of the financial year. This is much closer to the Fund's current strategic asset allocation of 55% equities, and also reflects a marked reduction in allocation to UK equity, which at the year-end were just over the revised target of 12% of the Fund, compared to 28% at the beginning of the year. This reduction in equity exposure was a conscious decision to de-risk some of the Fund's assets, agreed by the Committee on the advice of the Fund's independent advisors.

During the year the human impact of the global pandemic lessened as vaccination became more widespread and new variants appeared to be less deadly, however the ongoing economic and financial legacy of Covid-19 continued to be felt. Governments in many developed economies had injected significant amounts of capital into financial systems in the previous year to keep them working effectively and to stimulate their economies, and had also given direct financial support to individuals and companies that had been forced into inactivity. This substantial financial stimulus served to support equity markets but also put upward pressure on inflation. Inflationary pressure also came from supply chain problems as production and trade took time to fully restart and, more alarmingly, at the end of the financial year as Russia's war in Ukraine resulted in large upward pressure on energy costs. This was particularly significant for some major European economies who are heavily reliant on Russian energy but, given the global market in energy, upward pressure on costs affects all economies and further stimulated global inflation.

The Bank of England continues to forecast that domestic inflation will be temporary, but has increased its expectations over the peak figure (which is currently expected to be over 10%) and the length of time 'temporary' represents. Any longer term systemic increase in inflation 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 continue to closely monitor.

During the previous year the Fund's advisors had expressed concerns that equity valuations were increasingly high and that a correction could be due. At the start of the year the Fund had a 76% equity allocation, significantly higher than its long-term strategic target allocation. Following recommendations from the Fund's investment advisors, in March 2021 the Fund agreed to a revised strategic asset allocation setting out a slightly higher long-term target for equity allocation (at 55%), together with an interim target of 65% for the end of March 2022. This approach was to ensure the Fund is less exposed to the volatility caused by a high equity allocation. The revised approach also included a significant reduction in UK equity allocation, primarily as the UK market is dominated by a relatively small number of stocks and sectors.

During the year the Fund's advisors expressed further concerns about high equity valuations and that a correction could be due and asked the investment team to accelerate the process of moving out of equities. As stated above, the Fund's total equity allocation at the end of the year was 60%, with 44% of the Fund invested in overseas developed market equities, 12% invested in UK equities and 4% invested in emerging market equities. The emerging market

allocation was new for this year and includes investments in companies based in some of the emerging markets across the world, the largest of which is China.

One consequence of the sale of a significant proportion of the Fund's equities is a short term increase in the Fund's cash holdings. During the year the Fund's investment advisors continued to caution against investment in bonds which were felt to be over-priced and, to a certain extent, less of a diversifier from equities than historically. The Fund holds other protection assets including infrastructure, a small but growing allocation to 'other' debt such as property debt and cash. At the end of the year around 16% of the Fund was held in cash, although much of this has been committed to alternatives investments such as private equity and infrastructure and is expected to be drawn down by the relevant investment managers in the short to medium term.

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's overseas equities fund is hitting its long-term objective of outperforming its benchmark by 1% a year. Its UK equities fund has slightly fallen behind this objective but is still comfortably outperforming the benchmark. Border to Coast's emerging markets equity fund has underperformed during the short period the Fund has been investing in it – this will continue to be monitored by the investment team and the Fund's advisors.

By the end of the year, the majority of the Fund's overseas passive equities had been transferred to be managed actively by Border to Coast. The Fund retains some passive equities (managed by State Street Global Advisors), mainly to allow the Fund to choose a different geographic allocation to that applied by Border to Coast's overseas equity fund. As expected, the value of the passively invested equities closely tracked the value of global markets.

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 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:

- Transactions relating to the reduction and reallocation of listed equity as set out above, principally
  - The sale of around £800m of units in Border to Coast's UK Listed Equity fund
  - The sale of around a total of £660m of units in passive equities across State Street Global Advisor's North American, Asia Pacific (excluding Japan) and Europe (excluding UK) funds
  - The purchase of around £485m of units in Border to Coast's Overseas Developed Markets Equity Fund
  - The purchase of around £230m of units in Border to Coast's Emerging Markets fund
- Net investments in infrastructure funds totalling around £76m
- Net investments in private equity funds totalling around £117m
- Net investments in 'other' alternatives funds totalling around £48m

- Two separate property debt transactions were completed during the year with initial investment totalling around £22m

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 that took effect 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 2022 was £5.073 billion, an increase of approximately £514 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:

|                   | <b>Teesside Pension Fund at 31/03/2021</b> | <b>Teesside Pension Fund at 31/03/2022</b> | <b>Teesside Pension Fund Benchmark</b> | <b>Investment Strategy Statement Max</b> | <b>Investment Strategy Statement Min</b> |
|-------------------|--|--|--|--|--|
| UK Equities       | 28.39%                                     | 12.14%                                     | 12%                                    | 80%                                      | 40%                                      |
| Overseas Equities | 48.08%                                     | 47.77%                                     | 53%                                    |  |  |
| Alternatives      | 8.53%                                      | 16.10%                                     | 18%                                    | 20%                                      | 10%                                      |
| Property          | 7.50%                                      | 7.86%                                      | 7%                                     | 20%                                      | 10%                                      |
| Bonds             | 0.00%                                      | 0.00%                                      | 0%                                     | 40%                                      | 2%                                       |
| Cash              | 7.50%                                      | 16.13%                                     | 10%                                    |  |  |
|                   | 100.00%                                    | 100.00%                                    | 100%                                   |  |  |

The largest 10 holdings (excluding property and cash), which make up 63.75% of the value of the portfolio as at 31 March 2022 are:

| <b>Security Description</b>                 | <b>% of Total Investments</b> | <b>Market value £'000</b> |
|---|-------------------------------|---------------------------|
| BORDER TO COAST OS DEV M-AA GBP             | 31.72%                        | 1,608,520                 |
| BORDER TO COAST UK L E-AAGBP                | 12.14%                        | 615,588                   |
| SSGA MPF PAC BASIN EX-JAPAN INDEX           | 6.60%                         | 334,706                   |
| BORDER TO COAST EMERGING MARKET HYBRID FUND | 4.16%                         | 210,824                   |



| Security Description   | % of Total Investments | Market value £'000 |
|--|------------------------|--------------------|
| SSGA MPF EUROPE EX UK SUB-FUND                                   | 2.42%                  | 122,869            |
| SSGA MPF JAPAN EQUITY INDEX                                      | 2.08%                  | 105,611            |
| BORDER TO COAST PRIVATE EQUITY SERIES 1A                         | 1.28%                  | 64,718             |
| JP MORGAN IIF UK I LP  | 0.93%                  | 47,209             |
| ABERDEEN STANDARD LIFE INVESTMENTS EUROPEAN PROPERTY GROWTH FUND | 0.91%                  | 46,347             |
| SSGA NORTH AMERICA EQUITY SUB FUND                               | 0.78%                  | 39,603             |
| CROWN CO INVESTMENT OPPORTUNITIES II                             | 0.73%                  | 36,950             |
|  | <b>63.75%</b>          | <b>3,232,945</b>   |

## INVESTMENT MANAGERS / INVESTMENTS

As at 31 March 2022 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          | 602,790            | 11.89%    |
| Border to Coast Pensions Partnership | UK Equities                | 615,588            | 12.14%    |
|                                      | Overseas Equities          | 1,819,344          | 35.88%    |
|                                      | Alternatives               | 153,947            | 3.04%     |
| Internal Team                        | Cash                       | 817,916            | 16.13%    |
|                                      | Overseas Equities          | 9                  | 0.00%     |
|                                      | UK Equities                | 80                 | 0.00%     |
| CBRE - Direct Property Portfolio     | Property and Property Debt | 331,115            | 6.53%     |
| LGT Capital Partners                 | Alternatives               | 115,275            | 2.27%     |
| Darwin Leisure                       | Alternatives               | 84,898             | 1.67%     |
| Access Capital Partners              | Alternatives               | 58,811             | 1.16%     |
| Capital Dynamics                     | Alternatives               | 55,803             | 1.10%     |
| JP Morgan IIF UK LP                  | Alternatives               | 47,209             | 0.93%     |
| Aberdeen Standard Life               | Property and Property Debt | 46,347             | 0.91%     |
| Gresham House                        | Alternatives               | 44,452             | 0.88%     |
| Unigestion SA                        | Alternatives               | 39,174             | 0.77%     |
| Blackrock Fund Managers Ltd          | Alternatives               | 39,296             | 0.77%     |
| Pantheon Ventures (UK)               | Alternatives               | 34,051             | 0.67%     |
| The Model T Finance Company          | Alternatives               | 26,500             | 0.52%     |
| Insight Investments                  | Alternatives               | 24,755             | 0.49%     |

| <b>Manager / Investment</b>        | <b>Asset class</b>         | <b>Market Value<br/>£'000</b> | <b>% of Fund</b> |
|------------------------------------|----------------------------|-------------------------------|------------------|
| Greyhound Retail Park              | Alternatives               | 20,000                        | 0.42%            |
| Innisfree                          | Alternatives               | 18,896                        | 0.38%            |
| Ancala                             | Alternatives               | 18,922                        | 0.37%            |
| Hermes                             | Property and Property Debt | 17,886                        | 0.35%            |
| Hearthstone                        | Alternatives               | 11,798                        | 0.23%            |
| Legal & General                    | Property and Property Debt | 7,294                         | 0.14%            |
| Graftongate Investments Ltd        | Alternatives               | 4,406                         | 0.09%            |
| CCLA Investment Management Limited | Property and Property Debt | 4,722                         | 0.09%            |
| Threadneedle                       | Property and Property Debt | 4,114                         | 0.08%            |
| Foresight Group                    | Alternatives               | 2,662                         | 0.05%            |
| Nimrod Capital PLC                 | Alternatives               | 1,621                         | 0.03%            |
| Bridges Evergreen                  | Alternatives               | 721                           | 0.01%            |
| La Salle                           | Alternatives               | 525                           | 0.01%            |
| <b>Total</b>                       |                            | <b>£5,070,927</b>             | <b>100.00%</b>   |

## 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 2021/2022 the Fund achieved a return of 12.6% compared to our benchmark return of 8%.

In the three-year period to 2021/2022 the Fund achieved a return of 9.5% per annum compared to our benchmark return of 7.2%.

In the five-year period to 2021/2022 the Fund achieved a return of 7.6% per annum compared to our benchmark return of 6.3%.

In the ten-year period to 2021/2022 the Fund achieved a return of 8.6% per annum compared to our benchmark of 8.5%.

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

| Asset class       | Performance measurement period |                  |        |             |                  |        |
|-------------------|--------------------------------|------------------|--------|-------------|------------------|--------|
|                   | One Year                       |                  |        | Three Years |                  |        |
|                   | Fund return                    | Benchmark return | Excess | Fund return | Benchmark return | Excess |
| UK Equities       | 12.1%                          | 13.0%            | -0.9%  | 2.2%        | 5.3%             | -3.1%  |
| Overseas Equities | 19.4%                          | 18.9%            | 0.5%   | 18.5%       | 17.8%            | 0.7%   |
| Property          | 24.8%                          | 23.7%            | 1.1%   | 9.9%        | 8.4%             | 1.5%   |
| Alternatives      | 35.0%                          | 4.5%             | 30.5%  | 14.7%       | 4.6%             | 10.1%  |
| Cash              | -1.9%                          | 0.1%             | -2.0%  | 0.1%        | 0.2%             | -0.1%  |
| Total Fund        | 12.6%                          | 8.0%             | 4.6%   | 9.5%        | 7.2%             | 2.3%   |

| Asset class       | Performance measurement period |                  |        |             |                  |        |
|-------------------|--------------------------------|------------------|--------|-------------|------------------|--------|
|                   | Five Years                     |                  |        | Ten Years   |                  |        |
|                   | Fund return                    | Benchmark return | Excess | Fund return | Benchmark return | Excess |
| UK Equities       | 4.2%                           | 4.7%             | -0.5%  | 6.7%        | 7.2%             | -0.5%  |
| Overseas Equities | 15.6%                          | 14.4%            | 1.2%   | 17.2%       | 16.7%            | 0.6%   |
| Property          | 8.7%                           | 8.4%             | 0.3%   | 8.5%        | 9.1%             | -0.7%  |
| Alternatives      | 10.3%                          | 4.8%             | 5.5%   | 5.7%        | 5.5%             | 0.3%   |
| Cash              | 0.2%                           | 0.3%             | -0.01% | 0.3%        | 0.3%             | 0.0%   |
| Total Fund        | 7.6%                           | 6.3%             | 1.4%   | 8.6%        | 8.5%             | 0.0%   |

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    | 14.5% S&P 500 Index<br>14.5% FTSE Dev Asia Pacific Ex Japan Index<br>13% EuroStoxx 600 Ex UK Index<br>6% Topix 500 Index<br>5% FTSE Emerging Index   |
| Property             | MSCI Property Index (GBP)  |
| Alternatives         | Actuary rate of return: +4.45%   |
| Cash                 | SONIA  |
| Total Fund Benchmark | 12% FTSE All Share Index<br>14.5% S&P 500 Index<br>13% EuroStoxx 600 Ex UK Index<br>14.5% FTSE Dev Asia Pacific Ex Japan Index<br>6% Topix 500 Index<br>5% FTSE Emerging Index<br>7% MSCI Property Index<br>10% SONIA<br>18% Actuary rate of return +4.45% |

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

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

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

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

During 2020/21 the Fund started the process of moving most of its overseas equity holdings to be managed by Border to Coast. This process continued during 2021/22 and by the end of the year three quarters of the Fund's overseas equities were actively managed by Border to Coast, with the remainder under passive management with State Street Global Advisers. Within this overseas equity allocation, the Fund chose to invest in Border to Coast's Emerging Markets Equities fund, which is set up as a 'hybrid' arrangement, with the Chinese

equity market managed by two external specialist investment managers, and the other emerging market regions managed internally by the team at Border to Coast.

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. During 2022/22 the Fund paid £1.775 million in investment management fees to Border to Coast.

By the end of 2021/22 Border to Coast had TBC employees and was managing TBC billion of assets within TBC different sub-funds, and in addition had commitments of TBC 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](http://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](http://www.lapfforum.org)) which has 80 Local Authority funds as members. Five of the eight LGPS asset pools including Border to Coast are also members of the Forum.

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

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

## Financial Statements

## INDEX

|  | Pages  |
|--|--------|
| 1 Statement of Responsibilities for the Financial Statements | 44     |
| 2 Auditor's Report   | 45     |
| 3 Fund Account and Net Assets Statement                      | 46     |
| 4 Notes to the Financial Statements                          | 47- 70 |



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

### **Statement of Responsibilities**

#### **Middlesbrough Council Responsibilities**

The Council is required to:

- Make arrangements for the proper administration of the financial affairs of the Teesside Pension Fund (the Fund) through a Pension Fund Committee;
- Secure that one of its officers has the responsibility for the administration of those affairs, namely the Chief Finance Officer of the Council (Director of Finance); and
- 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.

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#### **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**

Draft

## Fund Accounts and Net Asset Statements

### Fund Accounts for the year ended 31st March 2022

| 2020/21<br>£000 |   |       | 2021/22<br>£000  |
|-----------------|---|-------|------------------|
|                 | <b>Contributions and Benefits</b>   |       |                  |
|                 | <b>Dealings with members, employers and others directly involved in the Fund</b>                                    |       |                  |
| (95,393)        | Contributions   | 6     | (97,666)         |
| (3,061)         | Transfers in from other pension funds   | 8     | (2,371)          |
| (5,577)         | Other income  | 9     | (3,626)          |
| (104,031)       | Total Income from Members   |       | (103,663)        |
| 149,785         | Benefits payable  | 7     | 153,758          |
| 8,158           | Payments to and on account of leavers   | 10    | 5,974            |
| 157,943         | Total Expenditure to Members  |       | 159,732          |
| 53,912          | <b>Net (additions) / withdrawals from dealings with members</b>   |       | <b>56,069</b>    |
| 7,484           | Management expenses   | 11,19 | 8,128            |
| 61,396          | <b>Net (additions) / withdrawals from dealings with members, employers and others directly involved in the Fund</b> |       | <b>64,197</b>    |
|                 | <b>Returns on investment</b>  |       |                  |
| (13,741)        | Investment income   | 12    | (176,365)        |
| (901,667)       | Profits and losses on disposal of investments and changes in market value of investments                            | 13    | (401,744)        |
| (915,408)       | <b>Net returns on investments</b>   |       | <b>(578,109)</b> |
| (854,012)       | <b>Net (increase) / decrease in the net assets available for benefits during the year</b>                           |       | <b>(513,912)</b> |
| 3,705,473       | <b>Net assets of the scheme as at 1st April</b>   |       | <b>4,559,485</b> |
| 4,559,485       | <b>Net assets of the scheme as at 31st March</b>  |       | <b>5,073,397</b> |
| 2020/21         | <b>Net Assets Statement as at 31st March</b>  |       | <b>2021/22</b>   |
| 4,553,817       | Investments Assets  | 13    | 5,072,094        |
| 20,969          | Current Assets  | 16    | 12,806           |
| (15,301)        | Current liabilities   | 17    | (11,503)         |
| 4,559,485       | <b>Net assets of the scheme at 31<sup>st</sup> March</b>  |       | <b>5,073,397</b> |

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. £5.07 billion as at 31 March 2022. £3.92 billion (77%) of this is held in assets which are considered to be liquid and which could be converted to cash if required (including £0.82 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 versus 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 £817 million at the 31 March 2022.

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 2021/22 financial year and its position as at 31 March 2022. 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 2022. 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 2022 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 2022. 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 (9<sup>th</sup> 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 2022.

### **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 2022 due to the impact of Covid-19.

#### 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 31st March 2022 was £384,298,548 (£149,793,736 at 31st March 2021).

##### Pension Fund Liabilities

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

#### 5. Assumptions made about the Future and other Major Sources of Estimation Uncertainty

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

| Item  | Uncertainties  | Effect if actual results differ from assumptions  |
|---|--|---|
| Actuarial present value of promised retirement benefits | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured for example, a 0.1% per annum increase in the discount factor assumption could decrease liability by around £127.045 million. |
| Pooled Investment Vehicles                              | Infrastructure and global property investments are valued at fair value in accordance with the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of  | Unobservable market values amount to £4,253 billion and are relating to infrastructure, real estate, and pooled equity vehicles   |

|                                 |   |  |
|---------------------------------|---|--|
|                                 | conservative value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.  |  |
| Freehold and leasehold property | Independent external valuers, Cushman & Wakefield use techniques to determine the fair value of directly held freehold and leasehold property in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th edition). | The effect of variations in the factors supporting the valuation would be an increase or decrease 19.5% in the value of directly held property £53.9 million, on a fair basis of £331.1 million. |

## 6. Contributions Receivable

|  |   | 2020/21         | 2021/22         |
|--|---|-----------------|-----------------|
|  |   | £000            | £000            |
| Employers                              | Normal  | (63,910)        | (67,214)        |
|  | Additional Contributions                        | (13)            | (12)            |
|  | Deficit Recovery Contributions                  | (1,055)         | (506)           |
| Members                                | Normal  | (30,415)        | (29,934)        |
|  | <b>Total</b>                                    | <b>(95,393)</b> | <b>(97,666)</b> |
| <b>Analysis of Total Contributions</b> |   | <b>2020/21</b>  | <b>2021/22</b>  |
|  |   | <b>£000</b>     | <b>£000</b>     |
|  | Administering Authority – Middlesbrough Council | (13,451)        | (12,629)        |
|  | Scheduled Bodies                                | (68,071)        | (72,217)        |
|  | Admission Bodies                                | (13,871)        | (12,820)        |
|  | <b>Total</b>                                    | <b>(95,393)</b> | <b>(97,666)</b> |

## 7. Benefits Payable

|                                   |   | 2020/21        | 2021/22        |
|-----------------------------------|---|----------------|----------------|
|                                   |   | £000           | £000           |
|                                   | Pensions  | 123,640        | 127,421        |
|                                   | Commutations and lump sum retirement benefits   | 22,947         | 22,750         |
|                                   | Lump sum death benefits                         | 3,198          | 3,587          |
|                                   | <b>Total</b>                                    | <b>149,785</b> | <b>153,758</b> |
| <b>Analysis of Total Benefits</b> |   |                |                |
|                                   | Administering Authority – Middlesbrough Council | 24,159         | 24,119         |
|                                   | Scheduled Bodies                                | 91,839         | 95,869         |

|                  |                |                |
|------------------|----------------|----------------|
| Admission Bodies | 33,787         | 33,770         |
| <b>Total</b>     | <b>149,785</b> | <b>153,758</b> |

#### 8. Transfers in from Other Pension Funds

|  | 2020/21        | 2021/22        |
|--|----------------|----------------|
|  | £000           | £000           |
| Individual transfers in from other schemes | (3,061)        | (2,371)        |
| <b>Total</b>                               | <b>(3,061)</b> | <b>(2,371)</b> |

#### 9. Other Income

|                                    | 2020/21        | 2021/22        |
|------------------------------------|----------------|----------------|
|                                    | £000           | £000           |
| Capital Costs of Early Retirements | (4,311)        | (2,748)        |
| Other Income                       | (1,266)        | (878)          |
| <b>Total</b>                       | <b>(5,577)</b> | <b>(3,626)</b> |

#### 10. Payment to and on Account of Leavers

|   | 2020/21      | 2021/22      |
|---|--------------|--------------|
|   | £000         | £000         |
| Refunds to members leaving service        | 205          | 199          |
| Payments for members joining state scheme | 159          | 483          |
| Individual transfers to other schemes     | 7,794        | 5,292        |
| <b>Total</b>                              | <b>8,158</b> | <b>5,974</b> |

#### 11. Management Expenses

|                                | 2020/21      | 2021/22      |
|--------------------------------|--------------|--------------|
|                                | £000         | £000         |
| Administrative costs           | 1,938        | 2,238        |
| Investment management expenses | 4,955        | 5,474        |
| Oversight and governance costs | 553          | 397          |
| <b>Total</b>                   | <b>7,446</b> | <b>8,109</b> |

#### Investment Management Expenses

|  | 2020/21      | 2021/22      |
|--|--------------|--------------|
|  | £000         | £000         |
| Management fees                            | 3,662        | 3,959        |
| Custody fees                               | 23           | 25           |
| Transaction costs                          | 719          | 939          |
| Loans & Investment support service charges | 551          | 551          |
| <b>Total</b>                               | <b>4,955</b> | <b>5,474</b> |

#### 12. Investment Income

|  | 2020/21 | 2021/22   |
|--|---------|-----------|
|  | £000    | £000      |
| Income from pooled investment vehicles | 511     | (159,997) |

|  |  |                 |                  |
|--|--|-----------------|------------------|
|  | Net rents from properties (see note below) | (12,584)        | (15,554)         |
|  | Interest on cash deposits                  | (1,668)         | (854)            |
|  | <b>Total</b>                               | <b>(13,741)</b> | <b>(176,365)</b> |
|  |  | <b>2020/21</b>  | <b>2021/22</b>   |
|  | <b>Rental Income and Property Expenses</b> | <b>£000</b>     | <b>£000</b>      |
|  | Gross Rental income                        | (13,563)        | (16,172)         |
|  | Property Expenses / (Income)               | 979             | 618              |
|  | <b>Net Rents from Properties</b>           | <b>(12,584)</b> | <b>(15,554)</b>  |

### 13. Investment Assets

| 2021/22                      | Value at 1 April 2021 | Purchases at Cost | Sale Proceeds<br>£000 | Change in Market Value<br>£000 | Value at 31 March 2022<br>£000 |
|------------------------------|-----------------------|-------------------|-----------------------|--------------------------------|--------------------------------|
| Equities                     | 90                    | 0                 | 0                     | (1)                            | (89)                           |
| Pooled Investment Vehicles   | 3,869,990             | 1,320,339         | (1,672,195)           | 336,132                        | 3,854,266                      |
| Pooled Property Investments  | 64,040                | 0                 | (8,197)               | 11,698                         | 67,541                         |
| Properties                   | 277,200               | 0                 | 0                     | 53,915                         | 331,115                        |
|                              | <b>4,211,320</b>      | <b>1,320,339</b>  | <b>(1,680,392)</b>    | <b>401,744</b>                 | <b>4,253,011</b>               |
| Cash Deposits                | 340,650               |                   |                       |                                | 817,250                        |
| Other Investment Balances    | 1,847                 |                   |                       |                                | 1,833                          |
| <b>Net Investment assets</b> | <b>4,553,817</b>      |                   |                       |                                | <b>5,072,094</b>               |

| 2020/21                      | Value at 1 April 2020 | Purchases at Cost | Sale Proceeds<br>£000 | Change in Market Value<br>£000 | Value at 31 March 2021<br>£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                        |
|                              | <b>3,198,000</b>      | <b>877,086</b>    | <b>(765,433)</b>      | <b>901,667</b>                 | <b>4,211,320</b>               |
| Cash Deposits                | 501,295               |                   |                       |                                | 340,650                        |
| Other Investment Balances    | 13,933                |                   |                       |                                | 1,847                          |
| <b>Net Investment assets</b> | <b>3,713,228</b>      |                   |                       |                                | <b>4,553,817</b>               |

## Change in Market Value

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Realised profit was £228,314,613 and unrealised gain was £173,429,159. Prior year realised profit was £136,402,035 and unrealised gain was £765,265,080.

## 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 £938,946 (2020/2021 £719,226). 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 2021/2022 the value at 31 March 2022 of the direct property portfolio was: £331,115,000
- For 2020/2021 the value at 31 March 2021 of the direct property portfolio was: £277,200,000

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 2021 | % of net assets of the scheme | Market Value 31 March 2022 | % of net assets of the scheme |
|---------------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|
|                                       | £'000                      |                               |                            | £'000                         |
| Border to Coast PE Overseas Dev Mkts  | 953,478                    | 22.64%                        | 1,608,520                  | 37.82%                        |
| Border to Coast PE UK Listed Equity   | 1,292,616                  | 30.69%                        | 615,588                    | 14.47%                        |
| SSGA MPF Pacific Basin Ex-Japan Index | 451,648                    | 10.72%                        | 334,706                    | 7.87%                         |

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.

| <b>Asset Class / Security</b>                   | <b>Market Value 31 March 2021</b> | <b>% of asset class</b> | <b>Market Value 31 March 2022</b> | <b>% of asset class</b> |
|---|-----------------------------------|-------------------------|-----------------------------------|-------------------------|
|   | <b>£'000</b>                      |                         | <b>£'000</b>                      |                         |
| <b>UK Equities</b>                              |                                   |                         |                                   |                         |
| Border to Coast PE UK Listed Equity             | 1,292,616                         | 99.99%                  | <b>615,588</b>                    | <b>99.99%</b>           |
| <b>Overseas Equities</b>                        |                                   |                         |                                   |                         |
| Border to Coast PE Overseas Dev Mkts            | 953,478                           | 43.56%                  | <b>1,608,520</b>                  | <b>66.41%</b>           |
| SSGA MPF Pacific Basin Ex-Japan Index           | 451,648                           | 20.63%                  | <b>334,706</b>                    | <b>13.82%</b>           |
| SSGA MPF Europe Ex-UK Equity Index Sub Fund     | 207,819                           | 9.49%                   | <b>122,869</b>                    | <b>5.07%</b>            |
| Border to Coast Emerging Market Hybrid Fund     | 0                                 | 0.00%                   | <b>210,824</b>                    | <b>8.70%</b>            |
| <b>Private Equity</b>                           |                                   |                         |                                   |                         |
| Crown Co Investment Opp II PLC                  | 17,658                            | 11.79%                  | <b>36,950</b>                     | <b>9.61%</b>            |
| Crown Secondaries Special Opportunities II      | 0                                 | 0.00%                   | <b>19,718</b>                     | <b>5.13%</b>            |
| Unigestion SA                                   | 0                                 | 0.00%                   | <b>28,130</b>                     | <b>7.32%</b>            |
| Pantheon Global Co-Investment Opportunities IV  | 12,276                            | 8.20%                   | <b>26,412</b>                     | <b>6.87%</b>            |
| Crown Growth Global Opportunities III           | 11,278                            | 7.53%                   | <b>36,711</b>                     | <b>9.55%</b>            |
| Blackrock Private Opportunities Fund IV         | 9,229                             | 6.16%                   | <b>22,974</b>                     | <b>5.98%</b>            |
| Border to Coast Private Equity Series 1A        | 24,546                            | 16.39%                  | <b>64,718</b>                     | <b>16.84%</b>           |
| Capital Dynamics Global Secondaries V           | 10,402                            | 6.94%                   | <b>19,497</b>                     | <b>5.07%</b>            |
| The Model T Finance Company                     | 20,000                            | 13.35%                  | <b>26,500</b>                     | <b>6.90%</b>            |
| <b>Infrastructure</b>                           |                                   |                         |                                   |                         |
| ACIF Infrastructure Fund LP                     | 18,647                            | 12.71%                  | <b>22,632</b>                     | <b>8.62%</b>            |
| Border to Coast Infrastructure Series 1A        | 17,918                            | 12.21%                  | <b>34,667</b>                     | <b>13.20%</b>           |
| Border to Coast Infrastructure Series 1C        |                                   |                         | <b>24,528</b>                     | <b>9.34%</b>            |
| JP Morgan IIF UK I LP                           | 36,719                            | 25.03%                  | <b>47,209</b>                     | <b>17.98%</b>           |
| Ancala Infrastructure Fund II                   | 9,946                             | 6.78%                   | <b>18,922</b>                     | <b>7.21%</b>            |
| Gresham House BSI Infrastructure LP             | 12,525                            | 8.54%                   | <b>21,167</b>                     | <b>8.06%</b>            |
| <b>Other Alternatives</b>                       |                                   |                         |                                   |                         |
| Darwin Leisure Development Fund - Class D       | 17,400                            | 18.93%                  | <b>18,656</b>                     | <b>15.48%</b>           |
| Darwin Leisure Prop Units - Class C             | 22,769                            | 24.77%                  | <b>23,488</b>                     | <b>19.49%</b>           |
| Darwin Bereavement Services Fund - Class B      | 16,070                            | 17.48%                  | <b>17,042</b>                     | <b>14.14%</b>           |
| Darwin Bereavement Services Fund - Income Units | 0                                 | 0.00%                   | <b>10,264</b>                     | <b>8.52%</b>            |
| Darwin Leisure Property Fund K - Income Units   | 15,290                            | 16.63%                  | <b>15,449</b>                     | <b>12.82%</b>           |

|   |        |        |               |               |
|---|--------|--------|---------------|---------------|
| Hearthstone Residential Fund 1                          | 8,498  | 9.24%  | <b>9,566</b>  | <b>7.94%</b>  |
| Gresham House BSI Housing Fund LP                       | 5,806  | 6.32%  | <b>13,285</b> | <b>11.03%</b> |
| Pantheon Senior Debt Secondaries II                     | 0      | 0.00%  | <b>7,638</b>  | <b>6.34%</b>  |
| <b>Other Debt</b>                                       |        |        |               |               |
| Insight IIFIG Secured Finance II Fund                   | 0      | 0.00%  | <b>24,755</b> | <b>50.35%</b> |
| Graftongate Investments Ltd (Leonardo)                  | 0      | 0.00%  | <b>4,406</b>  | <b>8.97%</b>  |
| Greyhound Retail Park Chester                           | 0      | 0.00%  | <b>20,000</b> | <b>40.68%</b> |
| <b>Direct Property</b>                                  |        |        |               |               |
| Doncaster (Omega Boulevard)                             | 30,350 | 10.95% | <b>37,800</b> | <b>11.42%</b> |
| Birmingham (Bromford Central)                           | 18,150 | 6.55%  | <b>23,950</b> | <b>7.23%</b>  |
| Gateshead (Team Valley Trading Estate)                  | 20,500 | 7.40%  | <b>23,600</b> | <b>7.13%</b>  |
| Rugby (Valley Park)                                     | 17,250 | 6.22%  | <b>18,200</b> | <b>5.50%</b>  |
| London (Park Royal, Minerva Road)                       | 0      | 0.00%  | <b>21,600</b> | <b>6.52%</b>  |
| London (Park Royal, Coronation Road)                    | 0      | 0.00%  | <b>18,000</b> | <b>5.44%</b>  |
| Lutterworth (Magna Park)                                | 15,700 | 5.66%  | <b>19,700</b> | <b>5.95%</b>  |
| <b>Property Unit Trusts</b>                             |        |        |               |               |
| Standard Life Investments European Property Growth Fund | 36,403 | 56.84% | <b>46,347</b> | <b>68.62%</b> |
| LAMIT - Local Authorities Property Fund                 | 4,017  | 6.27%  | <b>4,722</b>  | <b>6.99%</b>  |
| Hermes Property   | 4,330  | 6.76%  | <b>5,064</b>  | <b>7.50%</b>  |
| Threadneedle Property                                   | 3,520  | 5.50%  | <b>4,114</b>  | <b>6.09%</b>  |
| Legal and General Managed Property Fund                 | 5,937  | 9.28%  | <b>7,294</b>  | <b>10.80%</b> |

### Geographical Analysis of Investments

|                       | 2020/21          |                | 2021/22          |                |
|-----------------------|------------------|----------------|------------------|----------------|
|                       | £000             | %              | £000             | %              |
| United Kingdom        | 1,755,016        | 42%            | <b>1,243,738</b> | <b>30%</b>     |
| United States         | 1,029,673        | 24%            | <b>1,123,077</b> | <b>26%</b>     |
| Asia Pacific Ex Japan | 737,691          | 17%            | <b>817,262</b>   | <b>19%</b>     |
| Europe                | 485,317          | 12%            | <b>591,638</b>   | <b>14%</b>     |
| Japan                 | 203,614          | 5%             | <b>266,463</b>   | <b>6%</b>      |
| Others                | 9                | 0%             | <b>210,833</b>   | <b>5%</b>      |
| <b>Total</b>          | <b>4,211,320</b> | <b>100.00%</b> | <b>4,253,011</b> | <b>100.00%</b> |

### Equities

|                 | 2020/21   | 2021/22   |
|-----------------|-----------|-----------|
|                 | £000      | £000      |
| UK quoted       | 81        | 80        |
| Overseas quoted | 9         | 9         |
| <b>Total</b>    | <b>90</b> | <b>89</b> |

## Pooled Investment Vehicles and Properties

|  | 2020/21          | 2021/22          |
|--|------------------|------------------|
|  | £000             | £000             |
| UK Equity  | 1,292,616        | 615,668          |
| Pooled Property investment Vehicle               | 64,040           | 67,541           |
| Private Equity                                   | 149,794          | 384,299          |
| Infrastructure                                   | 146,725          | 262,599          |
| Other Alternatives                               | 91,928           | 120,486          |
| <b>UK Unit and Investment Trusts Total</b>       | 0                | 49,161           |
| Overseas Equities                                | <b>1,745,103</b> | <b>1,499,754</b> |
| <b>Overseas Unit and Investment Trusts Total</b> | 2,188,927        | 2,422,142        |
| <b>Total</b>                                     | <b>3,934,030</b> | <b>3,921,896</b> |

## UK Properties

|              | 2020/21        | 2021/22        |
|--------------|----------------|----------------|
|              | £000           | £000           |
| Freehold     | 215,275        | 264,115        |
| Leasehold    | 61,475         | 67,000         |
| <b>Total</b> | <b>277,200</b> | <b>331,115</b> |

The properties were valued on the basis of Fair Value at 31 March 2022 by Cushman and Wakefield LLP acting as an External Valuer. The valuer's opinion of the Fair Value of the Fund's interests in the properties has been reported (as per VPS4 item 7 of the RICS Red Book). Under these provisions, the term "Fair Value" mean the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13, namely "The price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

## Cash Deposits

|                        | 2020/21 | 2021/22 |
|------------------------|---------|---------|
|                        | £000    | £000    |
| Sterling Cash deposits | 340,650 | 817,250 |

## Other investment balances

|                               | 2020/21      | 2021/22      |
|-------------------------------|--------------|--------------|
|                               | £000         | £000         |
| Cash deposits with custodian  | 1,470        | 1,470        |
| Interest due on cash deposits | 377          | 363          |
| <b>Total</b>                  | <b>1,847</b> | <b>1,833</b> |

## Outstanding Commitments

As at 31 March 2022, the Fund had the following outstanding commitments.

|                | Initial Commitment | Capital Payments made | Outstanding commitments at 31 March 2022 |
|----------------|--------------------|-----------------------|--|
| Infrastructure |                    |                       |  |
|                | GBP                | GBP                   | GBP                                      |



|  |                    |                    |                    |
|--|--------------------|--------------------|--------------------|
| Border to Coast Infrastructure Series 1A                               | 100,000,000        | 39,831,082         | 60,168,918         |
| Border to Coast Infrastructure Series 1B                               | 50,000,000         | 12,017,540         | 37,982,460         |
| Border to Coast Infrastructure Series 1C                               | 50,000,000         | 24,417,319         | 25,582,681         |
| 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, British Strategic Investment Infrastructure Fund        | 20,000,000         | 17,971,505         | 2,028,495          |
| 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          |
| TPF Co-Investment BSI LP - Waste Knot                                  | 10,000,000         | 10,000,000         | 0                  |
| <b>Total GBP</b>   | <b>280,000,000</b> | <b>135,957,871</b> | <b>144,042,129</b> |
|  | <b>EUR</b>         | <b>EUR</b>         | <b>EUR</b>         |
| Access Capital Infrastructure Fund                                     | 23,000,000         | 21,436,000         | 1,564,000          |
| Access Capital Infrastructure Fund II                                  | 20,000,000         | 12,478,000         | 7,522,000          |
| Access Capital Infrastructure Fund II (Fund 2)                         | 22,000,000         | 5,205,000          | 16,795,000         |
| Ancala Infrastructure Fund II  | 23,000,000         | 17,868,481         | 5,131,519          |
| Foresight Energy Infrastructure  | 17,000,000         | 3,697,048          | 13,302,952         |
| <b>Total EUR</b>   | <b>105,000,000</b> | <b>60,684,529</b>  | <b>44,315,471</b>  |
|  | <b>USD</b>         | <b>USD</b>         | <b>USD</b>         |
| Blackrock Global Energy & Power Infrastructure Fund III                | 25,000,000         | 13,103,679         | 11,896,321         |
| Blackrock Global Renewable Power III                                   | 25,000,000         | 5,037,160          | 19,962,840         |
| JP Morgan Infrastructure Investments Fund (IIF)                        | 50,000,000         | 50,000,000         | 0                  |
| <b>Total USD</b>   | <b>100,000,000</b> | <b>68,140,839</b>  | <b>31,859,161</b>  |
|  |                    |                    |                    |
| <b>Other Alternatives</b>  |                    |                    |                    |
|  | <b>GBP</b>         | <b>GBP</b>         | <b>GBP</b>         |
| Bridges Evergreen TPF Housing Co-Investment LP                         | 5,000,000          | 765,180            | 4,234,820          |
| Darwin Bereavement Services Fund - Income Units                        | 10,000,000         | 10,000,000         | 0                  |
| Gresham House, British Strategic Investment Housing Fund LP            | 20,000,000         | 13,096,625         | 6,903,375          |
| Hearthstone Residential Fund 1 LP                                      | 10,000,000         | 10,000,000         | 0                  |
| Hearthstone Residential Fund 2 LP                                      | 20,000,000         | 3,090,030          | 16,909,970         |
| <b>Total GBP</b>   | <b>65,000,000</b>  | <b>36,951,835</b>  | <b>28,048,165</b>  |
|  | <b>EUR</b>         | <b>EUR</b>         | <b>EUR</b>         |
| La Salle Real Estate Debt Strategies IV                                | 25,000,000         | 3,461,358          | 21,538,642         |
| <b>Total EUR</b>   | <b>25,000,000</b>  | <b>3,461,358</b>   | <b>21,538,642</b>  |
|  | <b>USD</b>         | <b>USD</b>         | <b>USD</b>         |
| Pantheon Senior Debt Secondaries II                                    | 25,000,000         | 8,774,390          | 16,225,610         |
| <b>Total USD</b>   | <b>25,000,000</b>  | <b>8,774,390</b>   | <b>16,225,610</b>  |
|  |                    |                    |                    |
| <b>Other Debt</b>  |                    |                    |                    |
|  | <b>GBP</b>         | <b>GBP</b>         | <b>GBP</b>         |
| Greyhound Retail Park, Chester   | 20,000,000         | 20,000,000         | 0                  |
| Insight, IIFIG Secured Finance II Fund                                 | 25,000,000         | 25,000,000         | 0                  |
| Leonardo Warehouse Unit, Yeovil  | 30,030,934         | 4,405,529          | 25,625,405         |
|  | <b>75,030,934</b>  | <b>49,405,529</b>  | <b>25,625,405</b>  |

| <b>Private Equity</b>                               |                    |                    |                    |
|---|--------------------|--------------------|--------------------|
|   | <b>GBP</b>         | <b>GBP</b>         | <b>GBP</b>         |
| Border to Coast Private Equity Series 1A            | 100,000,000        | 44,011,329         | 55,988,671         |
| Border to Coast Private Equity Series 1B            | 50,000,000         | 14,904,335         | 35,095,665         |
| Border to Coast Private Equity Series 1C            | 50,000,000         | 6,888,867          | 43,111,133         |
| Capital Dynamics LGPS Collective for Pools          | 10,000,000         | 5,100,000          | 4,900,000          |
| The Model T Finance Company                         | 49,999,950         | 26,499,975         | 23,499,975         |
| Hermes Innovation Fund                              | 20,000,000         | 9,631,283          | 10,368,717         |
| <b>Total GBP</b>                                    | <b>279,999,950</b> | <b>107,035,789</b> | <b>172,964,161</b> |
|   | <b>EUR</b>         | <b>EUR</b>         | <b>EUR</b>         |
| Access Capital Fund VIII Growth Buy-Out Europe      | 30,000,000         | 14,760,000         | 15,240,000         |
| Access Capital Co-Investment Fund Buy-Out Europe II | 22,000,000         | 8,825,000          | 13,175,000         |
| Capital Dynamics Mid-Market Direct V                | 20,000,000         | 9,661,359          | 10,338,641         |
| Crown Growth Global Opportunities III               | 30,000,000         | 21,000,000         | 9,000,000          |
| Unigestion Direct II                                | 25,000,000         | 11,775,306         | 13,224,694         |
| Unigestion Secondary V                              | 50,000,000         | 24,500,000         | 25,500,000         |
| <b>Total EUR</b>                                    | <b>177,000,000</b> | <b>90,521,665</b>  | <b>86,478,335</b>  |
|   | <b>USD</b>         | <b>USD</b>         | <b>USD</b>         |
| Blackrock Private Opportunities Fund IV             | 25,000,000         | 17,998,407         | 7,001,593          |
| Capital Dynamics Global Secondaries V               | 22,000,000         | 14,300,000         | 7,700,000          |
| Crown Co-Investment Opportunities II                | 30,000,000         | 26,655,000         | 3,345,000          |
| Crown Co-Investment Opportunities III               | 30,000,000         | 5,340,000          | 24,660,000         |
| Crown Global Opportunities VII                      | 40,000,000         | 13,480,000         | 26,520,000         |
| Crown Secondaries Special Opportunities II          | 25,000,000         | 14,287,500         | 10,712,500         |
| Pantheon Global Co Investment Opportunities IV      | 30,000,000         | 26,020,000         | 3,980,000          |
| <b>Total USD</b>                                    | <b>202,000,000</b> | <b>118,080,907</b> | <b>83,919,093</b>  |

## 14. Financial Instruments

### Net Gains and Losses on Financial Instruments

|  | <b>2020/21</b> | <b>2021/22</b> |
|--|----------------|----------------|
| <b>Financial Assets</b>                    | <b>£000</b>    | <b>£000</b>    |
| Fair Value through profit and loss account | (901,667)      | (401,744)      |

### Fair Value of Financial Instruments

|                         | <b>Fair Value through profit and loss</b> | <b>Assets at amortised cost</b> | <b>Liabilities at amortised cost</b> | <b>Fair Value through profit and loss</b> | <b>Assets at amortised cost</b> | <b>Liabilities at amortised cost</b> |
|-------------------------|---|---------------------------------|--------------------------------------|---|---------------------------------|--------------------------------------|
|                         | <b>As at 31/3/21</b>                      |                                 |                                      | <b>As at 31/3/22</b>                      |                                 |                                      |
| <b>Financial Assets</b> | <b>£000</b>                               | <b>£000</b>                     | <b>£000</b>                          | <b>£000</b>                               | <b>£000</b>                     | <b>£000</b>                          |
| Equities                | 90  |                                 |                                      | 89  |                                 |                                      |
| Pooled Investments      | 3,869,990                                 |                                 |                                      | 3,854,266                                 |                                 |                                      |
| Pooled Property         | 64,040                                    |                                 |                                      | 67,541                                    |                                 |                                      |

|   |                  |                |                 |                  |                |                 |
|---|------------------|----------------|-----------------|------------------|----------------|-----------------|
| Cash                                    |                  | 340,650        |                 |                  | 817,250        |                 |
| Other investment balances               |                  | 1,847          |                 |                  | 1,833          |                 |
| Sundry debtors and prepayments          |                  | 20,969         |                 |                  | 12,806         |                 |
| <b>Total</b>                            | <b>3,934,120</b> | <b>363,466</b> | <b>0</b>        | <b>3,921,896</b> | <b>831,889</b> | <b>0</b>        |
| <b>Financial Liabilities</b>            |                  |                |                 |                  |                |                 |
| Loans and receivables                   |                  |                |                 |                  |                |                 |
| Creditors                               |                  |                | (15,301)        |                  |                | (11,503)        |
|   |                  |                | (15,301)        |                  |                | (11,503)        |
| <b>Net Financial Assets of the Fund</b> | <b>3,934,120</b> | <b>363,466</b> | <b>(15,301)</b> | <b>3,921,896</b> | <b>831,889</b> | <b>(11,503)</b> |

### Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

#### Level 1

Financial instruments at Level 1 are those where fair values are derived from unadjusted **quoted prices in active markets** for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts

#### Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; 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 2022                                      | £000    | £000      | £000      | £000      |
| Financial assets at fair value through profit and loss account | 89      | 2,745,971 | 1,175,836 | 3,921,896 |

|  |                |                  |                  |                  |
|--|----------------|------------------|------------------|------------------|
| Non-financial assets through profit and loss account           |                |                  | 331,115          | 331,115          |
| Loans and receivables  | 831,889        |                  |                  | 831,889          |
| Financial Liabilities at amortised cost                        | (11,503)       | 0                | 0                | (11,503)         |
| <b>Total Financial Assets</b>                                  | <b>820,475</b> | <b>2,745,971</b> | <b>1,506,951</b> | <b>5,073,397</b> |
|  |                |                  |                  |                  |
| <b>Value as at 31 March 2021</b>                               | <b>£000</b>    | <b>£000</b>      | <b>£000</b>      | <b>£000</b>      |
| 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  | 372,366        | 0                | 0                | 372,366          |
| Financial Liabilities at amortised cost                        | (15,301)       | 0                | 0                | (15,301)         |
| <b>Total Financial Assets</b>                                  | <b>357,155</b> | <b>2,465,168</b> | <b>1,746,062</b> | <b>4,568,385</b> |

### Sensitivity of assets at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation 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 2022.

### Valuation of Financial Instrument Carried at Fair Value – 31 March 2022

|   | Assessed valuation range (+/-) | Value at 31 March 2022 | Value on increase | Value on decrease |
|---|--------------------------------|------------------------|-------------------|-------------------|
|   |                                | £000                   | £000              | £000              |
| Pooled Investments - Overseas Equity    | 12.96%                         | 602,790                | 680,912           | 524,669           |
| Pooled Investments - Private Equity     | 18.75%                         | 384,299                | 456,355           | 312,243           |
| Pooled Investments - Infrastructure     | 18.75%                         | 79,234                 | 94,091            | 64,378            |
| Pooled Investments - Other Alternatives | 18.75%                         | 14,005                 | 16,631            | 11,379            |
| Pooled Investments - Other Debt         | 18.75%                         | 49,161                 | 58,379            | 39,944            |
| Pooled Investments - Property           | 7.05%                          | 46,347                 | 49,615            | 43,080            |
| <b>Total</b>                            |                                | <b>1,175,836</b>       | <b>1,355,982</b>  | <b>995,692</b>    |

### Valuation of Financial Instrument Carried at Fair Value – 31 March 2021

|   | Assessed valuation range (+/-) | Value at 31 March 2020 | 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            |
| <b>Total</b>                            |                                | <b>1,468,862</b>       | <b>1,671,832</b>  | <b>1,265,894</b>  |

### Reconciliation of Fair Value Measurements within level 3 during 2021/22

| Period<br>2021/22                                | Market<br>Value 1<br>April 2021 | Transfer<br>between<br>levels | Purchases      | Sales            | Unrealised<br>Gains/<br>Losses | Realised<br>Gains/<br>Losses | Market<br>Value 31<br>March<br>2022 |
|--|---------------------------------|-------------------------------|----------------|------------------|--------------------------------|------------------------------|-------------------------------------|
|  | £000                            | £000                          | £000           | £000             | £000                           | £000                         | £000                                |
| Pooled<br>Investments -<br>Overseas<br>Equity    | 1,235,989                       | 0                             | 0              | (660,000)        | (151,499)                      | 178,300                      | 602,790                             |
| Pooled<br>Investments -<br>Private<br>Equity     | 149,794                         | 0                             | 131,825        | (17,391)         | 120,071                        | 0                            | 384,299                             |
| Pooled<br>Investments -<br>Infrastructure        | 35,473                          | 0                             | 62,103         | (6,803)          | (11,539)                       | 0                            | 79,234                              |
| Pooled<br>Investments -<br>Other<br>Alternatives | 5,806                           | 0                             | 6,760          | 0                | 1,439                          | 0                            | 14,005                              |
| Pooled<br>Investments -<br>Other Debt            | 0                               | 0                             | 49,406         | 0                | (245)                          | 0                            | 49,161                              |
| Pooled<br>Investments -<br>Property              | 42,340                          | 0                             | 0              | 0                | 4,007                          | 0                            | 46,347                              |
| <b>Total</b>                                     | <b>1,469,402</b>                | <b>0</b>                      | <b>250,094</b> | <b>(684,194)</b> | <b>(37,766)</b>                | <b>178,300</b>               | <b>1,175,836</b>                    |

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

| Period<br>2020/21                             | Market<br>Value 1<br>April 2020 | Transfer<br>between<br>levels | Purchases | Sales     | Unrealise<br>d Gains/<br>Losses | Realised<br>Gains/<br>Losses | Market<br>Value 31<br>March<br>2021 |
|---|---------------------------------|-------------------------------|-----------|-----------|---------------------------------|------------------------------|-------------------------------------|
|   | £000                            | £000                          | £000      | £000      | £000                            | £000                         | £000                                |
| Pooled<br>Investments -<br>Overseas<br>Equity | 1,433,862                       | 0                             | 0         | (745,023) | 405,904                         | 141,246                      | 1,235,989                           |
| Pooled<br>Investments -<br>Private Equity     | 33,836                          | 0                             | 108,082   | (6,850)   | 14,726                          | 0                            | 149,794                             |
| Pooled<br>Investments -<br>Infrastructure     | 59,565                          | (59,322)                      | 22,195    | (3,554)   | 16,589                          | 0                            | 35,473                              |

|   |                  |                 |                |                  |                |                |                  |
|---|------------------|-----------------|----------------|------------------|----------------|----------------|------------------|
| 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           |
| <b>Total</b>                            | <b>1,562,730</b> | <b>(59,322)</b> | <b>145,497</b> | <b>(757,979)</b> | <b>437,230</b> | <b>141,246</b> | <b>1,469,402</b> |

## Nature and extent of exposure to risk arising from financial instruments

### Risk and risk Management

The fund's primary long term risk is that 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 2021/22 reporting period.

| 2021/22 Price Risk Asset Type | Region       | Value at 31/03/2022<br>£000 | Change<br>% | Value on Increase<br>£000 | Value on Decrease<br>£000 |
|-------------------------------|--------------|-----------------------------|-------------|---------------------------|---------------------------|
| Equities                      | UK           | 80                          | 14.98%      | 92                        | 68                        |
|                               | Non UK       | 9                           | 12.96%      | 10                        | 8                         |
|                               | <b>Total</b> | <b>89</b>                   |             | <b>102</b>                | <b>76</b>                 |
| Managed and Unitised Funds    | UK           | 912,542                     | 14.98%      | 1,049,241                 | 775,843                   |
|                               | Non UK       | 3,009,265                   | 12.96%      | 3,399,266                 | 2,619,264                 |
|                               | <b>Total</b> | <b>3,921,807</b>            |             | <b>4,448,507</b>          | <b>3,395,107</b>          |
| <b>Total</b>                  |              | <b>3,921,896</b>            |             | <b>4,448,609</b>          | <b>3,395,183</b>          |

| 2020/21 Price Risk Asset Type | Region       | Value at 31/03/2021<br>£000 | Change<br>% | Value on Increase<br>£000 | Value on Decrease<br>£000 |
|-------------------------------|--------------|-----------------------------|-------------|---------------------------|---------------------------|
| Equities                      | UK           | 81                          | 16.07%      | 94                        | 68                        |
|                               | Non UK       | 9                           | 13.46%      | 10                        | 8                         |
|                               | <b>Total</b> | <b>90</b>                   |             | <b>104</b>                | <b>76</b>                 |
| 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                 |
|                               | <b>Total</b> | <b>3,934,030</b>            |             | <b>4,502,119</b>          | <b>3,365,941</b>          |
| <b>Total</b>                  |              | <b>3,934,120</b>            |             | <b>4,502,223</b>          | <b>3,366,017</b>          |

#### Interest Rate risk

Interest rate risk is the risk to which the Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2022 is set out below:

| Asset Type at 31 March    | 2021<br>£000   | 2022<br>£000   |
|---------------------------|----------------|----------------|
| Cash and cash equivalents | 340,650        | 817,250        |
| Cash balances             | 1,847          | 1,833          |
| <b>Total</b>              | <b>342,497</b> | <b>819,083</b> |

### 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        |
|--|----------------|--------------|----------------|
| <b>Carrying value at 31 March 2022</b> | <b>£000</b>    | <b>£000</b>  | <b>£000</b>    |
| Cash and cash equivalents              | 817,250        | 2,043        | (2,043)        |
| Cash balances                          | 1,833          | 5            | (5)            |
| <b>Total</b>                           | <b>819,083</b> | <b>2,048</b> | <b>(2,048)</b> |

|  |                |             |              |
|--|----------------|-------------|--------------|
| <b>Carrying value at 31 March 2021</b> | <b>£000</b>    | <b>£000</b> | <b>£000</b>  |
| Cash and cash equivalents              | 340,650        | 851         | (851)        |
| Cash balances                          | 1,847          | 5           | (5)          |
| <b>Total</b>                           | <b>342,497</b> | <b>856</b>  | <b>(856)</b> |

### Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund's currency rate risk is considered by the Fund's Investment Advisors and Investment Managers. The Pension Fund Investment Committee is informed quarterly of the Fund's currency exposure.

The following tables summarise the fund's currency exposure as at 31 March 2021 and as at 31 March 2022, showing the sensitivity analysis of foreign exchange movements.

| Currency Risk 31 March 2022  | Value<br>£000    | Change<br>% | Value on<br>Increase<br>£000 | Value on<br>Decrease<br>£000 |
|------------------------------|------------------|-------------|------------------------------|------------------------------|
| Australian Dollar            | 9                | 8.10%       | 10                           | 8                            |
| Euro                         | 591,638          | 5.20%       | 622,403                      | 560,873                      |
| Japanese Yen                 | 266,463          | 9.20%       | 290,978                      | 241,948                      |
| US Dollar                    | 1,123,077        | 8.30%       | 1,216,292                    | 1,029,862                    |
| Asia Pacific ex Japan basket | 817,262          | 8.10%       | 883,460                      | 751,064                      |
| <b>Total</b>                 | <b>2,456,303</b> |             | <b>2,655,381</b>             | <b>2,257,225</b>             |

| Currency Risk 31 March 2021  | Value<br>£000    | Change<br>% | Value on<br>Increase<br>£000 | Value on<br>Decrease<br>£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                      |
| <b>Total</b>                 | <b>2,456,303</b> |             | <b>2,655,381</b>             | <b>2,257,225</b>             |



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 2022. The LGPS Regulations require that a risk assessment of any new transferee admission 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 admission body, 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;

|                 | <b>31/03/2016</b> | <b>31/03/2019</b> |
|-----------------|-------------------|-------------------|
|                 | <b>£million</b>   | <b>£million</b>   |
| Net Liabilities | 3,122             | <b>3,561</b>      |
| Assets          | 3,133             | <b>4,088</b>      |

|                      |      |             |
|----------------------|------|-------------|
| <b>Surplus</b>       | 11   | <b>527</b>  |
| <b>Funding Level</b> | 100% | <b>115%</b> |

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2022 were:

|   |                |
|---|----------------|
| Pre-retirement discount rate (ongoing funding target)           | 4.5% per annum |
| Pre-retirement discount rate (orphan body funding target)       | 4.5% per annum |
| Post-retirement discount rate (ongoing funding target)          | 4.5% per annum |
| Post-retirement discount rate (orphan body funding target)      | 3.0% per annum |
| Pre and Post-retirement discount rate (low risk funding target) | 1.3% per annum |
| Salary increase assumption                                      | 3.1% per annum |
| Benefit increase assumption (CPI)                               | 2.1% per annum |

### Life expectancy from age of 65 (years) assumptions

|   |              |
|---|--------------|
| Mortality Assumptions:                  |              |
| Longevity at 65 for current pensioners: | <b>Years</b> |
| Men                                     | 21.80        |
| Women                                   | 23.40        |
| Longevity at 65 for future pensioners : |              |
| Men                                     | 23.10        |
| Women                                   | 25.20        |

### 16. Current Assets

| <b>Receivables</b>              |           | <b>31/03/2021</b> | <b>31/03/2022</b> |
|---------------------------------|-----------|-------------------|-------------------|
|                                 |           | <b>£000</b>       | <b>£000</b>       |
| Other receivables               |           | 2,740             | 2,723             |
| Sundry debtors                  |           | 1,183             | 615               |
| Contributions due in respect of | Employers | 4,161             | 5,965             |
|                                 | Members   | 3,180             | 2,755             |
| Cash balances                   |           | 9,706             | 748               |
| <b>Total</b>                    |           | <b>20,969</b>     | <b>12,806</b>     |
| <b>Analysed by:</b>             |           |                   |                   |
| Other local authorities         |           | 3,918             | 4,736             |
| Other entities and individuals  |           | 7,346             | 7,322             |
| Add cash balances               |           | 9,706             | 748               |
| <b>Total</b>                    |           | <b>20,969</b>     | <b>12,806</b>     |

### 17. Current liabilities

| <b>Amounts due within one year</b> |  | <b>31/03/2021</b> | <b>31/03/2022</b> |
|------------------------------------|--|-------------------|-------------------|
|                                    |  | <b>£000</b>       | <b>£000</b>       |
| Rents received in advance          |  | (2,042)           | (2,774)           |
| Accrued expenses                   |  | (12,361)          | (7,715)           |
| Other payables                     |  | (898)             | (1,014)           |
| <b>Total</b>                       |  | <b>(15,301)</b>   | <b>(11,503)</b>   |
| <b>Analysed by:</b>                |  |                   |                   |
| Other local authorities            |  | (1,120)           | (1,121)           |
| Public Corp & Trading Funds        |  | (1,058)           | (5,499)           |
| Other entities and individuals     |  | (13,123)          | (4,883)           |
| <b>Total</b>                       |  | <b>(15,301)</b>   | <b>(11,503)</b>   |

## 18. Related Party Transactions

The Fund is administered by Middlesbrough Council. During the reporting period, the council incurred costs of £1,147,000 (2020/21: £1,120,000) 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 £8.6 million over the period (2020/21 - £8.1 million).

## 19. External Audit Costs

|                                      | 2020/21 | 2021/22 |
|--------------------------------------|---------|---------|
|                                      | £000    | £000    |
| Payable in respect of external audit | 38      | 19      |

## 20. Senior Employees' Remuneration

|                           | 2020/21 | 2021/22 |
|---------------------------|---------|---------|
|                           | £000    | £000    |
| Key Management Personnel  |         |         |
| Short Term Benefits       | 66      | 66      |
| Post Employments Benefits | 10      | 15      |
| Total                     | 76      | 81      |

## 21. Events after the Balance Sheet Date

There are no events to report in this category at the authorised for issue date (X).

## **Teesside Pension Fund**

### **Statement of the Actuary for the year ended 31 March 2021**

**(updated version required for year ended 31 March 2022)**

#### **Introduction**

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

#### **Actuarial Position**

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

**Plus**

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

**Less**

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

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

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

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

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

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

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

The assets were valued at market value.

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

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

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

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

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

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

Initial results from the Scheme Advisory Board cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was published on 16<sup>th</sup> July 2020.

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

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

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

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

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

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

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

Aon Hewitt Limited

## **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

Updated link TBC

Full details of the changes to the scheme, along with updated scheme guides, are on our website at [www.teespen.org.uk](http://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 in March 2021 and contains statements on:

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

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

Updated link TBC

### **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

Updated link TBC

## **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 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:

Updated link TBC

## **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:

Updated link TBC



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

## Pension increases

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

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

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

| <b>From April</b> | <b>Increase %</b> |
|-------------------|-------------------|
| 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%              |
| 2022              | 3.1%              |

## Contacts and further information

| <b>Contacts</b>  |   |
|--|---|
| Pensions Unit<br><i>For General and Benefit Entitlement enquiries</i>  | XPS Pensions Unit<br>Teesside Pension Fund<br>PO Box 340<br>Middlesbrough<br>TS1 2XP<br><br>Telephone: (01642) 030696<br>E Mail: <a href="mailto:pensionsunit@xpsgroup.com">pensionsunit@xpsgroup.com</a>       |
| Pensions Manager   | Graeme Hall<br><br>Telephone: (01642) 030643<br>E Mail: <a href="mailto:graeme.hall@xpsgroup.com">graeme.hall@xpsgroup.com</a>  |
| Head of Pensions Governance and Investments  | Nick Orton<br><br>Telephone: (01642) 729040<br>E Mail: <a href="mailto:Nick_Orton@middlesbrough.gov.uk">Nick_Orton@middlesbrough.gov.uk</a>   |
| Teesside Pension Fund Website  | <a href="http://www.teespen.org.uk">www.teespen.org.uk</a>  |
| Employers Website  | <a href="http://www.employers.teespen.org.uk">www.employers.teespen.org.uk</a>  |
| Border to Coast Website  | <a href="http://www.bordertocoast.org.uk">www.bordertocoast.org.uk</a>  |
| <b>Further Information</b>   |   |
| For more information on this report please contact:  | Claire Wilson<br>Senior Accounting Officer – Central Services & Pensions<br><br>Telephone: (01642) 728587<br>E Mail: <a href="mailto:Claire_Wilson@Middlesbrough.gov.uk">Claire_Wilson@Middlesbrough.gov.uk</a> |
| Further copies of this report can be obtained from:  | XPS Pensions Unit<br>Teesside Pension Fund<br>PO Box 340<br>Middlesbrough<br>TS1 2XP<br><br>Telephone: (01642) 030693<br>E Mail: <a href="mailto:pensionsunit@xpsgroup.com">pensionsunit@xpsgroup.com</a>       |
| <b>A copy of this report, and those for previous years, is available on our web site at <a href="http://www.teespen.org.uk">www.teespen.org.uk</a></b> |   |

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# TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

## TEESSIDE PENSION BOARD REPORT

18 JULY 2022

DIRECTOR OF 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. LGPS AND 'LEVELLING UP'

- 4.1 As was reported to the March Committee, the Government's "Levelling up the United Kingdom" White Paper issued on 2 February 2022 stated that the Local Government Pension Scheme (LGPS) could (or perhaps should) be using some of its assets to fund the Government's levelling up agenda. The White Paper included a statement that "to boost Britain's long-term growth. The UK Government will...work with **Local Government Pension Funds to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas.**"
- 4.2 Since then the Fund, along with other LGPS Funds and pooling companies (including Border to Coast) have been trying to obtain further detail in relation to these plans. As yet, nothing is confirmed but the current expectation is that the Government will not be expecting LGPS Funds to report on investments made within their specific local area, but is instead looking to leverage LGPS assets to invest further in projects across the UK (or possibly across England and Wales) – primarily infrastructure but possibly private equity investments as well. Further updates will be provided when they are available.

## **5. SCHEME ADVISORY BOARD ANNUAL REPORT 2021/22**

5.1 Last month the Scheme Advisory Board (SAB) published its ninth Annual Report for the Local Government Pension Scheme (LGPS) in England and Wales. The report can be found on the SAB website at the following link:

<https://lgpsboard.org/index.php/foreword-2021>

5.2 The report emphasises that the LGPS is one of the largest defined benefit (DB) schemes in the world and is the largest DB scheme in England and Wales, with 14,448 active employers, 6.2m members and assets of £342bn. Key highlights for the LGPS are listed as follows:

- Total membership of the LGPS grew by 66,624 (1.08%) to 6.226 m members in 2021 from 6.160 m in 2020
- The total assets of the LGPS increased to £342bn (a change of 23.4%). These assets were invested in pooled investment vehicles (66.2%), public equities (13.4%) bonds (4.6%), direct property (2.3%), as well as other asset classes (8.7%)
- The Local Authority net return on investment over 2020/21 was 20.56%. This was reflective of the market conditions during the year and set against the UK equities return of 30%
- The scheme maintained a positive cash-flow position overall, including investment income
- Over 1.8m pensioners were paid over the year
- CoViD-19 significantly impacted life expectancy - with a drop of 0.9 years and 0.5 years for males and females respectively (2019 figures v 2020)
- Total management charges increased by £196m (+12.9%) from £1,517m. This was primarily driven by a £193m (14.9%) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

5.3 The main activity for the SAB during the year ending 31 March 2021 is listed as dealing with issues relating to the McCloud discrimination case, the good governance project, the government's introduction of the £95k exit payment cap (subsequently removed) and responsible investment guidance. In addition, the SAB directed a large part of its resources to responding to the Covid-19 crisis and supporting the sector through that and the ensuing changes in ways of working.

## **6. LGPS ON-LINE LEARNING ACADEMY**

6.1 As Members should be aware, the Fund has recently purchased Hymans Robertson's LGPS On-Line Learning Academy and has ensured that every Pension Fund Committee and Teesside Pension Board member has access to it. The Learning Academy allows you to access a suite of short training videos explaining different aspects of the pension scheme, covering administration, governance and investments as well as current pension

issues such as measuring the carbon exposure of the Fund's investments and other responsible investment issues. It is intended to cover all of the 'knowledge and understanding' requirements that Pension Board members are legally required to obtain (and Pension Committee members are strongly encouraged to obtain).

6.2 There are a lot of topics covered within the Learning Academy and I would strongly recommend that Board Members set aside some time each week to work through them at their own pace. There are short quizzes included to ensure the training is working, and certificates are available for completion of different sections.

6.3 Appendix A contains a few introductory slides showing what you can expect from the Learning Academy. I would be very interested in any feedback Board Members have at any point in relation to the product.

## **7. NEXT STEPS**

7.1 Further updates will be provided periodically.

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

TEL NO.: 01642 729040

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# Teesside PF - LGPS Online Learning Academy

Online training for Pension Committee,  
Board members and Fund Officers

- Short and engaging 10 – 20 minute videos
- Jargon busters and Knowledge checks
- Members can go at their own pace
- Regular reporting to Teesside Pension Fund
- Easily evidence members' knowledge and skills
- Track and record all training on One platform
- Covers key areas of TPR Code of Practice and CIPFA Knowledge and Skills framework

HYMANS  ROBERTSON



# Learning Academy - Landing page

Page 110



Completed

Module 1 - An introduction to the LGPS

EN

E-Learning

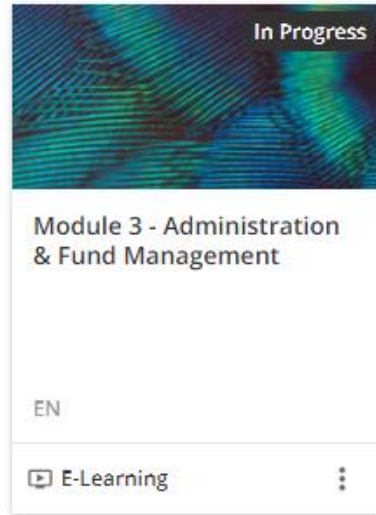


In Progress

Module 2 - LGPS Governance & Oversight Bodies

EN

E-Learning



In Progress

Module 3 - Administration & Fund Management

EN

E-Learning



In Progress

Module 4 - Funding and Actuarial Matters

EN

E-Learning

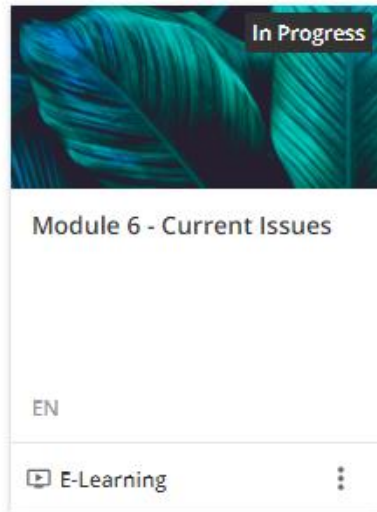


In Progress

Module 5 - Investments

EN

E-Learning



In Progress

Module 6 - Current Issues

EN

E-Learning



# Learning Academy – current topics

## May 2022

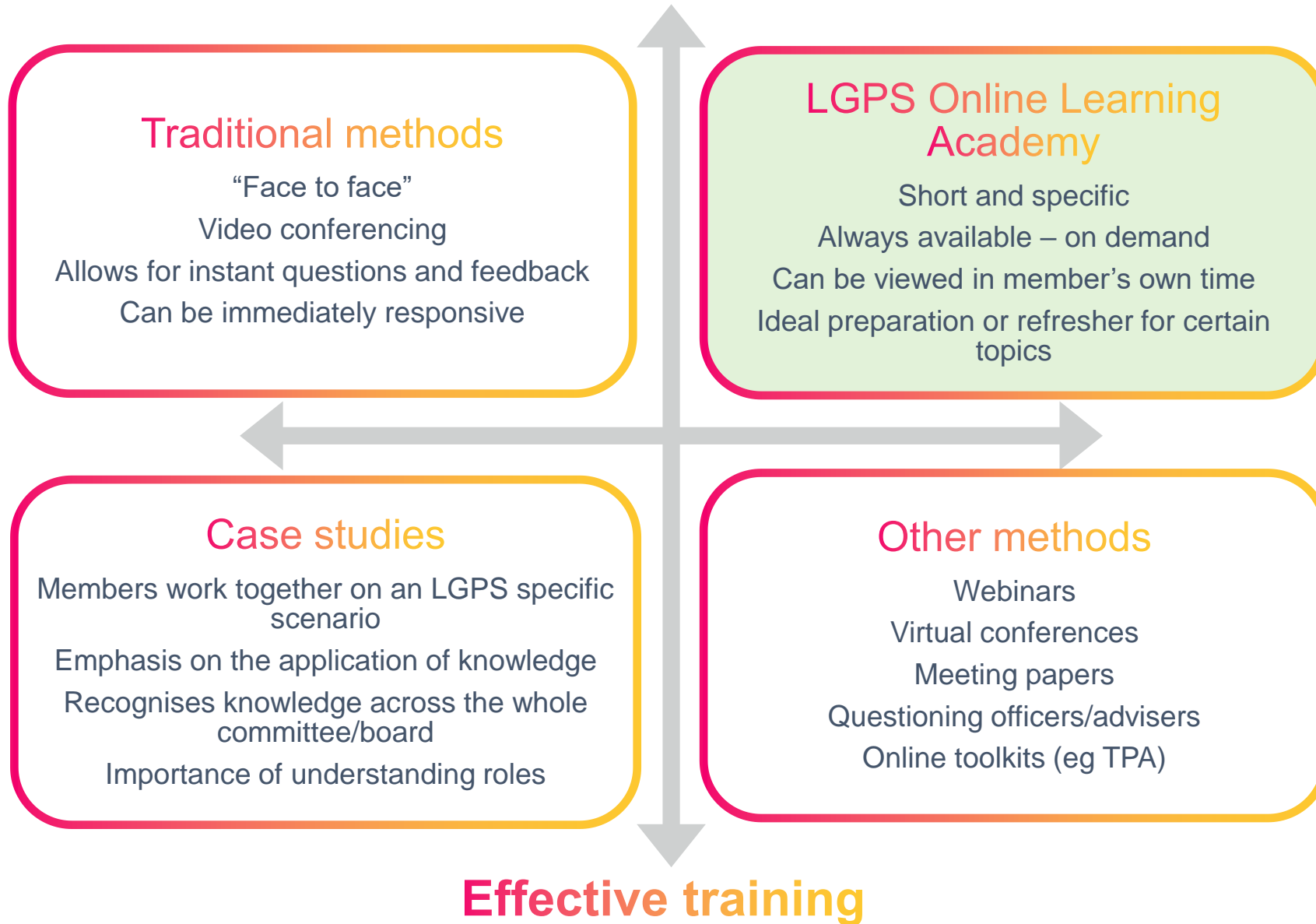
- **Module 1 - Introduction**
  - Introduction to the LGPS
  - Role of Elected Members on Committee (podcast)
- **Module 2 – Governance & Regulators**
  - LGPS Governance
  - LGPS Oversight Bodies & Regulators (TPR)
  - LPS Oversight Bodies & Regulators (Section 13)
  - Business Planning
- **Module 3 – Administration & Management**
  - Introduction to Administration
  - Policies and Procedures
  - Public Procurement
  - Additional Voluntary Contributions
  - Accounting & Audit
- **Module 4 – Funding & Actuarial Matters**
  - Introduction to Funding Strategy
  - LGPS Actuarial Valuations (Process)
  - LGPS Actuarial Valuations (Technical Aspects)
  - LGPS Employers
- **Module 5 – Investments**
  - Introduction to Investment Strategy
  - Performance Monitoring
  - Pooling (England and Wales only)
  - Responsible Investment
  - MiFID II
- **Module 6 – Current Issues**
  - McCloud
  - Goodwin
  - Cost-sharing
  - Cyber Security
  - GAD Section 13

# Key Learning Academy guide documents



- [LGPS Online Learning Academy - "How to" User Guide](#)
- [LGPS Online Learning Academy - Guide to Reporting](#)
- [External learning - user progress reports](#)
- [External training – Individual user recording guide](#)

# Teesside Pension Fund – training approach



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## TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

### TEESSIDE PENSION BOARD REPORT

18 JULY 2022

DIRECTOR OF FINANCE – IAN WRIGHT

#### Update on Work Plan Items

#### 1. PURPOSE OF THE REPORT

- 1.1 To present Members of the Teesside Pension Board (the Board) with information on items scheduled in the work plan for consideration at the current meeting.

#### 2. RECOMMENDATION

- 2.1 That Board Members note this report.

#### 3. FINANCIAL IMPLICATIONS

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

#### 4. BACKGROUND

- 4.1 At its meeting on 19 July 2021 the Board agreed an updated work plan for the coming months and years which set out areas for the Board to discuss or consider at subsequent meetings (see Appendix A). These were typically areas that the Pensions Regulator and/or the Scheme Advisory Board had identified as important for Local Pension Boards to consider.

#### 5. RECORD KEEPING

- 5.1. The Pensions Regulator's website contains the following overview of what record keeping means for pension scheme trustees and those running public service pension schemes:

“As a pension trustee or someone running a public service scheme you are responsible for making sure the scheme has good records. This is still the case if you use a third-party administrator.

To manage a scheme properly you need to make sure it has accurate, complete and up-to-date records. You should have controls and processes in place to maintain these standards.

Failure to maintain complete and accurate records means you are at risk of not meeting your legal obligations. Poor record-keeping can have a huge impact on members and can be very expensive for your scheme if things go wrong due to bad or missing data.”

(from [www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/record-keeping](http://www.thepensionsregulator.gov.uk/en/trustees/contributions-data-and-transfers/record-keeping) )

5.2. The Regulator goes on to recommend that those responsible for pension schemes (in the case of our Fund, the Council as administering authority) undertake the following actions in relation to record keeping:

- Regularly review scheme data, notify the Pensions Regulator about data quality through the annual scheme return;
- Work with the administrator to improve data where it isn't good enough to run the scheme effectively;
- Take an active role in monitoring data quality and accuracy and the controls around it.
- Discuss record-keeping at meetings

5.3. The Regulator emphasises that good record keeping is vital so that:

- Defined benefit schemes (such as the Local Government Pension Scheme (LGPS)) have accurate funding plans in place
- Defined contribution schemes can process core financial transactions promptly and accurately (this has some relevance to the LGPS in relation to Additional Voluntary Contributions which are provided on a defined contribution basis).
- All schemes can meet pensions dashboards requirements

5.4. The types of records required to be kept include those relating to

- Meetings and decisions of the body/bodies responsible for running the scheme
- Scheme documents including trust deeds and rules (for the LGPS these are regulations, not trust deeds and rules), and details of any rule (regulation) changes
- Scheme member information, including common data and scheme-specific data
- All contributions received
- All other payments to and from the scheme
- Transfers of members' benefits and related assets

5.5. The Council, as administering authority for the Fund, is responsible for maintaining all of the types of records set out in 5.4 above. With the exception of records of meetings and decisions (which are maintained by the Council's Democratic Services team and, where possible, published on the Council's website) and the scheme regulations (which are maintained on the national LGPS website [www.lgpsregs.org](http://www.lgpsregs.org) ), the other records are maintained on the Council's behalf by XPS Administration (XPS), our outsourced pensions administration provider.



- 5.6. XPS provides an administration report every quarter to the Pension Fund Committee and the Teesside Pension Board which includes information non data quality regarding details of common data and scheme specific data and any late contributions received from scheme employers.
- 5.7. Areas of improvement to data quality have been raised with XPS and discussed by the Committee and Board, including engaging a third party specialist provider to assist in finding correct home addresses in relation to 'gone away' deferred scheme members, and continuing to work to improve the coverage of scheme specific data. XPS is also currently about to launch monthly data exchange with scheme employers, piloting this with a small number of employers initially. This will improve the quality and accuracy of the member data held by the Fund and will help prepare the Fund for submitting data to pensions dashboards.

## **6. RESOLVING INTERNAL DISPUTES**

- 6.1. Where an individual is unhappy with a decision made or an act or omission by a scheme employer or the administering authority in relation to their rights or benefits in the Fund, they can formally raise a dispute under the two stage Internal Dispute Resolution Procedure.
- 6.2. The leaflet attached at Appendix B sets out the full details of the Procedure. A brief summary is as follows:
- The applicant submits a complaint to the Fund which is directed to the scheme employer (if it relates to a scheme employer decision or action) or the administering authority (if it relates to an administering authority decision or action).
  - The scheme employer or administering authority refers the complaint to their appointed adjudicator. The applicant should usually raise a complaint within six months of the date of the act or omission causing the disagreement (although the adjudicator can extend this timeframe).
  - The adjudicator should (within two months) give a written decision in relation to the complaint to the complainant, the scheme employer and the administering authority. If the two month deadline will not be met the adjudicator has to give an interim reply giving the reasons for the delay and the expected date of making a decision.
  - If the applicant is not happy with the decision they have (usually) six months in which to ask for the complaint to be reconsidered by the administering authority. Second stage appeals should be carried out in a manner determined by the administering authority but always ensuring that no person who was involved in the making of the initial decision or the first stage (adjudicator) appeal is involved in a decision on reconsideration.
  - The administering authority should (within two months) give a written decision in relation to the complaint to the complainant and the scheme employer. If the two month deadline will not be met the administering authority has to give an interim reply giving the reasons for the delay and the expected date of making a decision.

- At both stages in the process the applicant should be made aware statement that the Money and Pensions Service is available to give assistance in connection with any difficulty with the Scheme that remains unresolved, and that the Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to the Scheme made or referred in accordance with the Pension Schemes Act 1993

6.3. XPS provides information on complaints, dispute cases and any cases referred to the Pensions Ombudsman within their quarterly administration update to the Pension Fund Committee and the Teesside Pension Board.

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

**TEL NO:** 01642 729024

| <b>Teesside Pension Board Work Plan</b>                       |  |  |
|---|--|--|
| <b>Date of Board meeting and any standard items scheduled</b> | <b>Suggested areas of focus (from the Pensions Regulator's list)</b> | <b>Suggested activities (from the Scheme Advisory Board guidance)</b>  |
| July 2021<br>Draft Report and Accounts                        |  |  |
| November 2021<br>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<br>Maintaining contributions<br>Reporting duties  | Review procurements carried out by Fund  |
| April 2022<br>Annual Board Report                             | Internal controls and managing risks                                 | Review the complete and proper exercise of employer and administering authority discretions.   |
| July 2022<br>Draft Report and Accounts                        | Record keeping<br>Resolving internal disputes                        | Review performance and outcome statistics<br>Review handling of any cases referred to Pensions Ombudsman   |
| November 2022<br>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<br>Annual Board Report                             | Communicating to members<br>Publishing scheme information            | Review standard employer and scheme member communications  |
| July 2023<br>Draft Report and Accounts                        |  |  |

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# Teesside Pension Fund

A guide to  
The Local Government Pension  
Scheme Internal Dispute Resolution  
Procedure



## Internal Dispute Resolution Procedure (IDRP)

*This booklet provides a straightforward guide to how the internal dispute resolution procedure operates in the Local Government Pension Scheme, and is provided for general information only. It does not cover every aspect of the process and is not an interpretation of the Scheme regulations. In the event of any unintentional differences, the Scheme regulations will prevail. This booklet does not confer any contractual or statutory rights*

### Introduction

Unlike some occupational pension Schemes, the local government pension Scheme (LGPS) does not have a Board of Trustees making decisions about what benefits people are entitled to. The Regulations state that the administration of the LGPS is carried out by both:

**Employing Authorities of the LGPS** (i.e. Scheme Employers including your own organisation)

**Administering Authorities of the LGPS** (e.g. Middlesbrough Council for the Teesside Pension Fund)  
(Teesside Pension Fund is administered on behalf of Middlesbrough Council by XPS Administration)

#### Scheme Employers-

- are responsible for making decisions such as to a member's entitlement to LGPS membership and benefits; these are called 'First Instance Decisions' under the Regulations
- are required to have policies on how they will exercise some of the powers they have under the Regulations
- have a legal duty to deduct and pay over employee and employer contributions and to provide Teesside Pension Fund with the information needed in order to carry out their duties to administer the LGPS

#### Teesside Pension Fund-

- records the level of benefits that each member will be paid in accordance with the Regulations, based on information provided by the Scheme Employer
- is responsible for investing employee and employer pension contributions and maintaining a fund of money out of which the benefits of the LGPS are paid.

### Decisions

From the day you start a job with an employer to the day when your benefits are paid to you or your dependants, the employer and the administering authority have to make decisions under the pension Scheme rules that affect you (or your dependants).

When you (this includes dependants) are notified of a decision you should check, as far as you can, that it is based on the correct details and that you agree with the decision.

If you disagree with any decision affecting you made in relation to the Scheme, you should contact the person who notified you of the decision as soon as practicable. They will seek to clarify or put right any inaccuracies as quickly and as efficiently as possible. Many problems that members have are, in fact, resolved in this way; they may be caused by misunderstandings or wrong information, which can be explained or put right easily. An informal enquiry of this kind may save you a lot of time and trouble.

If your query is about your contribution rate, please contact your employer's personnel/HR or payroll section so they can explain how they have decided which contribution band applies to you.

## Complaints

If you are still dissatisfied with any decision made in relation to the Scheme you have the right to have your complaint reviewed under the Scheme's Internal Disputes Resolution Procedure (IDRP). You also have a right to use the procedure if a decision should have been made by your employer or administering authority, but it hasn't been. There are also a number of other regulatory bodies that may be able to assist you; these are described in the "Additional help" section.

The formal complaint procedure has **two stages**. Many complaints are resolved at the first stage. Any complaint you make will be treated seriously, and considered thoroughly and fairly.

You can ask someone to take your complaint forward on your behalf. This could be, for instance, a trade union official, welfare officer, your husband, wife or partner, or a friend.

No charge is made at any stage for investigating a complaint under IDRP. But expenses that you will have to meet are your own (and/or your representative's) time, stationery and postage etc.

Please remember that, before going to the trouble of making a formal complaint, the Pensions Unit and/or your employer welcome the opportunity to try to resolve the matter in an informal way. It may be worth checking again that they know you are concerned, and why.

## First stage - applications for adjudication of disagreements

You must submit an application to "the adjudicator" who is a person appointed by each Scheme employer and administering authority to consider disagreements.

An application must be made within six months of the date notification of the decision was given or of the date of any other act or omission (or such longer period as the adjudicator considers reasonable).

Any application must

1. set out the applicant's name, address and date of birth;
2. if the applicant is not a member of the Scheme, set out the applicant's relationship to any relevant member of the Scheme and give that member's full name, address, date of birth, national insurance number and the name of the member's Scheme employer;
3. include a statement giving details of the nature of the disagreement and the reasons why the applicant is aggrieved;
4. be accompanied by a copy of any written notification of the decision to which you are appealing against ; and
5. be signed by or on behalf of the applicant.

A stage 1 application form is available at end of this booklet.

The adjudicator will, within two months of the date of which the application is received, give written notice of their decision to the applicant, the members' employer and the Teesside Pension Fund.

The decision notice will include

1. a statement of the decision;
2. a reference to any legislation on which they relied;
3. in a case where the disagreement relates to the exercise of a discretion, a reference to the provisions of the regulations conferring the discretion;
4. a reference to the right of the applicant to refer the disagreement for reconsideration by the administering authority (Teesside Pension Fund) and the time scale within which the applicant may do so; and
5. a statement that the Pensions Advisory Service is available to give assistance in connection with any difficulty with the Scheme that remains unresolved including the address at which it may be contacted.

If a decision notice is not issued within two months, the adjudicator will send an interim reply, setting out the reasons for the delay and an expected date for giving a decision.

If the decision concerns the exercise of a discretion and the adjudicator does not uphold that decision, the matter will be referred back to the body which made the decision, for reconsideration.

## **Second stage – applications for reconsideration of stage 1 decisions**

If you are dissatisfied with the adjudicator's decision at stage 1 (or their failure to make a decision) you may apply to the administering authority to have it reconsidered.

An application must be made

1. within six months of the date notification of the decision was received under stage 1; or
2. where an interim reply has been sent, but no decision notice issued, seven months of the expected decision date given in an interim reply; or
3. where neither an interim reply nor decision notice has been issued, nine months from the date the application was made.

Any application must

1. set out the applicant's name, address and date of birth;
2. if the applicant is not a member of the Scheme, set out the applicant's relationship to any relevant member of the Scheme and give that member's full name, address, date of birth, national insurance number and the name of the member's Scheme employer;
3. include a statement that the applicant wishes the decision to be reconsidered;
4. set out details of the grounds on which the applicant relies;
5. be accompanied by a copy of any written notifications (notification of first instance decisions and decisions of the adjudicator at stage 1) and
6. be signed by or on behalf of the applicant.



A stage 2 application form is available at the end of this booklet.

This review will be undertaken by a person not involved in the first stage decision.

You will need to send the administering authority your complaint in writing. The time limits for making the complaint are set out in the table in the next section of this booklet. The adjudicator will consider your complaint and give you their decision in writing.

If you are still unhappy following the second stage decision, you can take your case to the Pensions Ombudsman provided you do so within three years from the date of the original decision (or lack of a decision) about which you are complaining.

## Contact details

If you are in any doubt or are not sure which benefits you are entitled to, or you have a problem about your LGPS membership or benefits, please either phone the number on the letter your employer or the Teesside Pension Fund sent you or contact the XPS Administration:

**XPS Administration**  
**PO Box 340**  
**Middlesbrough**  
**TS1 2XP**  
**Tel: 01642 030693**  
**Fax: 01642 030700**  
**Email: [penemp@xpsgroup.com](mailto:penemp@xpsgroup.com)**

They will try to deal with the problem as quickly and efficiently as possible. The administering authority is the authority that looks after the pension fund.

## Additional help

- **[The Pensions Advisory Service \(TPAS\)](#)**

Website: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

TPAS is available at any time to assist members and beneficiaries of the Scheme in connection with any pension's query they may have or any difficulty which they cannot resolve with the Scheme administrator. TPAS can be contacted at:

**11 Belgrave Road**  
**London**  
**SW1V 1RB**  
**Telephone 0845 601 2923**

- **[Pensions Ombudsman](#)**

Website: [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

In cases where a complaint or dispute has not been satisfactorily resolved through the Internal Disputes Resolution Procedure or with the help of TPAS, an application can be made to the Pensions Ombudsman within three years of the event that gave rise to the complaint or dispute. The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the Scheme or matters of fact or law. His or her decision is final and binding (unless the case is taken to

the appropriate court on a point of law). Matters where legal proceedings have already started cannot be investigated by the Pensions Ombudsman. The Pensions Ombudsman can be contacted at:

**11 Belgrave Road  
London  
SW1V 1RB  
Telephone 0207 630 2200**

## Time limits under the Internal Dispute Resolution Procedure

| Your situation   | Complain to  | Time limit  |
|--|--|---|
| Your complaint is that your employer or administering authority have failed to make any decision about your benefits   | The adjudicator under the first stage of the procedure   | 6 months from the date when the employer or administering authority should have made the decision |
| You have received a decision from your employer/administering authority, and there seem to be good grounds for complaining   | The adjudicator under the first stage of the procedure   | 6 months from the date when you were notified of the decision                                     |
| You made your complaint in writing to the adjudicator under stage 1, with all the information they needed but, 3 months later, you have not received their decision on your complaint or any                                     | The administering authority under the second stage of the procedure  | 9 months from the date when you submitted your complaint  |
| You received an interim reply to your complaint to the adjudicator under stage 1 within 2 months of applying to them. Their reply promised you a decision by a specified date but, one month after the specified date, you still | The administering authority under the second stage of the procedure  | 7 months from the date by which you were promised you would receive a decision                    |
| You have received a first stage decision on your complaint from the adjudicator, but you are not satisfied   | The administering authority under the second stage of the procedure  | The administering authority under the second stage of the procedure                               |
| Your complaint went to the administering authority under the second stage of the procedure. You received their decision but  | The Pensions Ombudsman. Note that the Ombudsman will normally expect you to have asked TPAS for help first | 3 years from the date of the original decision about which you are complaining                    |

| <b>Your situation</b>  | <b>Complain to</b>  | <b>Time limit</b>   |
|--|---|---|
| <p>You have taken your complaint to the administering authority under the second stage of the procedure but, 2 months after your complaint was received by the authority, you have not received their decision on your complaint</p> | <p>The Pensions Ombudsman. Note that the Ombudsman will normally expect you to have asked TPAS for help first</p> | <p>3 years from the date of the original decision about which you are complaining</p> |
| <p>You received an interim reply to your second stage complaint to the administering authority, within 2 months of applying to them. Their reply promised you a decision by a certain date but, by that date, you still have not</p> | <p>The Pensions Ombudsman. Note that the Ombudsman will normally expect you to have asked TPAS for help first</p> | <p>3 years from the date of the original decision about which you are complaining</p> |

# Application under the Internal Dispute Resolution Procedure

## STAGE 2 APPLICATION

Please use this form to apply to the adjudicator appointed at stage 2 of the internal dispute resolution procedure.

Please write clearly in black ink, and use capital letters in boxes 1, 2 and 3.

### 1. Member's details

If you are the member (the person who is or was in the Scheme), or a prospective member (a person who is eligible to be a member of the Scheme), please give your details in this box. You can then go straight to box 4.

If you are the member's dependant (for example, their husband, wife or child), please give the member's details in this section, and then go to box 2.

If you are representing the person with the complaint, please give the member's details in this section, and then go to box 3.

If you are representing a member's dependant, please give the member's details in this section and then go to box 2.

|                                  |  |
|----------------------------------|--|
| <b>Full Name</b>                 |  |
| <b>Address:</b>                  |  |
| <b>Postcode</b>                  |  |
| <b>Date of Birth</b>             |  |
| <b>Employer</b>                  |  |
| <b>National Insurance Number</b> |  |

## 2. Dependant's details

If you are the member's dependant and the complaint is about a benefit for you, please give your details in this box and then go to box 4.

If the complaint is about a benefit for a dependant and you are the dependant's representative, please give the dependant's details in this box and then go to box 3.

|                               |  |
|-------------------------------|--|
| <b>Full Name</b>              |  |
| <b>Address:</b>               |  |
| <b>Postcode</b>               |  |
| <b>Date of Birth</b>          |  |
| <b>Relationship to member</b> |  |

## 3. Representative's details

If you are the member's or dependant's representative, please give your details in this box.

|  |  |
|--|--|
| <b>Full Name</b>                                       |  |
| <b>Address:</b>  |  |
| <b>Postcode</b>  |  |
| <b>The address response letters should be sent to</b>  |  |
| <b>The postcode response letters should be sent to</b> |  |

**4. Your complaint**

Please give full details of your complaint in this box. Please try to explain exactly why you are unhappy, giving any dates or periods of Scheme membership that you think is relevant.

**If there is not enough space, please go on to a separate sheet and attach it to this form.**

Remember to write your name and national insurance number at the top of any separate sheet if you are a member. Or, if you are not a member, put the member's name and national insurance number at the top of any separate sheet.

**5. Your signature**

I would like my complaint to be considered and a decision to be made about it. I am a:

**Scheme member / former member / prospective member \***

**Dependant of a former member \***

**Member's representative / dependant's representative \***

\* delete as appropriate

|         |       |
|---------|-------|
| Signed: | Date: |
|---------|-------|

**6. Please find enclosed**

- a copy of any written notification of the decision I am appealing against,
- a copy of the adjudicators decision at stage 1, and
- any other letter or notification that might be helpful.

**PLEASE SEND THIS FORM TO:**

XPS Administration

PO Box 340

Middlesbrough

TS1 2XP

Tel: 01642 030693

Fax: 01642 030700

E-mail: [pensionsunit@xpsgroup.com](mailto:pensionsunit@xpsgroup.com)

**XPS Administration will acknowledge receipt of this application and confirm the name and contact details of the adjudicator**

# Application under the Internal Dispute Resolution Procedure

## STAGE 1 APPLICATION

Please use this form to apply to the adjudicator appointed at stage 2 of the internal dispute resolution procedure.

Please write clearly in black ink, and use capital letters in boxes 1, 2 and 3.

### 1. Member's details

If you are the member (the person who is or was in the Scheme), or a prospective member (a person who is eligible to be a member of the Scheme), please give your details in this box. You can then go straight to box 4.

If you are the member's dependant (for example, their husband, wife or child), please give the member's details in this section, and then go to box 2.

If you are representing the person with the complaint, please give the member's details in this section, and then go to box 3.

If you are representing a member's dependant, please give the member's details in this section and then go to box 2.

|                                  |  |
|----------------------------------|--|
| <b>Full Name</b>                 |  |
| <b>Address:</b>                  |  |
| <b>Postcode</b>                  |  |
| <b>Date of Birth</b>             |  |
| <b>Employer</b>                  |  |
| <b>National Insurance Number</b> |  |



## 2. Dependant's details

If you are the member's dependant and the complaint is about a benefit for you, please give your details in this box and then go to box 4.

If the complaint is about a benefit for a dependant and you are the dependant's representative, please give the dependant's details in this box and then go to box 3.

|                               |  |
|-------------------------------|--|
| <b>Full Name</b>              |  |
| <b>Address:</b>               |  |
| <b>Postcode</b>               |  |
| <b>Date of Birth</b>          |  |
| <b>Relationship to member</b> |  |

## 3. Representative's details

If you are the member's or dependant's representative, please give your details in this box.

|  |  |
|--|--|
| <b>Full Name</b>                                       |  |
| <b>Address:</b>  |  |
| <b>Postcode</b>  |  |
| <b>The address response letters should be sent to</b>  |  |
| <b>The postcode response letters should be sent to</b> |  |

#### **4. Your complaint**

Please give full details of your complaint in this box. Please try to explain exactly why you are unhappy, giving any dates or periods of Scheme membership that you think is relevant.

**If there is not enough space, please go on to a separate sheet and attach it to this form.**

Remember to write your name and national insurance number at the top of any separate sheet if you are a member. Or, if you are not a member, put the member's name and national insurance number at the top of any separate sheet.

**5. Your signature**

I would like my complaint to be considered and a decision to be made about it. I am a:

**Scheme member / former member / prospective member \***

**Dependant of a former member \***

**Member's representative / dependant's representative \***

\* delete as appropriate

|         |       |
|---------|-------|
| Signed: | Date: |
|---------|-------|

**6. Please find enclosed**

- a copy of any written notification of the decision I am appealing against, and
- any other letter or notification that might be helpful.
- 

**PLEASE SEND THIS FORM TO:**

XPS Administration

PO Box 340

Middlesbrough

TS1 2XP

Tel: 01642 030693

Fax: 01642 030700

E-mail: [pensionsunit@xpsgroup.com](mailto:pensionsunit@xpsgroup.com)

**XPS Administration will acknowledge receipt of this application and confirm the name and contact details of the adjudicator**



# TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 11

## TEESSIDE PENSION BOARD REPORT

18 JULY 2022

DIRECTOR OF FINANCE – IAN WRIGHT

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.

### 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 Board to gain an understanding of the work undertaken by XPS Administration and whether they are meeting the requirements of the contract. The report is contained within Appendix A.
- 4.2 The report will also cover progress on recruitment to the posts discussed at previous meetings relating to the improvement to services.

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# **Teesside Pension Fund**

## **Performance Delivery Report**

2022-2023

# Contents

01 Overview

02 Member Movement

03 Member Self Service

04 Pension Regulator Data Scores

05 Customer Service

06 Completed Cases Overview

07 Completed Cases by Month

08 Complaints



# 01 Overview

## Regulations and Guidance

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### Scheme annual report 2021

On 13 June 2022 SAB published the Scheme's annual report 2021. The report provides a single source of information about the status of the LGPS for its members, employers and other stakeholders. The report collates information supplied by 86 administering authorities, as at 31 March 2021. Highlights include:

- total membership grew by 1.08 per cent from 6.160 million to 6.226 million
- total assets increased to £342 billion - a rise of 23.4 per cent
- local authority net return on investment from 1 April 2020 to 31 March 2021 was 20.56 per cent - reflective of market conditions
- a positive cash-flow was maintained overall, including investment income
- over 1.8 million pensioners were paid
- COVID-19 significantly impacted life expectancy - with a drop of 0.9 years and 0.5 years for males and females respectively (2019 figures versus 2020)
- total management charges increased by £196 million, an increase of 12.9 per cent - primarily driven by a rise in investment management charges, while administration, oversight and governance costs remained broadly stable.

### Stronger nudge to pensions guidance

The Stronger Nudge regulations come into force from 1<sup>st</sup> June 2022. Guidance on the requirements in respect of the Local Government Pension Scheme (LGPS) has been published by the Local Government Association (LGA) and our administration teams have been advised accordingly.

### Legal opinion on prepayment of contributions

The Scheme Advisory Board (SAB) has obtained a legal opinion on the prepayment of primary employer and/or employee contributions. This is in response to a request from an administering authority. The opinion is provided by James Goudie QC. In summary, James Goudie QC finds no legal barrier to the prepayment of these contributions. However, the advice makes clear that any prepayment should be taken on the basis of 'reasonableness, proportionality and prudence'. The full opinion and further information is available on the legal opinions page of the SAB website.

### Investments in line with UK foreign and defence policy

A last-minute amendment to the Public Service Pensions and Judicial Offices Bill was accepted before the Bill received Royal Assent on 10 March 2022. The amendment introduces the power for the Secretary of State to give guidance or directions to the LGPS on investment decisions that conflict with the UK's foreign and defence policy. There are no changes that LGPS administering authorities need to make now. Changes will only be needed if DLUHC issues guidance or directions, which would be subject to the usual 12-week consultation process. See the Boycotts Divestment and Sanctions page of the SAB website for more information.

**LGPS investments in Russia-** On 4 March 2022, the SAB published more information on Russian sanctions and divestment.

This follows the coming into force of The Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022 on 1 March 2022. On 9 March 2022, DLUHC sent a letter to all LGPS Committee Chairs, copying in the Chair of the SAB. It urges all parties to keep up to date with the list of Russian sanctions which is expected to grow.

### Consultation on draft pensions dashboards regulations

The LGA have published their response to Department for Work and Pensions (DWP) consultation on the Pensions Dashboards Regulations 2022. You can find the [response](#) on the non-scheme consultations page of [www.lgpsregs.org](http://www.lgpsregs.org)

## Public Service Pensions and Judicial Offices Bill - 10 March 2022

The Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to give the relevant government departments the regulation powers to resolve the discrimination identified in the McCloud judgment.

### Mandatory scheme pays deadlines changed

Section 9 of the Finance Act 2022 and the Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022 have changed the annual allowance deadlines. The changes apply in certain situations where annual allowance calculations for previous years are retrospectively amended. The LGA have published their interpretation of these changes in bulletin [223](#).

### Disclosure requirements for Normal Minimum Pension Age (NMPA) increase

The LGA have received several questions about whether an administering authority must tell its members about the NMPA increase. In particular whether regulation 8 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 is triggered. The change to the NMPA has not triggered regulation 8. This is because the change has not changed the LGPS rules on when benefits are payable. The LGPS rules on when benefits become payable are not automatically linked to the NMPA. The relevant government department will need to change the LGPS rules to align with the NMPA at some point on or before 6 April 2028. It will also need to consider whether members who qualify for protection will be allowed to receive payment before 57. When the LGPS rules change, regulation 8 will then be triggered.

### Prudential performance update

Representatives from Prudential attended the SAB meeting in December 2021 to discuss the performance issues experienced by administering authorities since November 2020. Prudential issued a communication on 13/05/2022 which can be found here [Prudential letter](#), or see attachment.

### Department for Levelling Up, Housing & Communities (DLUHC) publishes statutory guidance on special severance payments

On 12 May 2022, DLUHC published [statutory guidance on special severance payments](#). Best Value authorities in England must have regard to the guidance in circumstances in which it may be appropriate to make special severance payments. The guidance also covers approval, disclosure and reporting requirements

### The Pensions Ombudsman (TPO) - New online application form launched

TPO recently launched an enhanced online application form. The more user-friendly form is also smarter, with customers only required to answer relevant questions.

### The Pensions Regulator (TPR) Enforcement and prosecution policies consultation

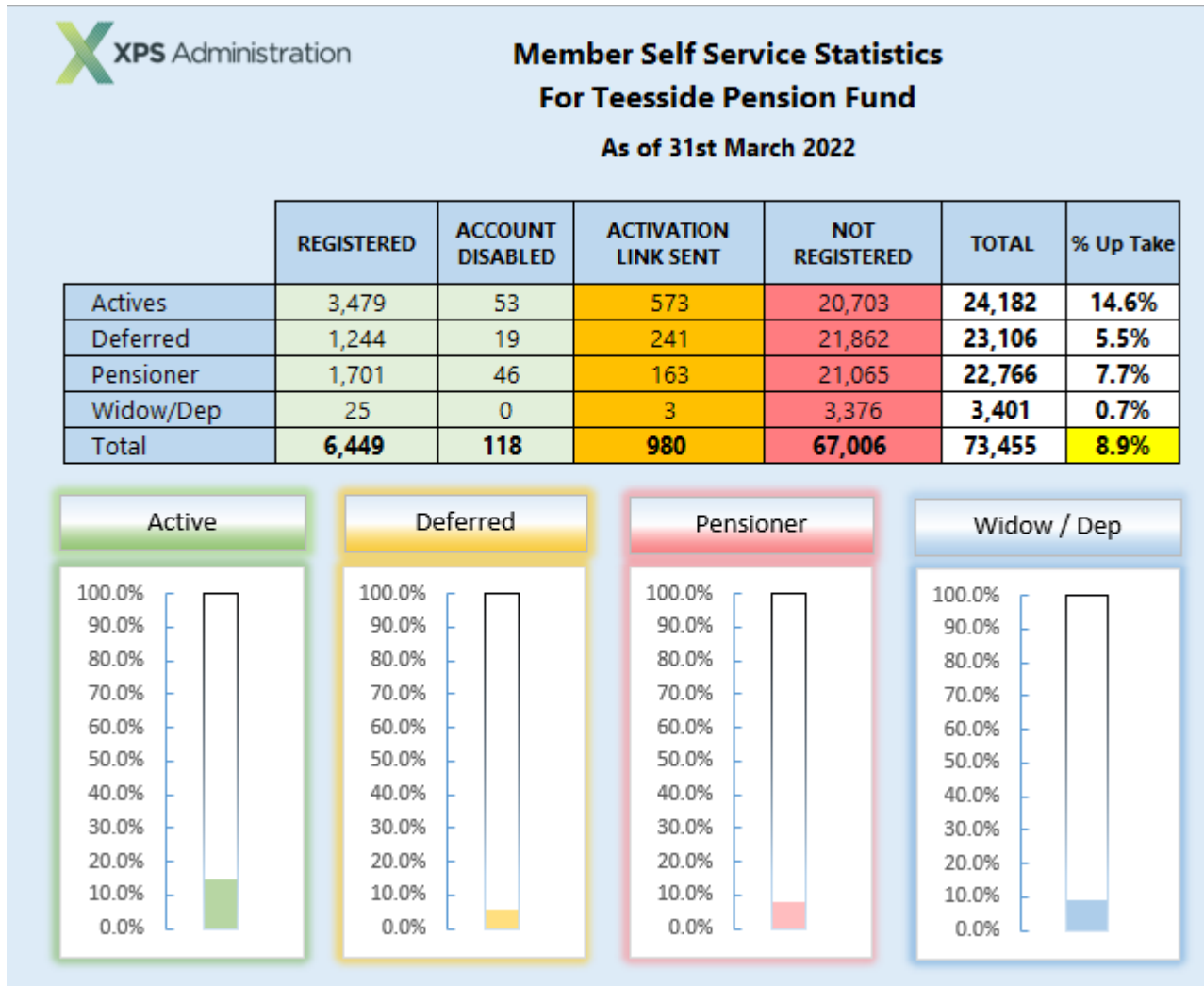
On 4 May 2022, TPR launched a consultation on its new consolidated and simpler draft enforcement policy and an updated prosecution policy. The [Enforcement and prosecution policies consultation](#) will close on 24 June 2022. The [Draft scheme management enforcement policy](#) will replace existing policies for defined benefit, defined contribution and public service pension schemes. The [Draft prosecution policy](#) explains how TPR will approach the prosecution of workplace pension criminal offences or offences that are otherwise related to TPR functions. Both policies have been updated to include the new powers granted to TPR in the Pension Schemes Act 2021.

## 02 Membership Movement

|            | Actives |   | Deferred |   | Pensioner |   | Widow/Dependent |   |
|------------|---------|---|----------|---|-----------|---|-----------------|---|
| Q4 2021/22 | 25,609  | ▲ | 26,240   | ▲ | 22,918    | ▲ | 3,309           | ▲ |
| Q3 2021/22 | 24,729  | ▼ | 26,165   | ▲ | 22,710    | ▲ | 3,240           | ▲ |
| Q2 2021/22 | 24,736  | ▲ | 26,040   | ▲ | 22,640    | ▲ | 3,261           | ▲ |
| Q1 2021/22 | 24,403  | ▲ | 26,002   | ▲ | 22,348    | ▲ | 3,232           | ▲ |
| Q4 2020/21 | 23,332  | ▲ | 25,703   | ▼ | 22,100    | ▲ | 3,191           | ▲ |

# 03 Member Self Service

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



# 04 Pension Regulator Data Scores

## Common Data

| Data Item                          | Teesside Pension Fund |              |               |
|------------------------------------|-----------------------|--------------|---------------|
|                                    | Max Population        | Total Fails  | % OK          |
| NINo                               | 78,434                | 171          | 99.78%        |
| Surname                            | 78,434                | 0            | 100.00%       |
| Forename / Inits                   | 78,434                | 0            | 100.00%       |
| Sex                                | 78,434                | 0            | 100.00%       |
| Title                              | 78,434                | 123          | 99.84%        |
| DoB Present                        | 78,434                | 0            | 100.00%       |
| Dob Consistent                     | 78,434                | 0            | 100.00%       |
| DJS                                | 78,434                | 0            | 100.00%       |
| Status                             | 78,434                | 0            | 100.00%       |
| Last Status Event                  | 78,434                | 663          | 99.15%        |
| Status Date                        | 78,434                | 1,665        | 97.88%        |
| No Address                         | 78,434                | 401          | 99.49%        |
| No Postcode                        | 78,434                | 536          | 99.32%        |
| Address (All)                      | 78,434                | 4,902        | 93.75%        |
| Postcode (All)                     | 78,434                | 4,924        | 93.72%        |
| <b>Common Data Score</b>           | <b>78,434</b>         | <b>3,143</b> | <b>95.99%</b> |
| <b>Members with Multiple Fails</b> | <b>78,434</b>         | <b>398</b>   | <b>99.49%</b> |

## Scheme Specific 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, this work will be complete by the 31<sup>st</sup> March 2022.

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 Guaranteed Minimum Pension) | 68,296       | 9,151                         | 86.60                                    |
| TPF (exc Guaranteed Minimum Pension) | 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 Guaranteed Minimum Pension (GMP)     |                                  |     |     | 24,400 | 7,954 | 67.40 |
| 1.5.3 | Post-88 Guaranteed Minimum Pension (GMP)    |                                  |     |     |        |       |       |



# 05 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 | %     |
|--------|----------|-------|
| 16,162 | 3,066    | 18.97 |

| 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               | 4.04              |
| 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%             | 76.68%            |
| 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 <a href="http://www.teespen.org.uk">www.teespen.org.uk</a> website? (from 18/05/17) | 47.27%             | 47.75%            |
| 11. Did you use the website to research the retirement process? (from 18/05/17)                                | 27.24%             | 27.59%            |
| 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 7<sup>th</sup> 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 11<sup>th</sup> July 2018. Their roles were then to look at how XPS could then provide the agreed services to the Fund.

### Employer Liaison

Following the resignation of the original Team Leader, a replacement has been appointed into the role.

The team are currently working on Year End files from the Teesside Pension Fund employers and commencing the role out of the collation of pension contributions on a monthly basis.

Next steps will be to work with the Fund to determine how to undertake employer covenant.

### Communications

The new website was launched to Scheme Members and Employers on the 5<sup>th</sup> May 2021 which is underpinned with 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. The following chart provides an overview of the information we have collected.



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 can 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. The initial stage is currently underway and we have a number of employers who have agreed to undertake the initial rollout. 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 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. I have also established a relationship with all Local Authorities Financial Wellbeing officers in which we are making ourselves available to work with them on their events and promotions alongside our usual employer and member sessions.

| <b>Date</b> | <b>Late Payments</b> | <b>Expected Payments</b> | <b>% Late</b> | <b>&lt; 10 Days Late</b> | <b>&gt; 10 Days Late</b> |
|-------------|----------------------|--------------------------|---------------|--------------------------|--------------------------|
| Apr-21      | 8                    | 148                      | 5.00%         | 7                        | 1                        |
| May-21      | 0                    | 148                      | 0.00%         | 0                        | 0                        |
| Jun-21      | 3                    | 149                      | 2.00%         | 3                        | 0                        |
| Jul-21      | 1                    | 149                      | 1.00%         | 1                        | 0                        |
| Aug-21      | 4                    | 149                      | 3.00%         | 3                        | 1                        |
| Sep-21      | 4                    | 149                      | 3.00%         | 1                        | 3                        |
| Oct-21      | 3                    | 144                      | 2.00%         | 0                        | 3                        |
| Nov-21      | 2                    | 144                      | 1.00%         | 0                        | 2                        |
| Dec-21      | 5                    | 144                      | 3.00%         | 2                        | 3                        |
| Jan-22      | 10                   | 146                      | 7.00%         | 1                        | 9                        |
| Feb-22      | 9                    | 146                      | 6.00%         | 2                        | 7                        |
| Mar-22      | 8                    | 146                      | 5.00%         | 0                        | 8                        |
| Apr-22      | 9                    | 146                      | 6.00%         | 1                        | 8                        |
| May-22      | 4                    | 146                      | 3.00%         | 4                        | 0                        |

# 06 Completed Cases Overview

2021/22

|                  | Cases Completed | Cases Completed within Target | Cases Completed Outside Target | Cases: % Within Target |
|------------------|-----------------|-------------------------------|--------------------------------|------------------------|
| April            | 493             | 493                           | 0                              | 100.00%                |
| May              | 421             | 421                           | 0                              | 100.00%                |
| June             | 548             | 548                           | 0                              | 100.00%                |
| <b>Quarter 1</b> | <b>1462</b>     | <b>1462</b>                   | <b>0</b>                       | <b>100.00%</b>         |
| July             | 793             | 792                           | 1                              | 99.87%                 |
| August           | 381             | 379                           | 2                              | 99.48%                 |
| September        | 502             | 502                           | 0                              | 100.00%                |
| <b>Quarter 2</b> | <b>1676</b>     | <b>1673</b>                   | <b>3</b>                       | <b>99.82%</b>          |
| October          | 474             | 474                           | 0                              | 100.00%                |
| November         | 605             | 605                           | 0                              | 100.00%                |
| December         | 618             | 616                           | 2                              | 99.68%                 |
| <b>Quarter 3</b> | <b>1697</b>     | <b>1695</b>                   | <b>2</b>                       | <b>99.88%</b>          |
| January          | 407             | 407                           | 0                              | 100.00%                |
| February         | 340             | 339                           | 1                              | 99.71%                 |
| March            | 304             | 304                           | 0                              | 100.00%                |
| <b>Quarter 4</b> | <b>1051</b>     | <b>1050</b>                   | <b>1</b>                       | <b>99.90%</b>          |

2022/23

|                  | Cases Completed | Cases Completed within Target | Cases Completed Outside Target | Cases: % Within Target |
|------------------|-----------------|-------------------------------|--------------------------------|------------------------|
| April            | 390             | 388                           | 2                              | 99.49%                 |
| May              | 634             | 634                           | 0                              | 100.00%                |
| June             | 0               | 0                             | 0                              | 0.00%                  |
| <b>Quarter 1</b> | <b>1024</b>     | <b>1022</b>                   | <b>2</b>                       | <b>99.80%</b>          |
| July             | 0               | 0                             | 0                              | 0.00%                  |
| August           | 0               | 0                             | 0                              | 0.00%                  |
| September        | 0               | 0                             | 0                              | 0.00%                  |
| <b>Quarter 2</b> | <b>0</b>        | <b>0</b>                      | <b>0</b>                       | <b>0.00%</b>           |
| October          | 0               | 0                             | 0                              | 0.00%                  |
| November         | 0               | 0                             | 0                              | 0.00%                  |
| December         | 0               | 0                             | 0                              | 0.00%                  |
| <b>Quarter 3</b> | <b>0</b>        | <b>0</b>                      | <b>0</b>                       | <b>0.00%</b>           |
| January          | 0               | 0                             | 0                              | 0.00%                  |
| February         | 0               | 0                             | 0                              | 0.00%                  |
| March            | 0               | 0                             | 0                              | 0.00%                  |
| <b>Quarter 4</b> | <b>0</b>        | <b>0</b>                      | <b>0</b>                       | <b>0.00%</b>           |

# 07 Completed Cases by Month

## January 2022

| 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%                        | 2.49                     | 216             | 0           | 216           | 216           |
| 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                        | 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%                           | 5                        | 13              | 0           | 13            | 13            |
| Merged Estimate Of Benefits and Deferred Benefits  | Monthly   | 10       | 98.25%                          | 100.0%                         | 4                        | 178             | 0           | 178           | 178           |
| 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 2022

| 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 | Comments |
|--|---|----------|---------------------------------|--------------------------------|--------------------------|-----------------|-------------|---------------|---------------|----------|
| All new entrant processed within twenty working days of receipt of application.  | Monthly   | 20       | 98.50%                          | 100.00%                        | 2.66                     | 97              | 0           | 97            | 97            |          |
| 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                        | 13              | 0           | 13            | 13            |          |
| 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                        | 11              | 0           | 11            | 11            |          |
| Merged Estimate Of Benefits and Deferred Benefits  | Monthly   | 10       | 98.25%                          | 99.5%                          | 5                        | 219             | 1           | 219           | 218           |          |
| 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 2022

| 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%                        | 3.94                     | 80              | 0           | 80            | 80            |
| Transfer Values - To complete the process within one month of the date of receipt of the request for payment.  | Monthly   | 20       | 98.50%                          | 100%                           | 3                        | 3               | 0           | 3             | 3             |
| 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%                           | 3                        | 7               | 0           | 7             | 7             |
| Merged Estimate Of Benefits and Deferred Benefits  | Monthly   | 10       | 98.25%                          | 100.0%                         | 4                        | 214             | 0           | 214           | 214           |
| 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         |               |               |

## April 2022

| 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%                        | 1.18                     | 175             | 0           | 175           | 175           |
| Transfer Values - To complete the process within one month of the date of receipt of the request for payment.  | Monthly   | 20       | 98.50%                          | 100%                           | 5                        | 17              | 0           | 17            | 17            |
| Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied. | Monthly   | 5        | 98.75%                          | 89%                            | 5                        | 19              | 2           | 19            | 17            |
| Merged Estimate Of Benefits and Deferred Benefits  | Monthly   | 10       | 98.25%                          | 100.0%                         | 4                        | 179             | 0           | 179           | 179           |
| Pension costs to be recharged monthly to all employers.  | Monthly   |          | 98.75%                          | 100%                           | N/A                      | N/A             | N/A         |               |               |
| Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.                            | Annual  | April    | 98.75%                          | 100%                           | N/A                      | N/A             | N/A         |               |               |
| Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.   | Monthly   |          | 98.75%                          | 100%                           | N/A                      | N/A             | N/A         |               |               |
| Pay eligible pensioners a monthly pension on the dates specified by the Council.   | Monthly   |          | 100%                            | 100%                           | N/A                      | N/A             | N/A         |               |               |
| All calculations and payments are correct.   | Monthly   |          | 98.75%                          | 100%                           | N/A                      | N/A             | N/A         |               |               |

## May 2022

| KEY PERFORMANCE REQUIREMENTS (KPR)   | MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly) | KPR Day | MINIMUM PERFORMANCE LEVEL (MPL) | ACTUAL PERFORMANCE LEVEL (A) | Average Case Time (day) | Number of Cases | Over targ | TOTAL (case) | Within Targ |
|--|---|---------|---------------------------------|------------------------------|-------------------------|-----------------|-----------|--------------|-------------|
| All new entrant processed within twenty working days of receipt of application.  | Monthly   | 20      | 98.50%                          | 100.00%                      | 0.68                    | 360             | 0         | 360          | 360         |
| 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                       | 17              | 0         | 17           | 17          |
| Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied. | Monthly   | 5       | 98.75%                          | 100%                         | 4                       | 23              | 0         | 23           | 23          |
| Merged Estimate Of Benefits and Deferred Benefits  | Monthly   | 10      | 98.25%                          | 100.0%                       | 4                       | 234             | 0         | 234          | 234         |
| 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       |              |             |

## 08 Complaints

| Full Name  | Description | Date received | Date completed | Comment |
|------------|-------------|---------------|----------------|---------|
| Nil return |             |               |                |         |



**Graeme Hall**  
Operations Manager  
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**Registration**

Xafinity Consulting Ltd, Registered No. 2459442. Registered office: Phoenix House, 1 Station Hill, Reading RG1 1NB. Punter Southall Investment Consulting Ltd Registered No. 6242672, Punter Southall Ltd Registered No. 03842603, PS Administration Ltd Registered No. 9428346. All registered at: 11 Strand, London WC2N 5HR. All companies registered in England and Wales.

**Authorisation**

Punter Southall Investment Consulting Ltd (FCA Register number 528774) and Xafinity Consulting Ltd (FCA Register number 194270) are both authorised and regulated by the Financial Conduct Authority (FCA) for investment business.



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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