

TEESSIDE PENSION FUND COMMITTEE

Date: Wednesday 27th July, 2022
Time: 11.00 am
Venue: Mandela Room

AGENDA

1. Welcome and Evacuation Procedure
2. Apologies for Absence
3. Declarations of Interest
To receive any declarations of interest.
4. Minutes - Teesside Pension Fund Committee - 29 June 2022 3 - 8
5. Draft Annual Teesside Pension Fund Report and Accounts 2021/22 9 - 92
6. Any other urgent items which in the opinion of the Chair, can be considered

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Tuesday 19 July 2022

MEMBERSHIP

Councillors D Coupe (Chair), E Polano (Vice-Chair), J Beall, A Bell, R Creevy, T Furness, S Hill, J Hobson, D McCabe, G Nightingale, J Rostron and G Wilson
Ms J Flaws, Mr B Foulger and Mr T Watson

Assistance in accessing information

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

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 29 June 2022.

PRESENT: Councillors D Coupe (Chair), A Bell, R Creevy, (Hartlepool Borough Council), J Hobson, D McCabe, E Polano (Vice-Chair), J Rostron, G Wilson
J Flaws (Other Employers Representative), B Foulger, (GMB Representative), T Watson (UNISON Representative)

ALSO IN ATTENDANCE: W Bourne (Independent Adviser), P Moon (Independent Advisor)
P Mudd (XPS Administration)
J Baillie (Hymans Robertson), D Green (Hymans Robertson)
W Baxter (CBRE), A Peacock (CBRE)
M Lyons (Border to Coast Pension Partnership)

OFFICERS: W Brown, S Lightwing and N Orton

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillors J Beall, T Furness, S Hill and G Nightingale

22/1 **WELCOME AND EVACUATION PROCEDURE**

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

22/2 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/Nature of Interest
Councillor J Rostron	Non Pecuniary	Member of Teesside Pension Fund
Councillor R Creevy	Non Pecuniary	Member of Teesside Pension Fund

22/3 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 16 MARCH 2022**

The minutes of the meeting of the Teesside Pension Fund Committee held on 16 March 2022 were taken as read and approved as a correct record.

22/4 **INVESTMENT ACTIVITY REPORT**

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

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

The Fund continued to favour growth assets over protection assets and currently had no investments in Bonds. Whilst it was considered that Bond yields would rise in the long run, at present yields did not meet the actuarial requirements for the Fund and should continue to be avoided at these levels unless held as a short term alternative to cash. The Fund had no investments in Bonds currently.

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 March 2022 were 16.13%. The Fund would continue to use cash to move away from its overweight position in equities and invest further in Alternatives.

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

During the quarter, £26.7 million was invested in Alternatives. The Fund was underweight its customised benchmark and, providing suitable investment opportunities were available, would look to increase its allocation to this asset class up to the customised benchmark level.

Appendix A to the submitted report detailed transactions for the period 1 January 2022 to 31 March 2022. There were net sales of £252 million in the period, this compared to net sales of £60.3 million in the previous reporting period.

As at 31 March 2022, the Fund had £817.4 million invested with approved counterparties. This was an increase of £252.2 million over the last quarter. Appendix B to the submitted report showed the maturity profile of cash invested as well as the average rate of interest obtained on the investments for each time period.

The total value of all investments as at 31 March 2022, including cash, was £5,071 million, compared with the last reported valuation as at 31 December 2021, of £5,040 million.

The Forward Investment Programme provided commentary on activity in the current quarter as well as looking ahead to the next three to five years.

Details of the current commitments in equities, bonds and cash, property, local investments and alternatives were included in paragraph 8 of the submitted report.

In line with the agreed strategy, the Fund had reduced its equity allocation from 70% to 60% by selling units in BCP equity funds.

A pie chart showing the current asset allocation in visual form was provided on page 41 of the submitted report.

The Border to Coast Series 2 Alternative Funds went live on 1 April 2022 and the Teesside Pension Fund had agreed to commit £150m per year for the next 3 years to the Infrastructure Fund and £100m per year for the next 3 years to the Private Equity Fund.

The Fund had also subscribed to an investment of £100m over the 3 year period to a new Border to Coast Climate Opportunities Fund, however due to over-commitments this was scaled back to £80m.

As at 31 May 2022 total commitments to private equity, infrastructure, other alternatives and other debt were approaching £1,533m.

ORDERED that the report was received and noted.

22/5

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 March 2022 the Fund had investments in the Border to Coast UK Listed Equity Fund and the Border to Coast Overseas Developed Markets Equity Fund. For both 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. As at 31 May 2022 total commitments of £750 million had been made to these sub-funds (£350m to infrastructure and £300m to private equity) with around 20% of this commitment invested so far. 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 March 2022 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 had underperformed over the last year, whereas the Overseas Developed Markets Equity Fund had over performed. Since inception, both Funds had delivered performance roughly in line with their targets. The performance of the Emerging Markets Equity Fund had been below benchmark throughout most of the period of the Fund's investment – recent performance had been adversely affected by an overweight position in Russia prior to the invasion of Ukraine. It was confirmed that the Fund had approximately £5 million in Russian investments through Border to Coast which equated to about 0.1% of the Fund's assets.

State Street had a passive global equity portfolio invested across four different region tracking indices appropriate to each region. 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 March 2022.

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. As the State Street investments were passive and closely tracked the appropriate regional equity indices, the portfolio's rating in these terms closely matched the benchmark indices ratings.

The latest report showed the performance of the State Street funds against 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.

ORDERED that the report was received and noted.

22/6

INVESTMENT ADVISORS' REPORTS

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

Further commentary was provided at the meeting.

It was highlighted that all pools were struggling to recruit staff on the investment side and whilst Border to Coast had been set up well there was a concern that another pool that was not doing so well might be forced to join it.

Although inflation might be persistent there would still be economic growth due to the fact that people had kept savings during the pandemic.

It was also noted that even if the funding level came down the fund was well placed to pay pensions in the future.

ORDERED that the information provided was received and noted.

22/7

PRESENTATION FROM BORDER TO COAST

Members received a presentation from Border to Coast in respect of the following items:

- Border to Coast Update
- Investment Valuation and Commitments
- Listed Equity Fund Updates
- UK Listed Equity Fund
- Overseas Developed Markets
- Emerging Markets Equity
- Alternatives Update
- Private Equity
- Infrastructure

ORDERED that the information provided was received and noted.

CURRENT ISSUES

A report was presented 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.

LGPS and Levelling Up

Further to the information provided at the March meeting of the Committee, as yet, nothing was confirmed, but the current expectation was that the Government would not be expecting LGPS Funds to report on investments made within their specific local area, but was 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 would be provided when available.

Scheme Advisory Board Annual Report 2021/2022

Earlier this month the Scheme Advisory Board (SAB) published its ninth Annual Report for the Local Government Pension Scheme (LGPS) in England and Wales. The report was available on the SAB website at the following link: <https://lgpsboard.org/index.php/foreword-2021>

The report emphasised that the LGPS was one of the largest defined benefit (DB) schemes in the world and the largest DB scheme in England and Wales, with 14,448 active employers, 6.2 million members and assets of £342 billion.

Key highlights for the LGPS were listed as follows:

- Total membership of the LGPS grew by 66,624 (1.08%) to 6.226 million members in 2021 from 6.160 million in 2020.
- The total assets of the LGPS increased to £342 billion (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 1.8 million 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 £196 million (+12.9%) from £1,517 million. This was primarily driven by a £193 million (14.9%) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

The main activity for the SAB during the year ending 31 March 2021 was 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.

LGPS Online Learning Academy

The Fund had recently purchased Hymans Robertson's LGPS On-Line Learning Academy and had ensured that every Pension Fund Committee and Local Pension Board member had access to it. The Learning Academy allowed Members 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 was intended to cover all of the 'knowledge and understanding' requirements that Pension Board members were legally required to obtain (and Pension Committee members were strongly encouraged to obtain).

It was suggested that Members worked through the training at their own pace and provide feedback to the Head of Pensions Governance and Investment.

ORDERED that the information provided was received and noted.

22/9

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 in real estate had slowed as investors paused due to higher inflation and debt rates. There was strong competition for the best assets and fewer buyers. The available stock was not related to any particular sectors although there was still some nervousness around the retail and office sectors. There was still a healthy amount of capital available for the markets.

It was confirmed that the Fund was underweight in office accommodation and was less exposed to the lower demand in this sector following the pandemic.

The portfolio valuation had shown an increase of 3.4% in June 2022 which was above the 2% expected. There had been no sales or acquisitions during the period and the void rate for properties remained low.

One of the Fund's largest debtors - Nuffield Health - had cleared their arrears and overall arrears were now back to pre-pandemic levels. Shoe Zone Retail Ltd currently had the highest amount of arrears (16.7% of the collectable arrears) and the Accounts Team were in regular dialogue with this tenant.

The Fund has completed a lease renewal with Harrow Green for a 10-year term with a 23% rental uplift on the previous passing rent.

In 2021, the Fund completed the purchase of an income strip to forward fund the development of a 210,000 sq ft industrial unit. A year on, the development was coming to fruition with ground works being complete and the recent assembly of the steel frame.

ORDERED that the information provided was received and noted.

22/10

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 report was presented in a new format and Members were invited to provide feedback on it.

The report provided information into the following sections:

- Overview.
- Membership Movement.
- Member Self Service.
- Pension Regulator Data Scores.
- Customer Service.
- Completed Cases Overview.
- Completed Cases by Month.
- Complaints.

XPS was currently working on closing the 2021/2022 financial year and opening the new one. A newsletter had been sent to active members and pensioners in May as well as pension increase statements. The team had also been working through the Annual Benefit Statement programme to ensure that the Statements would be issued on time. Work was also ongoing on the Pensions Savings Statements which need to be issued in early October.

In relation to the Key Performance Indicators (KPIs) there had only been three failures which were on non-payment or retirement estimates. Over one thousand pieces of work had been carried out and none of the three failures had a time critical impact. The KPIs themselves related to around one fifth of the total work carried out by the team during the reporting period.

New staff had been recruited into the Payroll Team and Employer Liaison Systems Unit. as well. A new admin tool called I-Connect was being introduced and some testing would take place with Employers. I-Connect would help ensure that pensions information would be more accurate and up to date and should provide a more efficient service for Members.

There had been no new Complaints during the last quarter.

Analytics on website usage were provided on page 12 of the submitted report. XPS continued to develop the website and seek feedback from Employers during their health checks.

Details of late payments from Employers were included in the submitted report. It was confirmed that some of these were from the same Employers but there might be genuine reasons for this, such as if the Employer had changed finance systems.

ORDERED that the information provided was received and noted.

22/11 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

22/12 **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.

22/13 **FUND ACTUARY - ADVICE ON 31 MARCH 2022 VALUATION ASSUMPTIONS**

A report from the Fund Actuary was provided giving recommendations on the main financial and demographic assumptions to be used in the ongoing triennial valuation of the Fund.

ORDERED that the information provided was received and noted.

22/14 **LOCAL INVESTMENTS UPDATE**

A report of the Director of Finance was presented to provide Members of the Pension Fund Committee with an update on the three local investments the Fund had made.

ORDERED that the information provided was received and noted.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

PENSION FUND COMMITTEE REPORT

27 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 with the 2021/22 draft Annual Report and Accounts for the Teesside Pension Fund.

2. RECOMMENDATION

- 2.1 That Members note the 2021/22 draft 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.

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

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

PENSION FUND COMMITTEE REPORT

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

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

PENSION FUND COMMITTEE REPORT

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 in any significant way, 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. In addition, the audit process for the Council's accounts (which include the Pension Fund accounts this Report is based on) is not complete and further changes may be required as a consequence of this. When complete the Annual Report and Accounts will be published on the Pension Fund's website.

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

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Teesside Pension Fund

Annual Report and Accounts
for the year ended

31 March 2022

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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):

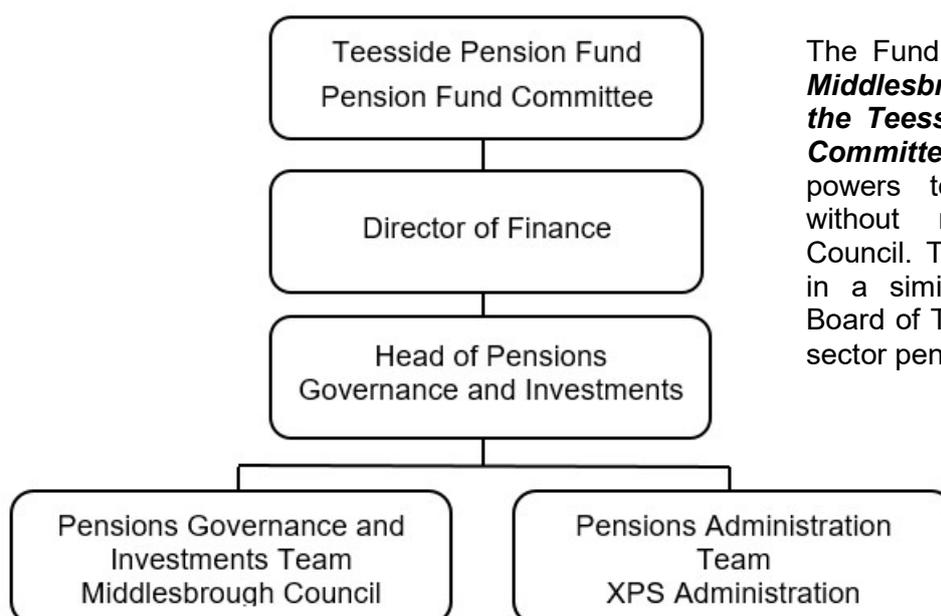
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme Regulations 2013; and
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

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 and on our website at: www.teespen.org.uk.

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

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

Members (all have voting rights)		Jun	Oct	Dec	Mar
	Councillor Stefan Walker		✓	✓	
	Councillor Ashley Waters	✓			
	Councillor Matthew Storey	✓		✓	
	Councillor Graham Willson				✓
Redcar & Cleveland BC	Councillor Glyn Nightingale	✓	✓		
Stockton BC	Councillor Jim Beall	✓		✓	✓
Hartlepool BC	Councillor Rachel Creevy			✓	✓
	Julie Flaws			✓	
Trades Unions	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 1/49th of pensionable pay each year where the previous scheme rate was 1/60th.
- There is no fixed scheme pension age, instead each member's Normal Pension Age (NPA) is their State Pension Age, with a minimum of 65 (the former scheme had a fixed pension age of 65).
- Member contributions to the scheme are set at one of nine different contribution bands, between 5.5% and 12.5% of pensionable pay, set based on the level of actual pensionable pay the scheme member receives.
- There is a facility for members to choose to pay half contributions for half the pension. This is known as the 50/50 option (earlier schemes had no such option). The intention was to provide a lower cost option for members who were perhaps considering opting-out of the scheme.
- Members' benefits for service prior to 1 April 2014 are protected, including protecting the earliest age a scheme member could receive a pension without early retirement reductions applying. Protected past service continues to be based on final salary and age 65 NPA.

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

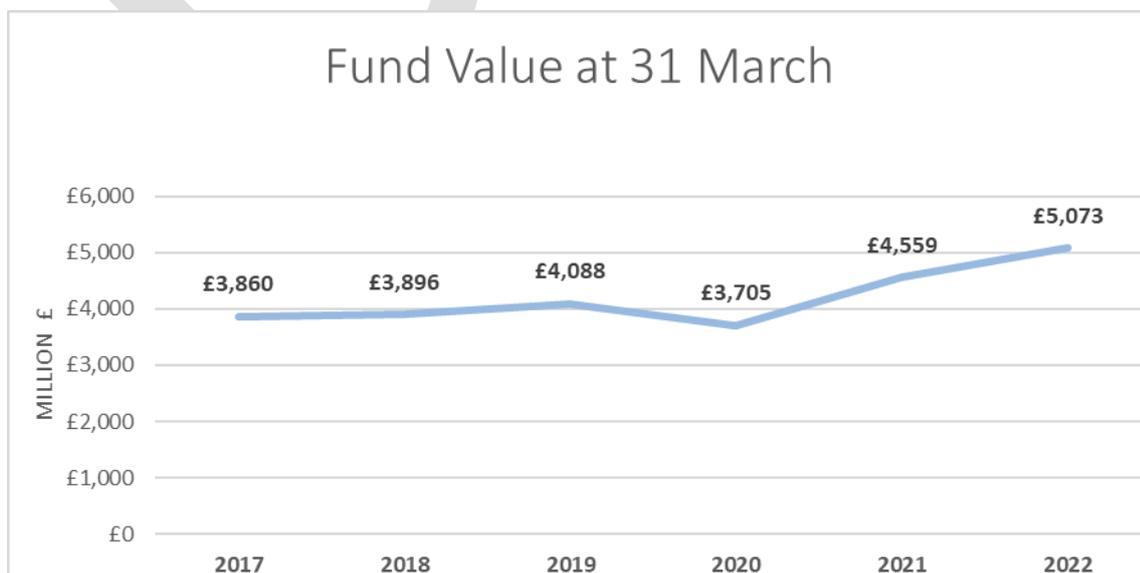
For the Fund to significantly outperform its benchmark it needs to have an asset mix which is different from that of its benchmark. The more outperformance is required the greater the differences will need to be. In other words outperformance cannot be achieved without taking risks. Measurement of risk 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
Fund Value at the end of the year	3,896,452	4,088,095	3,705,473	4,559,485	5,073,397
Change in Fund Value %	1%	5%	(9%)	23%	11%

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 Pensioner	23,243	23,361	23,488	23,322	26,249
Pensioner	22,757	23,983	24,651	25,366	26,212
Total	69,295	70,068	71,577	72,926	77,895

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 £ ' 000	2021/22 £ ' 000	Change
Contributions and Other Income				
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%)
Total Income		104,031	103,663	0%
Benefits and Other Expenditure				
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%)
Total Expenditure		165,427	167,860	1%
Return on Investments				
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%)
Total Return on Investments		915,408	578,109	(37%)

Net Increase in the Fund in the Year

854,012

513,912

(40%)

Explanation of variances

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

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.

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

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

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

Auto enrolment continues to make contributions to the scheme, and the ability for employees to pay 50% contributions continues to have a positive effect for the year.

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

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.

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

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

	Number	Total Cost	Average
Hartlepool Borough Council	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

Total	45	£1,278,266	£28,406
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	2020/21	2021/22		
6 Benefits - £000	123,640	127,421	increase of	3%

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)

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

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

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

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).

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

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

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

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

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		
11 Oversight and Governance Costs - £000	588	397	decrease of	(28%)

Border to Coast Governance costs included at £300k.

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

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

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

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		
14 Rent - £000	12,584	15,554	increase of	24%

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		
15 Interest - £000	1,668	854	decrease of	(49%)

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		
16 Investments - £000	4,211,320	4,253,011	increase of	1%

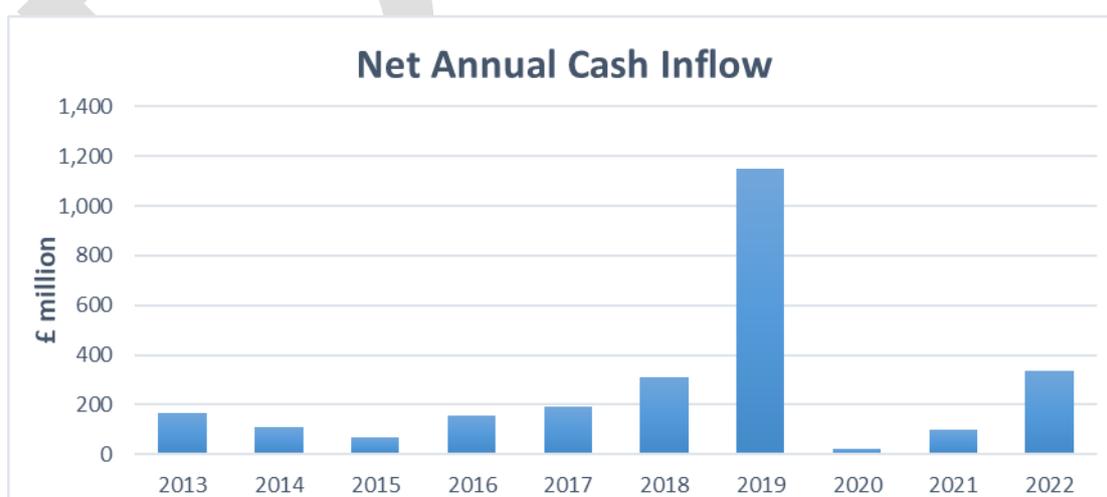
Investment values for the portfolio showed less than a 1% increase in value of £41.7M for the year.

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

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 2020/21	£000 2021/22
Cashflow from Operating Activities		
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
Total Cash Received	264,450	507,707
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
Total Cash Paid	167,856	171,824
Net Cash Inflow from Operating Activities	96,594	335,883
Application of Cash		
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)
	96,594	335,883



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

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%
Total	66	100.0%

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
XPS Administration Ltd	11.5%	31	66
Yarm Primary School	17.5%	20	60
Zetland Primary School	17.5%	18	56
Total Contributions 2020/21		30,415	64,977

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.

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

Actuarial Valuation of the Fund

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

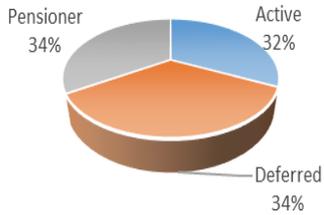
- ◆ The ongoing funding level of the Fund on 31 March 2019 was 115% (2016 – 100%).
- ◆ The surplus of assets compared to the past service liabilities was £527.3 million (2016 – surplus of assets compared to past service liabilities £11.1 m).
- ◆ The average cost of accruing benefits payable by the employers,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

Membership

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

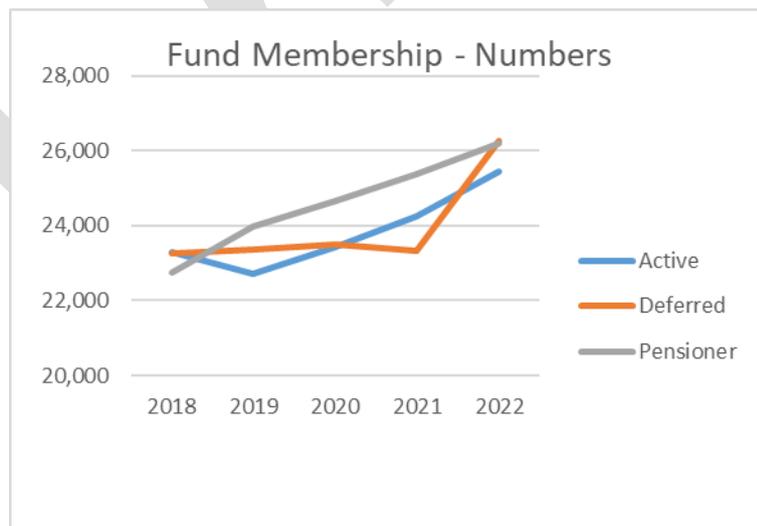
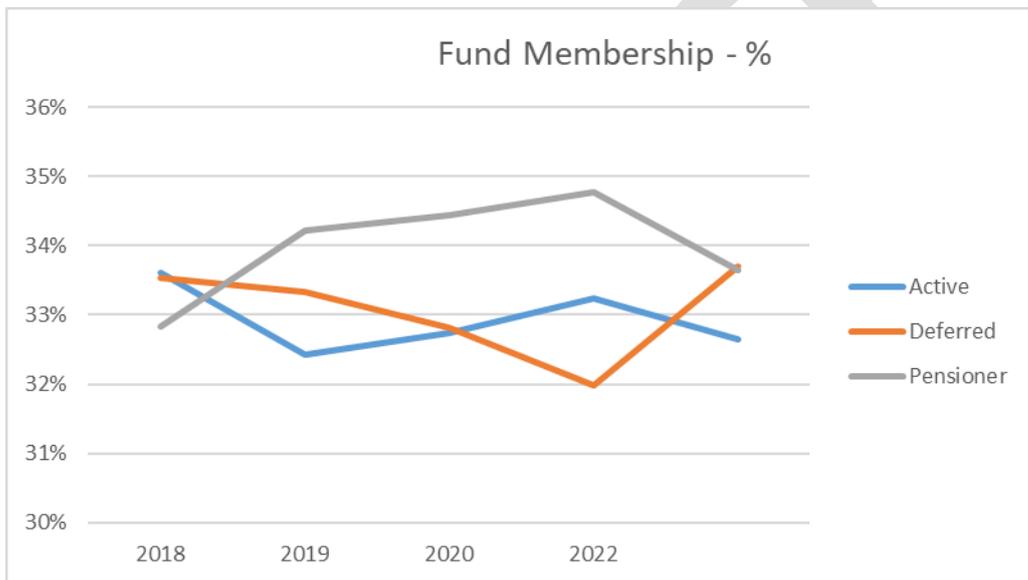
The number of pensioners continues to increase but proportionately the Fund membership remains broadly split between the three categories of member.

Membership at 31 March 2022



Membership Numbers

	2018	2019	2020	2021	2022
Active	23,295	22,724	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
Total	69,295	70,068	71,577	72,926	77,895



Summary of Membership Changes

	Active Members	Deferred Members	Pensioners		Total
			Members	Dependants	
At 1 April 2021	24,238	23,322	22,156	3,210	72,926
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)
At 31 March 2022	25,434	26,249	22,907	3,305	77,895
% of Total at 1 April 2021	33.2%	32.0%	30.4%	4.4%	100.0%
% of Total at 31 March 2022	32.7%	33.7%	29.4%	4.2%	100.0%

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 (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 ART	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 BC	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 (formerly OCN)	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 Ltd	1	2	0	0	3
SLM Community Leis Char Trust	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 PFI	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 Academy	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 Trust	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 School	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 Academy	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 Bede Academy	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 Patrick Primary	2	2	6	1	11
Wynyard C o E Primary School	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 û RCBC	13	4	1	0	18
Caterlink û 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 Primary	39	7	2	0	48
St Francis of Assisi	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 Trust	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 Trust	59	3	0	0	62
RM Education	1	0	0	0	1
Employers with no active members	0	2275	6354	1499	10128
Total	25434	26249	22907	3305	77895

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:

	Teesside Pension Fund at 31/03/2021	Teesside Pension Fund at 31/03/2022	Teesside Pension Fund Benchmark	Investment Strategy Statement Max	Investment Strategy Statement Min
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:

Security Description	% of Total Investments	Market value £'000
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
	63.75%	3,232,945

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%

Manager / Investment	Asset class	Market Value £'000	% of Fund
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%
Total		£5,070,927	100.00%

PERFORMANCE

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

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

In the year 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 14.5% FTSE Dev Asia Pacific Ex Japan Index 13% EuroStoxx 600 Ex UK Index 6% Topix 500 Index 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 14.5% S&P 500 Index 13% EuroStoxx 600 Ex UK Index 14.5% FTSE Dev Asia Pacific Ex Japan Index 6% Topix 500 Index 5% FTSE Emerging Index 7% MSCI Property Index 10% SONIA 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. 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. The ISS has been amended to take into account the recommendations of the Myners Report on Institutional Investment.

The Fund's Investment Strategy Statement states that:

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

Responsible investment aims to incorporate ESG factors into investment decisions to better manage risks and generate long term returns, as part of the Fund's fiduciary duty. As a result, ESG factors are incorporated into the investment process and the Fund takes non-financial considerations, including climate change risks and opportunities, into account when making investments, and engages with companies in which we invest to ensure that they are minimising the risks and maximising the opportunities presented by non-financial considerations, including climate change and

climate policy. The Fund has not excluded any investments on purely non-financial considerations and will continue to invest in accordance with the Regulations in this regard. However, the overriding consideration for any investment is whether it generates an acceptable risk-adjusted return for the Fund, meeting the Fund's fiduciary duty.

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

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

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

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

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

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

Financial Statements

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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 £000			2021/22 £000
	Contributions and Benefits		
	Dealings with members, employers and others directly involved in the Fund		
(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	Net (additions) / withdrawals from dealings with members		56,069
7,484	Management expenses	11,19	8,128
61,396	Net (additions) / withdrawals from dealings with members, employers and others directly involved in the Fund		64,197
	Returns on investment		
(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)	Net returns on investments		(578,109)
(854,012)	Net (increase) / decrease in the net assets available for benefits during the year		(513,912)
3,705,473	Net assets of the scheme as at 1st April		4,559,485
4,559,485	Net assets of the scheme as at 31st March		5,073,397
2020/21	Net Assets Statement as at 31st March		2021/22
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	Net assets of the scheme at 31st March		5,073,397

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 verses benefits and other expenditure of £90 million will be met partly from other regular investment income, which is estimated to be £20 million in 2021/22 with the remaining £70 million being taken from the Fund's cash balance, which was £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 (9th Edition).

Custody and Security of Investments

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

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

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

Financial Instruments

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

IFRS 13 Fair value measurement

This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS

standards that currently permit or require measurement at fair value (with some exceptions). The fund complies currently complies with this standard.

Foreign Currency Transactions

Foreign income and sales and purchases of investments in foreign currencies received during the year have been converted into Sterling at the exchange rate at the date of transaction. Amounts outstanding at the year-end have been valued at the closing exchange rates on 31 March 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)
	Total	(95,393)	(97,666)
Analysis of Total Contributions		2020/21	2021/22
		£000	£000
	Administering Authority – Middlesbrough Council	(13,451)	(12,629)
	Scheduled Bodies	(68,071)	(72,217)
	Admission Bodies	(13,871)	(12,820)
	Total	(95,393)	(97,666)

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
	Total	149,785	153,758
Analysis of Total Benefits			
	Administering Authority – Middlesbrough Council	24,159	24,119
	Scheduled Bodies	91,839	95,869

Admission Bodies	33,787	33,770
Total	149,785	153,758

8. Transfers in from Other Pension Funds

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

9. Other Income

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

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
Total	8,158	5,974

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
Total	7,446	8,109

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
Total	4,955	5,474

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)
	Total	(13,741)	(176,365)
		2020/21	2021/22
	Rental Income and Property Expenses	£000	£000
	Gross Rental income	(13,563)	(16,172)
	Property Expenses / (Income)	979	618
	Net Rents from Properties	(12,584)	(15,554)

13. Investment Assets

2021/22	Value at 1 April 2021	Purchases at Cost	Sale Proceeds £000	Change in Market Value £000	Value at 31 March 2022 £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
	4,211,320	1,320,339	(1,680,392)	401,744	4,253,011
Cash Deposits	340,650				817,250
Other Investment Balances	1,847				1,833
Net Investment assets	4,553,817				5,072,094

2020/21	Value at 1 April 2020	Purchases at Cost	Sale Proceeds £000	Change in Market Value £000	Value at 31 March 2021 £000
Equities	89	0	0	1	90
Pooled Investment Vehicles	2,868,327	876,896	(765,047)	889,814	3,869,990
Pooled Property Investments	51,134	190	(386)	13,102	64,040
Properties	278,450	0	0	(1,250)	277,200
	3,198,000	877,086	(765,433)	901,667	4,211,320
Cash Deposits	501,295				340,650
Other Investment Balances	13,933				1,847
Net Investment assets	3,713,228				4,553,817

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.

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

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

Geographical Analysis of Investments

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

Equities

	2020/21	2021/22
	£000	£000
UK quoted	81	80
Overseas quoted	9	9
Total	90	89

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
UK Unit and Investment Trusts Total	0	49,161
Overseas Equities	1,745,103	1,499,754
Overseas Unit and Investment Trusts Total	2,188,927	2,422,142
Total	3,934,030	3,921,896

UK Properties

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

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
Total	1,847	1,833

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
Total GBP	280,000,000	135,957,871	144,042,129
	EUR	EUR	EUR
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
Total EUR	105,000,000	60,684,529	44,315,471
	USD	USD	USD
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
Total USD	100,000,000	68,140,839	31,859,161
Other Alternatives			
	GBP	GBP	GBP
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
Total GBP	65,000,000	36,951,835	28,048,165
	EUR	EUR	EUR
La Salle Real Estate Debt Strategies IV	25,000,000	3,461,358	21,538,642
Total EUR	25,000,000	3,461,358	21,538,642
	USD	USD	USD
Pantheon Senior Debt Secondaries II	25,000,000	8,774,390	16,225,610
Total USD	25,000,000	8,774,390	16,225,610
Other Debt			
	GBP	GBP	GBP
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
	75,030,934	49,405,529	25,625,405

Private Equity			
	GBP	GBP	GBP
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
Total GBP	279,999,950	107,035,789	172,964,161
	EUR	EUR	EUR
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
Total EUR	177,000,000	90,521,665	86,478,335
	USD	USD	USD
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
Total USD	202,000,000	118,080,907	83,919,093

14. Financial Instruments

Net Gains and Losses on Financial Instruments

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

Fair Value of Financial Instruments

	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	As at 31/3/21			As at 31/3/22		
Financial Assets	£000	£000	£000	£000	£000	£000
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	
Total	3,934,120	363,466	0	3,921,896	831,889	0
Financial Liabilities						
Loans and receivables						
Creditors			(15,301)			(11,503)
			(15,301)			(11,503)
Net Financial Assets of the Fund	3,934,120	363,466	(15,301)	3,921,896	831,889	(11,503)

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)
Total Financial Assets	820,475	2,745,971	1,506,951	5,073,397
Value as at 31 March 2021	£000	£000	£000	£000
Financial assets at fair value through profit and loss account	90	2,465,168	1,468,862	3,934,120
Non-financial assets through profit and loss account	0	0	277,200	277,200
Loans and receivables	372,366	0	0	372,366
Financial Liabilities at amortised cost	(15,301)	0	0	(15,301)
Total Financial Assets	357,155	2,465,168	1,746,062	4,568,385

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
Total		1,175,836	1,355,982	995,692

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
Total		1,468,862	1,671,832	1,265,894

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

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

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

Period 2020/21	Market Value 1 April 2020	Transfer between levels	Purchases	Sales	Unrealise d Gains/ Losses	Realised Gains/ Losses	Market Value 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Pooled Investments - Overseas Equity	1,433,862	0	0	(745,023)	405,904	141,246	1,235,989
Pooled Investments - Private Equity	33,836	0	108,082	(6,850)	14,726	0	149,794
Pooled Investments - Infrastructure	59,565	(59,322)	22,195	(3,554)	16,589	0	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
Total	1,562,730	(59,322)	145,497	(757,979)	437,230	141,246	1,469,402

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 £000	Change %	Value on Increase £000	Value on Decrease £000
Equities	UK	80	14.98%	92	68
	Non UK	9	12.96%	10	8
	Total	89		102	76
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
	Total	3,921,807		4,448,507	3,395,107
Total		3,921,896		4,448,609	3,395,183

2020/21 Price Risk Asset Type	Region	Value at 31/03/2021 £000	Change %	Value on Increase £000	Value on Decrease £000
Equities	UK	81	16.07%	94	68
	Non UK	9	13.46%	10	8
	Total	90		104	76
Managed and Unitised Funds	UK	1,477,735	16.07%	1,715,207	1,240,263
	Non UK	2,456,295	13.46%	2,786,912	2,125,678
	Total	3,934,030		4,502,119	3,365,941
Total		3,934,120		4,502,223	3,366,017

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 £000	2022 £000
Cash and cash equivalents	340,650	817,250
Cash balances	1,847	1,833
Total	342,497	819,083

Sensitivity Analysis

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

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

Asset Type		+25 BPS	-25 BPS
Carrying value at 31 March 2022	£000	£000	£000
Cash and cash equivalents	817,250	2,043	(2,043)
Cash balances	1,833	5	(5)
Total	819,083	2,048	(2,048)

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

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 £000	Change %	Value on Increase £000	Value on Decrease £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
Total	2,456,303		2,655,381	2,257,225

Currency Risk 31 March 2021	Value £000	Change %	Value on Increase £000	Value on Decrease £000
Australian Dollar	9	8.60%	10	8
Euro	485,317	5.80%	513,465	457,169
Japanese Yen	203,613	9.30%	222,549	184,677
US Dollar	1,029,673	8.60%	1,118,225	941,121
Asia Pacific ex Japan basket	737,691	8.60%	801,132	674,250
Total	2,456,303		2,655,381	2,257,225

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;

	31/03/2016	31/03/2019
	£million	£million
Net Liabilities	3,122	3,561
Assets	3,133	4,088

Surplus	11	527
Funding Level	100%	115%

The actuarial assumptions used to calculate the promised value of benefits at 31 March 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:	Years
Men	21.80
Women	23.40
Longevity at 65 for future pensioners :	
Men	23.10
Women	25.20

16. Current Assets

Receivables		31/03/2021	31/03/2022
		£000	£000
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
Total		20,969	12,806
Analysed by:			
Other local authorities		3,918	4,736
Other entities and individuals		7,346	7,322
Add cash balances		9,706	748
Total		20,969	12,806

17. Current liabilities

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

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:

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

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

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

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

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

The assets were valued at market value.

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

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

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

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

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

▪ **Cost Management Process and McCloud/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 16th 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

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

Pension increases

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

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

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

From April	Increase %
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

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

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