

## TEESSIDE PENSION BOARD

<b>Date:</b> Monday 8th April, 2024 <b>Time:</b> 2.00 pm <b>Venue:</b> Mandela Room
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### AGENDA

1. Welcome and Evacuation Procedure
2. Apologies for Absence
3. Declarations of Interest  
To receive any declarations of interest.
4. Minutes - Teesside Pension Board - 26 February 2024 3 - 10
5. Minutes - Teesside Pension Fund Committee - 13 December 2023 11 - 20
6. Teesside Pension Fund Committee - 13 March 2024  
Verbal Report
7. Pension Fund Business Plan 21 - 66
8. Teesside Pension Board Annual Report 2022/23 67 - 74
9. Update on Work Plan Items 75 - 110
10. XPS Administration Report 111 - 126

11. Any other urgent items which in the opinion of the Chair, may be considered

Charlotte Benjamin  
Director of Legal and Governance Services

Town Hall  
Middlesbrough  
27 March 2024

### MEMBERSHIP

P Thompson (Chair), Councillor C Massey (Deputy Chair),  
J Bell, Councillor Dunbar, J Stubbs, Councillor N Walker

### **Assistance in accessing information**

**Should you have any queries on accessing the Agenda and associated information please contact Susan Lightwing, 01642 729712, [susan\\_lightwing@middlesbrough.gov.uk](mailto:susan_lightwing@middlesbrough.gov.uk)**

### **Statement of purpose**

The Board is responsible for assisting the Administering Authority:

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

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

## TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on Monday 26 February 2024.

**PRESENT:** P Thompson, Chair, J Stubbs and J Bell  
Councillors C Massey (Deputy Chair) and N Walker

**ALSO IN ATTENDANCE:** P Mudd (XPS Administration)

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

**APOLOGIES FOR ABSENCE:** None received.

### 23/20 WELCOME AND EVACUATION PROCEDURE

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

### 23/21 DECLARATIONS OF INTEREST

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

### 23/22 MINUTES - TEESSIDE PENSION BOARD - 13 NOVEMBER 2023

The minutes of the meeting of the Teesside Pension Board held on 13 November 2023 were taken as read and approved as a correct record.

It was highlighted that the At Ease Newsletter had not been published due to unresolved issues with the printing provider as previously minuted. The Head of Pensions Governance and Investments agreed to prioritise this with XPS and inform Board Members when the next issue would be published.

#### NOTED

### 23/23 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 27 SEPTEMBER 2023

A copy of the minutes of the meeting of the Teesside Pension Fund Committee held on 27 September 2023 was submitted for information.

#### NOTED

### 23/24 TEESSIDE PENSION FUND COMMITTEE - 13 DECEMBER 2023

The Head of Pensions Governance and Investments provided a verbal update on agenda items considered at a meeting of the Teesside Pension Fund Committee held on 13 December 2023.

Following a lengthy debate in relation to the Fund transferring its property portfolio to Border to Coast, from which press and public were excluded, the Committee had agreed, on a vote being taken, not to pool its property investments at this time. It was noted that if the Government forced the Fund to pool at a later date there would be a tax charge and the Fund would have to justify why its property assets had not been transferred.

It was noted that Board Members were unable to access exempt reports online that had been submitted to the Committee. The Head of Pensions Governance and Investments agreed that exempt reports could be provided to Board Members on request.

At the end of September 2023, the total value of all investments, including cash, was £5,100 million. The Fund's equity weighting at 60% was slightly above the long-term target and £100 million in equities had been sold during the last quarter. The Fund Advisers had raised concern in relation to the percentage of illiquid asset holdings which was at 36%. The Advisers had suggested that the Fund might need to de-risk and put money into bonds at some point in the future. It had also been highlighted that the Fund had low risk assets that produced low returns and needed a higher return from higher risk assets. The Teesside Pension Fund had lower employer contributions than a lot of other Local Government Pension Scheme Funds and therefore needed to generate higher income.

CBRE, the Fund's property advisers, had informed the Committee that the Fund had bought an industrial unit in Washington, let to BAE for £50million and this was now the largest asset in the portfolio. The Fund had also built an industrial unit in Yeovil which would be rented out as a warehouse for helicopter parts for Leonardo, and would produce significant returns.

Border to Coast had provided an annual refresh of its Responsible Investment Policy, Corporate Governance and Voting Guidelines and Climate Change Policy which were noted by the Committee.

A Member queried whether, for example, 150 redundancies could have a significant impact on employer contribution rates. The Head of Pensions Governance and Investments explained that the Actuary considered such events as part of the valuation every 3 years and that a relatively small number of redundancies should not have a dramatic impact.

It had been reported that Middlesbrough Council was selling some of its assets and a Member asked whether the Teesside Pension Fund would consider buying any. The Head of Pensions Governance and Investments confirmed that consideration would be given to any assets that met the criteria for inclusion in the property portfolio.

**AGREED** as follows that:

1. The information provided was received and noted.
2. Exempt Committee reports would be emailed to Board Members on request.

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## **UPDATE ON WORK PLAN ITEMS**

A report of the Director of Finance was presented to provide information on items scheduled in the work plan for consideration at the current meeting which were: internal controls and managing risks and the Fund's approach to cyber security.

### Internal Controls and Managing Risks

The Pensions Regulator's recently published General Code of Practice provided the following very broad definition of Internal Controls:

"Internal controls refer to all the following:

- the arrangements and procedures to be followed in the administration and management of the scheme;
- the systems and arrangements for monitoring that administration and management, and
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme."

The Fund's Risk Management Policy (attached at Appendix B to the submitted report) detailed the risk management strategy for the Fund, including:

- The risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk.
- How risk management is implemented.
- Risk management responsibilities.
- The procedures that are adopted in the Fund's risk management process.
- The key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

Effective risk management was an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Fund could:

- Demonstrate best practice in governance.
- Improve financial management.
- Minimise the risk and effect of adverse conditions.
- Identify and maximise opportunities that might arise.
- Minimise threats.

In relation to understanding and monitoring risk, the Administering Authority aimed to:

- Integrate risk management into the culture and day-to-day activities of the Fund.
- Raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners).
- Anticipate and respond positively to change.
- Minimise the probability of negative outcomes for the Fund and its stakeholders.
- Establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice.
- Ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Fund, the Administering Authority aimed comply with:

- The CIPFA Managing Risk publication.
- The Pensions Act 2004 and the Pensions Regulator's Codes of Practice as they relate to managing risk for public service pension schemes.

The Fund's risk management process was in line with that recommended by CIPFA and was a continuous approach which systematically looked at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management were identified as Risk Identification, Risk Analysis, Risk Control and Monitoring.

Progress in managing risks was monitored and recorded on the risk register, which would be provided at least annually to the Pension Fund Committee. A copy of the Risk Register was attached at Appendix C to the submitted report. The Pension Fund Committee would be provided with updates on a quarterly basis in relation to any changes to risks and any newly identified risks and a formal review would be carried out at least twice a year.

As a matter of course, the Teesside Pension Board will be provided with the same information that was provided to the Pension Fund Committee and would be able to provide comment and input to the management of risks. In order to identify whether the objectives of this policy were being met, the Administering Authority would review the delivery of the requirements of the Policy on an annual basis taking into consideration any feedback from the Teesside Pension Board.

The risks identified were of significant importance to the Pension Fund. Where a risk was identified that could be of significance to the Council it would be included in the Risk Register. The risk matrix was adapted from the one used by the Council and the External Auditor's assessment of materiality.

It was queried whether the issuing of a Section 114 notice by a Council would be included in the Risk Register. The Head of Pensions Governance and Investments commented that the risk on the Pension Fund would be low and it was incredibly unlikely that a Council would stop paying pension contributions. Tax raising bodies were secure as if they went into administration they would still be underwritten by the Government. Admission bodies were structured so that any liability would fall back on the original body.

There had been some pressure from local authorities to look at whether the Teesside Fund could look at reducing contribution rates because investments were doing well and liabilities had changed. However, after consulting the Actuary and the Funding Strategy Statement it was decided that there was no scope to change rates in between valuations.

## Cyber Security

The Fund was responsible for the personal data of over 80,000 scheme members, ongoing payments to almost 27,000 pensioners and maintaining secure financial records in relation to around £5 billion of assets. All the Fund's transactions were carried out electronically and all of its records were held electronically. This meant cyber security – the security of those records, transactions and the systems that facilitated them – was of prime importance.

In maintaining secure systems and data, the Fund relied on the systems and processes the Council (as Administering Authority for the Fund) had in place, the security around some third-party systems (such as NatWest's Bankline) and also in the systems in processes maintained by its key partners such as XPS Pensions Administration ('XPS') the outsourced pensions administrator.

The Council's Information and Communication Technology (ICT) team had robust systems and procedures in place to ensure the Council's network was secure and that access to it was strictly controlled. Across the Council, staff were categorised according to the degree of contact they had with systems and data in the course of their daily work, and appropriate training was provided accordingly. For example, staff who had regular contact with personal data and/or management of staff and/or had access to a broad range of network ICT applications were required to carry out advanced level data protection and cyber security training, and to have regular refresher training.

The Council had a robust business continuity plan, and each functional area was required to consider how it could continue to operate in the event of widespread network issue or unavailability.

The Fund maintained a business continuity plan setting out how it would continue to function in the event some, or all of its systems became unavailable. The functionality relating to pension administration – the collection of contributions and the calculation and payment of benefits – was covered by XPS's business continuity plan. The remaining functionality, such as the requirement to continue maintaining the Fund's investments, making payments and receiving income appropriately was covered in the Fund's business continuity plan, which was reviewed and (if necessary) updated twice a year.

The Fund relied on a number of external third-party software systems to carry out essential functions. One of the most significant of these was the Bankline system provided by NatWest, which was used to facilitate payments to and from the Fund's account. These payments were both ongoing transactional payments, such as receipt of contributions and payment of benefits, as well as payments made and received in respect of the Fund's investments.

Bankline was a secure system which could only be accessed using the smartcards and card readers allocated to each user. The system was set up to allow further security to be applied by the organisation using it. This security had been utilised to ensure every payment from the Fund required a different inputter and authoriser and every payment above £10 million required an additional authoriser. Defined procedures had been set up and were followed in relation to payments, with a requirement for the inputter and authoriser to always check back to source documentation to verify amounts and account details. In addition, there was an audit trail built into the Bankline software which recorded the details of who made any changes to the details set up on the system and when those changes were made.

XPS had a comprehensive approach to cyber security and had achieved certification under information security management standard ISO27001. Their approach was summarised in the Information Security Summary document included in Appendix D, which covered:

- Information Governance and Risk Management
- Infrastructure and Application Security
- User Awareness and Phishing
- Malware Prevention
- Data Loss Prevention Controls
- Secure Configuration
- Access Control
- Home and Mobile Working

- Threat Intel and Monitoring
- Incident Management

XPS also had comprehensive business continuity plans in place, which were summarised in Appendix D to the submitted report. XPS carefully controlled access to data, ensuring users only had access to the minimum level of data they required to carry out their role. Appendix D also included a copy of an Administration Update and Security presentation setting out some further aspects of XPS's approach to cyber security.

Further updates on internal controls and managing risk and on cyber security would be provided to the Board as required or as scheduled in the Work Plan.

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

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## **POOLING CONSULTATION - GOVERNMENT RESPONSE**

A report of the Director of Finance was submitted to provide Members of the Teesside Pension Board with details of the Government's recently published response to a consultation exercise: "Local Government Pension Scheme (England and Wales): Next steps on investments" which indicated the Government's proposed direction of travel in relation to investment pooling on the Local Government Pension Scheme (LGPS).

The final consultation outcome (attached at Appendix A to the submitted report), confirmed that the Government would produce guidance and/or regulations to enact most of the changes proposed in the consultation document. The Government would progress its reform of the LGPS to accelerate and expand pooling, and to increase investment in levelling up and in private equity.

The consultation response set out a number of expectations for LGPS Funds and Pools, the main outcomes were summarised in paragraph 9 of the document as follows:

"After having considered the responses, the government will now implement the proposals that we set out in the consultation to accelerate and expand pooling, and increase investment in levelling up and in private equity. We will:

- set out in revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their Investment Strategy Statements (ISS) assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled.
- revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation.
- implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy.
- revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark.
- make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling.
- amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.
- revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity.

The Government also confirmed that pools should seek scale and should reduce in number in the medium to long term from the current 8 to probably around 4 or 5. This number of pools was implied in the document through reference to a Government Actuary's Department (GAD) projection that the LGPS in England and Wales could have assets of around £950 billion, at which point the expected pool size would be around £200 billion. The Government wished to

see greater collaboration between pools in the meantime.

Much of the detail of implementing the proposals would be set out in guidance which was expected to be released during the first half of this year. Although there were asset allocation targets set out within the response, namely the 10% allocation to (global) private equity and the 5% allocation to UK 'levelling up' assets, the Government had stated these targets would (initially at least) be voluntary.

Through Border to Coast, the Fund had already made significant progress towards asset pooling and so to compliance with the requirements set out in the consultation outcome. As at 30 September 2023, 55.7% of the Fund's assets were invested through Border to Coast. The remaining 44.3% was split between Listed Equities, Alternatives, Direct UK Property, Indirect Property Funds and Cash.

The Fund would continue to work with Border to Coast and its Partner Funds to consider whether and how the unpooled assets could be transferred to pool management when it was cost effective, and in the Fund's best interests, to do so.

As at 30 September 2023 the Fund had already broadly met private equity target, with an allocation of around 10% and an expectation that this allocation would grow in the short to medium term as more commitments already made to private equity managers were drawn.

On the 5% 'levelling up' target – the Fund currently invested a small proportion (under 1%) of its assets in local investments which would fit the definition of UK 'levelling up' investments. Border to Coast was currently working with its Partner Funds to develop a private markets UK Opportunities sub-fund. Should the Fund choose to make a commitment to that sub-fund in future, any investment would be likely to meet the 'levelling up' definition.

On governance, the consultation response set out proposals to ensure pensions committee members were appropriately trained in order to carry out their role, and that this was reported on and monitored. This was in line with the current requirement for Board members to be trained and they would be included in any training provided to Committee members.

The Board would be kept up to date with future developments as and when the expected guidance was produced. In the meantime, the Fund would continue to work with Border to Coast and its other Partner Funds to respond appropriately to Government directions whilst continuing to prioritise the fiduciary duty to stakeholders and beneficiaries.

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

23/27

## **PENSIONS REGULATOR - SINGLE CODE OF PRACTICE**

A report of the Director of Finance was presented to provide Members of the Teesside Pension Board with details of the Pensions Regulator's (TPF) recently published General Code of Practice, which was expected come into force from 27 March 2024.

TPR had been through an exercise to merge its existing codes of practice into a single new code, the General Code of Practice. Consultation on the creation of the general code took place on 2021 and the new General Code of Practice was laid in Parliament on 10 January 2024, expected to come into force after 40 days on 27 March 2024.

The General Code of Practice was a 171-page document that could be found on TPR's website at the following link:

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/general-code-laid-january-2024.ashx>

The following ten codes had been consolidated into the General Code of Practice:

- Reporting breaches of the law
- Early leavers
- Late payment of contributions (occupational pension schemes)
- Late payment of contributions (personal pension schemes)
- Trustee knowledge and understanding

- Member nominated trustees/member-nominated directors putting
- arrangements in place
- Internal controls
- Dispute resolution reasonable periods
- DC code
- Public service code

The General Code of Practice was divided into five sections and several new modules had been included. Some of these would not directly apply to the LGPS but where this was the case, compliance would usually be viewed as 'best practice' by TPR.

Although the General Code of Practice was expected to take effect before the end of March, TPR had indicated that it did not expect schemes to be able to demonstrate full compliance with all the provisions of the Code from that date. However, it was expected that schemes would have an awareness of where there were potential gaps in compliance and, ideally, a plan setting out how and when these gaps would be filled.

The Fund already had a good level of compliance with TPR's governance and administration requirements set out in the existing 'old' codes of practice. An exercise was underway to consider to what degree the Fund complied with the new elements of the code, including those deemed 'best practice' for the LGPS. A Board Member highlighted that an LGPS Compliance Checker was available to assist Funds but it was also noted that it cost approximately £12,000. Updates, including a plan for achieving full compliance with all relevant elements of the General Code of Practice would be shared with future Board and Teesside Pension Fund Committee meetings.

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

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## **XPS ADMINISTRATION REPORT**

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

The report provided information on the following:

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

The following issues were highlighted:

Public service pensions and career average benefits within the LGPS would increase by 6.7% alongside the Consumer Price Index from the previous September. Employers had been requested to submit a scheme and a financial return to allow XPS to capture data in relation to scheme Members.

The 2024/2025 Employee contribution bandings had been released which were effective from 1 April 2024. Bands were updated in line with CPI so that members were not forced into higher bands due to pay increases.

The Finance Bill 2023 confirmed the lifetime allowance (LTA) would be abolished from 6 April 2024 and HMRC had issued a Lifetime Allowance guidance newsletter.

In relation to Membership movement there had been an increase in actives and a decrease in deferred.

There had been little change in the Self-Service statistics. XPS continued to encourage members to sign up and make sure requests were up to date in the system.

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An overview of the information collected from the website was included in the report. Typically users searched for: Opt Outs, When Can I Retire and Flexible Retirement.

With regard to the Employer Liaison Team, pension awareness sessions and employer training sessions continued with a positive uptake and response. Sessions on tax would commence shortly now the Pension Saving Statements had been issued. Processing of new admissions to the fund was ongoing with the new standardised passthrough approach being adopted.

Performance statistics for XPS for January and details of one complaint that had been processed were also included in the report.

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

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

It was confirmed that the Border to Coast Annual Conference was scheduled to be held on 18 and 19 July 2024.

**NOTED**

## TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 13 December 2023.

**PRESENT:** Councillors J Rostron, (Chair), D Branson, D Coupe, T Furness, S Hill, J Kabuye, T Livingstone, M Fairley, (Redcar and Cleveland Council)  
Ms J Flaws and Mr T Watson

**ALSO IN ATTENDANCE:** W Bourne (Independent Adviser), P Moon (Independent Adviser),  
P Mudd (XPS Administration),  
S Law (Hymans Robertson), J Baillie (Hymans Robertson),  
W Baxter (CBRE), A Owen (CBRE), G Rutter (CBRE),  
M Kerr (Border to Coast)  
R Tebbs (Ernst Young)

**OFFICERS:** S Lightwing and N Orton

**APOLOGIES FOR ABSENCE:** were submitted on behalf of Councillors J Ewan, D McCabe and J Beall (Stockton On Tees Council)

### 23/34 WELCOME AND EVACUATION PROCEDURE

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

### 23/35 DECLARATIONS OF INTEREST

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Rostron	Non Pecuniary	Member of Teesside Pension Fund
Councillor Coupe	Disclosable Personal Interest	Non-Executive Director of Border to Coast Pensions Partnership Limited

### 23/36 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 27 SEPTEMBER 2023

The minutes of the meeting of the Teesside Pension Fund Committee held on 27 September 2023 were taken as read and approved as a correct record.

A request was made for figures in reports to be expressed consistently ie either in millions or billions.

### 23/37 SUSPENSION OF COUNCIL PROCEDURE RULE 4.13.2 - ORDER OF BUSINESS

In accordance with Council Procedure Rule No. 4.57, the Committee agreed to vary the order of business to deal with the agenda items in the following order: Agenda Item 14, Agenda Item 15, Agenda Items 5-13.

### 23/38 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.

### 23/39 PROPERTY MANAGEMENT

A report of the Interim Director of Finance was presented in relation to Property Management.

On a vote being taken, it was **ORDERED** that the transfer of the Fund's directly held property portfolio was not approved.

23/40 **EXCLUSION OF PRESS AND PUBLIC**

**ORDERED** that the motion to exclude Press and Public was lifted for the remainder of the meeting.

23/41 **INVESTMENT ACTIVITY REPORT**

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. For the period under discussion, bonds were still not considered value for the Fund and the Fund had no investments in Bonds at this time.

The cash level at the end of September 2023 was 3.74%.

Investment in direct property where the property had a good covenant, yield and lease terms would continue. The Fund had purchased one property in the quarter for £50.25m – an industrial unit let to BAE Systems Limited.

Investment in Alternatives, such as infrastructure and private equity, offered the Fund diversification from equities and bonds. They came with additional risks of being illiquid, traditionally had costly management fees and investing capital could be a slow process. An amount of £53m was invested in the quarter.

It was a requirement that all transactions undertaken were reported to the Committee. Appendix A to the submitted report detailed transactions for the period 1 July – 30 September 2023.

There were net purchases of £15m in the period, compared to net purchases of £174m in the previous reporting period.

As at 30 June 2023, the Fund had £189 million invested with approved counterparties. This was a decrease of £29 million over the last quarter. The graph at 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 Fund Valuation detailed all the investments of the Fund as at 30 September 2023, and was prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, was £5,100 million. The detailed valuation was attached at Appendix C to the submitted report and was also available on the Fund's website [www.teespen.org.uk](http://www.teespen.org.uk). This compared with the last reported valuation, as at 30 June 2023 of £5.051 billion.

A summary analysis of the valuation showed the Fund's percentage weightings in the various asset classes as at 30 September 2023 compared with the Fund's customised benchmark.

As at the 30 September 2023 the Fund's equity weighting was 59.95% compared to 62.27% at the end of June 2023. Redemptions of £100m in total were made from the Border to Coast UK and Overseas Developed Market Equity Funds.

A summary of equity returns for the quarter 1 July 2023-30 September 2023 were shown at paragraph 8.4 of the submitted report.

The Fund had no investments in bonds at this time. Officers were monitoring the situation and further discussion with the advisers would take place when the levels at which investment was felt to be appropriate came into range. Current thinking was that an investment via the Border to Coast Sterling Index Linked Bond Fund would be the most appropriate vehicle.

As at 30 November 2023 total commitments to private equity, infrastructure, other alternatives and other debt were £1.927 billion and details were provided at paragraph 8.8 of the submitted report.

Responding to a query, the Head of Pensions Governance and Investments provided an update on the Fund's Local Investments.

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

23/42

## **EXTERNAL MANAGERS' REPORTS**

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

As at 30 September 2023 the Fund had investments in the Border to Coast UK Listed Equity, Overseas Developed Markets and Emerging Markets Equity Funds. For all three sub funds the return target was expected to be delivered over rolling 3-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. To date, total commitments of £900 million had been made to these sub-funds (£500m to infrastructure and £400m to private equity) with around 34% of this commitment invested so far. In addition, a commitment to invest £80 million over a three-year period to the Border to Coast Climate Opportunities Fund had been made. These investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report but were referenced in the Border to Coast presentation later in the agenda for this meeting.

The Border to Coast report showed the market value of the portfolio as at 30 September 2023 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's returns were 0.13% below benchmark over the last year, or 1.13% under its overachievement target, whereas the Overseas Developed Markets Equity Fund had achieved returns of 2.39% above benchmark over the last year, comfortably above its 1% overachievement target. Since inception, the UK fund had delivered performance of 0.83% a year above benchmark, slightly below its long-term target, and the overseas fund had delivered performance of 1.49% above benchmark, above its long-term target. The performance of the Emerging Markets Equity Fund had been below benchmark throughout much of the period of the Teesside Pension Fund's investment – including over the quarter and year to 30 September 2023. Since inception the Fund was 1.50% a year behind benchmark, so 3.0% a year behind target.

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 30 September 2023.

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 are passive and closely track the appropriate regional equity indices, the portfolio's rating in these terms closely matched the benchmark indices ratings.

The Head of Pensions Governance and Investments commented on the reason why State Street outperformed, explaining that it was due to tax rebates. The State Street benchmark assumed that no tax was successfully reclaimed but when it was, this came through as overperformance.

State Street had recently advised that it would be making further changes to its passive equity indices and would be excluding additional sectors. The Fund had been notified that from 18 December 2023 the benchmarks of the State Street Sub-Funds the Fund invested in would apply screens to exclude certain securities related to Tobacco and Thermal Coal. Excluded companies would be any involved in production of tobacco or tobacco products and companies that extract thermal coal or have thermal coal power generation and this activity represented 10% or more of revenues. This was in addition to the current screening for UN

Global Compact Violations and Controversial Weapons which came into effect on 18 November 2020. Initial indications were that across the four State Street Sub-Funds these changes would cover around 0.36% of the current assets (tobacco) and 0.88% of the current assets (thermal coal) that the Fund invested via State Street.

It was highlighted that there was currently a Bill going through Parliament which would prevent Pension Funds from divesting from companies on the grounds of ethical reasons where it contravened UK policy.

Appendix C to the submitted report contained the latest available ESG and carbon exposure in relation to the three Border to Coast listed equity sub-funds the Fund invested in.

When Border to Coast was established over 5 years ago its Partner Funds set out an approach to apportion the costs of setting up and running the different investment propositions (sub-funds) Border to Coast would provide. To ensure adequate funding for each of the new propositions, the initial cost-sharing approach included apportioning some ongoing management charges based on the assets Partner Funds had identified as likely to transfer into the pool. Whilst it was acknowledged that over time charging most costs on an 'assets under management' basis would be fairest, at the outset this would cause anomalies and in some circumstances could make it more expensive for those Partner Funds that were committing a greater proportion of their assets to pooling.

As reported at the September meeting, now that Border to Coast had reached a stage where the majority of the sub-funds originally envisaged had been created, it was appropriate to revisit the way costs were apportioned. Over the next few months Partner Funds (or their administering authorities) would be asked to agree to make some changes to their original agreements to allow cost apportionment from the coming year to be based primarily on an 'assets under management' basis. This would not change the costs that Border to Coast charges, it would just apportion them differently – in a way that more fairly represented how Partner Funds were invested.

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

23/43

## **BORDER TO COAST PRESENTATIONS - INVESTMENTS SUMMARY AND ALTERNATIVES UPDATE**

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

The presentation provided information on the following:

- Investments with Border to Coast
  - Listed investments as at 30 September 2023.
  - Commitment to Border to Coast's Private Market Strategies.
- Market Overview – Quarter 3 2023
  - Equity Headwinds Building – global equity performance had been drive by the AI theme as valuations had expanded, especially in the US.
  - Central Bank Rates Close to Peak – Duration increasingly attractive as central bank rates were close to peak; central bank focus could shift from inflation to growth.
  - Selective Credit Opportunities Offer High Quality Carry – Higher quality assets within credit (ie EMD Sovereigns and Investment Grade Credit) offered good yields with the potential tailwind of duration.
- Infrastructure Summary.
- Climate Opportunities Summary.
- Private Markets: New Commitments for Quarter 3 2023.
- Border to Coast Update
  - The Future of Pooling - following the Government's published response to the pooling consultation, together with Partner Funds Border to Coast would work constructively with the

Government on the formal Guidance that would give consistency and clarity for the LGPS family.

- Private Markets Update – Border to Coast recently provided a public update on £1.7bn of private market investments made over 2022/23. This scale had enabled significant cost reductions (c. 26% reduction in headline fees), delivering capital into the energy transition and decarbonisation, the digital revolution, and growth opportunities in emerging markets (for example).
- Using Our Collective Voice - The 2023 proxy voting season was the first since Border to Coast updated voting policies in early 2023, strengthening the approach to the oil and gas and banking sectors, as part of engagement escalation, to support global net zero ambitions.
- New Board Member - the Board had been further strengthened with the arrival of Richard Hawkins, as a new non-executive director, who brought in-depth technology and cyber security experience as well as significant experience operating at senior levels within financial services.
- Teesside – Alternatives Update.
  - Series 1.
  - Series 2.
  - UK Opportunities.

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

23/44

#### **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.

William Bond commented that bond yields were likely to go higher due to US debt. The Fund might need to de-risk and put more money into bonds but not yet. William also stated that equities would do okay over the next twelve months.

Peter Moon commented that there had been a golden period of cost reductions and the economy was now back to average interest rates and price reductions and that inflation would remain high. Bond yields in the US were higher or about the same level. Peter highlighted that lower risk meant lower return and the Fund needed a higher return than most because contributions were lower.

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

23/45

#### **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.

It was anticipated that interest rates would remain high but that inflation was moving in the right direction. Although property values had been volatile, income return had been consistent and predictable. There was rental growth in some sectors at the moment and some uncertainty in listed markets. Transaction volume levels for 2023 were £40 billion which was the same as in 2020, due to pricing uncertainty and debt. Banks were unwilling to lend on property and there were more sellers than buyers at the moment. Despite this, there had not been much distress selling in the market over the year. Open-ended property funds were under pressure due to defined benefit pension funds looking to sell their assets and de-risk. A number of properties would be coming up for refinancing this year and there should be some attractive opportunities for the Fund. There was limited appetite for the retail and office sectors but industrials and alternatives would remain strong. The future was uncertain but CBRE was confident that property would provide good returns for the Fund.

The Fund had completed the purchase of an Industrial unit located in Washington, Tyne &

Wear, let to BAE Systems Ltd for £50.25 million. The property totalled 346,465 sq ft and was let for an average unexpired term of 12.25 years. This was now the largest asset in the Fund's Direct Property Portfolio.

In Q2 2021 the Fund forward funded the development of a 210,000 sq ft industrial unit in Yeovil. The development of the property was now complete and had been added to the Direct Portfolio. The unit was occupied by Leonardo UK Ltd, for a term of 35 years at a rent of £1.6m p.a., subject to annual reviews at 2.7%.

Details of the top ten holdings by capital value were included in the submitted report and it was noted that the allocation of the Fund's assets in the North East was approximately 28%, which was the largest geographical allocation.

In terms of asset management, the Fund had completed a lease renewal with Currys Group for a term of 10-years at a rent of £312,500 per annum. The tenant would benefit from 21 months rent free from the lease commencement date.

The Fund had completed a strategic review of asset Energy Performance Certificates (EPCs) across its Portfolio. All assets within the Portfolio now had an EPC rating that complied with current, and incoming regulations in 2025.

With regard to portfolio arrears the collection statistics were consistently high. Since the report was issued arrears had reduced by a further £20K and CBRE continued to work with clients to bring accounts up to date.

It was noted that CBRE currently relied on Experian reports to categorise risk but was looking at a new reference system that took a more holistic view of governance, looking at broker reports and trading styles and taking a wider view.

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

23/46

## **LGPS 'NEXT STEPS ON INVESTMENT' CONSULTATION OUTCOME**

A report of the Interim Director of Finance was presented to provide the Members of the Pension Fund Committee with details of the Government's recently published response to a consultation exercise: "Local Government Pension Scheme (England and Wales): Next steps on investments" which indicated the Government's proposed direction of travel in relation to investment pooling on the Local Government Pension Scheme (LGPS).

On 22 November 2023 the Government issued its response to the consultation. The final consultation outcome (attached at Appendix A to the submitted report), confirmed that the Government would produce guidance and/or regulations to enact most of the changes proposed in the consultation document. The Government would progress its reform of the LGPS to accelerate and expand pooling, and to increase investment in levelling up and in private equity.

The consultation response set out a number of expectations for LGPS Funds and Pools. The main outcomes were summarised in paragraph 9 of the document as follows:

"After having considered the responses, the government will now implement the proposals that we set out in the consultation to accelerate and expand pooling, and increase investment in levelling up and in private equity. We will:

- set out in revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their Investment Strategy Statements (ISS) assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled.
- revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation.
- implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy.
- revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark.

- make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling.
- amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.
- revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity."

The Government also confirmed that pools should seek scale and should reduce in number in the medium to long term from the current 8 to probably around 4 or 5. This number of pools is implied in the document, through reference to a Government Actuary's Department (GAD) projection that the LGPS in England and Wales could have assets of around £950 billion, at which point the expected pool size would be around £200 billion. The Government wishes to see greater collaboration between pools in the meantime.

Through Border to Coast, the Fund had already made significant progress towards asset pooling and so to compliance with the requirements set out in the consultation outcome. As at 30 September 2023 55.7% of the Fund's assets were invested through Border to Coast. The approximate split of the remaining 44.3% was detailed at paragraph 6.1 of the submitted report.

The Fund would continue to work with Border to Coast and its Partner Funds to consider whether and how the unpooled assets could be transferred to pool management when it was cost effective, and in the Fund's best interests, to do so.

On the 10% private equity target, as at 30 September 2023 the Fund had already broadly met this, with an allocation of around 10% and an expectation that this allocation would grow in the short to medium term as more commitments already made to private equity managers were drawn.

On the 5% 'levelling up' target – the Fund currently invested around 1% of its assets in local investments which would fit the definition of UK 'levelling up' investments. Border to Coast was currently working with its Partner Funds to develop a private markets UK Opportunities sub-fund. Should the Fund choose to make a commitment to that sub-fund, any investment would be likely to meet the 'levelling up' definition.

On governance, the consultation response set out proposals to ensure pensions committee members were appropriately trained in order to carry out their role, and that this was reported on and monitored. Paragraph 56 stated:

"We will revise guidance on annual reports and on governance to require all funds to publish formal training policies for pension committee members, to report on training undertaken, and to align expectations for pension committee members with those for local pension board members. Given the role and responsibilities of committees, including setting the investment and funding strategies for funds, it is essential that members of committees should have the appropriate training, knowledge and skills to undertake their role."

The Committee would be kept up to date with future developments as and when the expected guidance was produced. In the meantime, the Fund would continue to work with Border to Coast and its other Partner Funds to ensure it could respond appropriately to Government directions whilst continuing to prioritise the fiduciary duty to stakeholders and beneficiaries.

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

23/47

## **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 provided information on the following:

- Overview
- Membership Movement
- Member Self Service
- Pension Regulator Data Scores

- Customer Service
- Completed Cases Overview
- Completed Cases by Month

The report was taken as read with some key issues highlighted as follows:

McCloud update - The Department for Levelling Up, Housing and Communities (DLUHC) announced the outcome of the consultation on supplementary McCloud issues and draft regulations on 8 September 2023. It also laid The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023, which took effect from 1 October 2023. The regulations implemented the McCloud remedy and amended the underpin rules to make sure they worked correctly. XPS were now in the process of checking all pensions paid from 2014 to 2022 to identify anyone who had been discriminated against.

On 18 October 2023, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2023 as 6.7 per cent. All benefits would increase from April next year.

The introduction of the Pensions Dashboard had been delayed and all data would now have to be viewable to scheme members by October 2026. XPS were checking all the available data to ensure that this deadline was met.

The Committee's attention was drawn to performance where unusually there had been a slight dip in August, September and October. Four cases had been completed outside target in September and one each in August and September.

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

23/48

## **BORDER TO COAST RESPONSIBLE INVESTMENT POLICY, CORPORATE GOVERNANCE & VOTING GUIDELINES AND CLIMATE CHANGE POLICY**

A report of the Interim Director of Finance was presented to advise the Committee of recent changes made by Border to Coast Pensions Partnership Limited ('Border to Coast') to its Responsible Investment Policy, Corporate Governance & Voting Guidelines and Climate Change Policy.

This year's RI Policy review reflected suggested improvements from Robeco and work undertaken during the year; including on Border to Coast's Net Zero commitment.

Amendments had been made to all the sections for integrating RI into investment decisions. This was due to continuing to develop and embed ESG into investment decision making, the impact Border to Coast's Net Zero commitment and progress made on Real Estate ahead of launch.

The wording on human rights had been expanded to include how Border to Coast would engage.

An area continuing to gain focus from an investment perspective was biodiversity. Border to Coast was currently engaging on biodiversity issues through its support of the Investor Policy Dialogue on Deforestation Initiative (IPDD), through Robeco and as part of a Waste and Water theme and its engagement on climate change. Therefore, a high-level overview had been inserted into the RI Policy which covered Border to Coast's approach to engagement.

As part of the annual review the approach to exclusions had been revisited. When considering any exclusions, Border to Coast considered the associated material financial risk of a company's business operations and whether they had concerns about its long term viability. This included considering key financial risks and the likelihood of success through engagement in influencing company strategy and behaviour. Border to Coast also assessed the impact on the investible universe and the benchmarks its portfolios were measured

against.

To support Border to Coast's Net Zero and to send a clear signal on intentions, the recommendation was to reduce the exclusion thresholds to 25% for thermal coal and oil sand production (aligned with illiquid assets).

An exclusion related to thermal coal power generation had been introduced with a revenue threshold of 50% for developed markets. A higher threshold of 70% had been introduced for emerging markets to reflect support of a just transition and recognition that countries had differing transition timelines and dependencies on coal and the potential impact on energy availability and economic development.

The exclusion for controversial weapons had been broadened to cover landmines, biological and chemical weapons. This covered international treaties and conventions relating to controversial weapons that the UK had either ratified or is a state party to.

The exclusions in place took into account material financial factors and were limited to areas where it was important to give explicit indications to the investment decision makers.

The changes to the exclusions approach were not expected to lead to any significant changes to Border to Coast's existing investment portfolios as these risks were already reflected in the investment decision making process. Partner Funds would be able to assess this through performance versus respective benchmarks for the investment funds. This was an area Border to Coast would continue to engage with Partner Funds as to how it developed over time.

The proposed amendments to the RI policy and Border to Coast's rationale for these changes were listed in a table at paragraph 5.11 of the submitted report.

The Voting Guidelines had been reviewed by Robeco considering best practice. Asset owner and asset manager voting policies and the Investment Association Shareholder Priorities for 2023 were also used in the review process. There were several minor amendments and proposed additions covering diversity and climate change.

Border to Coast's voting stance in relation to diversity representation at board level, for both gender and ethnicity, had been strengthened this year. This was to reflect the Financial Conduct Authority's listing rules and also expectations of FTSE 250 companies to be meeting the Parker Review recommendations.

Border to Coast had further strengthened its approach to climate-related voting and would now include a fifth Climate Action 100+ (CA100+) Net Zero Benchmark indicator covering a company's decarbonisation strategy. They were also adding the Urgewald Global Coal Exit List to the industry benchmarks (A100+, Transition Pathway Initiative) used to assess whether companies were making sufficient progress.

Proposed amendments to the Corporate Governance & Voting Guidelines were highlighted in the table at paragraph 6.4 of the submitted report.

The Climate Change Policy had been reviewed by Robeco and against asset managers and asset owners to determine developments across the industry. The climate change approaches of the other seven LGPS pools had also been reviewed.

The main changes reflected the work undertaken to support Border to Coast's Net Zero commitment and were as follows:

Additional wording had been added about why climate change was important to Border to Coast as an investor. This included reference to the role Border to Coast needed to play through engagement and the investment opportunities for investors and how this would support Partner Funds.

Reference to Border to Coast's Net Zero targets had been included in the 'Our ambition – Net Zero section' with detail on the specific targets for carbon reduction alignment and engagement. This had been moved from a later section of the policy.

A paragraph had been included on how Border to Coast has considered the different climate scenarios available, those which they will be using and the limitations and associated risks of climate modelling.

Border to Coast's approach to exclusions had been updated in line with the RI Policy with the lower revenue thresholds for public market companies for thermal coal and oils sands production (now aligned with illiquid assets) and the introduction of an exclusion for thermal coal power generation.

Additional wording had been added on the importance of engagement in meeting Border to Coast's Net Zero goal and the targets they had set. The focus actions for the next and subsequent years had been updated which included their voting approach to 'Say on Climate' resolutions and climate-related shareholder resolutions.

The amendments to the Climate Change Policy were highlighted in the table at paragraph 7.8 of the submitted report.

Border to Coast would continue to work with its Partner Funds to develop and update its approach to Responsible Investment (including Climate Change) and Corporate Governance.

**ORDERED** as follows that:

1. the information was received and noted.
2. the revised Border to Coast documents that were included as Appendices A, B and C to the submitted report were approved.

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

None.

**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

**AGENDA ITEM 7****TEESSIDE PENSION BOARD REPORT****8 APRIL 2024****DIRECTOR OF FINANCE, DEBBIE MIDDLETON****PENSION FUND BUSINESS PLAN 2024/27****1. PURPOSE OF THE REPORT**

- 1.1 To present to Members of the Teesside Pension Board ('the Board') the annual Business Plan for the Fund, which was approved by the 13 March 2024 Pension Fund Committee.

**2. RECOMMENDATION**

- 2.1 That Members note the Business Plan including the 2024/25 Pension Fund budget.

**3. FINANCIAL IMPLICATIONS**

- 3.1 The 2024/25 forecast income and expenditure is set out in the Business Plan, and is summarised below (expenditure in brackets):

	<b>£ millions</b>
Income from employers / members	121.2
Expenditure to members	(222)
Administration and management expenses	(12.1)
Estimated net investment income	145.5 <sup>1</sup>
<b>Net increase (decrease) in net assets available for benefits</b>	<b>32.6</b>

**4. BACKGROUND**

- 4.1 In order to comply with the recommendations of the Myners Review of Institutional Investment it was agreed that an annual Business Plan should be presented to Members for approval. The Business Plan should contain financial estimates for the Fund, including the budgeted costs for investment and management expenses.
- 4.2 The Teesside Pension Fund Business Plan is designed to set out how the Pension Fund Committee operates, what powers are delegated and to provide information

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<sup>1</sup> Assumes the Fund chooses to take £70 million in dividends from Border to Coast equity pooled funds.

on key issues. The Business Plan sits alongside the Fund's other governance documents, which set out the delegated powers and responsibilities of officers charged with the investment management function.

4.3 The Business Plan for 2024/27 is attached (Appendix 1). The Business Plan includes:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (see Appendix A);
- The current governance arrangements for the Fund;
- The performance targets for the Fund for 2024/25, and a summary of the performance for 2023/24 (latest available) (see Appendix B);
- The arrangements in place for managing risk and the most up to date risk register for the Fund (see Appendix C);
- Membership, investment and funding details for the Fund;
- An estimated outturn for 2023/24 and an estimate for income and expenditure for 2024/25 (see Appendix D and page 21 of Appendix 1); and
- An annual plan for key decisions and a forward work programme for 2024/27 and an outline work plan for 2024 – 2027.

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

TEL NO.: 01642 729040

# Business Plan

## 2024 – 2027



Teesside Pension Fund

## EXECUTIVE SUMMARY

The purpose of this Business Plan is to outline the Fund's objectives and provide a plan of action as to how key priorities will be achieved in order to further these objectives.

Over the last few years the Fund has faced increasing complexities and there has been and continues to be new legislation that has fundamentally changed the way in which we work and our relationship with our stakeholders. The complexities have stemmed from but are not limited to the following;

- Asset Pooling
- The Public Service Pensions Act 2013
- Increased risk monitoring
- Funding pressures resulting from longevity risk and volatile financial markets
- Overriding HMRC legislation
- Increased diversity of scheme employers resulting from alternative service provision models
- Changing Local Government Pension Scheme regulations

To manage these challenges the Fund needs to be flexible and responsive to adapt in a timely and effective manner.

This Business Plan also outlines the expected non-investment related Fund receipts and payments for the financial year 2023-24, and projections for 2024-25, as well as the administration and investment expenses.

The Business Plan also details the key performance indicators by which the Fund's performance will be measured. A full listing of these indicators can be found in section 5.

Officers will update the Pensions Committee and the Pension Board on the progress made against aspects of the Business Plan in update reports presented at future meetings.

## INTRODUCTION

Middlesbrough Borough Council is the Administering Authority for the Teesside Pension Fund (the Fund). The Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit pension scheme providing ongoing benefits on a career average revaluated earnings (CARE) basis, with most benefits earned before April 2014 calculated on a final salary basis. It is funded primarily by contributions from its constituent employers and members and by investment income.

The Fund currently has over 80,000 scheme members from around 150 employer bodies, including four Local (Unitary) Authorities.

The results of the latest Actuarial Valuation, as at March 2022 showed the assets worth £5.036 billion, were sufficient to meet 116% of the Fund's liabilities.

## PURPOSE OF THE FUND

### Mission Statement

*"To provide an efficient and effective pension scheme for all scheme members and employers in accordance with the requirements of the regulations and legislation for the Local Government Pension Scheme."*

### Purpose

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

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

### Aims

The aims of the Fund are to:

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

the fund and employers, and the risk exposure policies of the administering authority and employers alike.

- Seek returns on investments within reasonable risk parameters.

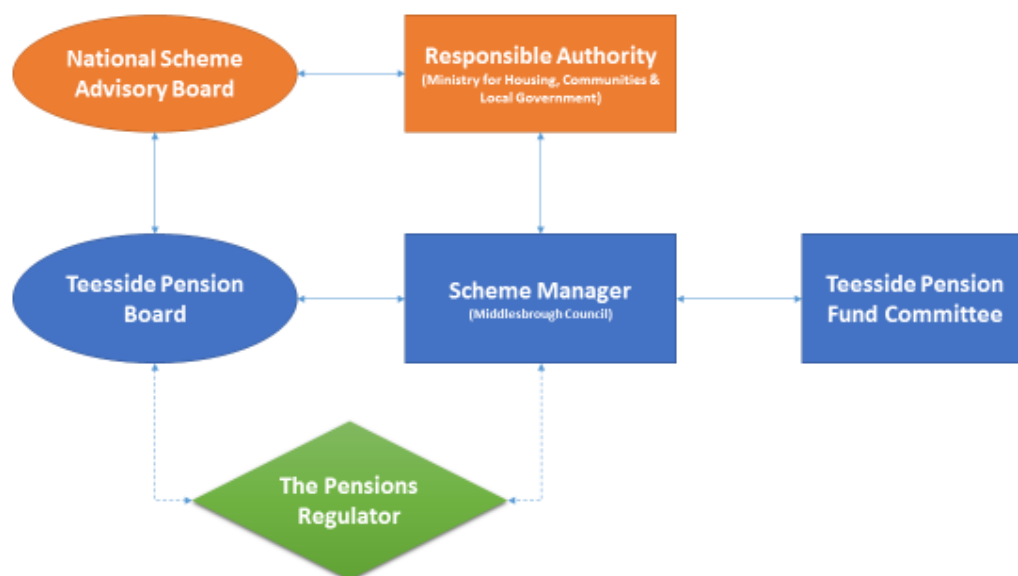
### Service Promise

*“We will provide a customer-focused pension service meeting the needs of members and employers, and manage the investments of the Fund to achieve solvency and long-term cost efficiency for our customers.”*

The full service promise is attached as Appendix A, and sets out the promises to the four key stakeholders of the Fund.

## GOVERNANCE ARRANGEMENTS

The Public Service Pensions Act 2013 updated the national and local governance framework for all public sector pension schemes, including the LGPS. The interaction of the various bodies is shown below.



### Responsible Authority

For the LGPS, this is the Department for Levelling Up, Housing & Communities (DLUHC); its primary roles being:

- The LGPS Scheme ‘sponsor’;
- Ensuring affordability of the LGPS for members and employing authorities;
- Developing policy for the operation of the LGPS to reflect government policy and LGPS specific experience; and

- Commissioning and updating legislation and actuarial guidance.

More information can be found on DLUHC at the following website:

<https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities>

## **The Local Government Pension Scheme Advisory Board – England and Wales**

The Local Government Pension Scheme Advisory Board (SAB):

- Advises on policy, best practice, and governance issues;
- Reporting responsibility;
- Single source of information for LGPS stakeholders on general and specific health of the LGPS; and
- Liaison role with the Pensions Regulator.

Further information on the Scheme Advisory Board, its role and operation can be found at the SAB website: <http://www.lgpsboard.org/> .

## **The Pensions Regulator**

The statutory objectives of the Pension Regulator that are relevant to the LGPS are:

- Protect member benefits (although they accept that in the LGPS these are effectively guaranteed); and
- Promote and improve understanding of good administration.

Please visit The Pensions Regulator website for more information:

<https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes>

In addition to the national bodies, each individual LGPS Fund has a single employing authority designated as the administering authority for its geographic area. Middlesbrough Council was appointed the Administering Authority for the Teesside Pension Fund by the Secretary of State, replacing the former Cleveland County Council Fund following Local Government Reorganisation in 1996.

Each administering authority is responsible for the financial and administrative functions of their Fund. For the Teesside Fund, this function is delegated to the Teesside Pension Fund Committee, which is assisted by the Teesside Pension Board.

## **Teesside Pension Fund Committee**

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 will have the following specific roles and functions, taking account of advice from the Chief Finance Officer and the Fund's professional advisers:

- a) Ensuring the Teesside Pension Fund is managed and pension payments are made in compliance with the Local Government Pension Scheme Regulations, His Majesty's Revenue & Customs (HMRC)'s 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 any interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.
  - iii) Investment strategy - approving the Fund's Investment Strategy Statement and Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.
  - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.
  - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various

stakeholders including scheme members and employers.

- vi) Discretions – determining how the various administering authority discretions are operated for the Fund.
- e) Monitoring the implementation of these policies and strategies on an ongoing basis.
- f) In relation to the Border to Coast Pensions Partnership ('Border to Coast'); the Asset Pooling Collaboration arrangements:
  - i) Monitoring of the performance of Border to Coast and recommending actions to the Joint Committee, The Mayor or the Mayor's Nominee (in their 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 Border to Coast Inter Authority Agreement, including but not limited to:
    - Requesting variations to the Inter Authority Agreement
    - Withdrawing from the Inter Authority Agreement
    - Appointing Middlesbrough Council officers to the Officer Operations Group.
- g) Considering the Fund's financial statements and the Fund's annual report.
- h) Selection, appointment, dismissal and monitoring of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, independent professional advisers and Additional Voluntary Contribution (AVC) provider.
- i) Liaison with internal and external audit, including providing or agreeing 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.

No matters relating to Middlesbrough Council's responsibilities as an employer participating within the Teesside Pension Fund are delegated to the Pension Fund Committee.

### **Teesside Pension Board**

The Board is responsible for assisting the Administering Authority:

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

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

### **Teesside Pension Officer Support**

In order to support the Teesside Pension Fund Committee and Teesside Pensions Board and enable them to fulfil their obligations under the LGPS investment regulations administering authorities are required to take proper advice. "*Proper advice*" is defined in the LGPS Investment Regulations 2016 as "*the advice of a person whom the authority reasonably considers to be qualified by their ability in and practical experience of financial matters.*" Advice is taken from internal and external sources:

- Internal advice comes from the **Director of Finance**, who has Section 151 responsibilities. It is the Director who is responsible for ensuring that adequate expertise is available internally and, where the Director deems that not to be the case, they will advise when external advice should be sought. Internal expertise and advice is provided by:
  - The **Head of Legal Services** on legal matters pertaining to the Fund.
  - The **Head of Pensions Governance and Investments** on investment and LGPS governance issues.
  - The **Head of Pensions (XPS Administration)** on fund administration and regulatory issues.
  - The **Head of Finance and Investment** on issues relating to the Statement of Accounts.

- External advice is provided by:
  - The **Fund's Investment Advisors** on asset allocation and investment matters.
  - The **Fund's Actuary**, Hymans Robertson LLP, on actuarial matters.
  - The **Fund's Solicitors**, Nabarro, on regulatory and administrative matters, and Freeths LLP, on legal matters relating to the Fund's property investments.
  - The **Fund's Auditor**, EY LLP / Mazars LLP (for April 2023 onwards), regarding auditing the accounts and internal controls and systems.
  - Other external advisors as the Director of Finance shall see fit to recommend.

## PROCEDURE FOR THE REVIEW OF MANAGERS AND ADVISORS

The Fund's management arrangements, the arrangements for the appointment of advisors and other external service providers and the regular review of those arrangements have been determined by the Committee.

- The LGPS (Management and Investment of Funds) Regulations 2016 include the requirement for all LGPS Funds to pool their assets. The Fund is one of eleven Funds who are shareholder partners in Border to Coast Pension Partnership Limited ('Border to Coast') and has now moved to a position where Border to Coast manages the majority of investment assets for the Fund.
- Initial asset transfers took place during 2018-19 which resulted in all the Fund's UK equities being transferred to be under Border to Coast's management. During 2021 most of the Fund's overseas equities were also transferred from being managed passively by State Street Global Advisers to being managed by Border to Coast. In order to maintain the regional balance recommended by our investment advisers, a small proportion of the Fund's overseas equities continue to be managed passively by State Street Global Advisers – as at 31 December 2023 around 12% of the Fund's total equities were managed by State Street Global Advisers.
- There are a number of investment assets which will remain with the Fund to manage, either because they will never transfer to Border to Coast, e.g. cash, local investments or because it is not practical or cost-effective to do so, such as existing private markets investments. In addition, following a decision taken at the December 2023 Pension Fund Committee, the Fund will continue to manage its own UK Real Estate portfolio and this is unlikely to transfer to Border to Coast in the foreseeable future. These assets that remain with the Fund will continue to be managed or overseen by an internal team.

- Fund Investment Advisor arrangements were reviewed during 2018-19 and following a procurement exercise two independent Investment Advisors were appointed.
- The contract to provide Custodian Services to the Fund is carried out by Northern Trust – the contract started on 1 May 2019, was reawarded to Northern Trust following a procurement exercise from 1 June 2022 and is due to be reviewed in 2026.
- Pension Administration Services are provided by XPS Administration (formerly Kier Group) under the terms of a contract for a period of ten years commencing 1 June 2001. This arrangement was approved by the Investment Panel on 2 March 2001. A five year extension to this contract was approved by the Investment Panel on 3 March 2010 and another five year extension was also approved on 17 June 2015. XPS Administration bought the Kier pension administration function with effect from November 2018, and the contract, staff and software to administer the Teesside Pension Fund transferred to XPS Administration as part of that sale. Following a further contract extension to the end of May 2025, the administration contract is being put out to tender imminently.
- The contract to provide Actuarial Services to the Fund was put out to tender towards the end of 2021 and a new actuary, Hyman Robertson LLP, was appointed with effect from 1 January 2022. The contract is for six years (covering two valuation periods) with an option to extend for a further three years.
- Fund Additional Voluntary Contribution (AVC) provision was reviewed by the Investment Panel on 12 July 2002 and the Prudential Assurance Company Ltd were appointed. The long-term nature of AVC provision does not lend itself to the regular review of providers.

## PERFORMANCE TARGETS

Targets are set for each of these key areas to monitor the performance of the Fund.

### Funding

The Funding Strategy Statement sets out a comprehensive strategy for the whole Fund, balancing and reconciling the many interests which arise from the nature of the Scheme and the requirements to fund benefits now and in the future. The Funding Strategy Statement was updated in line with the production of the most recent triennial valuation and was published in March 2023.

The funding target of the Fund is to achieve fully funded status, i.e. the assets of the Fund match, exactly, its liabilities. This is expressed as a percentage, with fully funded status represented as 100% funded. The Fund's Actuary carries out a full actuarial valuation every

three years, with the last valuation undertaken based on the assets and membership at 31 March 2022 – the final valuation report was published on 30 March 2023. The next valuation will be carried out based on assets, membership and financial conditions as at 31 March 2025 with the final report due by the end of March 2026.

## **Investments**

The Investment Strategy Statement sets out the Fund's strategy asset allocation (also known as the customised benchmark), a tailor made mix of investments which is reached after an Actuarial Valuation and subsequent Asset/Liability Study. The strategic asset allocation was last updated in March 2021. The Investment Strategy Statement was last published in April 2021. It was reviewed after the publication of the latest valuation report, and it was agreed that no changes were required.

Monitoring investment performance is one way in which Members can assess how well the Fund is being managed. Performance is measured against the tailor-made mix of investments which should produce returns over the medium and long term to meet the Fund's liabilities; the strategic asset allocation and customised benchmark.

The Fund's investment performance is measured by Hymans Robertson following their acquisition of Portfolio Evaluation Limited (PEL), a leading provider of performance services to public and private sector pension schemes. Investment performance is reported as part of the Fund's Annual Report & Accounts and to the Pension Fund Committee each year.

Investment performance is measured against the customised benchmark over three time periods; one year, three year and ten year (i.e. short, medium and long term performance).

## **Pensions Administration**

Key Performance Indicators (KPIs) relating to pensions administration are included within the terms of the contract with XPS Administration and performance against those KPIs is monitored as part of that contract. The current KPIs and targets are:

<b>Pension Administration KPI</b>	<b>Target</b>
All new entrant processed within eighteen working days of receipt of notification being received by pensions.	98.50%
Transfer Values - To complete the process within one month of the date of receipt/request for payment.	98.50%
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being received.	98.75%

<b>Pension Administration KPI</b>	<b>Target</b>
Statements issued within ten working days - Estimate of benefits (of receipt of request) and Deferred Benefits (of receipt of all relevant information).	98.25%
Pension costs to be recharged monthly to all employers.	98.75%
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	98.75%
Payment of retirement grant payment to be made within 6 working days of the later of the payment due date and the date of receiving all of the necessary information.	98.75%
Pay eligible pensioners a monthly pension on the dates specified by the Council.	100.00%
All calculations and payments are correct.	98.75%

These KPIs will be reviewed as part of the process for retendering the pensions administration contract, with a view to updating them and the target rates. Results against these KPIs are reported to each meeting of the Pension Fund Committee and the Pension Board.

### **Accounting**

The Fund's Annual Report and Accounts are prepared in line with the current guidelines and reported to the Teesside Pension Fund Committee. The Annual Report and Accounts are audited by the Fund's External Auditors (EY LLP). EY present their audit findings to the Teesside Pension Fund Committee and provide their audit opinion based on the findings of the report. The target is for the External Auditors to report that the Annual Report & Accounts show a true and fair view of the transactions the Fund.

To ensure there are adequate internal controls in place to manage and administer the Fund effectively, Internal Audit carry out an independent audit review every year, and the final reports are presented to the Teesside Pension Fund Committee and the Teesside Pension Board. Internal Audit report their findings and an audit assurance level. The target for both internal audits is to receive an assurance level of a strong control environment.

### **Governance**

In addition to the Funding Strategy Statement and Investment Strategy Statement, the Fund is required to have in place a number of other key governance documents to allow the Fund to run effectively and smoothly. These additional governance documents are:

- Governance Policy and Compliance Statement

- Training Policy
- Conflicts of Interest Policy
- Risk Management Policy
- Procedures for Reporting Breaches of the Law
- Communication Policy
- Pension Administration Strategy and Employer Guide
- Discretions Policy and Fund Officers' Scheme of Delegation

All governance documents should be reviewed at least every three years to ensure they are still relevant and represent best practice.

A summary of performance against all targets is presented in Appendix B of this report.

## RISK MANAGEMENT

The Fund's Risk Management Policy details the risk management strategy for the Fund, including:

- The risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk.
- How risk management is implemented.
- Risk management responsibilities.
- The procedures that are adopted in the Fund's risk management process.
- The key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

Effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Fund can:

- Demonstrate best practice in governance.
- Improve financial management.
- Minimise the risk and effect of adverse conditions.
- Identify and maximise opportunities that might arise.
- Minimise threats.

The Fund adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

In relation to understanding and monitoring risk, the Administering Authority aims to:

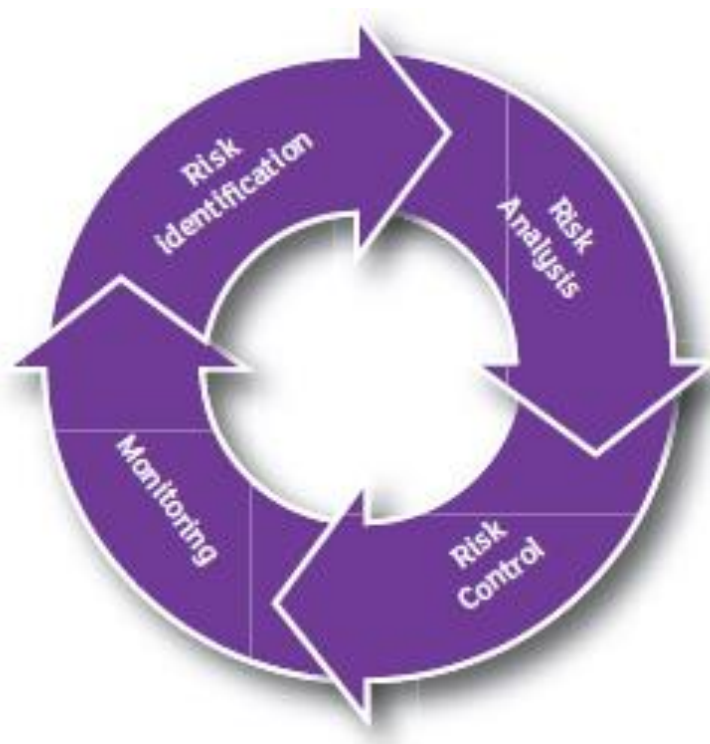
- Integrate risk management into the culture and day-to-day activities of the Fund.

- Raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners).
- Anticipate and respond positively to change.
- Minimise the probability of negative outcomes for the Fund and its stakeholders.
- Establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice.
- Ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- The CIPFA Managing Risk publication.
- The Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

The Fund's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections:



## Risk Identification

The risk identification process is both a proactive and reactive one: looking forward i.e. horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation.

## Risk Analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the impact if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating.

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

## Risk Control

Risk control specifies actions taken to reduce the likelihood of a risk event happening, the frequency it could happen and reducing the impact if it does occur. Possible courses of action against risk:

- **Tolerate** – the exposure of a risk may be tolerable without any further action being taken; this is partially driven by the Administering Authority's risk 'appetite' in relation to the Pension Fund;
- **Treat** – action is taken to constrain the risk to an acceptable level;
- **Terminate** – some risks will only be treatable, or containable to acceptable levels, by terminating the activity;
- **Transfer** - for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action.

## Risk Monitoring

Risk monitoring is the final part of the risk management cycle and is the responsibility of the Pension Fund Committee. In monitoring risk management activity, the Administering Authority / Committee considers whether:

- The risk controls taken achieved the desired outcomes
- The procedures adopted and information gathered for undertaking the risk assessment were appropriate
- Greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- There are any lessons to be learned for the future assessment and management of risks.

## Risk Reporting

Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Fund Committee – see attached Appendix C. The Pension Fund Committee will be provided with updates on a quarterly basis in relation to any changes to risks and any newly identified risks and a formal review will be carried out at least twice a year.

As a matter of course, the Teesside Pension Board will be provided with the same information as is provided to the Pension Fund Committee and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Policy on an annual basis taking into consideration any feedback from the Teesside Pension Board.

The risks identified are of significant importance to the Pension Fund. Where a risk is identified that could be of significance to the Council it will be included in the Risk Register.

## Risk Matrix

The risk matrix is adapted from the one used by the Council and the External Auditor's assessment of materiality (for the 2022/23 audit £50 million) is used as the high value for the purposes of scoring the identified risks.

Likelihood	5	Almost Certain >80%	Low (5)	Medium (10)	Medium (15)	High (25)	High (35)
	4	Likely 51% - 80%	Low (4)	Low (8)	Medium (12)	High (20)	High (28)
	3	Possible 21% - 50%	Low (3)	Low (6)	Medium (9)	Medium (15)	High (21)
	2	Unlikely 6- 20%	Low (2)	Low (4)	Low (6)	Medium (10)	Medium (14)
	1	Rare <6%	Low (1)	Low (2)	Low (3)	Low (5)	Low (7)
			1	2	3	5	7
			Insignificant	Minor	Moderate	Major	Extreme

## TRAINING PLAN

The Fund has adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills. It is a requirement of the Code that an annual statement on compliance must be included in the Fund's Statement of Accounts.

Investment Officers are required to acquire, by examination, the Investment Management Certificate (IMC) or relevant qualification. Officers without the relevant qualification and with less than five years relevant experience must undergo a minimum of twenty hours relevant training.

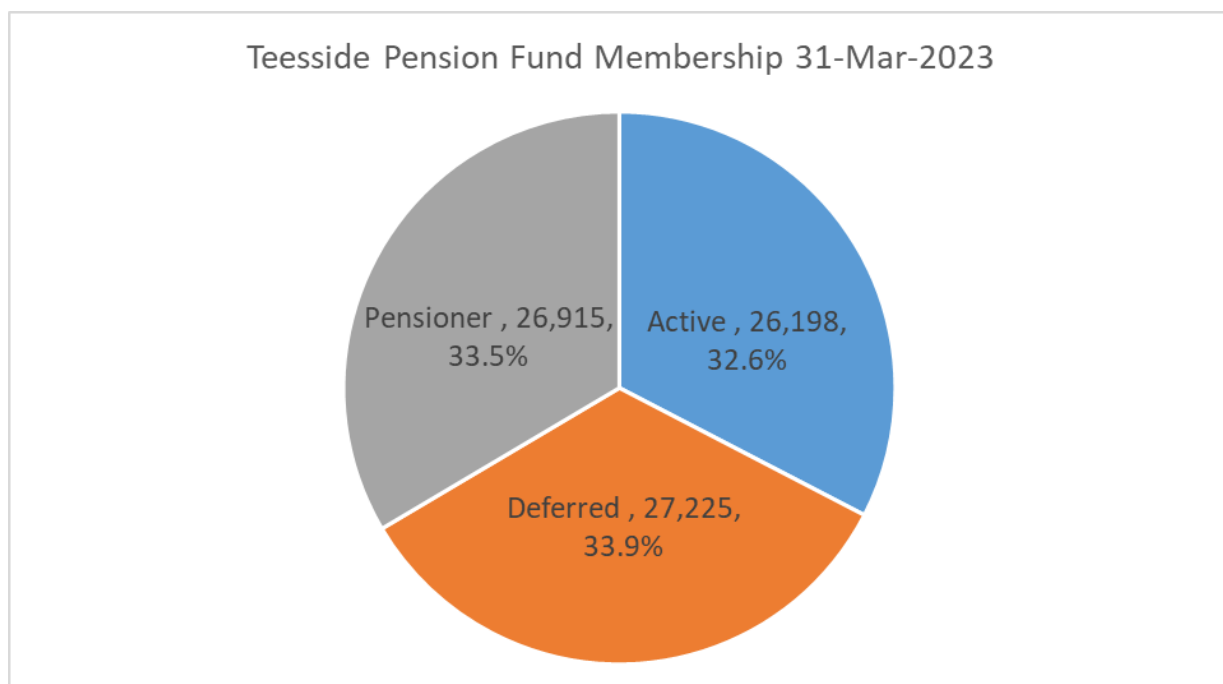
The Principles included in the Myners Review of Institutional Investment included a requirement under "Effective Decision Making" that Trustees should have sufficient expertise and be offered appropriate training.

It is a requirement that all Members serving on the Teesside Pension Fund Committee and those who may act as substitute received adequate training. This facility is extended to also include non-Middlesbrough Council members of the Committee. All Teesside Pension Board Members have received training and are encouraged to undertake the Pension Regulator's toolkit.

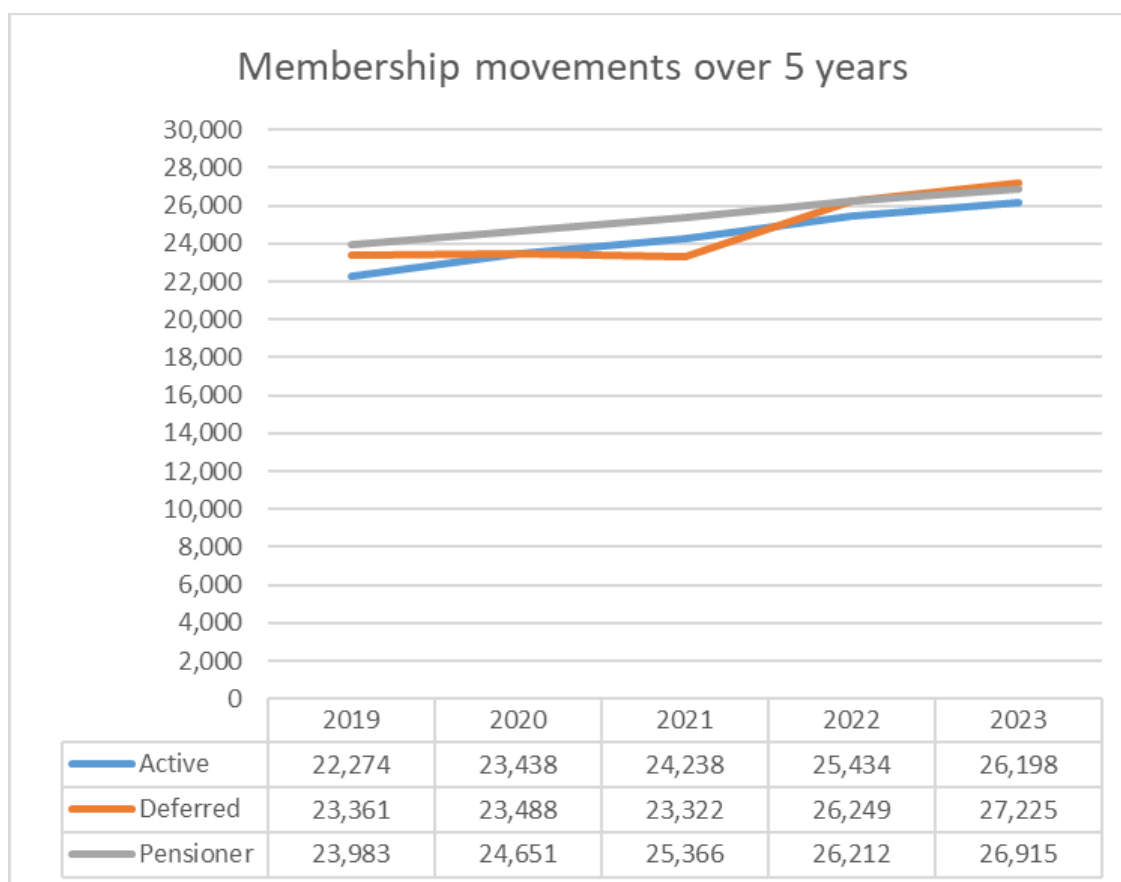
Training for Members and the staff employed by the Fund is essential as the Fund is moving to a position where its primary role will be managing two critically important outsourcing contracts with Border to Coast managing the majority of the Fund's investment assets, and XPS Administration managing the Fund's pension administration service.

## MEMBERSHIP DATA

The total scheme membership for the Fund as at 31 March 2023 was 80,338 made up of the following membership types:

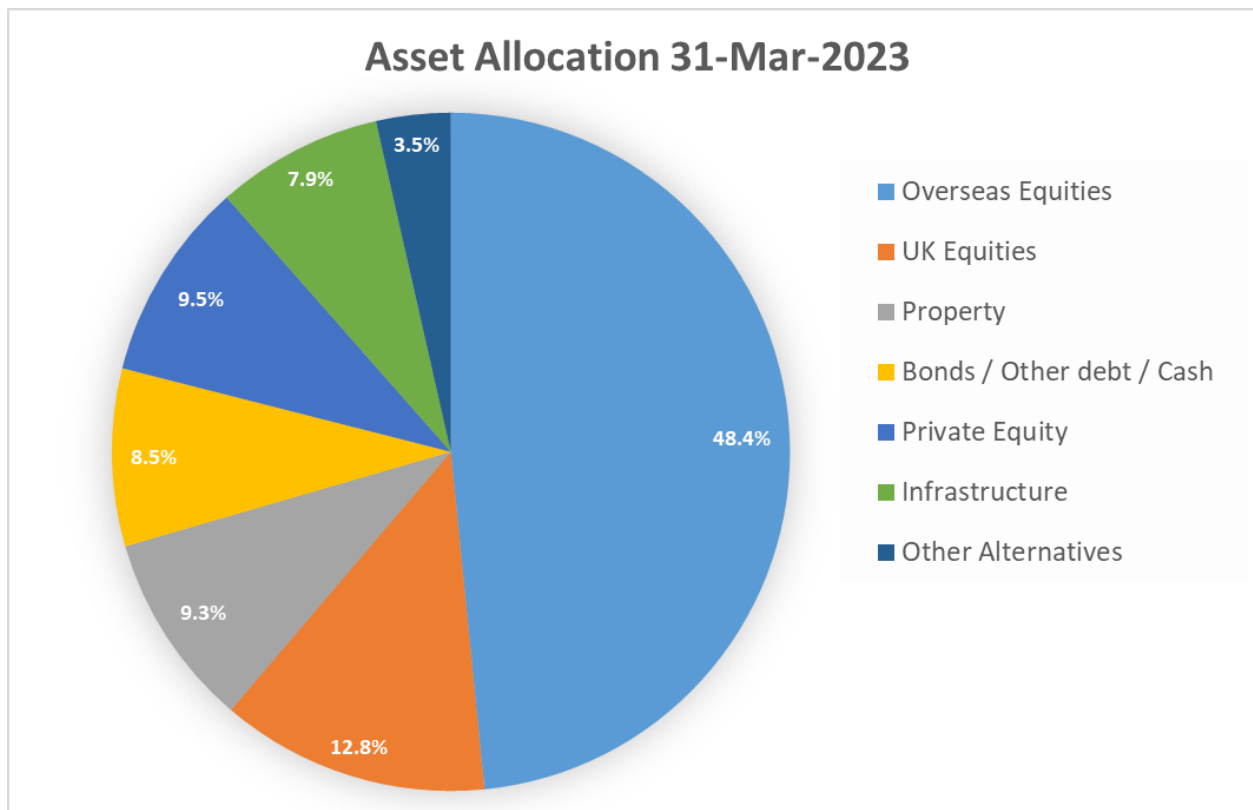


The changes to the scheme membership types over the last five years are shown below. Whilst the total membership has increased by approx. 10,700 members over the period, the numbers of deferred members have fluctuated but increased, whereas the numbers of actives and pensioner members has increased more steadily over the period.

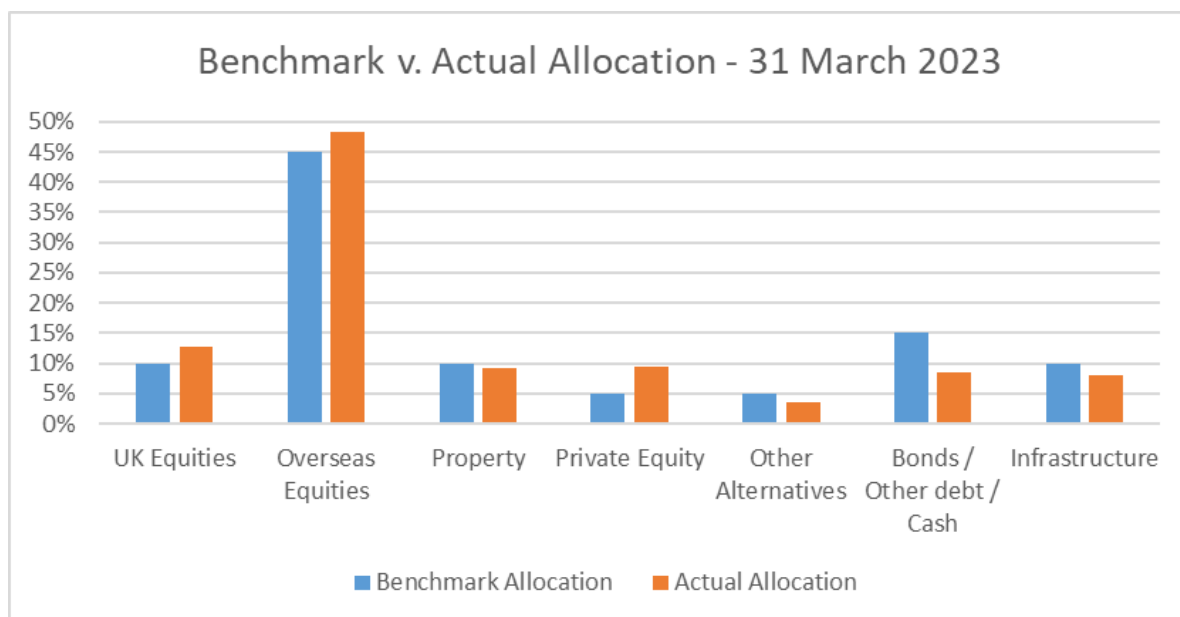


## INVESTMENTS AND FUNDING

The Pension Fund invests in a wide range of asset classes and regularly reviews its asset allocation policy to ensure that it remains appropriate for the Fund.



The Fund's Investment Strategy Statement sets out the Asset Allocation Strategy. This strategy is set for the long term and is reviewed at least every three 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. A revised strategic benchmark was agreed by the Pension Fund Committee at its March 2021 meeting, and this revised benchmark was used to update the Investment Strategy Statement. The strategic asset allocation included within the Investment Strategy Statement was reviewed after the publication of the latest valuation report, and it was agreed that no changes were required. As at 31 March 2023 the actual assets compared to the revised strategic benchmark as follows:



Actuarial valuations are carried out every three years with the last completed valuation dated 31 March 2022. These valuations calculate the value of the Fund's liabilities and compare them to the market value of the assets to determine a funding ratio. At the 2022 valuation, there was a surplus of £684 million, which corresponded to a funding ratio of 116%.

The next triennial valuation (as at 31 March 2025) will be published by 31 March 2026. The result of that valuation will be implemented from 1 April 2026, with any changes to employer contribution rates due to take effect then.

## FUND ACCOUNT, INVESTMENT AND ADMINISTRATION COSTS

The following table provides a summary of the fund account, investment and administration income and expenditure:

Description	2022-23 Actual £'000s	<b>2023-24 Forecast £'000s</b>	<b>2024-25 Estimate £'000s</b>
Contributions	-106,953	-107,075	-112,615
Transfers in from other pension funds	-4,896	-7,052	-7,405
Other income	-2,561	-2,123	-2,229
<b>Total income from members</b>	<b>-114,410</b>	<b>-116,250</b>	<b>-122,249</b>
Benefits payable	162,355	182,591	191,721
Payments to and on account of leavers	20,435	28,860	30,303
<b>Total expenditure to members</b>	<b>182,790</b>	<b>211,451</b>	<b>222,024</b>
Management expenses	10,473	11,506	12,106
<b>Total income less expenditure</b>	<b>78,853</b>	<b>106,707</b>	<b>111,881</b>
Investment income	-50,230	-72,000	-145,500*
Change in Asset Market Value	-54,947	0	0
<b>Net return on investments</b>	<b>-105,177</b>	<b>-72,000</b>	<b>-145,500</b>
<b>Net (increase) / decrease in net assets available for benefits during the year</b>	<b>-26,324</b>	<b>34,707</b>	<b>-33,619</b>

\*Assumes the Fund takes £70 million dividend income from Border to Coast equity funds.

Further detail behind the above summary is attached in Appendix D.

## ANNUAL PLAN FOR RECEIVING REPORTS

The Teesside Pension Fund Committee meets four times each year, with an additional (July) meeting to approve the Annual Report & Accounts. These should be before the end of:

- June;
- July;
- September;
- December; and
- March.

This allows for the presentation of key reports, which are needed to meet statutory deadlines:

June	Fund Performance Report
July	Annual Report & Accounts
	Audit Report
September	Interim Actuarial Valuation Report (where relevant)
December	Shareholder Governance Annual Report
March	Business Plan
	Annual External Audit Plan

## FORWARD PLAN FOR KEY DECISIONS

A number of reviews and reports have been scheduled as a result of earlier Pension Fund Committee decisions and the requirement to put out to external tender services provided to the Fund. It may be necessary to delay non-contractual elements of the Plan, depending on resources available.

### **2024/25:**

#### Pooling of Investment Assets:

- Where appropriate, taking into account Investment Advisors' views, continue to commit assets to Border to Coast's private equity, infrastructure and climate opportunities funds as they become available.
- Receive regular reports and presentations from Border to Coast in relation to the assets the Fund has committed to the pool.

**Pension Fund Governance:**

- Assess the Fund against the Scheme Advisory Board’s recommended governance standards (expected to become statutory guidance).
- Carry out gap analysis against Pensions Regulator’s General Code of Practice – prioritise and address gaps.
- Prepare UK Stewardship Code submission.

**Pension Investments:**

- Prepare procurement exercise in relation to property asset management and associated activities (property legal, property valuation).
- Implement the asset allocation instructions from the Pension Fund Committee.
- Monitor and report investment performance of the Fund, as measured against the Fund's customised benchmark.
- Assess any local investment opportunities that arise, with a view to making recommendations to the Pension Fund Committee where appropriate.
- Continue to monitor the Fund’s overweight equity position against its strategic asset allocation.
- Monitor Fund’s liquidity and consider whether / when to invest in fixed income.

**Pension Administration:**

- Carry out retendering exercise for pension administration
- Implement ‘McCloud’ changes, including retrospective review of leavers since 2014 - this is an additional check on leaving / drawing benefits to give certain scheme members the better of benefits under the current CARE scheme or under the old final salary rules for service from 1 April 2014 to 31 March 2022.
- Implement outcome of GMP reconciliation exercise.
- Prepare data and system functionality for compliance with Pensions Dashboard requirements.

**Funding:**

- Review and update the Funding Strategy Statement and Investment Strategy Statement if required.

**2025/26:**

- Report on transfer of assets to Border to Coast. Provide justification for an assets not transferred by expected deadline of 31 March 2025. Include value for money rationale together with expected timetable for reviewing asset transfer decision.

- Monitor and report in line with expected Task Force on Climate-Related Financial Disclosures (TCFD) requirements.
- Prepare data for submission to actuary for 31 March 2025 triennial valuation. Work with actuary on reviewing assumptions.
- Continue preparation for Pensions Dashboard implementation

**2025/26:**

- Further develop governance approach, taking into account UK Stewardship Code requirements.
- Develop and review Responsible Investments approach, incorporating TCFD reporting.
- Carry out 31 March 2025 triennial valuation.
- Continue preparation for Pensions Dashboard implementation

**2026/27:**

- Formal review and update (if necessary) of investment strategy – following publication of triennial valuation.
- Implement Pensions Dashboard (revised Government timetable has implementation date of 31 October 2026)

# Teesside Pension Fund

## Our Service Promise

*We will provide a customer-focused pension service meeting the needs of members and employers, and manage the investments of the Fund to achieve solvency and long-term cost efficiency for our customers.*

### Contact:

Nick Orton, Head of Pensions Governance and Investments  
nick\_orton@middlesbrough.gov.uk / 01642 729040.

### Scheme Members

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- Payment of pension payments/retirement grants
- New entrants to the LGPS processed
- Accurate transfer values calculated and paid
- Provide annual benefit statements

### Scheme Employers

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- Accurate contribution calculated and collected
- Pension costs accurately calculated and recharged
- Cash flow data supplied to the Actuary for IAS19/FRS17 reports

### Pension Fund Committee

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- Safe custody of the Fund's assets
- Invest the Fund's monies in accordance with LGPS Regulations and Pension Fund Committee instructions
- Manage the relationship with the Fund's pooling asset management company (Border to Coast Pensions Partnership)
- Report the Fund's investment transactions & asset valuations
- Produce a Business Plan for approval
- Hold accurate scheme membership data
- Statutory and selected non-statutory returns will be completed.

### Pension Board

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- Annual Report & Accounts produced in accordance with the latest CIPFA LGPS Code of Practice.

### What we'll do for you:

- We will administer and manage the Fund in accordance with the relevant statute and regulations.
- We will process transactions and payments listed in this Service Promise in line with the timescales stipulated.
- We will provide annual benefit statements to all scheme members, in accordance with the LGPS Regulations by 31 August every year.
- We will provide Rates & Adjustment Certificates to scheme employers following the triennial valuation of the Fund's assets and liabilities, in accordance with the LGPS Regulations by 31 March the year following the valuation.



### What you can do for us:

- Scheme employers provide all required information within the timeliness required for the task and in the format required.
- Scheme employers make contribution payments on time and in line with the Regulations and their Admission Agreements.
- Scheme employers provide a bond or other guarantee required by their Admission Agreements.
- All scheme members and scheme employers provide updated information relevant to the general upkeep of the data needed to maintain their records accurately.

## SUMMARY OF PERFORMANCE AGAINST TARGETS

### ***Funding:***

	Target	Actual
2022 Triennial Actuarial Valuation	100%	116%

### ***Investments:***

	As at 31 December 2023		
	Benchmark	Actual	Excess Return
Performance Return – 1 Year	8.8%	6.6%	<b>-1.6%</b>
Performance Return – 3 Year (per annum)	4.7%	7.5%	<b>2.8%</b>
Performance Return – 5 Year (per annum)	6.4%	8.2%	<b>1.7%</b>
Performance Return – 10 Year (per annum)	6.9%	7.4%	<b>0.6%</b>

### ***Pensions Administration:***

	As at 31 December 2021	
	Target	Actual
All new entrant processed within twenty working days of receipt of notification being received by pensions.	98.50%	100.00%
Transfer Values - To complete the process within ten working days of the date of receipt/request for payment.	98.50%	100.00%
Refund of contributions - correct refund to be paid within ten working days of the employee becoming eligible and the correct documentation being received.	98.75%	100.00%
Statements issued within ten working days - Estimate of benefits (of receipt of request) and Deferred Benefits (of receipt of all relevant information).	98.25%	99.88%
Pension costs to be recharged monthly to all employers.	98.75%	100.00%
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	98.75%	93.4% (shortfall relates to deferred members with unknown addresses)

	As at 31 December 2021	
	Target	Actual
Payment of retirement grant payment to be made within 6 working days of the later of the payment due date and the date of receiving all of the necessary information.	98.75%	98.92%
Pay eligible pensioners a monthly pension on the dates specified by the Council.	100.00%	100.00%
All calculations and payments are correct.	98.75%	100.00%

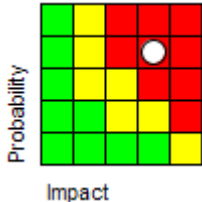
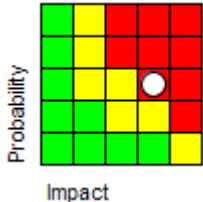
### **Accounting:**

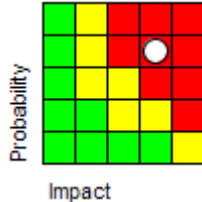
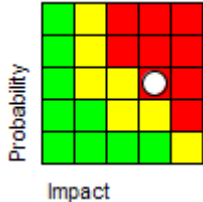
	Target	Actual
External Auditor Opinion	True & Fair View	True & Fair View (draft) –2021/22 and 2022/23 accounts not signed off as at 04.03.2024
Internal Audit Opinion – Investments	Strong Control Environment	Strong Control Environment
Internal Audit Opinion – Administration	Strong Control Environment	Strong Control Environment

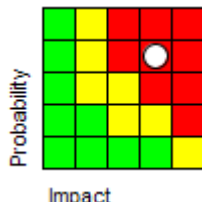
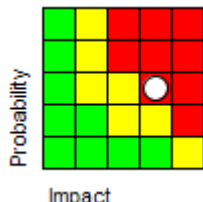
### **Governance:**

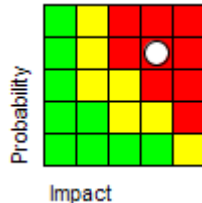
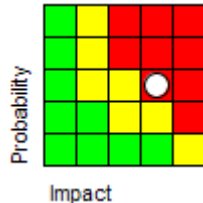
	Target	Actual
Funding Strategy Statement	Last 3 Years	March 2023
Investment Strategy Statement	Last 3 Years	Reviewed March 2023
Governance Policy & Compliance Statement	Last 3 Years	December 2021
Training Policy	Last 3 Years	December 2021
Conflict of Interest Policy	Last 3 Years	December 2021
Risk Management Policy	Last 3 Years	December 2021
Procedures for Reporting Breaches of Law	Last 3 Years	December 2021
Communication Policy	Last 3 Years	December 2021
Pension Administration Strategy & Employer Guide	Last 3 Years	December 2021
Fund Officers' Scheme of Delegation	Last 3 Years	December 2021

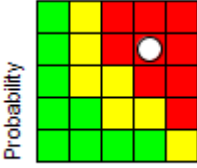
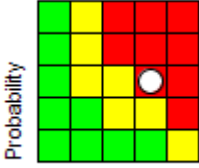
## Appendix C - Teesside Pension Fund Risk Register

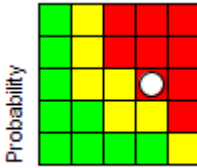
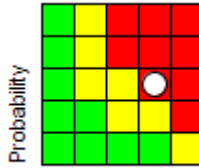
Code	Title	Original Score	Current Score
TPF001	<b>INFLATION</b> Price inflation is significantly more than anticipated: an increase in long-term CPI inflation of 0.2% a year will increase the liability valuation by 3%.  Fund & Reputation Impact-5 Employers Impact-5 Member Impact-5	 20	 15
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
In assessing the member liabilities, the triennial Fund Actuary assumptions made for inflation are "conservatively" set based on independent economic data, and hedged against by setting higher investment performance targets.			Head of Pensions Governance and Investments

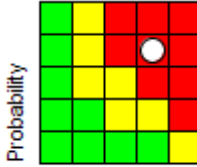
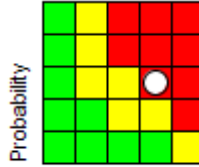
Code	Title	Original Score	Current Score
TPF002	<b>ADVERSE ACTUARIAL VALUATION</b> Impact of increases to employer contributions following the actuarial valuation.  Fund & Reputation Impact-3 Employers Impact-5 Member Impact-1	 20	 15
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Interim valuations provide early warnings. Actuary has scope to smooth impact for most employers.			Head of Pensions Governance and Investments

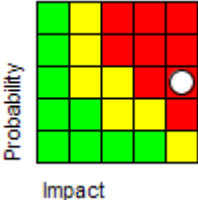
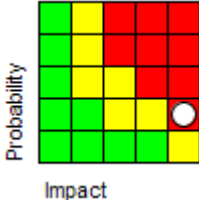
Code	Title	Original Score	Current Score
TPF003	<b>GLOBAL FINANCIAL INSTABILITY</b> Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.  Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 20	 15
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Increasing investment diversification will allow the Fund to be better placed to withstand this type of economic instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.			Head of Pensions Governance and Investments

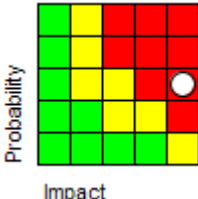
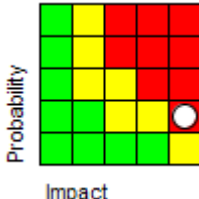
Code	Title	Original Score	Current Score
TPF004	<b>POLITICAL RISK</b> Significant volatility and negative sentiment in investment markets following the outcome of adversely perceived political changes.  Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 20	 15
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Increasing investment diversification will allow the Fund to be better placed to withstand this type of political instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.			Head of Pensions Governance and Investments

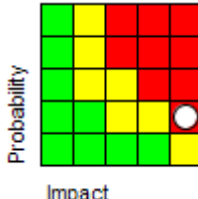

Code	Title	Original Score	Current Score
TPF005	<b>INVESTMENT CLASS FAILURE</b>  A specific industry investment class/market fails to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.  Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact 20	 Probability Impact 15
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Increasing investment diversification will allow the Fund to be better placed to withstand this type of market class failure. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.			Head of Pensions Governance and Investments

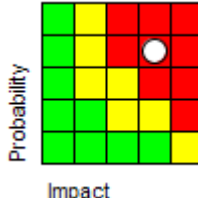
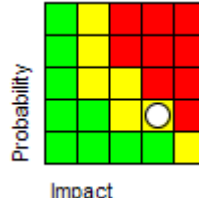
Code	Title	Original Score	Current Score
TPF012	<b>POOLING INVESTMENT UNDERPERFORMANCE</b>  Investments in the investment pool not delivering the required return.  Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact 15	 Probability Impact 15
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Ongoing monitoring by officers and advisors			Head of Pensions Governance and Investments

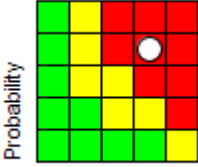

Code	Title	Original Score	Current Score
TPF053	<b>CLIMATE CHANGE</b>  The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors. The Fund's policy in relation to how it takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Responsible Investment Policy	 Probability Impact 20	 Probability Impact 15
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
In relation to the funding implications, the administering authority keeps the effect of climate change on future returns and demographic experience, eg. longevity, under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.			Head of Pensions Governance and Investments

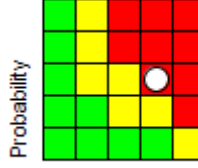

Code	Title	Original Score	Current Score
TPF009	<p>HIGHER THAN EXPECTED COSTS OF INVESTMENT POOLING</p> <p>Higher setup and ongoing costs of Border to Coast and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs).</p> <p>Fund &amp; Reputation Impact-7 Employers Impact-2 Member Impact-1</p>	 <p>21</p>	 <p>14</p>
Current Mitigation		Future Mitigation	Responsible Officer
Border to Coast's budget is set annually with the agreement of at least 9 of the 11 partner funds. Expenditure is monitored and reported to the Officer Group and Joint Committee meetings. Tenders for suppliers ensure value for money ethos applies.			Head of Pensions Governance and Investments



Code	Title	Original Score	Current Score
TPF010	<p>INADEQUATE POOLING TRANSPARENCY</p> <p>Lack of transparency around investment pooling arrangements.</p> <p>Fund &amp; Reputation Impact-7 Employers Impact-1 Member Impact-1</p>	 <p>21</p>	 <p>14</p>
Current Mitigation		Future Mitigation	Responsible Officer
With the pooling of investment assets TPF staff work closely with Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity of performance, with training provided to TPF staff as required.			Head of Pensions Governance and Investments

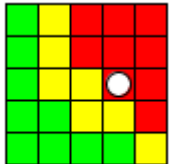
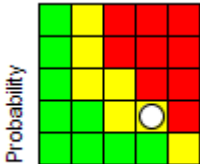
Code	Title	Original Score	Current Score
TPF021	<p>INAPPROPRIATE INVESTMENT STRATEGY</p> <p>Mismatching of assets and liabilities, inappropriate long term asset allocation of investment strategy, mistiming of investment strategy.</p> <p>Fund &amp; Reputation Impact-7 Employers Impact-7 Member Impact-1</p>	 <p>14</p>	 <p>14</p>
Current Mitigation		Future Mitigation	Responsible Officer
This is mitigated by the Triennial Valuation and the engagement of Two Independent Investment Advisors.			Head of Pensions Governance and Investments

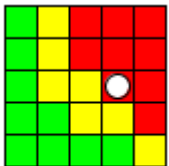
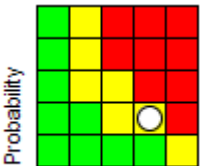
Code	Title	Original Score	Current Score
TPF007	<p>KEY PERSON RISK</p> <p>Concentration of knowledge &amp; skills in small number of officers and risk of departure of key staff - failure of succession planning.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-1 Member Impact-1</p>	 <p>20</p>	 <p>10</p>
Current Mitigation		Future Mitigation	Responsible Officer
Two Deputy positions were created in 2018/19 (although one remains to be filled). These act to support deputise as required for the Head of Investments, Governance and Pensions.			Head of Pensions Governance and Investments

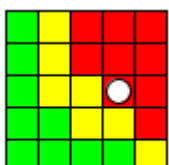

Code	Title	Original Score	Current Score
TPF008	<b>INSUFFICIENT STAFF</b> Causes failure to have time to adopt best practice by properly developing staff and processes. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact 20	 Probability Impact 10
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
In preparation for the pooling of investment assets to Border to Coast, the team was expanded and has a total complement of 9 staff (albeit with two current vacancies). With a new investment strategy of passive rather than active management, investment transaction volumes have significantly reduced.			Head of Pensions Governance and Investments

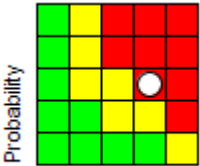
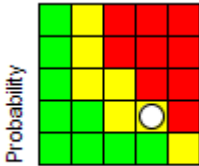
Code	Title	Original Score	Current Score
TPF011	<b>UNANTICIPATED PAY RISES</b> Increases are significantly more than expected for employers within the Fund. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact 15	 Probability Impact 10
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
1) Fund employers will monitor own experience. 2) Triennial Actuarial valuation Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) will be long term assumptions, any employer specific assumptions above the actuaries long term assumption would lead to further review. 3) Employers are made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits. 4) Over time, a diminishing proportion of LGPS liabilities are linked to final salary following the introduction of the career average scheme from April 2014.			Head of Pensions Governance and Investments

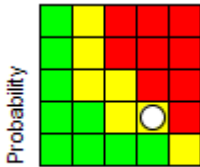
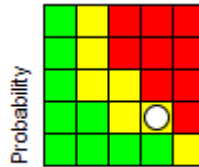
Code	Title	Original Score	Current Score
TPF013	<b>POOLING SYSTEMIC RISKS</b> Systemic and other investment risks not being properly managed within the investment pool; for example appropriate diversification, credit, duration, liquidity and currency risks. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact 15	 Probability Impact 10
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review Border to Coast sub-fund investment elements on an on-going basis, and report to TPF Committee and Board.			Head of Pensions Governance and Investments


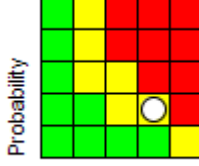
Code	Title	Original Score	Current Score
TPF014	<p><b>LONGEVITY</b></p> <p>Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8%.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
In assessing the member longevity and pension liabilities, the Triennial Actuary assumptions made for longevity are "conservatively" set based on the latest life expectancy economic data. They are reviewed and updated at each three-year Actuarial valuation. If required, further investigation can be carried out of scheme specific/employer longevity data.			Head of Pensions Governance and Investments


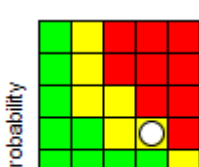
Code	Title	Original Score	Current Score
TPF017	<p><b>BULK TRANSFER VALUE DISPUTE</b></p> <p>Failure to ensure appropriate transfer is paid to protect the solvency of the fund and equivalent rights are acquired for transferring members.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
A mechanism exists within the regulations to resolve such disputes - this should reduce the financial impact of any such event.			Head of Pensions Governance and Investments

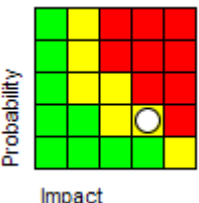
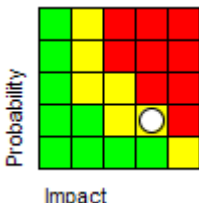
Code	Title	Original Score	Current Score
TPF018	<p><b>TPF INVESTMENT UNDERPERFORMANCE</b></p> <p>Investment Managers fail to achieve performance targets over the longer term: a shortfall of 1% on the investment target will result in an annual impact of £50m.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p> <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>1) The asset allocation made up of equities, bonds, property, alternatives, cash etc. funds, is sufficiently diversified to limit exposure to one asset category.</p> <p>2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal asset allocation.</p> <p>3) Actuarial valuation and asset/liability study take place every three years.</p> <p>4) Interim valuation data is received annually and provides an early warning of any potential problems.</p> <p>5) The actuarial assumption regarding asset outperformance of a measure over CPI over gilts is regarded as achievable over the long-term when compared with historical data.</p>			Head of Pensions Governance and Investments

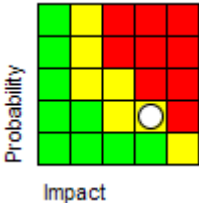
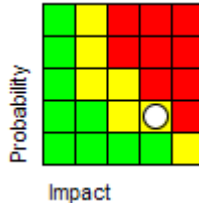
Code	Title	Original Score	Current Score
TPF019	<p>TPF GOVERNANCE SKILLS SHORTAGE</p> <p>Lack of knowledge of Committee &amp; Board members relating to the investment arrangement and related legislation and guidance.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-3 Member Impact-1</p>	 <p>15</p>	 <p>10</p>
Current Mitigation		Future Mitigation	Responsible Officer
Pension Fund Committee new members have an induction programme and have access to on-line training based on the requirements of CIPFA Knowledge and Skills Framework including Pooling.			Head of Pensions Governance and Investments

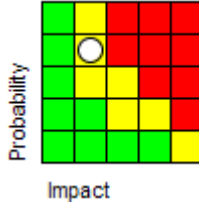
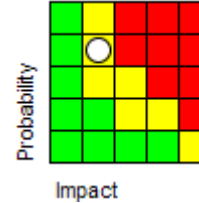
Code	Title	Original Score	Current Score
TPF025	<p>OUTSOURCED MEMBER ADMIN FAILURE</p> <p>XPS Administration service fails to the point where it is unable to deliver its contractual services to employers and members.</p> <p>Fund &amp; Reputation Impact-1 Employers Impact-1 Member Impact-5</p>	 <p>10</p>	 <p>10</p>
Current Mitigation		Future Mitigation	Responsible Officer
XPS Administration is a well-resourced established pensions administration provider which is not in financial difficulty.			Head of Pensions Governance and Investments

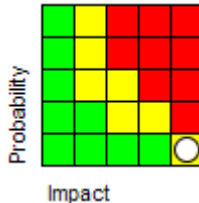
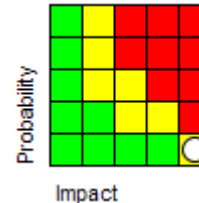
Code	Title	Original Score	Current Score
TPF026	<p>INSECURE DATA</p> <p>Failure to hold personal data securely - i.e data stolen.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-1 Member Impact-5</p>	 <p>10</p>	 <p>10</p>
Current Mitigation		Future Mitigation	Responsible Officer
XPS Administration have advised they have robust data security and are not aware of any attempted hacking events.			Head of Pensions Governance and Investments

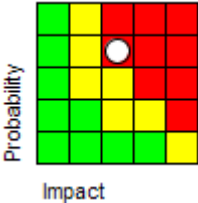

Code	Title	Original Score	Current Score
TPF028	<p>INADEQUATE POOLING INVESTMENT EXPERTISE</p> <p>Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>10</p>	 <p>10</p>
Current Mitigation		Future Mitigation	Responsible Officer
Border to Coast has completed recruitment of experienced and capable management team, alongside its expanding complement of over 100 staff.			Head of Pensions Governance and Investments

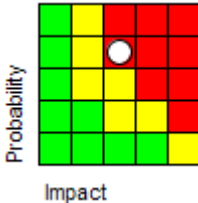
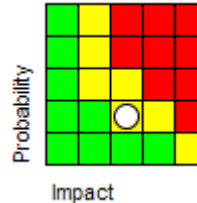
Code	Title	Original Score	Current Score
TPF029	<b>INSUFFICIENT RANGE OF POOLING ASSET CLASSES</b>  Insufficient range of asset classes or investment styles being available through the investment pool.  Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1	 10	 10
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
There is in place a roll-out plan of different asset classes and engagement with Border to Coast to identify relevant future asset classes			Head of Pensions Governance and Investments

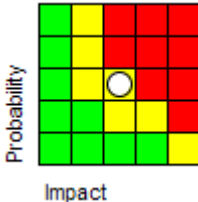
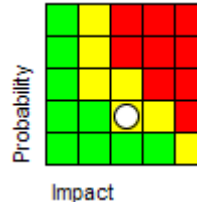
Code	Title	Original Score	Current Score
TPF031	<b>INTERNAL COMPLIANCE FAILURES</b>  Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.  Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1	 10	 10
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
The Head of Pensions Governance and Investments attends all Committee and Board meetings and acts as a conduit between the two, ensuring any Board recommendations are relayed to the Committee.			Head of Pensions Governance and Investments

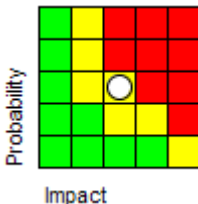
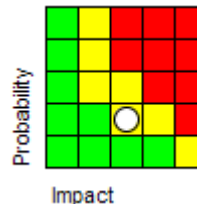
Code	Title	Original Score	Current Score
TPF030	<b>COMMITTEE MEMBERSHIP CHANGE</b>  Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding.  Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 8	 8
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Officers and advisers provide continuity and training following changes to Committee membership.			Head of Pensions Governance and Investments

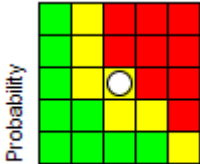
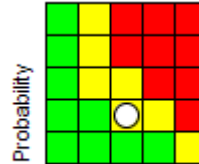
Code	Title	Original Score	Current Score
TPF039	<b>BORDER TO COAST FAILURE</b>  Failure of the operator itself, or its internal risks and controls failure of corporate governance, responsible investment, or the failure to exercise voting rights according to policy.  Fund & Reputation Impact-7 Employers Impact-4 Member Impact-1	 7	 7
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Ongoing oversight and close working with Border to Coast and the other Partner Funds will provide advance warning of any issues in this area and an opportunity to rectify them.			Head of Pensions Governance and Investments

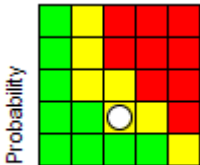
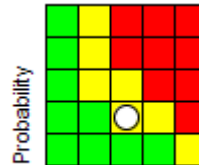
Code	Title	Original Score	Current Score
TPF015	<p><b>EMPLOYER FAILURE</b></p> <p>An employer ceasing to exist with insufficient funding, or being unable to meet its financial commitments, adequacy of bond or guarantee. Any shortfall would be attributed to the fund as a whole.</p> <p>Fund &amp; Reputation Impact-2 Employers Impact-3 Member Impact-3</p>	 <p>12</p>	 <p>6</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>1) Fund employers should monitor own experience.</p> <p>2) Triennial Actuarial Assumptions will account for the possibility of employer(s) failure (for the purposes of IAS19/FRS102 and actuarial valuations). Any employer specific assumptions above the actuaries long-term assumption, would lead to further review.</p> <p>3) Employers rates are set taking into account the strength of an employer and any underwriting by other employers in the Fund.</p>			Head of Pensions Governance and Investments



Code	Title	Original Score	Current Score
TPF016	<p><b>ADVERSE LEGISLATIVE CHANGE</b></p> <p>Risk of changes to legislation, tax rules etc.; resulting in increases required in employer contributions.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-3 Member Impact-3</p>	 <p>12</p>	 <p>6</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>The process of legislative change and the actuarial valuation cycle means any such change would be flagged up well in advance. The actuary has scope to mitigate any contribution increase in respect of most Fund employers.</p>			Head of Pensions Governance and Investments



Code	Title	Original Score	Current Score
TPF022	<p><b>GDPR COMPLIANCE</b></p> <p>Non-compliance with GDPR regulations.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-1 Member Impact-1</p>	 <p>9</p>	 <p>6</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>Data protection privacy notices have been distributed by XPS Administration. The Council has established GDPR-compliant processes and procedures.</p>			Head of Pensions Governance and Investments

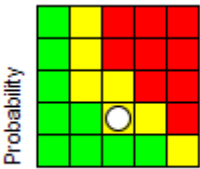
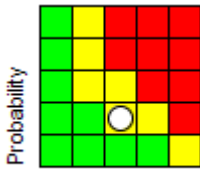
Code	Title	Original Score	Current Score
TPF023	<p><b>INACCURATE DATA RECORD COLLATION</b></p> <p>Failure to maintain proper, accurate and complete data records leading to increased errors and complaints.</p> <p>Fund &amp; Reputation Impact-1 Employers Impact-3 Member Impact-3</p>	 <p>9</p>	 <p>6</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
<p>Administration data quality is being assessed as part of the triennial valuation process, as well as being assessed regularly in order to meet Pensions Regulator requirements on scheme data.</p>			Head of Pensions Governance and Investments


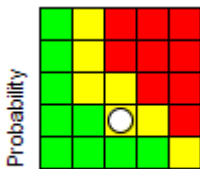
Code	Title	Original Score	Current Score
TPF024	<b>STRUCTURAL CHANGES TO EMPLOYER MEMBERSHIP</b>  Risk that TPF are unaware of structural changes to an employer's membership, or changes (e.g. closing to new entrants) meaning the individual employer's contribution level becomes inappropriate.  Fund & Reputation Impact-2 Employers Impact-3 Member Impact-2	 9	 6
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
The XPS Administration employer liaison team will improve this by working closely with employers.			Head of Pensions Governance and Investments

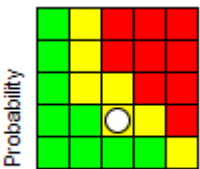

Code	Title	Original Score	Current Score
TPF032	<b>INADEQUATE POOLING DATA</b>  Inability to gather robust, quality or timely information from Border to Coast.  Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	 6	 6
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
TPF staff work closely with Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity and reporting of performance, with training provided to TPF staff as required.			



Code	Title	Original Score	Current Score
TPF033	<b>ESG REPUTATIONAL DAMAGE</b>  Insufficient attention to environmental, social and governance (ESG) leads to reputational damage.  Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 6	 6
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Border to Coast provides increased focus on Responsible Investment.			Head of Pensions Governance and Investments

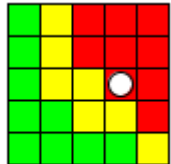

Code	Title	Original Score	Current Score
TPF034	<b>THIRD PARTY SUPPLIER FAILURE</b>  Financial failure of third party supplier results in service impairment and financial loss.  Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 6	 6
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
New supplier's financial strength is assessed through the procurement process. Existing suppliers are obliged to report any issues.			Head of Pensions Governance and Investments

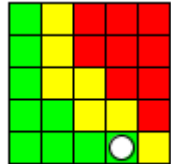
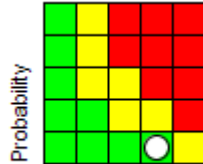
Code	Title	Original Score	Current Score
TPF035	<p>PROCUREMENT PROCESS CHALLENGES</p> <p>Procurement processes may be challenged if seen to be non-compliant with procurement regulations. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non-compliant process.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-1 Member Impact-1</p>	 <p>6</p>	 <p>6</p>
Current Mitigation		Future Mitigation	Responsible Officer
Advice sought from Council's procurement specialist on regulatory compliance,			Head of Pensions Governance and Investments

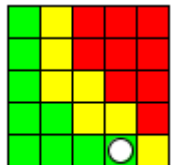

Code	Title	Original Score	Current Score
TPF036	<p>ASSET POOLING TRANSITION RISK</p> <p>Loss or impairment as a result of Asset transition.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-3 Member Impact-1</p>	 <p>6</p>	 <p>6</p>
Current Mitigation		Future Mitigation	Responsible Officer
Listed assets already transferred			Head of Pensions Governance and Investments

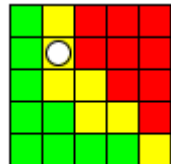

Code	Title	Original Score	Current Score
TPF037	<p>COMPLIANCE FAILURES</p> <p>Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests, Code of Practice 14.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-2 Member Impact-0</p>	 <p>6</p>	 <p>6</p>
Current Mitigation		Future Mitigation	Responsible Officer
Advice sought where needed on compliance e.g. ISS, FSS			Head of Pensions Governance and Investments

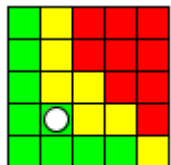

Code	Title	Original Score	Current Score
TPF038	<p>CUSTODY DEFAULT</p> <p>The risk of losing economic rights to pension fund assets, when held in custody or when being traded. The risk might arise from missed dividends or corporate actions (e.g. rights issues) or problems arising from delays in trade settlements.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-3 Member Impact-1</p>	 <p>6</p>	 <p>6</p>
Current Mitigation		Future Mitigation	Responsible Officer
Issues are now largely historic and relate to withholding tax claims or corporate actions in relation to assets previously held by the Fund.			Head of Pensions Governance and Investments

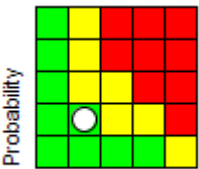
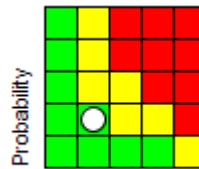
Code	Title	Original Score	Current Score
TPF020	<b>INADEQUATE BORDER TO COAST OVERSIGHT</b>  Insufficient resources to properly monitor pooling & Border to Coast.  Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 5
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Sufficient resources exist within the team to oversee and monitor Border to Coast. External providers are also involved, such as Portfolio Evaluation Limited and the two independent investment advisors.			Head of Pensions Governance and Investments

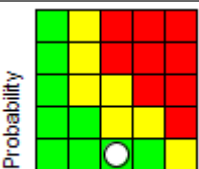
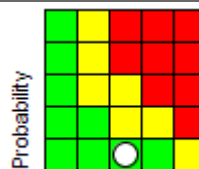
Code	Title	Original Score	Current Score
TPF042	<b>DECISION MAKING FAILURES</b>  Failure to take difficult decisions inhibits effective Fund management.  Fund & Reputation Impact-5 Employers Impact-2 Member Impact-1	 5	 5
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Ongoing challenge and advice from two independent advisors			Head of Pensions Governance and Investments

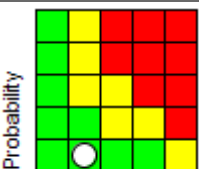
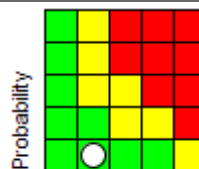
Code	Title	Original Score	Current Score
TPF043	<b>CASH INVESTMENT FRAUD</b>  Financial loss of cash investments from fraudulent activity.  Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 5	 5
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Approval processes and systems			Head of Pensions Governance and Investments

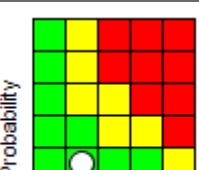
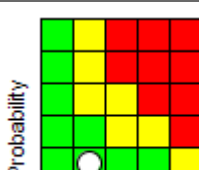
Code	Title	Original Score	Current Score
TPF027	<b>SCHEME MEMBER FRAUD</b>  Fraud by scheme members or their relatives (e.g. identity, death of member).  Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2	 8	 4
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
XPS checking processes – e.g. mortality screening			Head of Pensions Governance and Investments

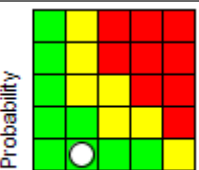
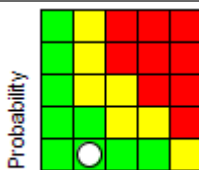
Code	Title	Original Score	Current Score
TPF040	<b>INACCURATE FUND INFORMATION</b>  In public domain leads to damage to reputation and loss of confidence.  Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	 4	 4
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Checking and reviewing processes, internal and external audit			Head of Pensions Governance and Investments

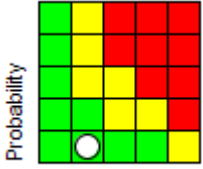
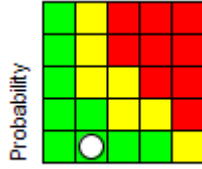
Code	Title	Original Score	Current Score
TPF041	<b>LIQUIDITY SHORTFALLS</b>  Risk of illiquidity due to difficulties in realising investments and paying benefits to members as they fall due.  Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 Impact	 Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Daily monitoring of cash position, cash-flow planning			Head of Pensions Governance and Investments


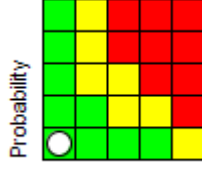
Code	Title	Original Score	Current Score
TPF044	<b>ICT SYSTEMS FAILURE</b>  Prolonged administration ICT systems failure.  Fund & Reputation Impact-2 Employers Impact-2 Member Impact-3	 Impact	 Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Disaster recovery plans			Head of Pensions Governance and Investments



Code	Title	Original Score	Current Score
TPF045	<b>CONTRIBUTION COLLECTION FAILURE</b>  Failure to collect employee/er member pension contributions.  Fund & Reputation Impact-1 Employers Impact-2 Member Impact-1	 Impact	 Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Ongoing monitoring of contribution collection at employer level			Head of Pensions Governance and Investments

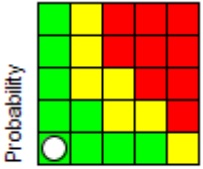
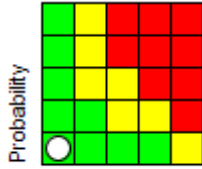
Code	Title	Original Score	Current Score
TPF046	<b>INADEQUATE DISPUTES RESOLUTION PROCESS</b>  Failure to agree and implement an appropriate complaints and disputes resolution process.  Fund & Reputation Impact-1 Employers Impact-2 Member Impact-2	 Impact	 Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Process is in place and operating effectively.			Head of Pensions Governance and Investments



Code	Title	Original Score	Current Score
TPF047	<b>BORDER TO COAST CESSATION</b>  Partnership disbands or fails to produce a proposal deemed sufficiently ambitious.  Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	 Impact	 Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Border to Coast in place – Fund has oversight and jointly owns the company.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF048	<b>POOLING CUSTODIAN FAILURE</b> Failure to ensure safe custody of assets. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	 2	 2
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Border to Coast's custodian is financially secure and keeps pool's assets segregated.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF049	<b>OFFICER FRAUD</b> Fraud by administration staff. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1	 1	 1
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
Approval processes, verification on transactions, restricted options in place re payments			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF050	<b>EXCESSIVE ADMIN COSTS</b> Excessive costs of member benefit administration leads to lack of VFM and loss of reputation. Fund & Reputation Impact-1 Employers Impact-1 Member Impact-1	 1	 1
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF051	<b>ERRONEOUS MEMBER BENEFIT CALCS</b> Risk of incorrect calculation of members benefits. Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2	 1	 1
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF052	<b>INADEQUATE MEMBER COMMS</b> Increased workload for pensions team or increased opt-outs if communications inadequate or misunderstood. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 1	 1
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>
			Head of Pensions Governance and Investments

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***Fund account, investment and administration - detailed analysis***

	<b>2022-23 Actual £'000s</b>	<b>2023-24 Forecast £'000s</b>	<b>2024-25 Estimate £'000s</b>
<b><i>Income from members</i></b>			
Employers' contributions normal	-73,562	-73,276	-76,940
Employers' contributions additional	-12	-10	-11
Employers' contributions deficit recovery	-158	-44	-46
Members' contributions	-33,221	-32,905	-34,550
Transfers in from other schemes	-4,896	-7,052	-7,405
Other income	-2,561	-2,123	-2,229
	<b>-114,410</b>	<b>-115,410</b>	<b>-121,181</b>

	<b>2022-23 Actual £'000s</b>	<b>2023-24 Forecast £'000s</b>	<b>2024-25 Estimate £'000s</b>
<b><i>Expenditure to members</i></b>			
Pensions paid	134,792	150,387	157,906
Commutations and lump sum retirement benefits	24,684	28,860	30,303
Lump sum death benefits	2,879	3,344	3,511
Payments to and on account of leavers	20,435	28,860	30,303
	<b>182,790</b>	<b>211,451</b>	<b>222,024</b>

## Appendix D

	2022-23 Actual £'000s	2023-24 Forecast £'000s	2024-25 Estimate £'000s
<b>Management expenses:</b>			
<b>Administration costs</b>	<b>2,470</b>	<b>2,500</b>	<b>2,600</b>
<b>Investment management expenses</b>			
Custody fees	21	21	21
External investment management expenses	6,793	7,500	8,000
Internal investment management expenses	517	550	550
Transaction costs	0	200	200
<b>Total Investment management expenses</b>	<b>7,331</b>	<b>8,271</b>	<b>8,771</b>
External audit cost	35	35	35
<b>Oversight &amp; governance costs</b>	<b>637</b>	<b>700</b>	<b>700</b>
<b>Total Management Expenses cost</b>	<b>10,473</b>	<b>11,506</b>	<b>12,106</b>

	2022-23 Actual £'000s	2023-24 Forecast £'000s	2024-25 Estimate £'000s
<b>Investment Income</b>			
Investment income from bonds	0	0	0
Investment income from equities	0	0	0
Investment income from pooled investment vehicles	-24,838	-45,000	-120,000*
Other investment income	0	0	0
Property gross rental income	-18,460	-22,000	-23,000
Property expenses	1833	3,000	3,500
Interest on cash deposits	-8765	-8,000	-6,000
	<b>-50,230</b>	<b>-72,000</b>	<b>-145,500</b>

<b>Change in Asset Market Value</b>	<b>-54,947</b>	<b>0</b>	<b>0</b>
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\*Assumes the Fund chooses to take £70 million in dividends from Border to Coast equity pooled funds.

# **Teesside Pension Board**

## **Annual Report 2023 – 2024**



## 1. Background

The **Teesside Pension Fund** is the Local Government Pension Scheme (LGPS) for local authority employees in the Teesside region (and employees working for other bodies that are eligible to participate). The Fund has over 80,000 members, and assets of approximately £5.2 billion (as at 31 December 2023).

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

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

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

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

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

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

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

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

members, and one member representative is appointed from the pensioner Scheme members.

Cllr Stefan Walker was Chair of the Board for the first meeting of the year but was not re-elected in the May 2023 council elections. Cllr William Ayre was also no longer a Board member after these elections. Paul Thompson of UNISON (previously Deputy Chair) was appointed Chair of the Board at the second meeting of the year (the September meeting) Cllr Christopher Massey was appointed Deputy Chair at the same meeting. During the year the Board welcomed three new members (all employer representative) Cllr Christopher Massey (from Redcar and Cleveland Council), Cllr Nicky Walker (from Middlesbrough Council) and Cllr Martin Dunbar (from Hartlepool Council). The scheme member representatives remained the same throughout the year: Paul Thompson and June Stubbs (both from UNISON) and Jeff Bell (pensioner representative).

This is the eighth Annual Report of the Board, for the period 1 April 2023 to 31 March 2024.

## **2. Introduction**

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

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

As highlighted in previous annual reports Teesside Pension Fund entered into an agreement to pool what now represents over half of its investments with other LGPS Funds through Border to Coast Pensions Partnership Limited ('Border to Coast'). Border to Coast was set up, and is wholly owned, by eleven LGPS administering authorities each responsible for an LGPS fund (originally twelve administering authorities were involved until the long-planned merger of two of those authorities was confirmed, backdated to 1 April 2020). Border to Coast was established to meet central government's requirement that local government pension schemes pool their investment assets with the aims of providing savings and improving governance. Middlesbrough Council (as administering authority for the Teesside Pension Fund) is one of the owners and customers of Border to Coast.

Initial investments with Border to Coast were in public equities (shares) and all the Fund's UK equities transferred during 2018/19 to be managed by Border to Coast, using the same low-cost 'internally-managed' approach but delivered by a larger team of investment professionals based in Leeds. The Fund also made a relatively small initial investment in Border to Coast's internally-managed overseas equity fund during 2018/19, followed by a transfer the majority of the rest its overseas equities in 2021/22 from being managed passively (by State Street Global Advisors) to being actively managed by Border to Coast (again, using a low-cost 'internally-managed' approach). The Fund has also invested in Border to Coast's Emerging Markets Fund and is making increasingly significant investments into Border to Coast's private markets funds. Initially this was private equity and infrastructure but from 2021/22 onwards investments also being made into Border to Coast's Climate Opportunities fund. This fund will invest in a suitably diversified global portfolio of climate-related opportunities such as renewable energy, green hydrogen,

carbon capture and storage and energy storage. As at 31 December 2023, 56.1% of the Fund's assets were invested through Border to Coast, with this percentage expected to increase over the coming months and years.

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

### **3. Board Activity 2023 – 2024**

Over the 11 months to the end of February 2024, global equity market performance was mixed but collectively positive. The US in particular performed exceptionally well, a marked improvement on the previous year. One significant caveat was the extent to which US stock market growth was dependant on a small range of technology stocks which have benefited from investor interest in artificial intelligence and its potential current and future applications. Market concentration in the US increased significantly during the period, with the top five stocks in the S&P 500 (Microsoft, Apple, Nvidia, Amazon and Meta) making up nearly a quarter of its total market capitalisation. Returns in Japan and Europe were positive and better than in the UK where performance was broadly flat.

The overall value of the Fund's assets improved slightly and is on course to remain over £5 billion. More significantly, interest rates continued to rise during the period and domestically the Bank of England base rate remained at a 16-year high of 5.25%. This has influenced market views on long-term return rates which in turn reduce the value the actuary places on the Fund's liabilities. If this position does not change over the next year or so it could make to an improvement in funding level at the next actuarial valuation more likely.

Although the Board has no role in deciding how the Fund is invested, it does have a role in overseeing the Committee's actions in this respect. As the global economy continues its progress to a more challenging and less benign period, the Fund's investment approach is likely to face challenges and the Board's oversight role will remain important during the coming months and years.

Over the course of 2023/24 all four of the planned meetings were held and were quorate and all four meetings were held in person. The Board has been able to continue in its role and carry out its responsibilities to ensure effective governance. As well as continuing to receive minutes and verbal updates from Pension Fund Committee meetings (meetings which all Board members are able to attend and all Board members receive agendas for), over the course of the year the Board has considered papers or had oral reports covering the following areas:

- The Fund's annual Business Plan
- The Board's own Annual Report
- The Draft Annual Report for the Fund (containing the Fund's accounts).
- Board membership and training

- Administration reports from XPS – these include performance against service level agreement targets, information on general administration activity, statistics on appeals cases and details of current and future issues impacting, or potentially impacting, on the administration of the Fund.
- The Final Actuarial Valuation Report of Fund as at 31 March 2022.
- The Pensions Regulator’s Single Code of Practice
- Updates on work programme items (see below), including:
  - Reviewing the Fund’s Communications Policy and standard member and employer communications
  - Internal controls and managing risks
  - Reviewing the Fund’s approach to cyber security
  - Pension Board conflicts of interest

#### **4. Board work programme**

At its 19 July 2021 meeting the Board confirmed that the focus of its activity would be guided by the general principles set out by the Pensions Regulator. The Pensions Regulator’s website lists the following areas of governance and administration that those responsible for running, overseeing or advising a public service pension scheme need to focus on:

- **“Reporting duties**  
Managers of public service pension schemes must ensure that the scheme return we issue each year is completed on time. They must also tell us of any changes to their scheme’s ‘registrable information’ as soon as possible.
- **Internal controls and managing risks**  
Public service pension schemes need to have good internal controls. They are a key characteristic of a well-run scheme and will enable risks to the scheme to be managed effectively.
- **Record-keeping**  
Failing to maintain complete and accurate records can affect the ability of your public service pension scheme to carry out basic functions. Accurate record-keeping is crucial in ensuring that benefits are paid correctly.
- **Communicating to members**  
Members of public service pension schemes need to receive information to help them understand their pension arrangements and make informed decisions.
- **Publishing scheme information**  
Certain information relating to public service pension schemes needs to be published so that scheme members and interested parties know that their scheme is being managed effectively.
- **Maintaining contributions**  
Public service pension schemes need to have procedures and processes that enable you to effectively monitor pension contributions, resolve payment issues and report payment failures.
- **Pension board conflicts of interest and representation**

In public service pension schemes, potential conflicts of interest need to be identified and managed to prevent actual conflicts of interest arising.

- **Resolving internal disputes**

Internal dispute resolution (IDR) arrangements play an important part in the management of a public service pension scheme. They enable someone with an interest in the scheme to ask for a matter in dispute to be resolved.

- **Reporting breaches of the law**

Certain people involved with the governance and administration of a public service pension scheme must report certain breaches of the law to us.”<sup>1</sup>

Taking these principles and its own Terms of Reference into account the Board set out its updated work plan as follows:

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<sup>1</sup> (from <https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/scheme-management> )

Teesside Pension Board Work Plan		
Date of Board meeting and any standard items scheduled	Suggested areas of focus (from the Pensions Regulator's list)	Suggested activities (including from the Scheme Advisory Board guidance)
July 2021 Draft Report and Accounts		
November 2021 Annual Review of Board Training	Pension board conflict of interest	Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme
February 2022	Reporting breaches Maintaining contributions Reporting duties	Review procurements carried out by Fund
April 2022 Annual Board Report	Internal controls and managing risks	Review the complete and proper exercise of employer and administering authority discretions.
July 2022 Draft Report and Accounts	Record keeping Resolving internal disputes	Review performance and outcome statistics Review handling of any cases referred to Pensions Ombudsman
November 2022 Annual Review of Board Training	Regulator Code of Practice Gap Analysis	Review the outcome of actuarial reporting and valuations.
February 2023		Review the outcome of actuarial reporting and valuations.
<b><i>April 2023 Annual Board Report</i></b>	<b><i>Communicating to members Publishing scheme information</i></b>	<b><i>Review standard employer and scheme member communications</i></b>
<b><i>September 2023 Annual Review of Board Training</i></b>	<b><i>Pension board conflict of interest</i></b>	<b><i>Review the arrangements for the training of Board members</i></b>
<b><i>November 2023 Draft Report and Accounts</i></b>		
<b><i>February 2024</i></b>	<b><i>Internal controls and managing risks</i></b>	<b><i>Review the Fund's approach to cyber security</i></b>
April 2024 Annual Board Report	Pension Board statutory responsibilities	Pensions Dashboards
July 2024 Draft Report and Accounts		
November 2024 Annual Review of Board Training		Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme

(2023/24 activities are shown in ***bold italics*** above)

## Appendix – Board membership and meeting attendance

### Membership

Stefan Walker - Chair for the 17 April 2023 meeting, left office May 2023	Employer representative (Councillor, Middlesbrough Council)
Billy Ayre - Member for the 17 April 2023 meeting, left office May 2023	Employer representative (Councillor, Redcar & Cleveland Council)
Paul Thompson – <b>Chair</b> from the 11 September 2023 meeting onwards, Deputy Chair for the 17 April 2023 meeting	Scheme member representative (UNISON)
Jeff Bell	Scheme member representative (retired members)
June Stubbs	Scheme member representative (UNISON)
Christopher Massey – Member and <b>Deputy Chair</b> from the 11 September 2023 meeting	Employer representative (Councillor, Redcar & Cleveland Council)
Martin Dunbar – Member from the 11 September 2023 meeting	Employer Representative (Councillor, Hartlepool Council)
Nicky Walker – Member from the 11 September 2023 meeting	Employer representative (Councillor, Middlesbrough Council)

### Meeting attendance:

	17 April 2023	11 September 2023	13 November 2023	26 February 2024
S Walker	✓			
B Ayre	x			
P Thompson	✓	✓	✓	✓
J Bell	✓	✓	✓	✓
J Stubbs	✓	✓	x	✓
C Massey		✓	x	✓
M Dunbar		x	x	x
N Walker		x	✓	✓

## TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

### TEESSIDE PENSION BOARD REPORT

8 APRIL 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

#### Update on Work Plan Items

#### 1. PURPOSE OF THE REPORT

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

#### 2. RECOMMENDATION

- 2.1 That Board Members note this report and provide any comments or suggestions in relation the proposed work plan.

#### 3. FINANCIAL IMPLICATIONS

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

#### 4. BACKGROUND

- 4.1 At its meeting on 19 July 2021 the Board agreed an updated work plan for the coming months and years which set out areas for the Board to discuss or consider at subsequent meetings (see Appendix A). These were typically areas that the Pensions Regulator and/or the Scheme Advisory Board (SAB) had identified as important for Local Pension Boards to consider.
- 4.2 The three items scheduled for consideration in the work plan for this meeting are the Annual Board Report, Pension Board statutory responsibilities and Pensions Dashboards. The Annual Board Report is included as a separate item, the other two items are covered in the rest of this report.

#### 5. BOARD STATUTORY RESPONSIBILITIES

- 5.1 The statute that Local Pension Boards are set up under is The Public Service Pensions Act 2013 (“the 2013 Act”). Amongst other things, the 2013 Act required Local Government Pension Scheme (LGPS) Administering Authorities to set up a body to be

known as a Local Pension Board to assist the Administering Authority in its role as the Scheme Manager of its Fund.

- 5.2 The regulations governing the administration of the LGPS (the LGPS Regulations 2013) were also amended to include details of the functions of Local Pension Boards:

“Regulation 106

(1) Each administering authority shall no later than 1st April 2015 establish a pension board ("a local pension board") responsible for assisting it-

- (a) to secure compliance with-
  - (i) these Regulations,
  - (ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme(59), and
  - (iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and
- (b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.”

- 5.3 Further information on the purpose of Local Pension Boards is included within the guidance included in the LGPS Scheme Advisory Board’s website, the “Local Government Pension Scheme (LGPS) Guidance on the creation and operation of Local Pension Boards in England and Wales.” This document, which can be found at this link:

[https://lgpsboard.org/images/Guidance/LGPS Board Guidance FINAL PUBLISHEDv1%201clean.pdf](https://lgpsboard.org/images/Guidance/LGPS_Board_Guidance_FINAL_PUBLISHEDv1%201clean.pdf)

includes the following interpretation of regulation 106:

“3.28

Assisting the Administering Authority should be interpreted as helping the Administering Authority, including doing work requested by the Administering Authority. The role of the Local Pension Board should be interpreted as covering all aspects of governance and administration of the LGPS, including funding and investments. However, the Local Pension Board does not replace the Administering Authority or make decisions which are the responsibility of the Administering Authority under both the Regulations and other overriding legislation. The Administering Authority can choose to delegate duties to the Local Pension Board within the parameters of the Regulations.”

- 5.4 The regulations and guidance include more detail on how a Local Pension Board should be set up, how it should be constituted (for example, specifying that each Board should have an equal employer and scheme member representatives), how the Board should operate, and the requirement for Board members to have sufficient knowledge and understanding of the LGPS together with an awareness of the framework it operates in.

- 5.5 The regulations and guidance informed the Teesside Pension Board's constitution, which is included as Appendix B for reference.

## **6 PENSIONS DASHBOARDS**

- 6.1 Pensions Dashboards are a Government sponsored initiative intended to enable individuals to access their pensions information online, securely and all in one place, thereby supporting better planning for retirement. Once implemented, Pensions Dashboards should provide clear and simple information about an individual's multiple pension savings, including their State Pension. They should also help individuals to reconnect with any lost pension pots.
- 6.2 Following consultation with the pensions industry in 2018 the Pensions Dashboards project was launched in 2019. The end date for the project was put back by Government last year and the date all schemes need to be connected and providing pensions dashboard information is now 31 October 2026.
- 6.3 Pensions Dashboards will be designed to show users their pensions information online, securely and all in one place. There will be:
- a non-commercial dashboard run by the Money and Pensions Service (MaPS)
  - commercial dashboards called qualifying pensions dashboards services (QPDS) run by commercial organisations such as insurance companies or banks.
- 6.4 To make Pensions Dashboards work multiple parties and technical services need to be connected – to what is called 'an ecosystem'. The ecosystem will encompass Pensions Dashboards, data providers' find and view interfaces and the central digital architecture. The ecosystem will not hold personal information supplied by users or pensions information supplied by individuals. Instead, it will function like a giant switchboard, connecting users with their pensions via Pensions Dashboards.
- 6.5 The Pensions Dashboards Regulations 2022 set out in law connection and maintenance of connection, is a legal requirement for the majority of registrable pension schemes and public service pension schemes (including the LGPS).
- 6.6 Draft guidance has been prepared by the Local Government Association (LGA) setting out the tasks and decisions that will be required from LGPS Funds in order to ensure they connect to a Pensions Dashboard within the required timeframe. Data quality is a key area – any gaps in identification or benefits information on records will prevent the Pensions Dashboard operating effectively for all users. XPS Administration report regularly to the Board (and Committee) on data quality and the steps they are taking to improve this.
- 6.7 The draft action checklist from the LGA guidance is included as Appendix C. Note, much of the work will be carried out in conjunction with the pensions administrator. Discussions are ongoing with XPS Administration on Pensions Dashboards, they will also form an important part of the upcoming pensions administration procurement

exercise. Part of this work will be to revise the dates shown in the checklist to ensure they are realistic and will achieve the required 31 October 2026 final deadline.

- 6.8 Further updates will be provided to the Board (and Committee) on progress with Pensions Dashboard development and implementation.

**7. NEXT STEPS**

- 7.1 Further updates on Pensions Dashboards will be provided to the Board when available or as scheduled in the Work Plan.

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

**TEL NO:** 01642 729024

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## TEESSIDE PENSION BOARD OF MIDDLESBROUGH COUNCIL TERMS OF REFERENCE

### Introduction

1. This document sets out the terms of reference of the Teesside Pension Board, the Local Pension Board of Middlesbrough Council (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. Middlesbrough Council is the scheme manager for Teesside Pension Fund. The Teesside Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

### Interpretation

5. The following terms have the meanings as outlined below:

<b>'the Act'</b>	means The Public Service Pensions Act 2013.
<b>'Administering Authority'</b>	means Middlesbrough Borough Council as manager and administrator of the Teesside Pension Fund.
<b>'the Board'</b>	means the Teesside Local Pension Board, the terms of reference for which are set out in this document
<b>'the Board Secretary'</b>	refers to the Head of Pensions Governance and Investments who has been designated as the Secretary to the Board by the Administering Authority.
<b>'Chief Finance Officer'</b>	means, under Section 151 of the Local Government Act 1972 and as defined in Middlesbrough Council's

Constitution, an officer the Administering Authority is required to have who has a statutory responsibility to ensure the proper arrangement of the authority's financial affairs including the Fund.

<b>'the Code'</b>	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
<b>'the Committee'</b>	means the Teesside Pension Fund Committee which has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.
<b>'the Fund'</b>	means the Teesside Pension Fund managed and administered by the Administering Authority.
<b>'the Guidance'</b>	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.
<b>'Monitoring Officer'</b>	means the officer of the Administering Authority as required under section 5 of the Local Government and Housing Act 1989 as amended by schedule 5 para 24 of the Local Government Act 2000.
<b>'the Regulations'</b>	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended from time to time) and all including any earlier regulations as defined in these regulations to the extent they remain applicable.
<b>'Relevant legislation'</b>	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice, as they apply to the Administering Authority and the Board, notwithstanding that the Codes of Practice are not legislation.
<b>'the Scheme'</b>	means the Local Government Pension Scheme in England and Wales.
<b>'Scheme Manager'</b>	means Middlesbrough Borough Council as Administering

### **Statement of purpose**

6. The Board is responsible for assisting the Administering Authority:

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

(b) to ensure the effective and efficient governance and administration of the Scheme.

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

### **Duties of the Board**

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

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

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

### **Establishment**

10. The Board is established on 1<sup>st</sup> April 2015, as approved by Middlesbrough Borough Council on 1<sup>st</sup> April 2015. These Terms of Reference were updated by Middlesbrough Borough Council on 26<sup>th</sup> May 2021.

### **Membership**

11. The Board shall consist of six voting members, as follows:

(a) Three Employer Representatives; and

(b) Three Scheme Member Representatives.

12. There shall be an equal number of Scheme Member and Employer Representatives.

## **Employer representatives**

13. Employer representatives shall be elected members of the scheme employers of the Fund as outlined below. No elected member of the Administering Authority who is responsible for the discharge of any function of the Pension Fund under the Regulations (i.e. a member of the Teesside Pension Fund Committee) may serve as a member of the Board.

14. Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

15. Substitutes shall not be appointed.

16. A total of three employer representatives shall be appointed to the Board from the following sources:

i. Two employer representatives shall be appointed from the separate Councils of Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees.

ii. One employer representative shall be chosen from all of the other scheme employers of the Teesside Pension Fund.

## **Scheme member representatives**

17. Scheme member representatives shall either be scheme members or have capacity to represent scheme members of the Fund.

18. Scheme member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

19. Substitutes shall not be appointed.

20. A total of three scheme member representatives shall be appointed from the following sources:

(a) Two scheme member representatives shall be appointed from the recognised trade unions representing employees who are scheme members of the Fund.

(b) One scheme member representative shall be appointed from the pensioner members of the Fund.

21. The scheme member representatives shall represent *all* active, deferred, pensioner and dependant members irrespective of the trades unions affiliation, or lack of it.

## **Appointments**

22. A selection panel consisting of the Chief Finance Officer, Monitoring Officer and Board Secretary shall form an appointment panel and will be responsible for all appointments to the Pension Board. In circumstances where no suitable volunteers apply from a particular employer or membership group and a Board vacancy remains, the selection panel is able to appoint another suitable individual to that vacancy from outside that particular membership group, always ensuring that only

scheme member representatives are appointed to a scheme member vacancy and only scheme employer representatives are appointed to a scheme employer vacancy.

23. Subject to meeting the arrangements in paragraphs 30 to 35 below a Chair and Deputy Chair shall be appointed for the Board as follows:

(a) The role of Chair will be rotated every two years with the Deputy Chair. Each of the posts will be held by one employer representative and one scheme member representative.

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

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

### **Duties of chair**

24. The Chair of the Board shall:

(a) ensure the Board delivers its purpose as set out in these Terms of Reference.

(b) ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered.

(c) seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached.

(d) agree the agenda for each Board meeting.

(e) approve minutes for Board meetings having regard to comments from other Board members and other attendees.

(f) write reports on the work of the Board.

(g) liaise with the Board Secretary on the requirements of the Board, including advanced notice for officers or advisors to attend and arranging dates and times of Board meetings.

(h) undertake other tasks that may be requested by the members of the Board, within the remit of these Terms of Reference.

(i) annually review and report on the performance of the Board.

The decision of the Chair on all points of procedure and order shall be final.

### **Notification of appointments**

25. When appointments to the Board have been made the Administering Authority shall publish the name of Board members on Middlesbrough Council's website and the process followed in the appointment.

### **Terms of Office**

26. The term of office as a member of the Board is four years from the date of the first Board meeting after their appointment.

27. Extensions to terms of office up to a maximum of two years may be made by the Appointment Panel with the agreement of the Board.

28. A Board member may be appointed for further terms of office using the methods set out in paragraphs 13 to 22.

29. Board membership may be terminated prior to the end of the term of office due to:

(a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund.

(b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.

(c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.

(d) A Board member no longer being able to demonstrate to the administering authority their capacity to attend and prepare for meetings or to participate in required training.

(e) The representative being withdrawn by the nominating body.

(f) A Board member has a potential conflict of interest which cannot be managed in accordance with the Board's conflict policy.

(g) A Board member who is an elected member becomes a member of the Committee.

(h) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.

### **Conflicts of interest**

30. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

31. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

32. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Board Secretary, with the assistance of the Monitoring Officer if required, shall ensure that any potential conflict is effectively managed in line with both the requirements of the Board's conflicts policy and the requirements of the Code.

### **Knowledge and understanding (including Training)**

33. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act which are:

- a) a member of the Board must be conversant with:
  - i. the legislation and associated guidance of the Local Government Pension Scheme (LGPS), and
  - ii. any document recording policy about the administration of the LGPS which is adopted by the Teesside Pension Fund.
  
- b) a member of the Board must have knowledge and understanding of –
  - i. The law relating to pensions, and
  - ii. Any other matters which are prescribed in regulations.

It is for individual Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.

34. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's Knowledge and Understanding Policy and Framework.

35. Board members shall adhere to the Training and Knowledge Policy document agreed by the Board and amended as necessary.

### **Meetings**

36. The Board shall as a minimum meet two times each year.

37. The Chair of the Board with the consent of the Board membership may call additional meetings.

### **Quorum**

38. A meeting is only quorate when at least one board member representing each of the scheme member and employer side is present, one of whom must be the Chair or Vice Chair.

39. A meeting that becomes inquorate will be rearranged at a time and date that will ensure sufficient members to allow it to be quorate.

### **Decision making and voting**

40. It is expected that the Board will act collectively to reach a consensus.

41. Should it be required that a matter should be put to a vote, each Board Member will have an individual voting right on any matter to be decided. A motion is passed at a meeting of the Board if a majority of voting members are in favour of the motion.

42. A voting member of the Board is not permitted to appoint another voting member as their proxy.

43. The Chair will have a second or casting vote in the case of equality of votes.

44. The results of any voting outcomes will be reported in the Board minutes via reference to the number split of the vote.

### **Board administration and recommendations to the Pension Committee**

45. The Chair shall agree with the Board Secretary an agenda prior to each Board meeting.

46. The agenda and supporting papers will be issued at least five working days in advance of the meeting except in the case of matters of urgency.

47. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board Members within fifteen working days after the meeting and subject to formal agreement by the Board via email or at their next meeting. Any decisions made by the Board should be noted in the minutes.

48. The public minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998. Separate exempt minutes will be recorded in relation to such items.

49. The Board Secretary shall ensure that Board members meet and maintain the knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.

50. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.

51. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.

52. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

### **Public access to Board meetings and information**

53. The Board meetings can be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).

54. The following will be entitled to attend Board meetings in an observer capacity:

- (a) Members of the Committee,
- (b) Any person requested to attend by the Board.

55. Any such attendees will be permitted to speak at the discretion of the Chair.

56. In accordance with the Act the Administering Authority shall publish on the Middlesbrough Borough Council website information about the Board to include:

- (a) The names of Board members and their contact details.
- (b) The representation of employers and scheme members on the Board.
- (c) These Terms of Reference.

57. The Administering Authority shall also publish on the Middlesbrough Borough Council website other information about the Board including:

- (a) Agendas and minutes
- (b) Training and attendance logs
- (c) An annual report on the work of the Board to be included in the Fund's own annual report.

58. All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- (a) On the Middlesbrough Borough Council website.
- (b) On the Teesside Pension Fund website.

(c) As part of the Fund's Annual Report.

(d) As part of the Governance Policy.

59. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A (2) of that Act and/or they represent data covered by the Data Protection Act 1998.

60. Board members shall be entitled to attend Pension Fund Committee meetings as observers, including any exempt items.

### **Expenses and allowances**

61.

(a) Subject to (b) below, an allowance will be made to both Employer and Scheme Member Representatives for attending meetings relating to Pension Board business (including attending training) at the rates of £100 per day or £50 per half day.

(b) The allowance will not be paid if the representative is already receiving pay or an alternative allowance in relation to the period, unless it is reduced due to them not attending their normal duties.

62. The Chair of the Pension Board will receive an annual allowance, as set by the Members' Remuneration Panel but will not be entitled to also claim the allowance under paragraph 61 above.

63. All Pension Board members will also be entitled to claim travel and subsistence allowances in accordance with the procedures and allowances that would apply to a Councillor of the Administering Authority.

### **Budget**

64. The Board is to be provided with adequate resources to fulfil its role and a budget will be agreed in advance of each financial year by the Committee. In doing so the budget for the Board will be met from the Fund.

### **Core functions**

65. The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

(a) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.

(b) Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.

(c) Monitor complaints and performance on the administration and governance of the scheme.

(d) Review the arrangements for the training of Board members.

(e) Review the complete and proper exercise of employer and administering authority discretions.

(f) Review the compliance of particular cases, projects or process on request of the Committee.

66. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

(a) Assist with the development of improved customer services.

(b) Monitor performance of administration, against key performance targets and indicators.

(c) Review the risk register as it relates to the Administering Authority function of the authority.

(d) Assist in the development and monitoring of process improvements on request of Committee.

67. In support of its core functions the Board may make a request for information to the Administering Authority with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

### **Administering Authority Consents**

68. The Teesside Pension Board shall not:

(a) Question what investments decisions have or have not been made by the Administering Authority or its Committee, for the avoidance of doubt these shall include but not be limited to financial investment decisions and property related investment decisions.

(b) Amend the statements, strategies and reports prepared in compliance with Sections 57 to 61 of the LGPS Regulations.

(c) Consider or become involved in any internal dispute resolution appeals or the process itself.

(d) Enter into contracts on behalf of the Administering Authority.

- (e) Dismiss any members of the Administering Authority.
- (f) Use the Teesside Pension Board to act on behalf of a particular constituency or Pension Fund scheme member in general or in relation to a specific complaint at any time.
- (g) Compromise the Administering Authority's ability to comply with its fiduciary duty to the Pension Fund and its members.

69. The Teesside Pension Board must seek written consent from the Chief Finance Officer before it:

- (a) instructs any external advisor to provide a report of any kind;
- (b) requests any external advisor to attend a meeting of the Teesside Pension Board which shall require any remuneration of any level;
- (c) incurs a cost to the Pension Fund, unless it is explicitly covered within the Board's budget;
- (d) can amend these terms of reference.

## **Reporting**

70. The Board must provide minutes of each meeting to the following Committee meeting.

71. The Board should in the first instance report its requests, recommendations or concerns to the Committee via an official committee report. In support of this any member of the Board may attend a Committee meeting as an observer.

72. Requests and recommendations should be reported under the provisions of paragraphs 67 above.

73. The Board should report any concerns over a decision made by the Committee or the Administering Authority to the Committee subject to the agreement of the majority of Members present.

74. On receipt of a report under paragraph 71 above the Committee should, within a reasonable period, consider and respond to the Board.

## **Extract from Local Government Association (LGA) guidance on preparing for pensions dashboards – example (draft) checklist for LGPS Funds**

“We have provided a checklist of the actions, record keeping requirements and timings set out in this guide. The list is not exhaustive and may be impacted by your local approach.

Your connection date is by 31 October 2026 and in accordance with the staging guidance produced by MaPS. If you intend to connect after this date, the timescales in the checklist will need to be adjusted.

Where the ‘Suggested Due Date’ is before 31 October 2026, this merely a recommendation. Our recommendation may change depending upon the content of the staging guidance issued by MaPS.

The tasks within the checklist are grouped in the same way as the guide. There are seven topics to help you identify the different areas of implementation:

1. Governance
2. Internal controls
3. Connection
4. Record keeping
5. Budget
6. Resource
7. Data”

Topic	Connection tasks	Suggested Due Date	More information
Governance	Sign up for dashboard on-line news alerts	ASAP and ongoing	Section 4 ' <a href="#">Keeping you and your stakeholders up to date</a> '
Governance	Keep up to date with the latest information and developments	ASAP and ongoing	Section 4 ' <a href="#">Keeping you and your stakeholders up to date</a> '
Governance	Discuss dashboards implementation with your relevant stakeholders and establish if they are up to date with the latest information and developments	ASAP and ongoing	Section 4 ' <a href="#">Keeping you and your stakeholders up to date</a> '
Governance	Make sure pensions dashboards are a standing agenda item at your Pensions Committee and Local Pension Board meetings	ASAP and ongoing	Section 5 ' <a href="#">Pensions Committee / Local Pension Board</a> '
Governance	Make sure you keep your Pensions Committee and Local Pension Board up to date with the latest guidance and developments both industry wide and at your administering authority	ASAP and ongoing	Section 5 ' <a href="#">Pensions Committee / Local Pension Board</a> '
Governance action	Agree with your AVC provider(s) how your AVC value data will be cleansed and matched to your records	ASAP and ongoing	Section 6 ' <a href="#">Accuracy and accessibility of data</a> '

Topic	Connection tasks	Suggested Due Date	More information
Internal controls	Incorporate dashboards data requirements into your wider data management plan including your approach to cleansing and matching your AVC data	ASAP	Section 6 ' <a href="#">Accuracy and accessibility of data</a> '  Section 7 ' <a href="#">Internal controls</a> '
Internal controls	Regularly review your wider data management plan to determine where you are at	Ongoing once incorporated into your plan	Section 6 ' <a href="#">Accuracy and accessibility of data</a> '  Section 7 ' <a href="#">Internal controls</a> '
Internal controls	Set up your internal controls register to implement dashboards	1 April 2024	Section 7 ' <a href="#">Internal controls</a> '
Connection	Make sure you and your relevant stakeholders know your connection deadline and once published, your staging timeline	Within two months of when the staging guidance is published	Section 9 ' <a href="#">Connecting to dashboards</a> '
Connection	If you meet the requirements, decide if you wish to defer connection and apply to DWP if this is the case	9 August 2024	Section 9 ' <a href="#">Connecting to dashboards</a> '
Connection	If approval to defer connection is obtained let all your relevant stakeholders know your new connection date	ASAP after confirmation of deferral is obtained	Section 9 ' <a href="#">Connecting to dashboards</a> '

Topic	Connection tasks	Suggested Due Date	More information
Record keeping	If your connection deadline is changed, keep a record of why you decided to change it, the parties you communicated with in making your decision and the date you obtained approval	ASAP after confirmation of deferral is obtained	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 9 ' <a href="#">Connecting to dashboards</a> '
Connection	Register with the MaPS governance register	By the date specified by MaPS in the staging guidance	Section 10 ' <a href="#">Registration</a> '
Budget	Decide on your connection budget and obtain approval	1 April 2024	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 11 ' <a href="#">Budget</a> '
Record keeping	Keep a record of how you decided on your connection budget and the parties you communicated with, in making your decision	1 April 2024	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 11 ' <a href="#">Budget</a> '
Budget	Decide on your potential business as usual budget and provide the party responsible for approving advance notice of this cost	1 April 2024	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 11 ' <a href="#">Budget</a> '

Topic	Connection tasks	Suggested Due Date	More information
Budget	Decide on your business as usual budget and obtain approval	Six months before the DAP	Section 11 <a href="#">‘Budget’</a>
Record keeping	Keep a record of how you decided on your business as usual budget and the parties you communicated with, in making your decision	Six months before the DAP	Section 7 <a href="#">‘Internal controls and record keeping’</a> Section 11 <a href="#">‘Budget’</a>
Connection	Decide your route to connection – either directly or using an ISP	1 April 2024	Section 12 <a href="#">‘Connecting to the ecosystem’</a>
Record keeping	Keep a record of how you decided on your route to connection and the parties you communicated with, in making your decision	1 April 2024	Section 7 <a href="#">‘Internal controls and record keeping’</a> Section 12 <a href="#">‘Connecting to the ecosystem’</a>
Connection	Choose your ISP and contractual engage them	30 September 2024	Section 10 <a href="#">‘Connecting to the ecosystem’</a>
Record keeping	Keep a record of how you choose your ISP and the parties you communicated with, in making your decision	30 September 2024	Section 7 <a href="#">‘Internal controls and record keeping’</a> Section 12 <a href="#">‘Connecting to the ecosystem’</a>

Topic	Connection tasks	Suggested Due Date	More information
Internal controls	Make sure your ISP is on track to connect you to dashboards by your connection date and in accordance with your staging timeline	From appointment and by 31 October 2026 and in accordance with your staging timeline	Section 12 ' <a href="#">Connecting to the ecosystem</a> '
Resource	Decide what resource you will need to implement dashboards and put in place accordingly	1 April 2024	Section 12 ' <a href="#">Connecting to the ecosystem</a> '
Record keeping	Keep a record of how you decided what resource you need to implement dashboards and the parties you communicated with, in making your decision	1 April 2024	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 12 ' <a href="#">Connecting to the ecosystem</a> '
Resource	Decide what resource you will need to operate dashboards once live and put in place accordingly	Six months before the DAP	Section 12 ' <a href="#">Connecting to the ecosystem</a> '
Record keeping	Keep a record of how you decided what resource you need to operate dashboards once live and the parties you communicated with, in making your decision	Six months before the DAP	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 12 ' <a href="#">Connecting to the ecosystem</a> '

Topic	Connection tasks	Suggested Due Date	More information
Policy	Decide on what personal data you will use to form your matching criteria for both your main scheme and AVC	30 September 2024	Section 14 ' <a href="#">Matching criteria</a> '
Record keeping	Keep a record of your matching criteria, for at least six years from the end of the scheme year in which you made that decision	From the date of your decision and ongoing thereafter	Section 7 ' <a href="#">Internal controls and record keeping</a> ' Section 14 ' <a href="#">Matching criteria</a> '
Record keeping	Keep a record of how you decided on your matching criteria and the parties you communicated with	From the date of your decision and ongoing thereafter	Section 7 ' <a href="#">Internal controls and record keeping</a> ' Section 14 ' <a href="#">Matching criteria</a> '
Governance	Produce or update your Data Protection Impact Assessment to take account of your matching criteria policy decision	From the date of your decision and ongoing thereafter	Section 14 ' <a href="#">Matching criteria</a> '
Data	Assess if the personal data that forms your matching criteria – main scheme personal data and AVC personal data, is accurate and digitally accessible	30 September 2024	Section 14 ' <a href="#">Matching criteria</a> '

Topic	Connection tasks	Suggested Due Date	More information
Internal controls	If required, put plans in place to improve the accuracy and digital accessibility of the personal data – both main scheme and AVCs, to be used for matching	After initial assessment	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 14 ' <a href="#">Matching criteria</a> '
Internal controls	If you put plan in place to improve the accuracy and digital accessibility of the personal data that forms your matching criteria – both main scheme and AVCs, confirm the plan has delivered its improvements	Ongoing after date plan put in place	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 14 ' <a href="#">Matching criteria</a> '
Data	Make sure the personal data used to form your matching criteria – both main scheme and AVCs, is accurate and digitally accessible	By 31 October 2026 and in accordance with your staging timeline	Section 14 ' <a href="#">Matching criteria</a> '
Internal controls	Ensure you have a process in place to maintain the accuracy and accessibility of the personal data used to form your matching criteria – both main scheme and AVCs	By 31 October 2026 and in accordance with your staging timeline, and permanently thereafter	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 14 ' <a href="#">Matching criteria</a> '

Topic	Connection tasks	Suggested Due Date	More information
Data	Understand what main scheme view data you need to return for members who access dashboards and in what timescale	1 April 2024	<p>Section 15 – <a href="#">‘View data – process, accuracy &amp; accessibility’</a></p> <p>Section 16 – <a href="#">‘View data – defined benefits and AVCs’</a></p> <p>Section 17 – <a href="#">‘Timings to provide view data’</a></p>
Data	Agree with your AVC provider(s) how your AVC view data will be sent to dashboards	30 June 2024	<p>Section 15 – <a href="#">‘View data – process, accuracy &amp; accessibility’</a></p> <p>Section 16 – <a href="#">‘View data in detail’</a></p>

Topic	Connection tasks	Suggested Due Date	More information
Internal controls	<p>Approach 1 &amp; 1A – AVC view data sent directly to dashboards by AVC providers</p> <p>Confirm your AVC provider(s) are on track to connect to dashboards by your connection date and in accordance with your staging timeline</p>	Ongoing basis and by 31 October 2026 and in accordance with your staging timeline	<p>Section 7 '<a href="#">Internal controls and record keeping</a>'</p> <p>Section 12 '<a href="#">Connecting to the ecosystem</a>'</p> <p>Section 15 – '<a href="#">View data – process, accuracy &amp; accessibility</a>'</p> <p>Section 16 – '<a href="#">View data in detail</a>'</p> <p>Section 17 – '<a href="#">Timings to provide view data</a>'</p>
Internal controls	<p>Approach 2 – AVC view data sent to you to send to dashboards</p> <p>Confirm you can store your AVC view data in a digitally accessible mode</p> <p>Agree the frequency and format by when your AVC view data will be sent to you by your AVC provider(s)</p>	Ongoing basis and by 30 September 2024	<p>Section 15 – '<a href="#">View data – process, accuracy &amp; accessibility</a>'</p> <p>Section 16 – '<a href="#">View data in detail</a>'</p> <p>Section 17 – '<a href="#">Timings to provide view data</a>'</p>

Topic	Connection tasks	Suggested Due Date	More information
Data	Assess your main scheme view data for accuracy and digital accessibility	ASAP	<p>Section 15 – <a href="#">‘View data – process, accuracy &amp; accessibility’</a></p> <p>Section 16 – <a href="#">‘View data – defined benefits and AVCs’</a></p>
Data	Assess your AVC view data for member matching, accuracy and digital accessibility	ASAP	<p>Section 15 – <a href="#">‘View data – process, accuracy &amp; accessibility’</a></p> <p>Section 16 – <a href="#">‘View data – defined benefits and AVCs’</a></p>
Internal controls	If required, put plans in place to improve the member matching, accuracy and digital accessibility of main scheme and AVC view data	After initial review	<p>Section 7 <a href="#">‘Internal controls and record keeping’</a></p> <p>Section 15 – <a href="#">‘View data – process, accuracy &amp; accessibility’</a></p> <p>Section 16 – <a href="#">‘View data in detail’</a></p>

Topic	Connection tasks	Suggested Due Date	More information
Internal controls	<p>If you put plan in place to improve the member matching, accuracy and digital accessibility of your main scheme and AVC view data, confirm the plan has delivered its improvements</p> <p>All your view data must be member matched, accurate and digitally accessible by 31 October 2026 and in accordance with your staging timeline</p>	Ongoing after the plan is put in place	<p>Section 7 '<a href="#">Internal controls and record keeping</a>'</p> <p>Section 15 – '<a href="#">View data – process, accuracy &amp; accessibility</a>'</p> <p>Section 16 – '<a href="#">View data in detail</a>'</p>
Internal controls	Ensure you have a process in place to maintain the member matching, accuracy and digital accessibility of your main scheme and AVC view data	Ongoing and after staging	<p>Section 7 '<a href="#">Internal controls and record keeping</a>'</p> <p>Section 15 – '<a href="#">View data – process, accuracy &amp; accessibility</a>'</p> <p>Section 16 – '<a href="#">View data in detail</a>'</p>
Data	Decide whether to name the most recent employer or confirm if there are multiple employers and inform your ISP – applicable to main scheme benefits and AVCs	30 September 2024	Section 16 ' <a href="#">View data in detail</a> '

Topic	Connection tasks	Suggested Due Date	More information
Data	Where approach 2 is used, agree with your AVC provider(s) with whom the member should contact to find out more about their AVC benefits and inform your ISP	30 September 2023	Section 16 ' <a href="#">View data in detail</a> '
Data	Complete the check list of decisions concerning value data in appendix two	30 September 2024	Section 16 ' <a href="#">View data in detail</a> '
Data	Agree the AVC illustration date with your AVC providers and where <a href="#">approach 2</a> is used inform your ISP	30 September 2024	Section 16 ' <a href="#">View data in detail</a> '
Data	Agree with your AVC provider(s) if you are going to provide AVC projections in certain circumstances and where <a href="#">approach 2</a> is used inform your ISP	30 September 2024	Section 16 – ' <a href="#">View data in detail</a> '
Data	Agree with your AVC provider(s) your AVC payable dates and where <a href="#">approach 2</a> is used inform your ISP	30 September 2024	Section 16 – ' <a href="#">View data in detail</a> '
Record keeping	Keep a record of how you agreed your AVC illustration date and the parties you communicated with in doing so	30 September 2024	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 16 – ' <a href="#">View data in detail</a> '

Topic	Connection tasks	Suggested Due Date	More information
Record keeping	Keep a record of how you agreed whether to provide AVC projections in certain circumstances and the parties you communicated with in doing so	30 September 2024	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 16 – ' <a href="#">View data in detail</a> '
Record keeping	Keep a record of how you agreed your AVC payable dates and the parties you communicated with in doing so	30 September 2024	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 16 – ' <a href="#">View data in detail</a> '
Data	Where your main scheme value data is already stored - check your pensions administration software system to make sure you can send this data to dashboards within the statutory timescales	30 September 2024	Section 17 – ' <a href="#">Timings to provide all view data</a> '
Data	Where your main scheme value data is out of date or you do not have value data stored on your pensions administration software, you will need to decide how and on what illustration date you are going to calculate this data and send it to dashboards within the statutory timescales	30 September 2024	Section 17 – ' <a href="#">Timings to provide all view data</a> '
Data	Consider introducing monthly data contributions (MDC) to achieve the timescales set out in this section	Ongoing	Section 17 – ' <a href="#">Timings to provide view data</a> '

Topic	Connection tasks	Suggested Due Date	More information
Data	If <a href="#">approach 1 &amp; 1A</a> is adopted and AVC value data is already stored- check with your AVC provider(s) to make sure they are able to provide AVC value data using the same illustration date as the main scheme benefits within the statutory timescales	30 September 2024	Section 17 – ' <a href="#">Timings to provide view data</a> '
Data	If <a href="#">approach 2</a> is adopted and AVC value data is already stored- check with your AVC provider(s) to make sure they are able to send AVC value data using the same illustrations date as the main scheme benefits, to you well within the timescales set out later in this section so that you can send AVC value data to dashboards within the statutory timescales	30 September 2024	Section 17 – ' <a href="#">Timings to provide view data</a> '
Data	If <a href="#">approach 1 &amp; 1A</a> is adopted and AVC value data is not already stored or it is out of date - agree with your AVC provider(s) how and on what illustration date (this date must be consistent with the date you have used to calculate the main scheme value data) they are going to calculate AVC value data and provide it to dashboards within the timescales set out later in this section	30 September 2024	Section 17 – ' <a href="#">Timings to provide view data</a> '

Topic	Connection tasks	Suggested Due Date	More information
Data	If <a href="#">approach 2</a> is adopted and AVC value data is not already stored or it is out of date -agree with your AVC provider(s) how and on what illustration date (this date must be consistent with the date you have used to calculate the main scheme value data) they are going to calculate AVC value data and provide it to you to send to dashboards within the timescales set out later in this section	30 September 2024	Section 17 – ' <a href="#">Timings to provide view data</a> '
Record keeping	Keep a record of how you decided / agreed to calculate main scheme and AVC value data, including where the value data is out of date or not present and the parties who you communicated with in doing so	Ongoing from the date of your decision	Section 7 ' <a href="#">Internal controls and record keeping</a> '  Section 17 – ' <a href="#">Timings to provide view data</a> '
Governance	You must: understand the operational information requirements; your responsibilities; discuss the operational information requirements with your ISP; and create separate processes to provide operational information that lies outside of the ecosystem	From the outset of implementation	Section 18 ' <a href="#">Operational information and reporting</a> '

Topic	Connection tasks	Suggested Due Date	More information
Record keeping	You must keep operational information for at least six years from the end of the scheme year to which it relates	From the DAP	Section 18 ' <a href="#">Operational information and reporting</a> '
Internal controls	You must create a plan to record the operational information and regularly review your plan to make sure the operational information is recorded and maintained	From the outset of implementation	Section 18 ' <a href="#">Operational information and reporting</a> '
Internal controls	You must have processes in place to identify breaches of the law and, if necessary, report them to TPR	From the DAP	Section 7 ' <a href="#">Internal controls and record keeping</a> '
Internal controls	You must have risk management processes in place, including processes for monitoring the resolution of issues between the scheme and any relevant third parties	From the outset of implementation	Section 7 ' <a href="#">Internal controls and record keeping</a> '
Record keeping	You must keep clear audit trails of how you took steps to prepare to comply with your pensions dashboards duties	From the outset of implementation	Throughout this guide
Record keeping	You must keep a record of steps taken to resolve any issues that arose, such as communications with third parties	From the outset of implementation	Throughout this guide

Topic	Connection tasks	Suggested Due Date	More information
Record keeping	You must keep a record of compliance as set out in MaPS reporting standards	From the outset of implementation	<p>Section 7 '<a href="#">Internal controls and record keeping</a>'</p> <p>Section 19 '<a href="#">Compliance and enforcement</a>'</p>

## **TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

**AGENDA ITEM 10**

### **TEESSIDE PENSION BOARD REPORT**

**8 APRIL 2024**

**INTERIM DIRECTOR OF FINANCE – DEBBIE MIDDLETON**

#### **XPS ADMINISTRATION REPORT**

**1. PURPOSE OF THE REPORT**

- 1.1 To provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

**2. RECOMMENDATIONS**

- 2.1 That Board Members note the contents of the paper.

**3. FINANCIAL IMPLICATIONS**

- 3.1 There are no financial implications for the Fund.

**4. BACKGROUND**

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

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# **Teesside Pension Fund**

## **Performance Delivery Report**

2023-2024

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# 01 Overview

## Regulations and Guidance

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Confirmation of annual revaluation, earnings and pensions increase

On 25 January 2024, HM Treasury (HMT) published a written ministerial statement confirming the rates of annual revaluation, earnings and pensions increase due to apply from April 2024. The statement confirms that public service pensions and career average benefits within the LGPS will increase by 6.7% alongside the Consumer Price Index from the prior September.

2024/25 employee contribution bands

The 2024/2025 Employee contribution bandings have been released which are effective from 1 April 2024. These are calculated by increasing the 2023/24 employee contribution bands by the September 2023 CPI figure of 6.7 percent and then rounding down the result to the nearest £100. A bulletin to all employers will be issued shortly to confirm these.

DLUHC publishes response on investment reforms

On 22 November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published its response to the consultation on investment reforms. The response largely adopts the measures the Government originally consulted on. The Government will now implement proposals to accelerate and expand pooling and increase investment in levelling up and private equity. It will do this by:

- setting out in revised investment strategy statement (ISS) guidance that funds should transfer all assets to their pool by 31 March 2025. Funds should also set out which assets are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled
- issuing revised pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation
- implementing a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy
- issuing revised guidance on annual reports to include: – a standard asset allocation and the proportion of assets pooled – a comparison between actual and strategic asset allocation

net savings from pooling – net returns for each asset class against their chosen benchmark.

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- making changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling
- amending regulations to require funds to set a plan to invest up to 5 per cent of assets in levelling up the UK and to report annually on progress against the plan
- issuing revised ISS guidance to require funds to consider investments to meet the Government's ambition of a 10 per cent allocation to private equity

HMT confirms LTA abolition from April 2024

The Finance Bill 2023 confirms the lifetime allowance (LTA) will be abolished from 6 April 2024. HMRC have issued a Lifetime Allowance guidance newsletter found at <https://www.gov.uk/government/publications/lifetime-allowance-guidance-newsletter-december-2023/lifetime-allowance-guidance-newsletter-december-2023> giving further information and several updates are provided within the HMRC Pension Schemes newsletter 155 found at <https://www.gov.uk/government/publications/pension-schemes-newsletter-155-january-2024>.

The lifetime allowance is being replaced with new tax rules which broadly seeks to maintain the current treatment for the PCLS, that it is limited to the lower of 25% of the member's benefits crystallising, or so much of the member's lump sum allowance or lump sum death benefit allowance available when the member becomes entitled to the lump sum.

## Governance and administration Survey 2022-23 results

TPR published the results of its survey on governance and administration practices among public service pension schemes on 27 November 2023. The survey was carried out online from January to March 2023 and received responses from 191 of 204 public service pension schemes. The survey covered topics such as risk management, annual benefits statements, breaches of the law and dashboards. It also asked LGPS administering authorities about actions in relation to climate related risks and opportunities.

## SAB issues statement on surpluses

The Scheme Advisory Board issued a statement on surpluses on 20 December 2023. The statement was drafted with the input from members of the working group on surpluses. The report can be found at [https://lgpsboard.org/images/Other/SAB\\_Statement\\_on\\_Surpluses.pdf](https://lgpsboard.org/images/Other/SAB_Statement_on_Surpluses.pdf)

## SAB commissions report on the LGPS and Sharia law

In 2022, the Board received legal advice from Lydia Seymour (Counsel) on members opting out of the LGPS on the basis of their (principally Islamic) religious belief, and whether this might constitute unlawful discrimination. The Board commissioned Mufti Faraz Adam of Amanah Associates, an Islamic finance expert, to produce a report on Sharia law and the LGPS. The report concludes that as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from, the excellent benefits offered by the LGPS. More information can be found on the SAB website - <https://lgpsboard.org/index.php/welcome>

## 02 Membership Movement

	Actives		Deferred		Pensioner		Widow/Dependent	
Q3 2023/24	26,040	▲	28,101	▼	24,321	▲	3,427	▲
Q2 2023/24	25,921	▼	28,186	▲	24,136	▲	3,424	▲
Q1 2023/24	27,074	▲	27,542	▲	23,834	▲	3,392	▲
Q4 2022/23	26,194	▲	27,284	▲	23,581	▲	3,344	▲
Q3 2022/23	25,868	▲	27,002	▲	23,468	▲	3,311	▲

## 03 Member Self Service

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

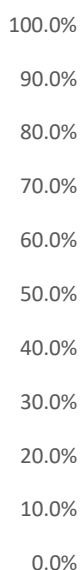


**XPS Administration**

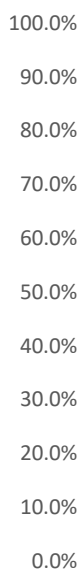
### Member Self Service User Statistics For: Teesside Pension Fund

Quarter 3	REGISTERED	ACCOUNT DISABLED	ACTIVATION LINK SENT	NOT REGISTERED	TOTAL	Percentage Uptake
Actives	4,615	66	832	20,449	20,449	22.9%
Deferred	1,877	15	355	21,287	21,287	8.9%
Pensioner	2,715	71	313	21,315	21,315	13.1%
Widow/Dep	19	0	1	2,252	2,252	0.8%
Total	9,226	152	1,501	65,303	65,303	14.4%

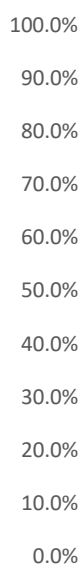
Active  
Up Take



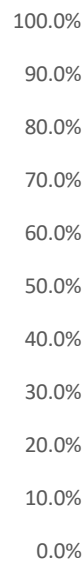
Deferred  
Up Take



Pensioner  
Up Take



Widow / Dep  
Up Take



## 04 Pension Regulator Data Scores

### Common Data

Data Item	Teesside Pension Fund		
	Max Population	Total Fails	% OK
<b>NINo</b>	81,071	182	99.78%
<b>Surname</b>	81,071	0	100.00%
<b>Forename / Inits</b>	81,071	0	100.00%
<b>Sex</b>	81,071	0	100.00%
<b>Title</b>	81,071	164	99.80%
<b>DoB Present</b>	81,071	0	100.00%
<b>Dob Consistent</b>	81,071	0	100.00%
<b>DJS</b>	81,071	0	100.00%
<b>Status</b>	81,071	0	100.00%
<b>Last Status Event</b>	81,071	663	99.18%
<b>Status Date</b>	81,071	1,804	97.77%
<b>No Address</b>	81,071	427	99.47%
<b>No Postcode</b>	81,071	587	99.28%
<b>Address (All)</b>	81,071	4,887	93.97%
<b>Postcode (All)</b>	81,071	4,946	93.90%
<b>Common Data Score</b>	<b>81,071</b>	<b>3,317</b>	<b>95.91%</b>
<b>Members with Multiple Fails</b>	<b>81,071</b>	<b>485</b>	<b>99.40%</b>

### Scheme Specific Data

In readiness for the pensions dashboard, there is a minimum requirement pension schemes must be able to demonstrate against as required and defined by the Pensions Regulator.

This standard is available to XPS through a product used by our central team, and we are currently undertaking a data mapping exercise in order to be able to carry out the necessary tests. Once this work has been completed, we will be able to report a data score in accordance with the Pensions Regulator standards.

Public sector pension schemes need to be able to connect to the Dashboard by October 2026, so in advance of this, the scheme data must be tested and where necessary, brought up to the requisite standards required.

# 05 Customer Service

Since December 2016, XPS Administration, Middlesbrough have included a customer satisfaction survey with the retirement options documentation.

A summary of the main points are as follows:

Issued	Returned	%
16,162	3,066	18.97

Question	Previous Response*	Current Response*
1. It was easy to see what benefits were available to me	4.27	4.26
2. The information provided was clear and easy to understand	4.19	4.19
3. Overall, the Pensions Unit provides a good service	4.29	4.29
4. The retirement process is straight forward	4.04	4.04
5. My query was answered promptly	4.45	4.45
6. The response I received was easy to understand	4.44	4.43
7. Do you feel you know enough about your employers retirement process	76.68%	76.75%
8. Please provide any reasons for your scores (from 18/05/17)		
9. What one thing could improve our service		
10. Did you know about the <a href="http://www.teespen.org.uk">www.teespen.org.uk</a> website? (from 18/05/17)	47.75%	46.21%
11. Did you use the website to research the retirement process? (from 18/05/17)	27.59%	26.45%
12. Have you heard of Member Self Service (MSS)? (from 18/05/17)	23.80%	22.25%

\*scoring is out 5, with 5 being strongly agree and 1 being strongly disagree

## Communications

A new website was launched to Scheme Members and Employers on the 5<sup>th</sup> May 2021 which is underpinned with a raft of analytical data which serves to tell us limited information about the audience. This allows us to target news and important items to pages we now know people are viewing and searching for. The following chart provides an overview of the information we have collected.



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

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

### Next Steps

XPS are currently reviewing processes to enable a move to monthly contribution postings which should lead to greater efficiencies, and more up to date information on member records. The initial stage is currently underway and we have a number of employers who have agreed to undertake the initial rollout. This will help ensure starters, leavers and variations are provided in a timely manner and current data is held to speed up the calculation process.

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

## Performance

Following discussions with both the Pension Board and Committee, XPS Administration are investigating a way to report the time between a member being entitled to a benefit and it being finalized (e.g. time between date of leaving and deferred benefit statement being issued or pension being brought into payment).

XPS Administration are therefore investigating whether sufficient reporting tools already exist within the pension administration system or whether bespoke reports are required to be developed (either internally or via the administration software providers).

The Pension Committee will be kept updated on the progress to provide this information.

## Employer Liaison

### Employers & Members

Pension awareness sessions and employer training sessions continue with a positive uptake and response. Sessions on tax will commence shortly now the Pension Saving Statements have been issued. Processing of new admissions to the fund is ongoing with the new standardised passthrough approach being adopted.

### Late Payment Analysis

This table shows analysis of contributions received from participating employers.

We do chase these on a monthly basis and an e-mail has been sent to regular offenders asking them to explain why contributions are being paid across late. Health Checks have been initiated with these employers.

<b>Date</b>	<b>Late Payments</b>	<b>Expected Payments</b>	<b>% Late</b>	<b>&lt; 10 Days Late</b>	<b>&gt; 10 Days Late</b>
Jun-22	3	142	2.00%	2	1
Jul-22	2	142	1.00%	0	2
Aug-22	4	140	3.00%	1	3
Sep-22	2	140	1.00%	0	2
Oct-22	8	139	6.00%	8	0
Nov-22	2	140	1.00%	1	1
Dec-22	3	140	2.00%	3	0
Jan-23	3	140	2.00%	0	3
Feb-23	5	140	4.00%	1	4
Mar-23	4	140	3.00%	0	4
Apr-23	10	140	7.00%	6	4
May-23	4	140	3.00%	1	3
Jun-23	7	142	5.00%	5	2
Jul-23	3	144	2.00%	0	3
Aug-23	3	144	2.00%	0	3
Sep-23	4	143	3.00%	0	4
Oct-23	6	143	5.00%	2	4
Nov-23	4	143	3.00%	0	4
Dec-23	3	143	3.00%	0	3

# 06 Completed Cases Overview

Teesside Pension Fund	Cases completed	Cases completed within target	Cases completed outside target	Cases: % within target
<b>LG Team – Admin Manager Mathew Spurrell</b>				
April	416	416	0	100.00%
May	417	417	0	100.00%
June	450	450	0	100.00%
<b>Quarter 1</b>	<b>1,283</b>	<b>1,283</b>	<b>0</b>	<b>100.00%</b>
July	382	382	0	100.00%
August	497	496	1	99.80%
September	532	528	4	99.25%
<b>Quarter 2</b>	<b>1,411</b>	<b>1,406</b>	<b>5</b>	<b>99.65%</b>
October	529	528	1	99.81%
November	586	586	0	100.00%
December	489	489	0	100.00%
<b>Quarter 3</b>	<b>1,604</b>	<b>1,603</b>	<b>1</b>	<b>99.94%</b>
January	582	582	0	100.00%
February				
March				
<b>Quarter 4</b>	<b>582</b>	<b>582</b>		<b>100.00%</b>
<b>Year - Total</b>	<b>4,880</b>	<b>4,874</b>	<b>6</b>	<b>99.88%</b>

# 07 Completed Cases by Month

December 2023

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (A)	Average Case Time (day)	Number of Cases	Over targ	TOTAL (case)	Within Targ	Comments
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.86	155	0	155	155	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	26	0	26	26	
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	14	0	14	14	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	294	0	294	294	
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A			
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A			
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A			
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

January 2024

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target	Comments
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.11	157	0	157	157	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	44	0	44	44	
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	27	0	27	27	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	398	0	398	398	
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A			
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A			
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A			
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

## 08 Complaints

Overview	Outcome
IDRP Stage 1 Case - Disinvestment of AVC's took longer than expected due to request not being received by AVC provider.	XPS and Prudential agreed to pay the compensation suggested by the IDRP1 adjudicator.



**Graeme Hall**  
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**Registration**

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

XPS Pensions (Trigon) Limited, Registered No. 12085392.

Penfida Limited, Registered No. 08020393

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

**Authorisation**

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).