

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 17 July 2024.

PRESENT: Councillors J Kabuye (Chair), J Rostron (Vice-Chair), J Ewan, D Coupe, T Furness, J Beall, M Scarborough and Mr T Watson

ALSO IN ATTENDANCE: T Backhouse (Mazars)

OFFICERS: S Lightwing, C Jones, N Orton and J Weston

APOLOGIES FOR ABSENCE: Councillors D Branson, S Hill, D Jackson, M Fairley and Ms J Flaws

24/15 **WELCOME AND FIRE EVACUATION PROCEDURE**

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

24/16 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item / Nature of Business
Councillor Beall	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Coupe	Disclosable personal interest	Non-Executive Director of Border to Coast Pensions Partnership LTD.
Councillor Ewan	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non-Pecuniary	Member of Teesside Pension Fund

24/17 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 12 JUNE 2024**

The minutes of the meeting of the Teesside Pension Fund Committee held on 12 June 2024 were taken as read and approved as a correct record.

24/18 **DRAFT ANNUAL PENSION FUND ACCOUNTS 2023/24**

The Head of Pensions, Governance & Investments presented the Members of the Teesside Pension Fund Committee with the 2023/24 draft unaudited accounts for the Teesside Pension Fund and to provide an update on the revised format required for the Pension Fund Annual Report.

The overall financial performance of the Fund for the year to 31 March 2024 was very positive. The Fund's value rose to £5.477 billion, an increase over the year of approximately £413 million, over 8%. This increase in value was mainly a result of equity market performance, which was positive for the year as a whole. The Fund was two years into the current triennial valuation cycle. The Fund's asset value as at 31 March 2025 would be used by the Fund actuary when calculating the three-yearly valuation of the Fund. The value of the Fund's assets was currently increasing broadly in line with the actuary's expectations at the last valuation. Although welcome news, it was important to recognise the long-term nature of the Fund and the volatility of many of its assets meant that the actuary would look beyond just the immediate value of the assets when carrying out the valuation. In addition, the size of the Fund's liabilities (the cost of paying current and future benefits) was just as important when carrying out the valuation and setting employer contribution rates. Factors such as the actuary's view of future inflation rates, future investment returns and life expectancy expectations would play a key part in the actuary's valuation calculations.

Total membership of the Fund had increased, with total membership at the year-end standing at 82,213 an increase of 1,875 over last year. The number of active members had remained broadly similar, increasing by just 22 or 0.08% over the year, and increased by 11.9% over the past four years. The number of pensioners increased by 898 or 3.3% over the year and increased by 12.8% over the past four years. The number of deferred members had increased by 955 or 3.5% over the year and increased by 20% over the past four years.

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

The latest actuarial valuation of the Fund was as at 31 March 2022, with the final report published at the end of March 2023. The actuary calculates to what extent the Fund's assets meet its liabilities. This was presented as a funding level. The aim of the Fund was to be 100% funded, and at the latest valuation the actuary was able to declare a funding level of 116%. The next valuation is due to be carried out as at 31 March 2025 with the final report due to be published in March 2026 and any changes required to employer contribution rates due to come into force from April 2026.

It was noted that the Pension Fund Accounts were presented in draft form and, whilst the main numbers and outcomes were not expected to change, changes may be needed as further review takes place. In addition, the audit process was not complete and further changes may be required as a consequence of this.

The Pension Fund Annual Report is currently being prepared so as to comply as far as possible with the new guidance. A final draft will be presented to the 25 September Pension Fund Committee for approval and to the 25 November Teesside Pension Board for noting before publication by 1 December 2024.

A Member praised the current performance and queried the problems other bodies such as Cleveland Fire Brigade have had in terms of delays of audited accounts and the delay in the pension fund being given as a reason for this.

It was explained that currently, Middlesbrough Council's accounts for 2021/22, 2022/23 and 2023/24 had not been signed off by the Auditor due to a number of reasons, including Auditor availability. It was noted that the accounts had now moved from EY to Mazars and the Pension Fund and Council accounts should complete in early 2025 to ensure both audits can be signed -off within the year.

The previous government looked to address the issue of the audit backlog, which had affected Local Authorities nationally, by implementing a cut-off date where a line would be drawn and the accounts not completed would not require sign-off. The election being called had stopped that legislation being implemented, however it was anticipated that the new government would consider this in the upcoming weeks.

ORDERED: that the information provided was received and noted.

RESPONSE TO GOVERNMENT LETTER ON POOLING

The Head of Pensions, Governance and Investments presented a report to provide Members of the Teesside Pension Fund Committee with a copy of a letter the previous government sent to the Chief Executives and Section 151 Officers of all Local Government Pension Scheme (LGPS) administering authorities in England, together with a draft response, and asked for any comment on the response.

The letter asked the following questions, focussing on two themes: how LGPS Funds have been complying with the expectation that they will pool their investments, and whether the LGPS would be more effective and efficient if wider collaboration took place:

1. How your fund will complete the process of pension asset pooling to deliver the benefits of scale.

- What proportion of assets have been pooled in your chosen LGPS asset pool? Is your fund on track to pool all listed assets by March 2025, and if not, what are the barriers to this?
 - Is there scope for minimising waste and duplication by making use of your LGPS asset pool's services and expertise in reporting and development of the pensions investment strategy? What is your expenditure on pensions investment consultancy?
 - Does your LGPS asset pool have an effective, modern governance structure in place, which is able to deliver timely decisions and ensure proper oversight? If not, what steps are you taking to make your pool's governance more effective?
2. How you ensure your LGPS fund is efficiently run, including consideration of governance and the benefits of greater scale.
- Does your LGPS fund have effective and skilled governance in place, which is able to hold officers, service providers and the pool to account on performance and efficiency?
 - Would you be likely to achieve long-term savings and efficiencies if your LGPS fund became part of a larger fund through merger or creation of a larger pensions authority?"

A draft response to the letter was attached with the following key points to note:

- The Fund has made good progress towards pooling its investments: 57% of the Fund is invested through Border to Coast.
- Efficiencies have already been achieved through working collaboratively with Border to Coast, and we are working with the company and our Partner Funds to explore other areas where further joint working could provide benefits.
- We are confident that the governance structure the pool has is fit for purpose, but will continue to collectively consider, alongside our Partner Funds, whether and how it could be improved.
- The Fund is effectively and professionally run, with access to appropriate external advice and support.
- The issue of fund mergers has not been specifically considered by the Council (as administering authority). Such options would need to be carefully evaluated from a cost-benefit and risk-reward perspective, ensuring any change does not compromise our ability to provide the best service for our members, employers and taxpayers, as a key and visible part of the local community.

It was noted that although the government has changed since the letter was sent, the questions set out in the letter are still likely to be relevant to the new administration. This made it important and relevant for the Fund to provide a response.

ORDERED: that the Committee agreed the draft response and it was be sent to the government by the 19 July 2024 deadline.

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

None.