

TEESSIDE PENSION FUND COMMITTEE

<p>Date: Wednesday, 17 July 2024 Time: 11:00 a.m. Venue: Mandela Room, Town Hall</p>

AGENDA

1. Welcome and Fire Evacuation Procedure

In the event the fire alarm sounds attendees will be advised to evacuate the building via the nearest fire exit and assemble at the Bottle of Notes opposite MIMA.
2. Apologies for Absence
3. Declarations of Interest

To receive any declarations of interest.
4. Minutes - Teesside Pension Fund Committee - 12 June 2024 3 - 10
5. Draft Annual Pension Fund Accounts 2023/24 11 - 80
6. Response to Government Letter on Pooling 81 - 86
7. Any other urgent items which in the opinion of the Chair, can be considered

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Tuesday, 9 July 2024

MEMBERSHIP

Councillors J Kabuye (Chair), J Rostron (Vice-Chair), D Branson, D Coupe, J Ewan, T Furness, S Hill, D Jackson, J Young, J Beall, M Fairley, M Scarborough, Ms J Flaws, Mr B Foulger and Mr T Watson

Assistance in accessing information

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

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 12 June 2024.

PRESENT: Councillors J Kabuye (Chair), J Rostron (Vice-Chair), J Beall (Stockton On Tees Borough Council), J Ewan, D Branson, D Coupe, M Fairley (Redcar and Cleveland Borough Council), D Jackson, J Young, and G Wilson (substitute for Councillor S Hill)

ALSO IN ATTENDANCE: W Bourne, Investment Advisor
D Knight, Border to Coast
A Owen, R Quinn, G Rutter, CBRE
L Pelmeur, XPS

VIRTUAL ATTENDANCE: P Moon, Investment Advisor
R Tebbs, EY

OFFICERS: S Lightwing, N Orton and W Brown

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillor T Furness, Councillor Scarborough (Hartlepool Council), Ms J Flaws and Mr T Watson

24/1 WELCOME AND EVACUATION PROCEDURE

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

24/2 DECLARATIONS OF INTEREST

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Beall	Non Pecuniary	Member of Teesside Pension Fund
Councillor Jackson	Non Pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non Pecuniary	Member of Teesside Pension Fund

24/3 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 13 MARCH 2024

The minutes of the meeting of the Teesside Pension Fund Committee held on 13 March 2024 were taken as read and approved as a correct record.

24/4 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 March 2024 was 3.63%. Investment in direct property where the property had a good covenant, yield and lease terms would continue. There were no purchases or sales in the quarter.

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 £70 million 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 October 2023 – 31 March 2024. This was a six monthly report rather than the usual three monthly report. There were net purchases of £8 million in the period.

As at 31 March 2024, the Fund had £198 million invested with approved counterparties. This was a decrease of £23 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 31 March 2024, and was prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, was £5,468 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. This compared with the last reported valuation, as at 31 December 2023 of £5,194 million.

A summary analysis of the valuation showed the Fund's percentage weightings in the various asset classes as at 31 March 2024 compared with the Fund's customised benchmark.

As at 31 March 2024 the Fund's equity weighting was 60.92% compared to 60.83% at the end of December 2023.

Redemptions of £140 million 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 January 2024-31 March 2024 were shown at paragraph 8.4 of the submitted report.

The Fund had no investments in bonds at this time and the level of cash invested was 3.63%.

As at 30 November 2023 total commitments to private equity, infrastructure, other alternatives and other debt were £1,963 million and details were provided at paragraph 8.8 of the submitted report.

The Head of Pensions Governance and Investment informed the Committee that he and the Chair had recently attended a launch event for FW Capital. Over one hundred representatives from local businesses and financial institutions had also attended.

ORDERED that the information provided was received and noted.

24/5

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 31 March 2024 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 a third 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 31 March 2024 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 1.02% below benchmark over the last year, or 2.02% under its overachievement target, whereas the Overseas Developed Markets Equity Fund had achieved returns of 3.56% above benchmark over the last year, comfortably above its 1% overachievement target. Since inception, the UK fund had delivered performance of 0.5% a year above benchmark, slightly below its long-term target, and the overseas fund had delivered performance of 1.64% 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. The recent position had shown a slight improvement, with performance over the quarter and the year to 31 March 2024 above benchmark (but behind target). Since inception the Fund was 1.43% a year behind benchmark, so 2.93% a year behind target.

It was clarified that the benchmarks were agreed with Border To Coast and the other investors when the funds were set up. They were reviewed annually but to date no changes had been made.

State Street had a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report (attached at Appendix B to the submitted report) showed the market value of the State Street passive equity portfolio and the proportions invested in each region as at 31 March 2024.

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 Committee 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 had 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.

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 invests in: UK Listed Equity, Overseas Developed Markets Equity and Emerging Markets Equity. Amongst other information, the reports included information on the highest and lowest ESG-rated companies within those Border to Coast sub-funds, together with an analysis of the carbon exposure of the sub-funds on a number of metrics. The sub-funds' ESG position and carbon exposure was also compared to benchmarks representing the 'average' rating across the investment universe of that particular benchmark.

A Member queried what level of scrutiny Border to Coast carried out in relation to the ESG objectives and how might some of the investments be reconsidered. It was clarified that it was a long term approach and the point of a divestment decision had not yet been reached.

ORDERED that the report was received and noted.

24/6

PENSIONS REGULATOR GENERAL CODE OF PRACTICE - COMPLIANCE ASSESSMENT

A report of the Director of Finance was presented to provide Members with an assessment of the Fund's current level of compliance with the Pensions Regulator's (TPR) recently published General Code of Practice, together with a plan for addressing any gaps identified.

Although the General Code of Practice took effect from 27 March 2024, 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.

Hymans Robertson (the Fund's actuary) had developed a spreadsheet-based assessment tool designed to assist LGPS Funds with determining where they complied with the General Code of Practice and where there were gaps. Hymans Robertson had analysed the General Code of Practice and legislation referred to in that document to categorise the requirements into regulatory requirements, TPR expectations and best practice. The assessment tool allowed users to keep a history of assessments and track progress over time, and also facilitated the development of action plans and assisted in prioritisation of actions.

After assessing other available options the assessment tool was purchased from Hymans Robertson for a one-off fee. Appendix A to the submitted report contained the initial assessment report together with a list of actions to allow the Fund to gain full compliance with the General Code of Practice.

Overall, from the 14 chapters of the General Code of Practice that were analysed in the report, 5 showed full compliance, with the remaining 9 showing levels of compliance between around 57% and 93%.

Also included within Appendix A to the submitted report, was a set of actions required to gain full compliance. These were set out at paragraph 6.1 of the submitted report, together with a suggested timescale for completion.

Updates would be provided to future Committee meetings to track progress on completion of these tasks and the Fund's compliance with the General Code of Practice.

ORDERED that the report was received and noted.

24/7

BORDER TO COAST PRESENTATION

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
- Global Market Outlook – Q1 2024.
- Listed investments – Performance to Q1 2024.
- Private Equity: Summary.
- Infrastructure: Summary.
- Climate Opportunities: Summary.
- Private Markets: New Commitments for Q1 2024.
- Border to Coast Update:
 - Supporting the Transition to Net Zero.
 - Industry Recognition.
 - Strategic Plan 2024-2027.

An Investment Advisor commented that investments and drawn downs were ahead of modelling and asked where the Fund was in terms of getting its money back. It was clarified that on a semi-annual basis BCP carried out forecasting and projecting of what the cash flow would look like for a partner fund journey. The BCP representative commented that he had not had sight of anything on the distribution rate of return but would obtain that information and feed it back to the Head of Pensions Governance and Investment.

In relation to the performance of the funds it was queried and whether the returns are in line with the expectations when the investments were made. It was confirmed that the investment was still at an early stage and performance was in line with the target, however it was still a waiting game.

A Member asked whether there was any investment in the Dogger Bank Wind Farm and the BCP representative agreed to check and report back.

ORDERED that the information provided was received and noted.

BORDER TO COAST 2030 STRATEGY

A report of the Director of Finance was presented to provide Members with an update on the development strategy the pooling company, Border to Coast, had been collectively developing with the Teesside Pension Fund and the other ten Partner Funds within the pensions partnership.

As a public sector pension fund the Teesside Pension Fund was committed to operating in a sustainable and cost-effective manner. The complex system in which the Local Government Pension Scheme (LGPS) currently operated was evolving. External factors, such as changes to the wider pensions and investment industry, changing ways of working, political and regulatory change and continued uncertainty across investment markets, were likely to be significant over the coming period and in many instances beyond the control of LGPS. Recognising this and building greater resilience into the system would be important for the Fund's long-term success.

There was an opportunity to build upon the partnership established with Border to Coast Pensions Partnership. Working with the other ten LGPS Partners, there was the opportunity to strengthen capacity and resilience through the further development of common solutions through Border to Coast.

Based on joint needs, Teesside Pension Fund had worked with Border to Coast to help them to develop a strategy to 2030. This considered how Border to Coast would evolve as a centre of investment expertise to help deliver the propositions and services needed to support Partner Funds to pay pensions in a cost effective and sustainable manner.

The strategy was in the final stages of refinement and would be subject to formal shareholder review and approval later in the summer. The implementation of the strategy would be covered through the annual business planning process, which was reviewed and approved by the Partner Funds as shareholders on an annual basis.

The 2030 Strategy would be recommended by the Border to Coast Board to shareholders for approval over the Summer of 2024. It would also be discussed at the Border to Coast Annual Conference in mid-July 2024.

ORDERED that the information provided was received and noted.

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.

Peter Moon commented that there was no significant growth in the economy. Bonds still had little value and inflation would remain higher than central banks' targets and therefore they would not be quite as generous on interest rates as previously. Real returns on bonds would remain low. Index linked and gilts performed a valuable function in a portfolio but the entry point was key as investing too early could be costly. Equities and properties continued to perform as expected. The Fund's cash deficit had been created by the type of units purchased with Border to Coast and money could not be released without selling those units.

William Bourne agreed with the comments already made and added that interest rates had normalised at 4 to 5% and were unlikely to go lower. Growth was concentrated in USA. It was quite a benign market for equities and other assets due to relatively loose fiscal policies. In the longer term William expressed concern regarding the cost of debt service since the US and UK governments had issued quite a lot of inflation linked gilts. Bonds were looking to be a better investment than previously.

ORDERED that the information provided was received and noted.

24/10

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.

UK transaction volumes were confirmed at circa £10 billion in Quarter 1 2024, which was very similar to the preceding three quarters. Although the volumes were relatively low there had been positive capital flows from overseas investors and private individuals, but declines from institutional investors (assumed reflecting the sell down from corporate defined benefit pension schemes).

Annual transaction volumes were back at circa 2012 levels, with pricing uncertainty (measured by pricing expectation gap between buyers and sellers) highest in the office and retail sectors.

In terms of occupational markets, the industrial sector was still seeing positive rental growth, but at the lowest level in two years. Positive rental growth in the West End of London office market, but rental growth was flat or declining in most other office markets.

There had been a steady increase in vacancy levels in the office sector from 11% in 2020 to closer to 16% today (impacted by flexible working/working from home, post the COVID pandemic). Industrial vacancy was marginally up at circa 7% from 6% in 2020 - in part due to speculative development and letting voids.

Future prospects for UK real estate looked reasonably positive compared to other regions, according to data from CBRE Investment Management. Five-year return forecasts (2024-2028) for UK 7.9% pa, the same as the USA, stronger than Asia 6.6% pa and rest of Europe 6.3% pa.

There had been no sales or acquisitions since the last report to Committee.

The Fund had agreed terms to create a Reversionary lease with BAE systems at Washington, which would extend the term to December 2042. It was anticipated that this would complete by September.

Negotiations were ongoing with B & M Retail Limited at Ipswich to agree terms for a Lease renewal on a further 10-year term.

In relation to arrears, the position had improved since the report was written: St Albans, Pizza Hut and Pets at Home had cleared their balances and Stark had made a partial payment.

Active discussion was taking place on some new loans at the current time and CBRE would report on those to the next Committee meeting.

ORDERED that the information provided was received and noted.

24/11

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:

Service Level Agreements were tracking positively. The Membership of the Fund continued to increase. The latest uplift for pensioners was 6.7% which contributed to a 20% uplift in total over the last 3 years.

The Annual Benefits and Pensions Savings Statements would be issued in August and October and work was ongoing to produce those.

A new system had been put in place to help XPS collect and focus on data in relation to the introduction of Pensions Dashboards in October 2026.

With regard to customer service the Contact Centre now had a system in place to capture more feedback from clients.

ORDERED that the report was received and noted.

24/12 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

24/13 **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.

24/14 **LOCAL INVESTMENT UPDATE**

A report of the Director of Finance was presented to provide Members of the Pension Fund Committee (the Committee) with an update on a Local Investment and requested delegated authority to make potential further investment into the company.

On a vote being taken it was **ORDERED** that the recommendation set out at paragraph 2.1 of the report was approved.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

PENSION FUND COMMITTEE REPORT

17 JULY 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

Draft Annual Pension Fund Accounts 2023/24

1. PURPOSE OF THE REPORT

- 1.1 To present Members of the Teesside Pension Fund Committee (the 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.

2. RECOMMENDATION

- 2.1 That the Committee note the 2023/24 draft unaudited accounts (Appendix A).

3. FINANCIAL IMPLICATIONS

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

4. BACKGROUND

- 4.1 The terms of reference for the Teesside Pension Fund Committee require the Annual Report and Accounts to be considered by Members. The Pension Fund accounts are prepared alongside, and form part of the Council's accounts, as the Pension Fund is not a separate legal entity. Attached to this report are the draft unaudited Pension Fund accounts for the year ended 31 March 2024.
- 4.2 In previous years the Pension Fund's Annual Report has usually been prepared at the same time. Revised statutory guidance on the production of Local Government Pension Scheme (LGPS) Annual Reports was issued in April 2024 to apply in relation to reports from 2023/24 onwards. The new guidance (enclosed as Appendix B) aims to apply consistency in layout and content across all LGPS annual reports. As such, it requires major changes to the layout, content and format of the annual report and will also require information currently held in other documents (such as the Funding Strategy Statement and Investment Strategy Statement) to be reproduced or reformatted within the annual report.
- 4.3 The deadline for producing the annual report is 1st December each year. In order to meet this deadline, and to allow enough time for the new version of the report to be prepared in a way that complies as much as possible with the new guidance, a draft

version of the annual report will be provided for approval to the 25 September 2024 Pension Fund Committee.

- 4.4 In the meantime, the draft Pension Fund accounts for the year ending 31 March 2024 have been produced (enclosed as Appendix B) and the remainder of this report provides commentary on these.

5. PERFORMANCE SUMMARY

- 5.1 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 is mainly a result of equity market performance, which was positive for the year as a whole.
- 5.2 The Fund is two years into the current triennial valuation cycle. The Fund's asset value as at 31 March 2025 will be used by the Fund actuary when calculating the three-yearly valuation of the Fund. The value of the Fund's assets is currently increasing broadly in line with the actuary's expectations at the last valuation. Although welcome news, it is important to recognise the long-term nature of the Fund and the volatility of many of its assets mean that the actuary will look beyond just the immediate value of the assets when carrying out the valuation. In addition, the size of the Fund's liabilities (the cost of paying current and future benefits) is just as important when carrying out the valuation and setting employer contribution rates. Factors such as the actuary's view of future inflation rates, future investment returns and life expectancy expectations will play a key part in the actuary's valuation calculations.
- 5.3 Total membership of the Fund has increased, with total membership at the year-end now standing at 82,213 an increase of 1,875 over last year. The number of active members has 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 has increased by 955 or 3.5% over the year, and increased by 20% over the past four years. Note, some of the increase in the number of deferred members in the four-year figure is because we are now recognising in the count of deferred members those individuals who have left employment but not yet had their benefits fully processed.
- 5.4 Every three years the Fund actuary, carries out a full actuarial valuation of the Fund. The purpose is to calculate how much employers in the scheme need to contribute going forward to ensure that the Fund's liabilities, the pensions due to current and future pensioners, will be covered. Unlike all the other major public sector schemes the Local Government Scheme is a funded scheme. That means there is a pool of investments producing income which meet a significant part of the liabilities.
- 5.5 The latest actuarial valuation of the Fund was as at 31 March 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 is presented as a funding level. The aim of the Fund is to be 100% funded, and at the latest valuation the actuary was able to declare a funding level of 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.

6. FRS / IAS REPORTS

- 6.1 Financial Reporting Standards (FRS) and International Accounting Standards (IAS) require employers to disclose in their accounts their share of the assets and liabilities in the Pension scheme. The Fund's actuary, Hymans Robertson, offers to produce reports for the employers in the Teesside Pension Fund containing the figures which some of those employers need to disclose in order to comply with the requirements of these standards.
- 6.2 Although the Fund is "actuarially" fully funded the employers may have FRS / IAS deficits because of the way the figures in the reports are calculated. It should be noted that the FRS / IAS calculations have no impact on the actual Funding Level of the Fund or the Employers within it.

7. INTERNATIONAL FINANCE REPORTING STANDARDS (IFRS)

- 7.1 The Council adopted International Finance Reporting Standards (IFRS) from 1 April 2010. The Pension Fund, accounts comply with the reporting standards.

8. NEXT STEPS

- 8.1 The Pension Fund Accounts presented here are in draft form and, whilst the main numbers and outcomes are not expected to change, changes may be needed as further review takes place. In addition, the audit process is not complete and further changes may be required as a consequence of this.
- 8.2 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.

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

TEL NO: 01642 729024

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- 1 Statement of Responsibilities for the Financial Statements
- 2 Auditor's Report
- 3 Fund Account and Net Assets Statement
- 4 Notes to the Financial Statements

Statement of Responsibilities

Middlesbrough Council Responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

Confirmation of the Statement of Accounts

I confirm that the Teesside Pension Fund Statement of Accounts gives a true and fair view of the financial position of the Fund at 31 March 2024 and of its income and expenditure for that year.

Director of Finance
Middlesbrough Council

Fund Accounts for the year ended 31st March 2024

2022/23 £000			2023/24 £000
	Contributions and Benefits		
	Dealings with members, employers and others directly involved in the Fund		
(106,953)	Contributions	6	(116,328)
(4,896)	Transfers in from other pension funds	8	(8,055)
(2,561)	Other income	9	(2,060)
(114,410)	Total Income from Members		(126,443)
162,355	Benefits payable	7	182,512
20,435	Payments to and on account of leavers	10	12,318
182,790	Total Expenditure to Members		194,830
68,380	Net (additions) / withdrawals from dealings with members		68,387
10,473	Management expenses	11,20	12,126
78,853	Net (additions) / withdrawals from dealings with members, employers and others directly involved in the Fund		80,513
	Returns on investment		
(50,230)	Investment income	12	(60,376)
(54,947)	Profits and losses on disposal of investments and changes in market value of investments	13	(432,846)
(105,177)	Net returns on investments		(493,222)
(26,324)	Net (increase) / decrease in the net assets available for benefits during the year		(412,709)
5,037,574	Net assets of the scheme as at 1st April		5,063,898
5,063,898	Net assets of the scheme as at 31st March		5,476,607
2022/23	Net Assets Statement as at 31st March		2023/24
5,060,738	Investments Assets	13	5,468,354
14,102	Current Assets	16	16,027
(10,942)	Current liabilities	17	(7,774)
5,063,898	Net assets of the scheme at 31st March		5,476,607

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

Notes to the Pension Fund Accounts

1. Basis of Preparation

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

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

The Pension Fund has carried out an assessment on its financial position and performance during 2023-24 and beyond as part of its going concern assessment. This included consideration of the following:

- The Fund had assets of c. £5.47b as at 31 March 2024. £3.53b (64.5%) of this is held in assets which are considered to be liquid, and which could be converted to cash if required (including £0.20b actually held as cash).
- The Fund has estimated it will pay out £234m in benefits and other outgoings in the coming twelve months and is forecasting contribution income in the region of £121m. This shortfall in contribution income versus benefits and other expenditure of £113m will be met from investment income – forecast to be £145m if dividend income can be taken from Border to Coast equity funds, or £75m if this option does not become available during 2024/25. Assuming the lower amount of investment income is received, the remaining £38m would be taken from the Fund's cash balance, which was £199m at 31 March 2024.

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

The statement of accounts summarises the Funds' transactions for the 2023-24 financial year and its position at year end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24, which is based upon international Financial Reporting Standards (IFRS), as amended for the UK local government sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits, which fall due after the end of the financial year.

2. Summary of Significant Accounting Policies

Accruals

The accounts have been prepared on an accruals basis. The exception to this accruals basis, is individual transfer values which are recognised on a cash transfer basis.

Fund Account – Revenue Recognition

Contributions income

Normal contributions, from both the members and the employers, are accounted for on an accruals basis in the payroll period to which they relate. The employers' percentage rate is set by the Actuary, whilst the employees' rate is determined by the Local Government Pension Scheme (LGPS) Regulations.

Employer deficit funding contributions are accounted for on the due dates set by the actuary, or on receipt if earlier.

Employer strain on the fund and any augmentation contributions are accounted for in the period in which the liability arises. Amounts due in the year but still outstanding at the year-end are accrued, according to the accruals threshold.

Transfer values

Transfer values represent the capital sums receivable in respect of members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfers either in or out have been accounted for in the period in which they were paid or received.

Transfers in from members wishing to use the proceeds from their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis within transfers in. Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment income

Investment income has been recognised as due on the ex-dividend date and is credited to the Fund on the date of the dividend, if received. The investment income is not grossed up for tax, as it is reported as net cash received.

Interest Income

Interest income is recognised in the Fund Account on an accruals basis, using the effective interest rate of the financial instrument as at the date of acquisition.

Dividend Income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

Distributions from Pooled Funds

Distributions from pooled funds are recognised on the date of issue. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

Property Related Income

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a cash collection basis.

Movement in the Net Market Value of Investments

Changes in the net market value of investments (including property) are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense items

Benefits payable

Pensions and lump sums benefits payable include all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1 (1) of schedule 36 of the Finance Act 2004 and, as such, is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the

country of origin, unless exemption is permitted. Any withholding tax recovered is credited on receipt. We account for dividends and recoverable tax on a cash basis but do not account for non-recoverable tax.

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its Pension fund management expenses in accordance with CIPFA's guidance, "*Accounting for Local Government Pension Scheme Management Expenses (2016)*".

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. Expenses for Actuarial, Audit and Legal fees are paid directly by the Fund.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.

Fees of external investment managers and the Fund's custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The costs of the council's in-house fund management team are charged direct to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.

Property expenses

Property expenses have been recorded gross and shown as a deduction from the gross rental income received in determining net rents from properties..

Net Assets Statement

Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at 31 March 2024. A financial asset is recognised in the Net Assets statement on the date the Fund becomes party to the contractual acquisition of an asset. From this date, any gains and losses arising from changes in the fair value of assets are recognised in the Fund account.

The value of investments as shown in the Net Assets Statement have been determined as follows:

Market Quoted Investments

Investments are valued at market value as at 31 March 2024 as provided by the Fund's custodian. Quoted UK securities are valued at the bid price based on quotations in the Stock Exchange Daily Official List. Overseas quoted securities are, similarly, valued at the bid price from overseas stock exchanges, translated at closing rates of exchange.

Pooled Investment Vehicles

Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published, otherwise at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

Fixed Interest Securities

The value of fixed income investments excludes interest earned but not paid over at the year end. The interest earned has been accrued within investment income receivable.

Unquoted Investments

Unlisted securities, including partnerships, are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers or those controlling the partnerships.

Freehold and Leasehold properties

Properties are shown as valued at 31 March 2024. Properties are valued annually by an independent external valuer on a fair value basis, and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

Custody and Security of Investments

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

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

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

Financial Instruments

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

IFRS 13 Fair value measurement

This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The fund complies currently complies with this standard.

Foreign Currency Transactions

Foreign income and sales and purchases of investments in foreign currencies received during the year have been converted into Sterling at the exchange rate at the date of transaction. Amounts outstanding at the year-end have been valued at the closing exchange rates on 31 March 2024.

Outstanding Commitments

The Fund has made commitments to investments which are not included in the accounts of the Fund until the monies have been drawn down by the relative manager. These are shown in Note 13.

Cash and Cash Equivalents

Cash comprises of cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Disposal of Investments

Profits and losses on the disposal of investments are realised when the transactions are legally complete.

Interest on Cash Balances

All surplus cash balances of the Fund are invested externally, interest being credited to the Fund.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the Fund has adopted to disclose the actuarial present value of promised retirement benefits by way of a note, refer to Note 15.

Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed the Prudential Assurance Co Ltd as the current provider. AVCs are paid to the AVC providers by the employers and are specifically for providing additional benefits for the individual contributors. Each AVC contributor receives an annual statement showing the value of their account and any movements in the year.

The AVCs are not reflected in the Fund's accounts in accordance with regulation 4(1) b of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a Note only (Note 18).

Value Added Tax

Expenses and property purchase costs are charged net to the Pension fund. The VAT is reclaimed via Middlesbrough Council's VAT regime.

3. Accounting standards that have been issued but not yet been adopted.

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

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is no recognition for low-value and short-term leases). CIPFA/LASAAC have however deferred implementation of IFRS16 for local government to 1 April 2024 due to the impact of Covid-19.

4. Critical Judgements, Sensitivities and Accounting Estimates

Unquoted Private Equity, Infrastructure and Other Alternative investments

It is important to recognise the highly subjective nature of determining the fair value of private equity, infrastructure, and other alternative investments. They are inherently based on forward-looking estimates and judgements involving many factors. These are valued by the investment managers using the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of conservative value. The value of these investments at 31 March 2024 was £1,369,917,299 (£1,155,773,631 at 31 March 2023).

Pension Fund Liabilities

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured for example, a 0.1% per annum decrease in the discount factor assumption could increase liability by around £75m.
Pooled Investment Vehicles	Infrastructure and global property investments are valued at fair value in accordance with the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of conservative value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Unobservable market values amount to £4,783b and are relating to infrastructure, real estate, and pooled equity vehicles
Freehold and leasehold property	Independent external valuers, Cushman & Wakefield use techniques to determine the fair value of directly held freehold and leasehold property in accordance with the relevant parts of the current RICS Red Book.	The effect of variations in the factors supporting the valuation would be an increase or decrease 18.3% in the value of directly held property £88.6m, on a fair basis of £484.3m.

6. Contributions Receivable

		2022/23	2023/24
		£'000	£'000
Employers	Normal	(73,562)	(79,548)
	Additional Contributions	(12)	(16)
	Deficit Recovery Contributions	(158)	(50)
Members	Normal	(33,221)	(36,714)
	Total	(106,953)	(116,328)
Analysis of Total Contributions		2022/23	2023/24
		£'000	£'000
Administering Authority – Middlesbrough Council		(14,788)	(15,676)
Scheduled Bodies		(79,669)	(87,999)
Admission Bodies		(12,496)	(12,653)
Total		(106,953)	(116,328)

7. Benefits Payable

	2022/23	2023/24
	£'000	£'000
Pensions	134,792	150,993
Commutations and lump sum retirement benefits	24,684	27,950
Lump sum death benefits	2,879	3,569
Total	162,355	182,512
Analysis of Total Benefits		
Administering Authority – Middlesbrough Council	26,381	28,968
Scheduled Bodies	100,356	113,643
Admission Bodies	35,618	39,901
Total	162,355	182,512

8. Transfers in from Other Pension Funds

	2022/23	2023/24
	£'000	£'000
Individual transfers in from other schemes	(4,896)	(8,055)
Total	(4,896)	(8,055)

9. Other Income

	2022/23	2023/24
	£'000	£'000
Capital Costs of Early Retirements	(1,578)	(1,255)
Other Income	(983)	(805)
Total	(2,561)	(2,060)

10. Payment to and on Account of Leavers

	2022/23	2023/24
	£'000	£'000
Refunds to members leaving service	11,761	259
Payments for members joining state scheme	211	239
Individual transfers to other schemes	8,463	11,80
Total	20,435	12,318

11. Management Expenses

	2022/23	2023/24
	£'000	£'000
Administrative costs	2,470	2,234
Investment management expenses	7,331	9,269
Oversight and governance costs	637	521
Total	10,438	12,024

Investment Management Expenses

	2022/23	2023/24
	£'000	£'000
Management fees	6,793	8,671
Custody fees	21	19
Loans & Investment support service charges	517	579
Total	7,331	9,269

12. Investment Income

	2022/23	2023/24
	£'000	£'000
Income from pooled investment vehicles	(24,838)	(24,838)
Net rents from properties (see note below)	(16,627)	(16,627)
Interest on cash deposits	(8,765)	(8,765)
Total	(50,230)	(50,230)
	2022/23	2023/24
	£'000	£'000
Rental Income and Property Expenses		
Gross Rental income	(18,460)	(30,641)
Property Expenses / (Income)	1,833	3,010
Net Rents from Properties	(16,627)	(27,631)

13. Investment Assets

2023/24	Value at 1 April 2023	Reclassified Assets	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	2,119	0	0	0	(106)	2,013
Pooled Investment Vehicles	4,187,376	0	269,975	(244,352)	452,477	4,665,476
Pooled Property Investments	65,438	0	1,149	0	(9,352)	57,235
Properties	403,615	0	86,857	0	(6,172)	484,300
Loans	24,534	0	0	0	24,079	48,613
Directly Held – Private Equity	40,080	0	0	0	(28,080)	12,000
	4,723,162	0	357,981	(244,352)	432,846	5,269,637
Cash Deposits	334,350					193,440
Other Investment Balances	3,226					2,212
Net Investment assets	5,060,738					5,465,289

2022/23	Value at 1 April 2022	Reclassified Assets	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	1,710	0	0	1,129	(720)	2,119
Pooled Investment Vehicles	3,773,227	0	385,196	(55,828)	84,781	4,187,376
Pooled Property Investments	60,230	0	15,000	0	(9,792)	65,438
Properties	335,521	0	87,416	0	(19,322)	403,615
Loans	20,000	0	4,534	0	0	24,534
Directly Held – Private Equity	26,500	0	13,580	0	0	40,080
	4,217,188	0	505,726	(54,699)	54,947	4,723,162
Cash Deposits	817,250					334,350
Other Investment Balances	1,833					3,226

Net Investment assets	5,036,271				5,060,738
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Valuation Basis

There are three investments that have been valued at Cost rather than Market Value in 2023-24 as the investments are at an early stage and an open Market Value is yet to be determined. These are Capital Dynamics Clean Energy Infrastructure UK (£0.2M), Titan Preston East (£16.2M) and St Arthur Homes (£13.9M).

Change in Market Value

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Realised profit was £27,367,998 and unrealised gain was £403,801,540. Prior year realised profit was £1,128,891 and unrealised gain was £56,076,232.

Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs for 2023-24 are £3,987,071 (2022-23 Nil). In addition to the transaction costs disclosed here, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund. For accounting purposes, the transaction costs have been re-allocated to expenses.

Investments Analysed by Fund Manager

The funds equities are mainly managed externally by Border to Coast. Private equities, infrastructure, other alternatives, and other debt are all managed in-house with the only exception being the direct property portfolio managed by CBRE Limited.

- for 2023-24 the value at 31 March 2024 of the direct property portfolio was: £484,300,000
- for 2022-23 the value at 31 March 2023 of the direct property portfolio was: £403,615,188

The remainder of the Fund is all managed in-house.

The following investments represent more than 5% of the net assets of the scheme.

Market Value 31 March 2023	% of net assets of the scheme	Security	Market Value 31 March 2024	% of net assets of the scheme
£'000			£'000	
1,647,397	32.56%	Border to Coast PE Overseas Dev Mkts	1,833,038	33.52%
646,205	12.77%	Border to Coast PE UK Listed Equity	612,789	11.21%
320,026	6.32%	SSGA MPF Pacific Basin Ex-Japan Index	336,531	6.15%

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

Market Value 31 March 2023	% of asset class	Asset Class / Security	Market Value 31 March 2024	% of asset class
£'000			£'000	
		UK Equities		
646,205	99.67%	Border to Coast UK Listed Equity	612,789	99.67%
		Overseas Equities		
1,647,397	67.24%	Border to Coast Overseas Developed Markets	1,833,038	67.48%
320,026	13.06%	SSGA MPF Pacific Basin ex-Japan Index	336,531	12.39%
132,964	5.43%	SSGA MPF Euro Ex UK Equity Index Sub Fund	150,451	5.54%
203,394	8.30%	Border to Coast Emerging Market Hybrid Fund	215,331	7.93%
		Private Equities		
27,546	5.71%	Crown Co Investment Opp II PLC	30,212	5.42%
32,568	6.75%	Unigestion SA	33,217	5.96%
37,392	7.75%	Pantheon Global Co-Investment Opportunities IV	32,368	5.80%
92,098	19.09%	Crown Growth Global Opportunities III	108,860	19.52%
26,727	5.54%	Border to Coast Private Equity Series 1A	41,612	7.46%
-	0.00%	Border to Coast Private Equity Series 1B	28,383	5.09%
		Infrastructure		
72,911	18.13%	Border to Coast Infrastructure Series 1A	87,377	16.50%
21,321	5.30%	Border to Coast Infrastructure Series 1B	31,146	5.88%
36,987	9.20%	Border to Coast Infrastructure Series 1C	44,654	8.43%
-	0.00%	Border to Coast Infrastructure Series 2A	59,803	11.29%
80,512	0.00%	JP Morgan IIF UK I LP	82,651	15.60%
		Other Alternatives		
10,244	5.70%	Border to Coast Climate Opportunities Series 2A	23,000	11.88%
23,447	13.06%	Darwin Leisure Prop Units - Class C	16,447	8.50%
18,087	10.07%	Darwin Bereavement Services Fund - Class B	19,041	9.84%
30,309	16.88%	Darwin Bereavement Services Fund - Income Units	30,683	15.85%
19,865	11.06%	Darwin Leisure Development Fund – Class D	16,601	8.57%
34,420	19.17%	Darwin Leisure Property Fund K - Income Units	24,369	12.59%
9,605	5.35%	Hearthstone Residential Fund 1	9,767	5.04%
9,836	5.48%	Hearthstone Residential Fund 2	15,789	8.16%
15,406	8.58%	Gresham House BSI Housing Fund LP	22,551	11.65%
		Other Debt		
47,966	53.48%	Insight IIFIG Secured Finance II Fund	50,656	43.68%
20,000	21.84%	Greyhound Retail Park Chester	18,575	16.02%
18,057	19.72%	Pantheon Senior Debt Secondaries II	16,689	13.94%
-	0.00%	Titan - Preston East	16,167	11.96%
-	0.00%	Gresham House BSI Housing Fund LP	13,871	14.39%
		Direct Property		
31,200	7.73%	Doncaster (Omega Boulevard)	31,400	6.48%
-	0.00%	Swindon (Symmetry Park Unit 1)	31,600	6.52%
31,000	7.68%	London (51/54 Long Acre)	31,000	6.40%
-	0.00%	ST Albans (Griffiths Retail Park)	30,500	6.30%
24,725	6.13%	Yeovil (Leonardo)	27,750	5.72%
-	0.00%	Washington (Radial 64)	50,250	10.38%
		Property Unit Trusts		

34,842	53.24%	Standard Life Investments European Property Growth Fund	28,463	49.73%
3,944	6.03%	LAMIT - Local Authorities Property Fund	3,790	6.62%
16,608	25.38%	Hermes Property	15,369	26.85%

Geographical Analysis of Investments

31 March 2023				31 March 2024
£'000	%		£'000	%
1,470,021	31%	United Kingdom	1,545,718	29%
1,284,003	27%	United States	1,558,890	30%
666,391	14%	Asia Pacific	703,139	13%
823,204	17%	Europe	931,444	18%
276,140	6%	Japan	315,107	6%
203,403	5%	Others	215,339	4%
4,723,162	100%	Total	5,269,637	100%

Equities

31 March 2023		31 March 2024
£'000		£'000
2,110	UK quoted	2,005
9	Overseas quoted	8
2,119	Total	2,013

Pooled Investment Vehicles and Properties

31 March 2023		31 March 2024
£'000		£'000
648,315	UK Equity	612,789
65,438	Pooled Property investment Vehicle	57,235
482,511	Private Equity	545,675
402,107	Infrastructure	529,682
179,599	Other Alternative Investments	193,601
91,557	Other Debt	67,345
1,869,527	UK Unit and Investment Trusts Total	2,006,327
2,450,020	Overseas Equities	2,716,383
2,450,020	Overseas Unit and Investment Trusts Total	2,716,383
4,319,547	Total	4,722,710

UK Properties

31 March 2023		31 March 2024
£'000		£'000
345,415	Freehold	347,275
58,200	Leasehold	137,025
403,615	Total	484,300

The properties were valued on the basis of Fair Value at 31 March 2024 by Cushman and Wakefield LLP acting as an External Valuer. The valuer's opinion of the Fair Value of the Fund's interests in the properties has been reported (as per VPS4 item 7 of the RICS Red Book). Under these provisions, the term "Fair Value" mean the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13, namely "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Cash Deposits

31 March 2023		31 March 2024
334,350		193,440
334,350	Sterling Cash deposits	193,440

Other investment balances

31 March 2023		31 March 2024
£'000		£'000
1,470	Cash deposits with custodian	1,470
1,756	Interest due on cash deposits	742
3,226	Total	2,212

Outstanding Commitments

As at 31 March 2024, the Fund had the following outstanding commitments.

	Initial Commitment	Capital Payments made	Outstanding commitments at 31 March 2024
Infrastructure			
	GBP	GBP	GBP
Border to Coast Infrastructure Series 1A	100,000,000	74,963,079	25,036,921
Border to Coast Infrastructure Series 1B	50,000,000	29,709,580	20,290,420
Border to Coast Infrastructure Series 1C	50,000,000	37,355,868	12,644,132
Border to Coast Infrastructure Series 2A	150,000,000	62,208,526	87,791,474
Border to Coast Infrastructure Series 2B	150,000,000	11,782,789	138,217,211
Capital Dynamics Clean Energy Infrastructure Fund VIII	20,000,000	18,234,087	1,765,913
Capital Dynamics Clean Energy Infrastructure Fund VIII - Co Investment	10,000,000	9,117,044	882,956
Gresham House, British Strategic Investment Infrastructure Fund	20,000,000	18,133,331	1,866,669
Gresham House, British Strategic Investment Infrastructure Fund II	25,000,000	22,418,467	2,581,533
Innisfree PFI Continuation Fund	10,000,000	9,708,498	291,502
Innisfree PFI Secondary Fund 2	10,000,000	8,352,712	1,647,288
Total GBP	595,000,000	301,983,981	293,016,019
	EUR	EUR	EUR
Access Capital Infrastructure Fund	23,000,000	21,689,000	1,311,000
Access Capital Infrastructure Fund II	20,000,000	17,242,000	2,758,000
Access Capital Infrastructure Fund II (Fund 2)	15,000,000	9,696,000	5,304,000
Ancala Infrastructure Fund II	23,000,000	20,519,672	2,480,328
Foresight Energy Infrastructure	17,000,000	12,401,536	4,598,464
Total EUR	98,000,000	81,548,208	16,451,792
	USD	USD	USD
Blackrock Global Energy & Power Infrastructure Fund III	25,000,000	20,195,569	4,804,431
Blackrock Global Renewable Power III	25,000,000	12,377,208	12,622,792
Total USD	50,000,000	32,572,777	17,427,223
Other Alternatives			

	GBP	GBP	GBP
Bridges Evergreen TPF Housing Co-Investment LP	5,000,000	794,749	4,205,251
Gresham House Housing Fund	20,000,000	19,546,066	453,934
Hearthstone Residential Fund 2 LP	20,000,000	17,685,493	2,314,507
Border to Coast Climate Opportunities Series 2A	80,000,000	23,384,911	56,615,089
Capital Dynamics Clean Energy Infrastructure UK	20,000,000	170,000	19,830,000
Total GBP	145,000,000	61,581,219	83,418,781
	EUR	EUR	EUR
La Salle Real Estate Debt Strategies IV	25,000,000	13,022,767	11,977,233
Total EUR	25,000,000	13,022,767	11,977,233
	USD	USD	USD
Border to Coast Climate Opportunities Series 2A	80,000,000	10,243,486	69,756,514
Total USD	80,000,000	10,243,486	69,756,514
Other Debt			
	GBP	GBP	GBP
St Arthur Homes	16,000,000	14,113,266	1,886,734
Total GBP	16,000,000	14,113,266	1,886,734
	USD	USD	USD
Pantheon Senior Debt Secondaries II	25,000,000	20,631,718	4,368,282
Total USD	25,000,000	20,631,718	4,368,282
Private Equity			
	GBP	GBP	GBP
Border to Coast Private Equity Series 1A	100,000,000	73,845,512	26,154,488
Border to Coast Private Equity Series 1B	50,000,000	32,876,678	17,123,322
Border to Coast Private Equity Series 1C	50,000,000	28,897,835	21,102,165
Border to Coast Private Equity Series 2A	100,000,000	16,958,239	83,041,761
Border to Coast Private Equity Series 2B	100,000,000	6,508,313	93,491,687
Capital Dynamics LGPS Collective for Pools 18/19	10,000,000	7,850,000	2,150,000
GB Bank Limited	49,999,950	44,043,750	5,956,200
Hermes Innovation Fund	20,000,000	14,411,813	5,588,187
Foresight Regional Investments IV	5,000,000	1,102,238	3,897,762
Total GBP	484,999,950	226,494,378	258,505,572
	EUR	EUR	EUR
Access Capital Fund VIII Growth Buy-Out Europe	30,000,000	20,982,000	9,018,000
Access Capital Co-Investment Fund Buy-Out Europe II	22,000,000	11,475,000	10,525,000
Capital Dynamics Mid-Market Direct V	20,000,000	16,583,038	3,416,962
Crown Growth Global Opportunities III	30,000,000	24,000,000	6,000,000
Unigestion Direct II	25,000,000	21,457,608	3,542,392
Unigestion Secondary V	50,000,000	26,000,000	24,000,000
Unigestion Direct III	37,500,000	17,794,659	19,705,341
Total EUR	214,500,000	138,292,305	76,207,695
	USD	USD	USD
Blackrock Private Opportunities Fund IV	25,000,000	20,340,118	4,659,882

Capital Dynamics Global Secondaries V	22,000,000	15,400,000	6,600,000
Crown Co-Investment Opportunities II	30,000,000	26,175,000	3,825,000
Crown Co-Investment Opportunities III	30,000,000	16,680,000	13,320,000
Crown Global Opportunities VII	40,000,000	24,880,000	15,120,000
Crown Secondaries Special Opportunities II	25,000,000	20,387,500	4,612,500
Pantheon Global Co Investment Opportunities IV	30,000,000	27,070,000	2,930,000
Total USD	202,000,000	150,932,618	51,067,382

14. Financial Instruments

Net Gains and Losses on Financial Instruments

2022-23		2023-24
£'000	Financial Assets	£'000
(54,947)	Fair Value through profit and loss account	(432,846)

Fair Value of Financial Instruments

	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	As at 31/3/23			As at 31/3/24		
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Equities	2,119			2,013		
Pooled Investments	4,251,990			4,726,089		
Pooled Property Investments	65,438			57,235		
Cash		334,350			197,710	
Other Investment balances		3,226			2,212	
Sundry debtors and prepayments		14,102			16,027	
	4,319,547	351,678	0	4,785,337	215,949	0
Financial Liabilities						
Sundry creditors			(10,942)			(7,774)
Net Financial Assets of the Fund	4,319,547	351,678	(10,942)	4,785,337	215,949	(7,774)

Valuation of financial instruments carried at fair value.

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

Level 1

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

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on **observable market data**.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Teesside Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken at 31 March annually. Cash flow adjustments can be used where valuations at 31 March could not be obtained.

Teesside Pension Fund has no investments in hedge funds.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Valuation of Financial Instruments Carried at Fair Value

	Level 1	Level 2	Level 3	Total
Value as at 31 March 2024	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss account	50,626	3,329,171	1,405,539	4,785,336
Loans and receivables	215,940	-	-	215,940
Financial Liabilities at amortised cost	(7,774)	-	-	(7,774)
Total Financial Assets	258,792	3,329,171	1,405,539	4,993,502
Value as at 31 March 2023	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss account	26,653	3,096,216	1,196,678	4,319,547
Loans and receivables	351,828	0	0	351,828
Financial Liabilities at amortised cost	(10,340)	0	0	(10,340)
Total Financial Assets	368,141	3,096,216	1,196,678	4,661,035

Sensitivity of assets at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation classifications described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held on 31 March 2024.

Valuation of Financial Instrument Carried at Fair Value – 31 March 2024

	Assessed valuation range (+/-)	Value at 31 March 2023	Value on increase	Value on decrease
		£'000	£'000	£'000
Pooled Investments - Private Equity	11.40%	545,675	607,882	483,468
Pooled Investments - Infrastructure	11.40%	529,682	590,066	469,298
Pooled Investments - Other Alternatives	11.40%	193,601	215,672	171,530
Pooled Investments - Other Debt	11.40%	67,345	75,022	59,668
Pooled Investments - Property	18.30%	57,235	67,709	46,761
Total		1,393,538	1,556,351	1,230,725

Valuation of Financial Instrument Carried at Fair Value – 31 March 2023

	Assessed valuation range (+/-)	Value at 31 March 2022	Value on increase	Value on decrease
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		£'000	£'000	£'000
Pooled Investments - Private Equity	19.12%	442,431	527,024	390,255
Pooled Investments - Infrastructure	19.12%	402,107	478,990	325,224
Pooled Investments - Other Alternatives	19.12%	179,599	213,939	145,260
Pooled Investments - Other Debt	19.12%	67,023	79,838	54,208
Pooled Investments - Property	14.90%	65,438	75,188	55,688
Total		1,156,598	1,374,979	970,635

Reconciliation of Fair Value Measurements within level 3 during 2023/24

	Market Value 1 April 2023	Transfer between levels	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Investments – Private Equity	442,431	-	102,574	-34,333	35,003	-	545,675
Pooled Investments – Infrastructure	402,107	-	124,559	-17,375	20,391	-	529,682
Pooled Investments – Other Alternatives	179,599	-	38,368	-3,628	-20,738	-	193,601
Pooled Investments - Other Debt	67,023	-	3,275	-22	-2,930	-	67,346
Pooled Investments – Property	65,438	-	-	-	-8,203	-	57,235
Total	1,156,598	-	268,776	-55,358	23,523	-	1,393,539

Reconciliation of Fair Value Measurements within level 3 during 2022/23

	Market Value 1 April 2022	Transfer between levels	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Investments – Private Equity	340,778	-	112,012	(17,487)	20,708	-	442,431
Pooled Investments – Infrastructure	247,734	-	165,302	(28,866)	17,937	-	402,107
Pooled Investments – Other Alternatives	114,709	-	68,252	(2,424)	(938)	-	179,599
Pooled Investments - Other Debt	32,285	(20,000)	40,737	(5,485)	19,486	-	67,023
Pooled Investments – Property	60,230	-	15,000	-	(9,792)	-	65,438
Total	795,736	(20,000)	401,303	(54,262)	47,401	-	1,156,598

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

Risk and risk Management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

Responsibility for the fund's risk management strategy rests with the Teesside Pension Fund Committee. The Funding Strategy Statement and the Investment Strategy Statement identify and analyse the risks faced by the pension's operations. These policies are reviewed regularly to reflect changes in activity and market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The Fund identifies, manages, and controls market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The fund manages these risks in three ways:

1. The actuarial valuation of the Fund which is carried out every three years and resets the employer contribution rates.
2. The asset liability study which is carried out every three years or more frequently if required considers alternative asset allocations for the Fund and the long-term impact on employer contribution rates.
3. Quarterly monitoring of the performance of the Fund against selected benchmarks, and annual performance reports to the Pension Fund Committee.

Other Price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the Fund Strategy Statement and the Investment Strategy Statement.

Other Price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with Portfolio Evaluation Ltd, the Fund has determined that the following movements in market price risk are reasonably possible for the 2023-24 reporting period.

2023/24 Price Risk Asset Type		Value at 31/03/2024 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Equities	UK	2,005	10.50%	-	-
	Non-UK	8	11.00%	-	-
	Total	2,013		-	-
Managed and Unitised Funds	UK	1,059,413	11.40%	1,180,186	938,640
	Non-UK	3,723,910	11.40%	4,148,436	3,299,384
	Total	4,783,323		5,328,622	4,238,024
Total		4,785,336		5,328,622	4,238,024

2022/23 Price Risk Asset Type		Value at 31/03/2023 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Equities	UK	2,110	12.30%	2,370	1,850
	Non UK	9	12.89%	10	8
	Total	2,119		2,380	1,858
Managed and Unitised Funds	UK	1,064,296	12.30%	1,195,204	933,388
	Non UK	2,253,132	12.89%	3,672,461	2,833,803
	Total	4,317,428		4,867,665	3,767,191
Total		4,319,547		4,870,045	3,769,049

Interest Rate risk

Interest rate risk is the risk to which the Fund is exposed to changes in interest rates and relates to its holdings in cash. The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2024 is set out below:

2022-23 £'000	Asset Type at 31 March	2023-24 £'000
334,350	Cash and cash equivalents	193,440
3,226	Other Investment balances	2,212
337,576	Total	195,652

Sensitivity Analysis

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

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

Asset Type		+25 BPS	-25 BPS
Carrying value at 31 March 2023	£'000	£'000	£'000
Cash and cash equivalents	196,505	491	(491)
Other Investment balances	2,212	6	(6)
Total	198,717	497	(497)

Carrying value at 31 March 2023	£'000	£'000	£'000
Cash and cash equivalents	334,350	836	(836)

Other Investment balances	3,226	8	(8)
Total	337,576	844	(844)

Currency risk

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

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

The following tables summarise the fund's currency exposure as at 31 March 2023 and as at 31 March 2024, showing the sensitivity analysis of foreign exchange movements.

Currency Risk 31 March 2024	Value £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Australian Dollar	8	6.50%	9	7
Euro	931,444	4.40%	972,428	890,460
Japanese Yen	315,107	8.70%	342,521	287,693
US Dollar	1,558,890	7.90%	1,682,042	1,435,738
Asia Pacific ex Japan basket	703,139	5.50%	741,812	664,466
Total	3,508,588		3,738,812	3,278,364

Currency Risk 31 March 2023	Value £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Australian Dollar	8	8.54%	9	7
Euro	823,203	5.10%	865,186	781,220
Japanese Yen	276,140	8.40%	299,336	252,944
US Dollar	1,284,003	8.86%	1,397,766	1,170,240
Asia Pacific ex Japan basket	666,391	8.54%	723,301	609,481
Total	3,049,745		3,285,597	2,813,893

Following analysis of historical data in consultation with Portfolio Evaluation Ltd, the Fund considers the likely volatility associated with foreign exchange rate movements to be as shown above. A strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as highlighted above.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The Fund is exposed to credit risk on its investment portfolio, including its cash deposits, and on the contributions receivable from the Fund's participating employers. The market values on investments usually reflect an assessment of credit risk in their pricing and as a result the risk of the loss is implicitly provided for in the fair value of the Fund's investments. Credit risk on cash deposits is managed by Middlesbrough Council's in-house Treasury Management Team, following the Council's Treasury Management Policy. This policy is described in detail in Middlesbrough Council's Annual Report. Credit risk on contributions receivable from employers is minimised by regular monitoring of monthly receipt of payments from

employees. There is no provision for doubtful debts against the amounts due from employers as at 31st March 2023. The LGPS Regulations require that a risk assessment of any new transferee admission body is carried out, and that a bond or guarantee is obtained where necessary. The Teesside Pension Fund and Investment Panel must approve the admission of any new body. Bonds or guarantees have been obtained for the Fund's admission body, where possible. The Fund is potentially exposed to credit risk from certain scheduled employers that have neither tax-raising powers nor a guarantee from central government.

Collateral and other credit enhancement

The pension fund does not use collateral and other credit enhancement.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund holds in-house cash resources to meet the day to day needs and to pay pensions. If there is insufficient cash available to meet immediate needs, there are sufficient other assets available which can be realised at short notice and at minimal cost. Except for investments in private equity, infrastructure partnerships, other alternatives and other debt there are no commitments to contribute further capital to any of the existing fund investments. When private equity, infrastructure partnership, other alternatives and other debt capital calls are received, payments are made from cash or, if there are insufficient cash fund available, other assets are realised.

15. Actuarial Valuation

Contributions are paid to the Fund by the employers to provide for the benefits which will become payable to Scheme members when they fall due. The funding objectives are to meet the cost of Scheme members' benefits whilst they are working and to build up assets to provide adequate security for the benefits as they accrue.

In order to check that the funding objectives are being met the Fund is required to carry out an Actuarial Valuation every 3 years, The Triennial Valuation. An Actuarial Valuation was carried out as at 31st March 2022 using the 'Projected Unit Method' which produced the following results;

	31/03/2019	31/03/2022
	£'000	£'000
Net Liabilities	3,561	4,351
Assets	4,088	5,036
Surplus	527	685
Funding Level	115%	116%

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

Pension Increase Rate (CPI)	2.75%
Salary Increase Rate	3.75%
Discount Rate	4.85%

Life expectancy from age of 65 (years) assumptions

Mortality Assumptions:	Years
Longevity at 65 for current pensioners:	
Men	20.50
Women	23.50
Longevity at 65 for future pensioners :	
Men	21.30
Women	25.00

16. Current Assets

Receivables		31/03/2023	31/03/2024
		£000	£000
Other receivables		4,029	1,105
Sundry debtors		1,145	1,530
Contributions due in respect of	Employers	5,698	6,823
	Members	2,612	3,102
Cash balances		618	3,467
Total		14,102	16,027
Analysed by:			
Other local authorities		4,379	4,718
Other entities and individuals		9,105	7,842
Add cash balances		618	3,467
Total		14,102	16,027

17. Current liabilities

Amounts due within one year		31/03/2023	31/03/2024
		£000	£000
Rents received in advance		(2,559)	(2,859)
Accrued expenses		(6,868)	(3,210)
Other payables		(1,515)	(1,705)
Total		(10,942)	(7,774)
Analysed by:			
Other local authorities		(1,117)	(1,136)
Public Corp & Trading Funds		(5,452)	(20)
Other entities and individuals		(4,373)	(6,618)
Total		(10,942)	(7,774)

18. Additional Voluntary Contributions (AVC's)

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

The value of AVC investments are as follows:

Prudential AVC balances					
				2022/23	2023/24
				£000	£000
With Profits and Deposit Accounts				5,247	5,504
Unit Linked Accounts				4,378	5,171
Total				9,625	10,675

19. Related Party Transactions

The Fund is administered by Middlesbrough Council. During the reporting period, the council incurred costs of £1,136,000 (2022/23: £1,175,000) in relation to the administration and management of the fund and was reimbursed by the fund for these expenses. Middlesbrough Council is one of the largest members of the pension fund and made employer contribution payments of £10.059 million over the period (2022/23 - £9.5 million).

20. External Audit Costs

	2022/23	2023/24

	£000	£000
Payable in respect of external audit	35	102

21. Senior Employees' Remuneration

	2022/23	2023/24
	£000	£000
Key Management Personnel		
Short Term Benefits	97	68
Post Employments Benefits	11	8
Total	108	76

Director of Finance paid via agency (Allen Lane) £226,430

22. Events after the Balance Sheet Date

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

Teesside Pension Fund

Statement of the Actuary for the year ended 31 March 2024

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,306 million, were sufficient to meet 116% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £684 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.25% pa
Salary increase assumption	3.70% pa
Benefit increase assumption (CPI)	2.70% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Current Pensioners	20.9 years	23.9 years
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Future Pensioners*	21.9 years	25.5 years
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*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.



Julie Baillie FFA

22 May 2024

For and on behalf of Hymans Robertson LLP

The Compliance Statement

The Compliance Statement Local Government Pension Scheme Regulations

Middlesbrough Council administers the Teesside Pension Fund in accordance with:

The Local Government Pension Scheme Regulations 2013 (as amended)

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

Full details of the Governance Policy and Compliance Statement can be seen at

[Agenda Item 12 - Appendix A - 2021 Teesside PF Governance Policy and Compliance Statement.pdf \(middlesbrough.gov.uk\)](#)

[Full details of the changes to the scheme, along with updated scheme guides, are on our website at www.teespen.org.uk](#)

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that Local Government Pension Scheme's administering authorities prepare, publish, and maintain an Investment Strategy Statement (ISS). The current version of the Teesside Pension Fund ISS was approved by the Pension Fund Committee in March 2021 and contains statements on:

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

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

[investment-strategy-statement-february-2019.pdf \(teespen.org.uk\)](#)

The Funding Strategy Statement

The Local Government Pension Scheme Regulations 2013, require each Administering Authority, to produce a Funding Strategy Statement, setting out a long-term view on funding liabilities. The main areas covered by the statement are:

- The purpose of the statement:
 - Establishes a clear and transparent strategy which identifies how employers' pension liabilities are best met going forward;
 - Supports the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
 - Take a prudent longer-term view of funding liabilities.
- The purpose of the Fund, i.e., receive contributions and make pensioner payments.
- The solvency and target funding levels of the Fund, i.e., 100% of the liabilities of the Fund can be met over the long term.
- The identification of key risks to the Fund, and the control mechanisms in place to mitigate these risks.
- Links to the Fund's investment strategy.
- The key responsibilities of the administering authority, scheme employers and the Fund's Actuary are also set out.

The latest Funding Strategy Statement was approved by the Pensions Fund Committee and was effective from March 2020, and can be seen at

[funding-strategy-statement-23-06-2021.pdf \(teespen.org.uk\)](https://www.teespen.org.uk/funding-strategy-statement-23-06-2021.pdf)

Governance Policy

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a Governance Policy which sets out the procedures for the governance of the Fund. In summary, the policy sets out that the administering authority delegates its functions under the above Regulations to the XPS group (previously Kier Business Services Ltd) as administrator and the Pension Fund Committee to act in a similar manner to a Board of Trustees

The Policy also sets out the:

- Terms of reference of the Pension Fund Committee;
- Structure of meetings;
- Membership; and
- Principles of governance.

The latest policy document can be viewed at:

[TPF - Pensions Panel \(teespen.org.uk\)](https://www.teespen.org.uk/TPF-Pensions-Panel)

Communications Policy

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a statement(s) of policy concerning communications with members and Scheme employers.

The Teesside Pension Fund actively communicates with all of its stakeholders, including the members, the employers, and other external organisations. For example, we have been providing every active member of the scheme with a statement of accrued benefits since 2001, well before it

became compulsory to do so. The statement of accrued benefits also includes the member's State Pension Forecast to aid in their financial planning.

We also provide newsletters twice a year to all of our active and pensioner members; this allows us to inform participants of any scheme changes which may be made.

A Communications Policy Statement has been drawn up in order to ensure that the Fund offers clear communication to stakeholders of the Local Government Pension Scheme. The latest policy statement can be seen at:

[TPF - Communications Policy \(teespen.org.uk\)](http://teespen.org.uk)

Summary of LGPS benefits and comparison to previous versions of the scheme.

	LGPS 2014	LGPS 2008	LGPS pre-2008
Basis of pension	Career Average Revalued Earnings (CARE)	Final salary	
Accrual rate	1/49 th	1/60 th	1/80 th pension with separate 3/80 th lump sum
Revaluation rate (active members)	Consumer Price Index (CPI)	Based on final salary	
Pensionable pay	Pay including non-contractual overtime and additional hours for part time staff	Pay excluding non-contractual overtime and non-pensionable additional hours	
Scheme member contributions	9 bands between 5.5% and 12.5%: rate paid is based on actual pensionable pay	7 bands between 5.5% and 7.5%: rate paid based on whole-time equivalent pensionable pay	6% of pensionable pay 5% pensionable pay for some former manual workers
Contribution flexibility	Members can pay 50% for 50% of the benefits	None	
Normal pension age	Individual member's state pension age (min 65)	65	65 but benefits can be paid without reductions from age 60 with enough service (25 years)
Lump sum option	Yes, £12 for each £1 of pension		

Death benefits	Yes, lump sum of 3 x pensionable pay and survivor pension based on 1/160 th accrual		
Indexation of pension in payment	Consumer Prices Index (CPI)	CPI (Retail Prices Index (RPI) for pre 2011 increases)	RPI
Qualifying period for benefits	2 years	3 months	3 months (2 years before 2004)

Pension increases

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

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

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

From April	Increase %
2015	1.2%
2016	0.0%
2017	1.0%
2018	3.0%
2019	2.4%
2020	1.7%
2021	0.5%
2022	3.1%
2023	10.1%
2024	6.7%

Contacts and further information

Contacts	
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Head of Pensions Governance and Investments	Nick Orton Telephone: (01642) 729040 E Mail: Nick_Orton@middlesbrough.gov.uk
Teesside Pension Fund Website	www.teespen.org.uk
Employers Website	www.employers.teespen.org.uk
Border to Coast Pensions Partnership	Border to Coast, 5 th Floor, Toronto Square Leeds, LS1 2HJ. Telephone: 0113 487 2550 contactus@bordertocoast.org.uk www.bordertocoast.org.uk
Further Information	
For more information on this report please contact:	Claire Wilson Senior Accounting Officer – Central Services & Pensions Telephone: (01642) 728587 E Mail: Claire_Wilson@Middlesbrough.gov.uk
Further copies of this report can be obtained from:	XPS Pensions Unit Teesside Pension Fund PO Box 340 Middlesbrough TS1 2XP Telephone: (01642) 030693 E Mail: pensionsunit@xpsgroup.com
A copy of this report, and those for previous years, is available on our web site at www.teespen.org.uk	



Department for Levelling Up,
Housing & Communities

Preparing the Pension Fund Annual Report
Guidance for Local Government Pension Scheme Funds
April 2024



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ACKNOWLEDGEMENTS

This guidance has been jointly produced by the Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA) and, Department for Levelling Up, Housing and Communities (DLUHC) in consultation with funds, industry experts and other interested stakeholders. The SAB, CIPFA and DLUHC would like to acknowledge the contribution of those involved in the production of this guidance, in particular:

- members of the Annual Reporting Working Group within the SAB's Compliance and Reporting Committee.
- the fund officers who met with the SAB Secretariat to provide feedback
- members of the National LGPS Technical Group and
- the national Pension Officer Groups.

1 INTRODUCTION

1. The purpose of this guidance is to assist local government pension funds with the preparation and publication of the pension fund annual report, as required by regulation 57 of the Local Government Pension Scheme Regulations 2013 (in respect of England and Wales) and regulation 55 of the Local Government Pension Scheme (Scotland) Regulations 2018. It also aims to ensure that reporting across the scheme is consistent and provides comparable data for all funds.
2. This guidance applies to 2023/24 annual reports and later years. For annual reports covering 2023/24, funds should use their best endeavours to comply fully with this guidance, but exercise judgement where, because of changes to the previous content, to do so would require disproportionate effort or cost. Where significant variation from this guidance is considered appropriate, funds should provide an explanation.
3. The annual report is a key component of communication between pension funds and their stakeholders, who range from individual members and employing bodies to trades unions, government departments, analysts, and commentators. It is used by pension funds to report on the financial, management, governance, and administrative performance of the pension fund, in addition to providing a detailed commentary on investment policy and performance during the year.

Publication

4. An annual report must be published on or before 1st December following the Scheme year end in England, Wales, and Scotland. In Scotland and Wales, the pension fund annual report is the only publication required to contain the full year-end statement of accounts, whereas in England the pension fund accounts are also published as part of the administering authority's audited financial statements.
5. It is expected that the annual report will be made available on the pension fund or administering authority's website, with hard copies available upon request. When publishing the annual report on a public sector body website, additional steps may be needed to ensure it complies with the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018.
6. Current statutory requirements in England and Wales are that the current version of the following documents must be included in the annual report:
 - the funding strategy statement
 - the investment strategy statement
 - the governance compliance statement, and
 - the communications policy
7. Statutory requirements in Scotland are that full text versions of the following documents must be included in the annual report:
 - the funding strategy statement
 - the statement of investment principles
 - the governance compliance statement, and
 - the communications policy
8. However, it is acceptable for pension funds in England and Wales to use a valid hyperlink to provide access to full text versions stored externally. Where this method is used, it should be made clear to readers how the full text versions can be accessed. If hard copies of the annual report are made available, they should include full hard copies of any required document to ensure the accessibility of those documents. Other information may be provided using hyperlinks or signposting to alternative sources of information as appropriate. The policies and strategy documents in place at year-end should be published, as opposed to those in place at the date of signing off the Annual Report.

Statutory Background

9. For England and Wales, regulation 57¹ of The Local Government Pension Scheme Regulations 2013 requires that all administering authorities must prepare a document, known as “the pension fund annual report”, to be published each year on or before the 1st December following the end of the scheme year. Authorities must have regard to this guidance document in the preparation and publication of the pension fund annual report.
10. In England and Wales, the Department for Levelling Up, Housing and Communities (DLUHC) has adopted this guidance as statutory guidance for the purposes of the 2013 Regulations. In Scotland this guidance is advisory only, but those funds are encouraged to adopt it on a ‘best practice’ basis.
11. In Scotland, Regulation 55 of the LGPS (Scotland) Regulations 2018 mirrors Regulation 57 of the England and Wales requirements except that:
 - Scottish pension funds are required to publish a Statement of Investment Principles under the LGPS (Management and Investment of Funds) (Scotland) Regulations 2010 in place of an Investment Strategy Statement
 - Scottish pension fund annual reports are required to include details of external borrowing.
12. As stand-alone documents comprising year-end financial statements, annual reports in Scotland and Wales are required to contain specific information to meet the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA’s) Code of Practice on Local Authority Accounting in the United Kingdom, and the applicable Accounts and Audit Regulations².

Preparation of the Pension Fund Annual Report

13. In applying this guidance, pension funds **should** ensure that:
 - All mandatory requirements³ are reported against in the pension fund annual report.
 - They have regard to any supplementary guidance issued by the Scheme Advisory Board (SAB), CIPFA or other relevant body when compiling the annual report.
 - The annual report is suitable for the relevant readership. This will require the

¹ <https://lgpsregs.org/schemeregs/lgpsregs2013/timeline.php#r57>

² Refers to the Accounts and Audit Regulations 2015 in respect of England, the Accounts and Audit (Wales) Regulations 2014 in respect of Wales, and the Local Authority Account (Scotland) Regulations 2014 in respect of Scotland.

³ As required by regulation 57 of the Local Government Pension Scheme Regulations 2013 (in respect of England and Wales) and regulation 55 of the Local Government Pension Scheme (Scotland) Regulations 2018

exercise of local judgement, consideration of matters specific to the pension fund in question, and decisions regarding the level of detail provided in the report or appendices, subject to the scope allowed by legislative requirements and the discretionary elements of this guidance.

14. This guidance uses the following terms for different elements:

Must	Compliance is strongly expected. Any non-compliance should be clearly identified in the annual report and an explanation provided.
Should	Compliance is anticipated but is discretionary. Where non-compliance may be significant or material for the readers the non-compliance should be identified and explained.
May	Compliance is recommended but is discretionary.

15. Additionally, pension funds **should** consider the following:

- To ensure annual reports are published in a consistent manner across the LGPS, funds should follow the ordering, structure and terminology used in this guidance when setting out individual fund reports.
- The annual report **should** be formally reviewed by those charged with governance at the pension fund and authorised by the chair of the pensions committee and the appropriate senior officer of the pension fund (or their equivalents). This should not be confused with the separate process for the review and approval of the administering authority's annual accounts, which is a legal requirement under the applicable Accounts and Audit Regulations.
- Local pension boards are not decision-making bodies but do have a specific remit under regulation 106 of the Local Government Pension Scheme Regulations 2013 (in respect of England and Wales), and regulation 5 of the Local Government Pension Scheme Regulations (Governance) 2015 (in respect of Scotland), to assist the administering authority to meet all relevant legal requirements, and any requirements imposed by The Pensions Regulator.
- Local pension boards, as part of their remit, **should** therefore review the pension fund financial statements and the annual report prior to their publication. See the SAB website www.lgpsboard.org for further guidance on local pension boards.

2 OVERALL FUND MANAGEMENT

Scheme management and advisers

16. The report **must** list the names and, where appropriate for external parties, include relevant contact details, such as the website address for:
- the senior officers responsible for the pension fund and their job title
 - the asset pool and asset pool operator (England & Wales)
 - investment managers used by the fund (where the length of this section is significant, the name and website address of the manager can be included. Funds should consider providing an external link to this information to support the accessibility of the annual report)
 - the fund custodian
 - the fund actuary
 - AVC providers
 - fund legal advisors
 - the fund bankers
 - the fund accountant/director of finance
 - the external auditor
 - scheme administrators (if functions are outsourced)
 - any independent advisors or consultants retained by the fund (e.g. for investment and governance).

Risk management

17. The report **should** contain a commentary on the arrangements for the identification and management of risk which is consistent with (and cross references to) disclosures regarding the use of financial instruments in the year-end accounts.
18. A summary of the relevant information from the fund's risk register, outlining the approach to the key fund risks should be provided in the report. Investment (including pooling), governance and administration risk should be covered. Pension funds **may** for example wish to explain:
- how risk management is integrated within the governance structure
 - how risks are identified, managed and reviewed
 - what actions are being taken to mitigate the key risks (covering investment, governance and administration)

- the approach taken to managing cyber risk, while protecting appropriate confidentiality for the pension fund's internal controls
- the approach taken to risks relating to investment and pooling arrangements
- the approach taken to managing third party risk such as late payment of contributions and data by scheme employers and overall performance by scheme employers
- the approach taken to risks which arise because of the fund's relationship to the administering authority, such as where reliance is put on shared policies and resources

3 GOVERNANCE AND TRAINING

19. In this section, funds **should set out** their governance structure and how the pension fund has complied with its Governance Compliance Statement (GCS)⁴ by setting out:

- the fund governance structure including the pension committee, panel or sub-committee and the local pension board and their respective roles and responsibilities
- the chair and members of the pension committee or equivalent, and of the local pension board, and any changes during the year
- for each member of the pension committee and board, voting rights and record of attendances at meetings
- how scheme members and employers are represented
- the fund's expectations on expertise and training for pension committee members and local pension board members and how the relevant Knowledge and Skills Frameworks and pension fund training policies have been applied through the year
- report on the training undertaken by each committee and board member
- a commentary on the work undertaken during the year by both the pensions committee (or equivalent) and the local pension board;
- copy or summary of any annual report produced by the pensions committee (or equivalent) and/or the Local Pension Board
- how the fund handles conflicts of interest
- how oversight and governance of the asset pool takes place
- other key elements of the governance structure (e.g. key officers)

⁴ Required by Regulation 55 of the Local Government Pension Scheme Regulations 2013 (Regulation 53 in Scotland)

4 FINANCIAL PERFORMANCE

20. Whilst other sections of the annual report consider the management of pension fund investments, this section **must**⁵ provide an overview of the fund's financial performance, focused primarily on income, expenditure, and cash flows.

21. Pension funds **must** meet this requirement by providing an analysis or narrative explanation of in-year expenses and income together with a comparison over time or against budget. This **should** separately identify all major categories of income and expenditure, for example:

- staff costs (both direct and internal recharges), premises, IT, supplies and services, costs of democracy and any other administration costs and miscellaneous income
- benefits payable, transfers in and out, investment management and governance expenses
- members' and employers' contributions
- net inflows and outflows to the fund in respect of dealings with members.

22. As a minimum, pension funds **should** explain the relationship between changes to costs and income and factors such as changes in membership numbers, age profile of pensioners, bulk transfers etc.

23. Pension fund annual reports **must** also include the following information:

- a brief commentary on any significant changes to non-investment assets and liabilities during the year
- employers' and employees' contributions as a percentage of pensionable pay, details of late and overdue contributions, and whether the option to levy interest on overdue contributions has been exercised
- analysis of pension overpayments, recoveries and any amounts written off
- commentary on actions taken to deal with fraud (including participation in the National Fraud Initiative and areas such as data matching, overpayments identified or the use of other data quality and tracing resources)
- other examples of fraud, credit losses, provisions, contingent liabilities, or impairments.

⁵ As required by regulation 57(1)(a) of the Local Government Pension Scheme Regulations 2013 (in respect of England and Wales) and regulation 55(1) of the Local Government Pension Scheme (Scotland) Regulations 2018

5 FUND ACCOUNT, NET ASSETS STATEMENT AND NOTES

24. The annual report **must**⁶ include a fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper accounting practices for each of its pension funds. The financial statements **must** be drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom⁷ issued by CIPFA/LASAAC (the “CIPFA Code”) which sets out the proper accounting practices to be followed.
25. Detailed guidance on the accounting and disclosure requirements for LGPS financial statements is published by CIPFA. This guidance includes:
- a Code disclosure checklist.
 - LGPS Pension Fund Accounts - example pension fund accounts and disclosure checklist; and
 - Accounting for Management Costs.
26. Currently in England, the primary financial reporting of the pension fund is through the annual statement of accounts for the pension fund administering authority, therefore the pension fund accounts in the annual report **must** match those in the administering authority’s annual statement of accounts. In Scotland and Wales, the annual report is the only reporting route for the pension fund annual accounts.

6 INVESTMENTS AND FUNDING

27. This section of the annual report **must** demonstrate how the Investment Strategy Statement (ISS) has been put into practice during the year and how this links to the Funding Strategy Statement (FSS). It **must** set out the fund’s investment management arrangements and the risks, returns and management costs associated with the investment portfolio.
28. This section of the report **must** also include a commentary on the implementation and application of the FSS during the reporting period. Reference **should** be made to what extent the ISS and FSS are compliant with

⁶ As required by regulation 57(1)(f) of the Local Government Pension Scheme Regulations 2013 (in respect of England and Wales) and regulation 55(1)(a) of the Local Government Pension Scheme (Scotland) Regulations 2018

⁷ [Code of Practice 2022/23 online | CIPFA](#)

statutory guidance and explain any reasons for non-compliance.

29. This section of the report **must** include details of investment administration and custodianship and describe who looks after which part of the portfolio (if not already provided elsewhere).
30. Investment performance net of fees for the 12 months corresponding to the accounting period for each fund manager or asset class **must** be reported alongside an appropriate benchmark chosen by the authority and the choice of benchmark **must** be stated. Benchmarks **should** not change from year to year, and if a new benchmark is adopted, there **must** be an explanation given.
31. The fund **should** provide details of the environmental, social and governance issues, and other initiatives such as engagement with companies and any collaborative ventures with other funds. This might include, for example:
 - whether the fund is a signatory to the UK Stewardship Code
 - details of any bodies of which the fund is an active member, subscriber, or signatory, such as CIPFA, Pensions and Lifetime Savings Association (PLSA), Local Authority Pension Fund Forum (LAPFF), United Kingdom Sustainable Investment and Finance Association (UKSIF), United Nations Principles for Responsible Investment (UNPRI), etc
 - summary information on where and how voting rights have been exercised
 - information regarding the fund's policies on responsible investing
 - actions taken to comply with investment principles or similar codes of practice
 - links to Climate Risk Reports or other relevant reports
 - Links to Responsible Investment policies and commentary on actions taken during the year.
32. The CIPFA publication "Accounting for Local Government Pension Scheme Management Expenses" and the relevant accounting guidance recommends that this section of the annual report **should** also be used to:
 - identify fees and costs incurred by third parties which affect overall investment returns
 - explain the relationship between fees, risk and investment return
 - indicate how the pension fund is responding to the Scheme Advisory Board's Code of Transparency, and the use being made of data provided by fund managers using the Code templates.

Strategic asset allocation

33. The annual report **must** compare the strategic asset allocation as set out in the most recent ISS with the actual allocation of assets at the end of the accounting period. The comparison **should** show the percentage allocation to each asset class alongside the equivalent percentages as shown in the ISS, for ease of comparison. An alternative suitable format may be presented where appropriate, for example where the ISS does not express the strategic allocation in percentages. The actual asset allocation in this section **should** be clearly consistent with the figures shown in the asset table referred to in the next section.
34. The remainder of this section (investments and funding) of the guidance is only applicable to pension funds in England and Wales, under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Pooling

35. This section of the annual report **must** also provide a commentary and data on how the fund has implemented the policy on pooling its assets in its chosen LGPS pool during the year as set out in its ISS and a narrative on the pace of pooling and an explanation for assets which have not been pooled.
36. Throughout this guidance there are references to pools and pooling. These refer exclusively to the LGPS investment pools, which as at the date this guidance is issued are ACCESS, Border to Coast Pensions Partnership, Brunel Pension Partnership, LGPS Central, London LGPS CIV, Local Pensions Partnership, Northern LGPS and Wales Pension Partnership.
37. Funds **must** report the costs incurred, gross savings achieved, and the net savings achieved as a result of pooling assets. These figures **must** be shown in relation to the accounting year in question, and in addition a cumulative total from the inception of pooling to the end of the accounting period **must** be shown. This must be done in line with the single methodology agreed by all LGPS pools.
38. Funds **must** also report on their progress in pooling their assets in this section through the asset table and the supplementary table. In both tables, assets **must** be divided into “pooled”, “under pool management” and “not pooled”.
- “Pooled” means that the investment has been made in a collective investment vehicle or segregated management arrangement for which the LGPS asset pool is accountable (by regulation or contract). Assets invested through the fund’s chosen pool in a vehicle managed by another LGPS pool are considered pooled.

- “Under pool management” means that the pool is responsible for the oversight or discretionary management of the investment, whether or not procured through the pool, (including passive market index tracker funds procured before pooling). In these cases, a description of the nature of the pool’s role in oversight or management should be added.
- “Not pooled” means that the asset is neither pooled nor under pool management.

Asset table

39. All funds **must** set out their asset allocation at the end of the accounting period by completing the asset table below. The aim of including this new table is to present information that ought to be available already from the fund account and net asset statement (with supporting notes and disclosures) in a more accessible and consistent format.

40. This table therefore uses the asset categorisation in the CIPFA Code which also mirrors the requirements of the Pension Statement of Recommended Practice⁸ (“SoRP”), which sets out the underlying asset classes used by funds to allocate assets. The key difference is that while the CIPFA Code and SoRP require the accounts to show amounts within “pooled investment vehicles”, with disclosure elsewhere of the underlying asset classes, funds should use the table below in the annual report to show the underlying asset classes directly, rather than as part of “pooled investment vehicles”.

41. The data in the table **should** include all the assets of the fund, and the “total assets” in each column should be the sum of the data in that column. Pension fund administering authorities should ensure that the content of the table below reconciles back to the analysis of investment assets included in the pension fund accounts. Figures should reflect actual rather than strategic allocations.

⁸ [Statements of Recommended Practice \(SORPs\) \(frc.org.uk\)](http://frc.org.uk)

Asset Table

£m Asset values as at 31 March 20XX	Pooled	Under pool management	Not pooled	Total
Equities (including convertible shares)				
Bonds				
Property				
Hedge funds				
Diversified Growth Funds (including multi-asset funds)				
Private equity				
Private debt				
Infrastructure				
Derivatives				
Cash and net current assets				
Other				
Total				

Supplementary table

42. The annual report **must** also include data in the supplementary table set out below, to provide additional information on investment in the UK. This data covers some but not all of the assets included in the asset classes in the net asset statement, and it is not expected that it sums to 100% of assets. Some of the categories are not mutually exclusive and may overlap. For example, some private equity meets the definition of levelling up assets, in which case the value should be included in both boxes. The pooling categories are as described in the notes to the asset table above. This table should be completed using estimates where data is not available. Figures should reflect actual asset holdings rather than allocations set out in the fund's Investment Strategy Statement.

Supplementary table

£m Asset values as at 31 March 20XX	Pooled	Under pool management	Not pooled	Total
UK Listed Equities				
UK Government Bonds				
UK Infrastructure				
UK Private Equity				

43. The next section sets out background and definitions to assist funds in completing the asset table and supplementary table.

UK listed equities

44. Government wishes to maintain an understanding of the LGPS's allocation to UK public markets. For this reason, authorities **must** set out the amount which has been allocated to UK listed equity investment in the supplementary table, including through the pools. In this table, UK listed means amounts invested in equities listed on a recognised UK exchange (irrespective of the underlying operations of the company).

UK Government Bonds

45. Government wishes to maintain an understanding of the LGPS's allocation to UK public markets. For this reason, authorities **must** set out the amount which has been allocated to UK government bonds in the supplementary table, including through the pools. In this table, include amounts invested in all UK government bonds (including index linked) and other bonds with explicit UK government guarantees, for example, supnationals with UK government guarantees.

UK Infrastructure

46. A key aim of LGPS asset pooling reforms⁹ was to improve capacity and capability to invest in infrastructure. Authorities **must** set out the amount which has been allocated to UK infrastructure investment in the supplementary table, including through the pools. UK infrastructure refers to amounts invested in infrastructure assets that are located on the land or territorial waters of the UK (or where the physical cable / asset connection is to the UK), irrespective of the domicile of the vehicle through which the investment is made. This should include any undrawn commitments.

⁹ [Local Government Pension Scheme: Investment Reform Criteria and Guidance. November 2015.](#)

Private equity

47. Government has an ambition for 10% of the LGPS to be invested in private equity. While this is not limited to the UK, Government also takes an interest in the UK private equity allocation. Investment in UK and global private equity helps to increase LGPS investment returns, to grow companies in the UK, and to increase productive investment for the future. For this reason, authorities **must** set out the amount which has been allocated to global private equity (in the above asset table) and UK private equity investment in the supplementary table. This should include any undrawn commitments.

UK Levelling Up

48. The Government has confirmed¹⁰ that funds will be required to publish plans for increasing investment in line with an ambition of up to 5% of assets to be invested in projects which support levelling up. “Levelling up” refers to assets which make a measurable contribution to one of the missions set out in the Government’s Statement of Levelling Up Missions¹¹ (which is made under Section 1 of the Levelling Up and Regeneration Act 2023) and support any local area within the United Kingdom. In practice we do not expect this to include public market investments.

49. While the requirement has not yet been introduced, funds **may** wish to report against the expectations for a levelling up plan in line with the Government’s policy:

- the amount and type of levelling up investments that have been made through the fund’s LGPS pool, and outside the pool. This may be included in the supplementary table in the format below.
- the percentage of assets invested in levelling up projects compared to the fund’s plan for that year, the percentage in the previous year, and the ambition set by the fund,
- a narrative account explaining the changes in assets allocated and the progress against the fund’s plan, and the rationale for investing through the pool or outside the pool.

¹⁰ [Local Government Pension Scheme \(England and Wales\): Next steps on investments - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/local-government-pension-scheme-england-and-wales-next-steps-on-investments)

¹¹ [Statement of Levelling Up Missions - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/statement-of-levelling-up-missions)

£m Asset values as at 31 March 20XX	Pooled	Under pool management	Not pooled	Total
Additional memorandum: UK Levelling up				

7 ADMINISTRATION

50. The administration section of the annual report **must** cover the following areas:

- A summary of activities undertaken by the administration function during the year
- Report on performance against administration Key Performance Indicators (KPIs)
- Report on member and employer numbers by category
- Report on actions taken to deliver the communications policy
- Report on value for money achieved by the administration function
- Report on complaints and dispute resolution.

51. Funds **should** also report other data and information such as members' satisfaction with services provided, communications with members and employers, and resolution of complaints.

Summary of activity

52. This section **should** outline the work undertaken by the administration section of the pension fund during the year. The pension fund **may**, for example, include information in respect of:

- major projects undertaken and planned (e.g. to comply with new legislation), summarising action taken during the year, progress achieved and next steps for the following year, where applicable
- IT or pensions administration systems developments taking place during the year, including details of the impact that they have had or will have
- action being taken to improve data quality, outlining data quality audit arrangements.

53. This section of the annual report **must** include an annual update on the key services provided to all fund members and employers. This **should** cover:

- key information sources for members such as websites, helpdesk facilities and workplace representatives and should include arrangements for members who cannot use or access digital resources effectively
- for both scheme membership records and benefits administration, a broad outline of the arrangements in place, including who undertakes each activity

- arrangements in place for ensuring accuracy, cyber-security and confidentiality.

54. Where administration functions have been outsourced, annual reports **should** explain how these arrangements operate in practice and how the pension fund monitors these operations.

Key performance indicators

55. Pension funds **must** report on the outcome of administration KPIs set out in Annex 1 and **should** also provide an appropriate commentary such that readers can understand and put the data into context.
56. The list of KPIs in Annex 1 is designed to provide measures of performance on providing an effective administrative service for both members and employers. Reporting against this list and including a commentary for readers will allow funds to demonstrate clearly how the pension fund is performing in key areas of administration, including highlighting areas of best practice and improvement over time.
57. The list of KPIs includes monthly data collection and data quality indicators which are designed to encourage more consistent and effective data management, both internally and when supporting employers.
58. Funds **should** disclose the scores reported to The Pensions Regulator (TPR) in the TPR Scheme Return on Common and Scheme Specific Data in the administration KPI table.

Fund members and employers

59. This section of the annual report **must** also contain:

Fund members

- the total number of scheme members, and the number of members in each category (active, deferred, pensioner (including survivor beneficiaries) and undecided leavers (i.e., those members who are no longer accruing service and to whom a refund of contributions or transfer out may be due))

Fund employers

- the total number and a list of names for the contributing employers. Funds may present summary information about the range of contributing employers where listing them is impractical. Employers should be reported by type (e.g., scheduled, admitted and designated body) and showing the value of contributions received from both employer and employees during the year (this can be shown as an appendix to improve useability of the annual report).
- A summary of the number of employers in the fund analysed by scheduled bodies, admitted and designated bodies which are active (with active

members) and ceased (no active members but with some outstanding liabilities).

Communications policy

60. The report **should** also contain a commentary on how the fund has met the commitments set out in its communications policy including:

- how scheme information has been provided to members, their representatives, and employers during the year
- in what format and how frequently information has been provided
- what steps the fund has taken to promote scheme membership to prospective members and employers.

Value for Money Statement

61. This statement **should** demonstrate the efficiency and effectiveness of each fund's administration and the commitment to enhancing the value for money of this function. This **should** include an overview of each fund's ambitions for the year compared to its performance, giving a sense of how value for money has changed over the year and why. This **should** include reflecting on the level of resources and comparability of key performance indicators over time.

Dispute resolution

62. This section of the annual report **should** include an outline of the fund's internal dispute resolution procedure (IDRP), with information, previous year comparison, and commentary on:

- any new IDRP cases arising during the year and how these have been resolved
- the number of formal complaints received (not through the IDRP),
- summary of satisfaction levels of employers and members based on surveys, questionnaires or other feedback received
- number of complaints or disputes referred to the Pension Ombudsman, and brief commentary of the nature of each complaint

8 ACTUARIAL REPORT ON FUNDS

63. Each administering authority is required to obtain an actuarial valuation of each of their pension funds on 31st March every three years. Under Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 in England and Wales (Regulation 55(1)(d) in Scotland) the annual report **must** disclose a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the level of funding as reported by the actuary at the last actuarial valuation.
64. For ease, this section of the annual report **should** also include either the actuary's full report or a hyperlink to the actuary's report on the pension fund website.

9 EXTERNAL AUDIT OPINION

65. The external auditor's opinion on the pension fund's statement of accounts **must** be included in the annual report. For Welsh and Scottish pension funds this will be a standalone audit opinion, whereas in England a separate pension fund audit opinion is provided but coupled with the administering authority's own audit in the same audit engagement.
66. As each pension fund does not make separate audit appointments, it will be the administering authority's appointed external auditor who carries out the audit work and issues the opinion.
67. Where the audit opinion has not been issued on or before 1st December, the pension fund administering authority is still under a statutory obligation to publish the annual report by the due date. Funds in this position **must** publish the annual report without an audit opinion making it clear that this is the case and then re-publish the report when the audit opinion is finally issued.
68. There is no requirement to audit the pension fund annual report as a separate exercise, therefore the scope of the audit will primarily be restricted to the financial statements included in the annual report, rather than the content of the annual report overall. However, where audited accounts are published alongside other financial information, auditors have a responsibility to ensure that the audited and unaudited information being presented to the reader is internally consistent. In practice this means that:
- The external auditor will need to receive and review not just a set of financial statements but also a draft of the annual report before a separate opinion on the pension fund can be issued
 - The auditor is likely to query any information reported in other sections of the annual report which appears to be materially inconsistent with the

information contained in the accounts. Where information is different eg because sub-fund expenses have been added into investment management costs in order to meet Transparency Code requirements, reconciliations between the two sets of figures should be prepared and made available for audit.

Scottish and Welsh pension funds

69. As a stand-alone set of financial statements, to meet CIPFA Code requirements Scottish and Welsh annual reports **must** include the following:

- a Statement of Responsibilities for the Statement of Accounts
- Member approval and publication dates
- an Annual Governance Statement setting out how the pension fund complied with the CIPFA/SOLACE publication “Delivering Good Governance in Local Government: Framework”

70. Following either statutory requirements or best practice, annual governance reports are normally produced as the outcome of annual “governance reviews” carried out by management which consider, amongst other things:

- The overall governance and risk management structures in place
- Any changes made to these arrangements since last year
- How the organisation complies with the CIPFA/SOLACE publication “Delivering Good Governance in Local Government: Framework”
- Assurance provided through Internal Audit work or third parties
- Assurance reviews carried out by service managers

71. In Scotland, Local Government Finance Circular 1/2018 advises that pension funds adopt one of the following two approaches:

- a single Governance Statement with two sections. The first section being the Annual Governance Statement, and the second section being the Governance Compliance Statement; or
- two separate statements. The first statement is to be the Annual Governance Statement, followed immediately by the Governance Compliance Statement

At the date of publication, the Welsh Government was considering a similar approach for Welsh pension funds to follow.

10 ADDITIONAL INFORMATION

72. Although Regulation 57 of the LGPS Regulations 2013 (Regulation 55 of the Scottish Regulations) prescribes what must be included in the pension fund annual report, pension funds are free to include other information as they see fit. For example, funds **may** wish to include:

- the statement of compliance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills
- evidence to demonstrate compliance with the Code of Practice, such as a report on officer and member training undertaken during the year (if not reported elsewhere), skills and knowledge reviews undertaken, etc
- the role played by Internal Audit in providing assurance and managing risk, and a summary of assurance activity undertaken during the year (including any key points arising from such reviews or from the review of ISAE 3402 controls assurance reports)
- a summary of Freedom of Information requests
- a glossary of commonly used pension fund terms to aid readers

ANNEX A – ADMINISTRATION KEY PERFORMANCE INDICATORS

Table A - Total number of casework

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A1	Deaths recorded of active, deferred, pensioner and dependent members						
A2	New dependent member benefits						
A3	Deferred member retirements						
A4	Active member retirements						
A5	Deferred benefits						
A6	Transfers in (including interfunds in, club transfers)						
A7	Transfers out (including interfunds out, club transfers)						
A8	Refunds						
A9	Divorce quotations issued						
A10	Actual divorce cases						
A11	Member estimates requested either by scheme member and employer						
A12	New joiner notifications						

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	Total number of cases completed in previous year	Total % of cases completed in previous year
A13	Aggregation cases						
A14	Optants out received after 3 months membership						

Table B - Time taken to process casework

Ref	Casework KPI	Suggested fund target*	% completed within fund target in year	% completed in previous year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days		
B2	Communication issued confirming the amount of dependents pension	10 days		
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days		
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days		
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days		
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days		
B7	Payment of lump sum (both actives and deferreds)	15 days		
B8	Communication issued with deferred benefit options	30 days		

B9	Communication issued to scheme member with completion of transfer in	15 days		
B10	Communication issued to scheme member with completion of transfer out	15 days		
B11	Payment of refund	10 days		
B12	Divorce quotation	45 days		
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days		
B14	Communication issued to new starters	40 days		
B15	Member estimates requested by scheme member and employer	15 days		

*Days in this column are a suggested fund target for completion and not the statutory timescale.

Table C - Communications and engagement

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Ref	Engagement with online portals	Percentage as at 31 March
C1	% of active members registered	
C2	% of deferred member registered	
C3	% of pensioner and survivor members	
C4	% total of all scheme members registered for self-service	
C5	Number of registered users by age	
C6	% of all registered users that have logged onto the service in the last 12 months	
	Communication	
C7	Total number of telephone calls received in year	

C8	Total number of email and online channel queries received	
C9	Number of scheme member events held in year (total of in-person and online)	
C10	Number of employer engagement events held in year (in-person and online)	
C11	Number of active members who received a one-to-one (in-person and online)	
C12	Number of times a communication (i.e newsletter) issued to:	
	a) Active members	
	b) Deferred members	
	c) Pensioners	

Administration KPI table D – Resources

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Ref	Resources
D1	Total number of all administration staff (FTE)
D2	Average service length of all administration staff
D3	Staff vacancy rate as %
D4	Ratio of all administration staff to total number of scheme members (all staff including management)
D5	Ratio of administration staff (excluding management) to total number of scheme members

Table E - Data Quality

	Annual Benefit Statements	
E1	Percentage of annual benefit statements issued as at 31 August	
	Short commentary if less than 100%	
	Data category	
E3	Common data score	
E4	Scheme specific data score	
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	
E6	Percentage of active, deferred and pensioner members with an email address held on file	
	Employer performance	
E7	Percentage of employers set up to make monthly data submissions	
E8	Percentage of employers who submitted monthly data on time during the reporting year	

Administration KPIs guidance notes

Definitions for casework KPIs	
Measurement starts	Measurement of working days starting on the day of receipt of all relevant, accurate and full information to process the casework. This should generally be the same day of the notification by email, phone, employer, in-person, self-service. If use following day, this should be stated.

Measurement ends	When the processing casework is completed. If the casework is completed when payment made, rather than payment set up date, this should be stated.
Internal delays	Any internal team delays should be included in the measurement in the time taken
External delays	Any external delays should be deducted from the time taken if the case cannot proceed. Example external delays are. delayed or missing information from employers or other teams, scheme member or family/next of kin delays
Days to complete	Working days

Ref	Guidance Notes for specific KPIs
A13	Notes to table should state whether this KPI also includes post number changes, internal transfers, actual aggregations, concurrent record etc.
A14	It is acknowledged that funds may not hold the opt out data for employees who opt out in the first 3 months.
B1	First communication following notification according to internal fund process. This could be from the initial notification following Tell Us Once, email, phone call or upon receipt of death certificate
B2	Payment of death grant and money due to the estate not included because this is often complex casework with multiple external factors. This KPI should measure how quickly survivor benefits are communicated following confirmation that a survivor benefit is due under the regulations and following receipt of all relevant and accurate information.
B3	This KPI records the time taken from receipt of all relevant and accurate information to provide scheme member with pre-retirement scheme benefit options i.e lump sum conversion options
B4	This KPI records the time taken from receipt of all relevant and accurate information to provide scheme member with pre-retirement scheme benefit options i.e lump sum conversion options
B5	Confirmation of benefits payable and payment date notification following receipt of all relevant and accurate information from scheme member

B6	Confirmation of benefits payable and payment date notification following receipt of all relevant and accurate information from scheme member
B7	Following receipt of all relevant and accurate information from scheme member, the time taken to make the payment of the lump sum. If fund's internal process means casework is completed when payment made, rather than payment set up date, this should be stated.
B8	Note that measurement of time taken starts when all relevant information received.
B9	Funds to confirm whether this included interfund transfers. KPI measurement should only take place when all required and full information received by the fund to proceed.
B10	Funds to confirm whether this included interfund transfers. KPI measurement should only take place when all required and full information received by the fund to proceed.
B11	Starting point is from receipt of all relevant and accurate information to proceed with payment of the refund. If fund's internal process means casework is completed when payment made, rather than payment set up date, this should be stated.
B12	Funds may also be providing relevant death and normal pension age benefits with this quotation, if this is the case, this should be stated as this may be more time consuming and reflected in statistics.
B13	When all relevant and full information received. Recognising this is complex casework. Measurement should only take place when all required and full information received by the fund.
B14	Following receipt of relevant and full information from employer.
B15	Measurement of issuing an individual member estimate to scheme member following a request and receipt of all relevant and full information
D2	Include non-processing staff (i.e systems, communications, employer support staff and management involved in administration)
D3	Include non-processing staff (i.e systems, communications, employer support staff and management involved in administration)
E5	Include all individual active, deferred and pensioner/survivor records
E6	Include all individual active, deferred and pensioner/survivor records

ANNEX B – ANNUAL REPORT CHECKLIST

To assist readers, funds are strongly encouraged to follow the structure and terminology within the guidance. The checklist should be used in conjunction with the guidance, but the main body text should be followed as it provides the fuller detail of what to include in each section of the Annual Report.

Section 1 – Overall Fund Management

Scheme Management and Advisors	
1.1	The senior officers responsible for the pension fund and their job title
1.2	The asset pool and asset pool operator (England & Wales)
1.3	Investment managers used by the fund
1.4	The fund custodian
1.5	The fund actuary
1.6	AVC providers
1.7	Fund legal advisors
1.8	The fund bankers
1.9	The fund accountant/director of finance
1.10	The external auditor
1.11	Scheme administrators (if functions are outsourced)
1.12	Any independent advisors or consultants retained by the fund
Risk Management	
1.13	How risk management is integrated within the governance structure
1.14	How risks are identified, managed, and reviewed
1.15	What actions are being taken to mitigate the key risks (covering investment, governance, and administration)
1.16	The approach taken to managing cyber risk, while protecting appropriate confidentiality for the pension fund's internal controls
1.17	The approach taken to risks relating to investment and pooling arrangements
1.18	The approach taken to managing third party risk such as late payment of contributions and provision of data by scheme employers and overall performance by scheme employers
1.19	The approach taken to risks which arise because of the fund's relationship to the administering authority, such as where reliance is put on shared polices and resources

Section 2 – Governance and Training

2.1	Funds should set out their governance structure and how the fund has complied with its Governance Compliance Statement
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Section 3 – Financial Performance

3.1	The report must provide an overview of the fund's financial performance, focused primarily on income, expenditure, and cash flows
3.2	An analysis or narrative explanation of in-year expenses and income together with a comparison over time or against budget.
3.3	Explain the relationship between changes to costs and income and factors such as changes in membership numbers, age profile of pensioners, bulk transfers etc.
3.4	Include: <ul style="list-style-type: none">• a brief commentary on any significant changes to non-investment assets and liabilities during the year• employers' and employees' contributions as a percentage of pensionable pay, details of late and overdue contributions, and of whether the option to levy interest on overdue contributions has been exercised• analysis of pension overpayments, recoveries and any amounts written off• commentary on actions taken to deal with fraud (including participation in the National Fraud Initiative and areas such as data matching, overpayments identified or the use of other data quality and tracing resources)• other examples of fraud, credit losses, provisions, contingent liabilities, or impairments

Section 4 – Fund account, net assets statement and notes

4.1	Must include a fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper accounting practices
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Section 5 – Investments and Funding

5.1	Demonstrate how the ISS has been put into practice during the year and how this links to the FSS
5.2	Set out the fund's investment management arrangements and the risks, returns and management costs associated with the investment portfolio
5.3	Provide a commentary and data on how the fund has implemented the policy on pooling its assets in its chosen LGPS pool during the year as set out in its ISS, a narrative on the pace of pooling and an explanation for assets which have not been pooled
5.4	Include a commentary on the implementation and application of the FSS during the reporting period. Reference should be made to what extent the ISS and FSS are compliant with statutory guidance and explain any reasons for non-compliance
5.5	Include details of investment administration and custodianship and describe who looks after which part of the portfolio (if not already provided elsewhere)
5.6	Investment performance net of fees for the 12 months corresponding to the accounting period for each fund manager or asset class must be reported alongside an appropriate benchmark chosen by the authority and the choice of benchmark must be stated
5.7	Provide details of the environmental, social and governance issues, and other initiatives such as engagement with companies and any collaborative ventures with other funds
5.8	<p>The CIPFA publication "Accounting for Local Government Pension Scheme Management Expenses" and the relevant accounting guidance recommends that this section of the annual report should also be used to:</p> <ul style="list-style-type: none"> • identify fees and costs incurred by third parties which affect overall investment returns • explain the relationship between fees, risk and investment return • indicate how the pension fund is responding to the Scheme Advisory Board's Code of Transparency, and the use being made of data provided by fund managers using the transparency Code templates
5.9	Must compare the strategic asset allocation as set out in the most recent ISS with the actual allocation of assets at the end of the

	accounting period
5.10	Should provide a commentary and data on how the fund has implemented the policy on pooling its assets in its chosen LGPS pool during the year as set out in its ISS
5.11	The costs incurred, gross savings achieved, and the resulting net savings achieved as a result of pooling assets
5.12	Progress in pooling their assets in this section through the asset table and the supplementary table. In both tables, assets must be divided into “pooled”, “under pool management” and “not pooled”
5.13	All funds must set out their asset allocation at the end of the accounting period by completing the asset table. Definitions/guidance are provided for each aspect of this table
5.14	The annual report must also include data in the supplementary table, to provide additional information on investment in the UK. Definitions/guidance are provided for each aspect of this table

Section 6 – Administration

6.1	A summary of activities undertaken by the administration function during the year
6.2	Report on performance against administration Key Performance Indicators (KPIs)
6.3	Report on member and employer numbers by category
6.4	Report on actions taken to deliver the communications policy
6.5	Report on value for money achieved by the administration function
6.6	Report on complaints and dispute resolution cases

Section 7 – Actuarial reports on funds

7.1	Statement by the actuary who carried out the most recent valuation of the assets and liabilities of the level of funding as reported by the actuary at the last actuarial valuation
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Section 8 – External audit opinion

8.1	The external auditor’s opinion on the pension fund’s statement of accounts
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Section 9 – Additional Information

9.1	The statement of compliance with the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills
9.2	Evidence to demonstrate compliance with the Knowledge Code of Practice
9.3	The role played by Internal Audit in providing assurance and managing risk, and a summary of assurance activity undertaken during the year
9.4	A summary of Freedom of Information requests
9.5	A glossary of commonly used pension fund terms

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

PENSION FUND COMMITTEE REPORT

17 JULY 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

Response to Government Letter on Pooling

1. PURPOSE OF THE REPORT

- 1.1 To provide Members of the Teesside Pension Fund Committee (the 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 to ask for any comment on the response.

2. RECOMMENDATION

- 2.1 That, subject to any comments, the Committee agrees that the draft response should be sent to the government by the 19 July 2024 deadline.

3. FINANCIAL IMPLICATIONS

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

4. BACKGROUND

- 4.1 The Minister for Local Government (prior to the recent general election) issued the letter enclosed at Appendix A to the Chief Executives and Section 151 Officers of all Local Government Pension Scheme (LGPS) administering authorities in England. The letter asks 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?"

4.2 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 makes it important and relevant for the Fund to provide a response.

5. DRAFT RESPONSE

5.1 A draft response to the letter is attached at Appendix B, key points to note from this response are:

- 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.

6. NEXT STEPS

6.1 Subject to any comments the Committee may have, the response will be sent in the Director of Finance's name to the recently renamed Ministry for Housing Communities and Local Government by the 19 July 2024 deadline.

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

TEL NO: 01642 729024



Department for Levelling Up, Housing & Communities

Simon Hoare MP
Minister for Local Government
2 Marsham Street
London
SW1P 4DF

Chief Executives and Section 151 Officers of
Administering Authorities in England

By email

15
May 2024

Dear Colleagues,

Efficiencies in local government and the management of Local Government Pension Scheme (LGPS) funds

I wrote to all chief executives on 16 April setting out my expectations for the productivity plans to be developed by each authority as announced at the local government finance settlement. In this, I asked for plans covering service transformation, better use of technology and data and reduction of wasteful spend as well as views on barriers which government could remove (letter at annex A).

I am now writing to you to ask you to set out your approach to efficiencies in the management, governance and administration of your LGPS fund and asset pool in a separate letter. I am interested in what is happening across local government to deliver efficiencies in the management of the £359 billion of pension assets you hold, and in your administration of pension benefits for the 6.6 million members.

Since taking on ministerial responsibility for the LGPS I have been grateful for the generous engagement I have received, and I have been struck by the generally strong financial position of the scheme, as well as the strong commitment to serving scheme members. However, it is clear that there is also a need for improvements, including to meet the expectations set out on asset pooling and investments set out at the [Autumn Statement](#). More efficiencies in fund administration and management should also be achieved: across the scheme in 2022-3 investment management costs were £1.7 billion and £280 million on administration and governance.

Your response should consider the following themes on pensions.

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?

As set out in my previous letter I do not wish to impose excessive burdens. I expect your letter to be no more than two pages in length. Your plans must be returned by 19 July 2024, by email to lgpensions@levellingup.gov.uk. We will review your responses and consider the issues emerging and the implications for future national policy.

I look forward to working with you to deliver the best outcomes.

With every good wish.
Yours,

SIMON HOARE MP
Minister for Local Government

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Efficiencies in Local Government and the management of Local Government Pension Scheme (LGPS) funds

Middlesbrough Council ('the Council') is responsible for the delivery of LGPS pensions in its capacity as the Administering Authority for the Teesside Pension Fund ('the Fund'). As of 31 March 2024, the Fund had assets of around £5.5 billion, a total membership of over 80,000 and around 140 different employers have active members in the Fund. The Fund is one of the eleven Partner Funds that make up the Border to Coast Pensions Partnership pooling arrangement. The following is in response to the questions in the (then) Minister for Local Government's letter of 15th May 2024.

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?

As at 31 March 2024, 57% of the Fund is invested through Border to Coast. The remainder comprises 17% in illiquid legacy investments, 12% in pooled passive equity funds (see below), 10% in real estate which is not currently expected to transfer to the pool and 4% in cash.

Not all the Fund's listed assets are likely to be pooled by March 2025. This is because the Fund currently invests around 12% of its assets in passive equities. Border to Coast, in common with all other LGPS pool companies, does not provide 'standard' passive equity investment as an option, principally because it would not be able to deliver this type of passive equity investment in as cost-effective a way as the large private-sector passive equity providers. However, these providers did noticeably reduce their fees in response to collective pressure from LGPS funds and pool companies around the time the investment pooling project was initiated. Consequently, the low fees we pay for passive equity investment are in part a result of the LGPS pooling project.

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?

Yes – Border to Coast already provides useful reporting information for our Fund in respect of the assets we have under its management. We are working with Border to Coast and our Partner Funds to consider how the partnership can be further developed across several areas, including increased reporting scope and (for those Partner Funds that require it) assistance in investment strategy development.

What is your expenditure on pensions investment consultancy?

Our Fund does not retain an investment consultant. Typically, every three years (around the time of each actuarial valuation) we commission a piece of work to assist with our strategic asset allocation review, at a cost of £20,000 to £30,000. The Fund also retains

the services of two independent investment advisors, at a current cost of around £40,000 a year.

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?

Border to Coast has an effective, modern governance structure which is likely to meet the criteria of the preferred model of pooling which the government stated it would issue in (yet to be published) revised guidance on pooling. Border to Coast's Partner Funds jointly and equally own and oversee the company as shareholders and investors. The partnership and its governance continue to evolve, and collectively the Partner Funds and the company continue to identify and investigate ways to work collectively for the ultimate benefit of the Partner Funds' beneficiaries and stakeholders.

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?

As confirmed in the Council's recently revised constitution, our Fund is managed by the Council's Pension Fund Committee, which meets five times a year, and overseen by the Pension Board, which meets four times a year. Both these bodies receive support and advice from suitably qualified officers. The Committee also received advice from two independent investment advisors and meetings are also attended by investment manager representatives, including from Border to Coast, and by representatives from the outsourced pensions administration provider. Investment and administration performance figures are shared and discussed with the Committee and Board, and are subject to scrutiny, discussion and challenge in these meetings, and by officers and advisors outside of the meetings.

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?

This has not been specifically considered by the Council. The significant steps we have already made towards pooling are starting to pay off from a financial perspective. The Council had an in-house investment management approach which meant it was already low cost, meaning the payback period for the set-up costs involved in investment pooling was always anticipated to be a number of years. Nevertheless, pooling has already delivered significant non-financial benefits, such as the ability to help develop and utilise a dedicated responsible investment team and fully integrating responsible investment into investment decision-making, as well as the resilience that a larger team provides in delivering in-house investment management. Further scale could potentially provide additional benefits however, any opportunity presented would need to be examined in detail from a cost-benefit and risk-reward perspective and the need to ensure that it 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.

Debbie Middleton

Director of Finance
Middlesbrough Council (administering authority for the Teesside Pension Fund)