

TEESSIDE PENSION BOARD

Date: Monday 25th November, 2024
Time: 2.00 pm
Venue: Spencer Room, Town Hall

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 Board - 8 July 2024 3 - 6

5. Minutes - Teesside Pension Fund Committee - 17 July 2024 7 - 10

6. Teesside Pension Fund Committee - 25 September 2024

Verbal Report

7. Update on Work Plan Items 11 - 16

8. Pension Fund Administration - Procurement Outcome - Verbal Update

9. Draft Pension Fund Annual Report 2023/24 17 - 102

10. XPS Administration Report 103 - 126

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

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Friday 15 November 2024

MEMBERSHIP

P Thompson (Chair), J Stubbs, J Bell, M Dunbar, C Massey and N Walker

Assistance in accessing information:

Should you have any queries on accessing the Agenda and associated information please contact Claire Jones/Susan Lightwing, 01642 729112/01642 729712, claire_jones@middlesbrough.gov.uk/susan_lightwing@middlesbrough.gov.uk

TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on Monday 8 July 2024.

PRESENT: P Thompson (Chair), J Bell, Cllr M Dunbar, Cllr C Massey and J Stubbs

ALSO IN ATTENDANCE: L Pelmeare (XPS)

OFFICERS: C Jones, S Lightwing and N Orton

APOLOGIES FOR ABSENCE: Cllr N Walker

24/1 WELCOME AND FIRE 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
J Bell	Non pecuniary	Member of Teesside Pension Fund
Councillor C Massey	Non pecuniary	Deferred Member of Teesside Pension Fund

24/3 MINUTES - TEESSIDE PENSION BOARD - 8 APRIL 2024

The minutes of the meeting of the Teesside Pension Board held on 8 April 2024 were taken as read and approved as a correct record.

24/4 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 13 MARCH 2024

A copy of the minutes of the meeting of the Teesside Pension Fund Committee held on 13 March 2024 was submitted for information.

NOTED

24/5 TEESSIDE PENSION FUND COMMITTEE - 12 JUNE 2024

The Head of Pensions Governance and Investments provided a verbal update on agenda items considered at a meeting of the Teesside Pension Fund Committee held on 12 June 2024.

It was noted that the total value of all investments as at 31st March 2024 was £5,468 million, higher than that of the December 2023 despite selling shares.

An update was provided on the latest local investment which had been made with FW Capital. The Fund had recently provided a loan of £19 million to enable FW Capital to invest in companies in Teesside through lending money or buying shares in them.

The Border to Coast update was discussed, noting the UK fund had delivered performance of 0.5% a year above benchmark, below its long-term target, and the overseas fund had delivered performance of 1.64% above benchmark, above its long-term target.

The Border to Coast 2030 Strategy was discussed. 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.

Investment Advisor reports were noted, advising of a further discussion on investment in bonds at the next meeting.

AGREED that the information provided was received and noted.

24/6

PENSIONS REGULATOR GENERAL CODE OF PRACTICE COMPLIANCE ASSESSMENT

The Head of Pensions, Governance and Investments presented the Pensions Regular General Code of Practice Compliance Assessment report. The purpose of the report was to provide the Members of the Teesside Pension Board with an assessment of the Fund's current level of compliance with the Pensions Regulator's recently published General Code of Practice, together with a plan for addressing any gaps identified.

The General Code of Practice was divided into sections:

- The governing body
- Funding and Investment
- Administration
- Communications and disclosure.

A set of actions required to gain full compliance were set out under the relevant headings, together with a suggested timescale for completion were noted.

AGREED as follows that:

- The Board noted the report.
- Updates would be provided to future Board (and Pension Fund Committee) meetings to track progress on completion of these tasks and the Fund's compliance with the General Code of Practice.

24/7

UPDATE ON WORK PLAN ITEMS

The Head of Pensions, Governance and Investments presented Members of the Teesside Pension Board (the Board) with information on items scheduled in the work plan for consideration at the current meeting.

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

The Board noted that the current Work Plan was due to come to an end at the end of the calendar year. The Board were asked for suggestions on any new items they would like adding to the plan, or previous items they were particularly interested in revisiting.

AGREED as follows that:

1. The information provided was received and noted.
2. The Head of Pensions, Governance and Investments would draft a revised Work Plan, taking into account any Board suggestions or comments, for approval at the 25 November 2025 Board meeting.

24/8

DRAFT ANNUAL PENSION FUND ACCOUNTS 2023/2024

The Head of Pensions, Governance and Investments presented a report to present Members of the Teesside Pension Board 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.

It was noted that the overall financial performance of the Fund for the year to 31 March 2024 was very positive. The Fund's value rose to £5.477 billion, an increase over the year of approximately £413 million, over 8%. This increase in value was mainly a result of equity market performance, which was positive for the year as a whole.

The Fund was two years into the current triennial valuation cycle. The Fund's asset value as at 31 March 2025 would be used by the Fund actuary when calculating the three-yearly valuation of the Fund. The value of the Fund's assets was currently increasing broadly in line with the actuary's expectations at the last valuation. Although welcome news, it was important to recognise the long-term nature of the Fund and the volatility of many of its assets meant that the actuary would look beyond just the immediate value of the assets when carrying out the valuation. In addition, the size of the Fund's liabilities (the cost of paying current and future benefits) was just as important when carrying out the valuation and setting employer contribution rates. Factors such as the actuary's view of future inflation rates, future investment returns and life expectancy expectations would play a key part in the actuary's valuation calculations.

Total membership of the Fund had increased, with total membership at the year-end now standing at 82,213 an increase of 1,875 over last year. The number of active members had remained broadly similar, increasing by 22 or 0.08% over the year, and increased by 11.9% over the past four years. The number of pensioners had 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. Some of the increase in the number of deferred members in the four-year figure was because in the count of deferred members those individuals who have left employment but not yet had their benefits fully processed were now being recognised.

The Pension Fund Accounts presented were in draft form and, whilst the main numbers and outcomes were not expected to change, changes might be needed as further review took place. A draft would be presented to the Pension Fund Committee later this month. In addition, the audit process was not complete and further changes might be required as a consequence of this.

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

AGREED that the information provided was received and noted.

24/9

XPS ADMINISTRATION REPORT

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

The report included:

- Membership movement
- Membership self service
- Pensions regulator data scores
- Customer service
- Completed cases.

It was highlighted that there had been an increase of just over 19% to pensions over the last three years.

XPS was currently working towards the statutory deadline for the issue of Annual Benefits Statements as well as the introduction of the Pensions Dashboard.

The Chair asked whether the provision of pension estimates could be speeded up and the Client Relationship Manager agreed to look at that issue.

AGREED that the information provided was received and noted.

24/10 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED**

None.

TEESSIDE PENSION FUND COMMITTEE

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

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

ALSO IN ATTENDANCE: T Backhouse (Mazars)

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

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

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

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

24/16 **DECLARATIONS OF INTEREST**

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

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

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

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

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

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

Total membership of the Fund had increased, with total membership at the year-end standing at 82,213 an increase of 1,875 over last year. The number of active members had remained broadly similar, increasing by just 22 or 0.08% over the year, and increased by 11.9% over the

past four years. The number of pensioners increased by 898 or 3.3% over the year and increased by 12.8% over the past four years. The number of deferred members had increased by 955 or 3.5% over the year and increased by 20% over the past four years.

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

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

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

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

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

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

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

ORDERED: that the information provided was received and noted.

24/19

RESPONSE TO GOVERNMENT LETTER ON POOLING

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

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

1. How your fund will complete the process of pension asset pooling to deliver the benefits of scale.
 - What proportion of assets have been pooled in your chosen LGPS asset pool? Is your fund on track to pool all listed assets by March 2025, and if not, what are the barriers to this?

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

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

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

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

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

24/20

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

None.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

TEESSIDE PENSION BOARD REPORT

25 NOVEMBER 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

Update on Work Plan Items

1. PURPOSE OF THE REPORT

- 1.1 To present Members of the Teesside Pension Board (the Board) with information on items scheduled in the work plan for consideration at the current meeting and to present the Board with an updated work plan covering the next two calendar years.

2. RECOMMENDATION

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

3. FINANCIAL IMPLICATIONS

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

4. BACKGROUND

- 4.1 At its meeting on 19 July 2021 the Board agreed an updated work plan for the coming months and years which set out areas for the Board to discuss or consider at subsequent meetings. These were typically areas that the Pensions Regulator and/or the Scheme Advisory Board (SAB) had identified as important for Local Pension Boards to consider. At its last meeting the Board noted that the previous iteration of the work plan finished at the end of 2024 and agreed that the Head of Pensions Governance and Investments should draft a revised Work Plan and bring this back to the Board for comment and approval.
- 4.2 The item scheduled for consideration in the work plan for this meeting is the annual review of board training – this is set out later in this report. The updated work plan is contained at Appendix A.

5 ANNUAL REVIEW OF BOARD TRAINING

5.1 The Local Government Pension Scheme (LGPS) Regulations 2013 were amended in line with requirements introduced by the Public Service Pensions Act 2013 for all public service pension schemes to establish a pension board. Under the LGPS Regulations, each LGPS administering authority had to set up a Local Pension Board with effect from 1 April 2015.

5.2 The Pension Fund set up the Teesside Pension Board in line with these legislative requirements. The Board's terms of reference sets out the Board's purpose as follows:

“Statement of purpose

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

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

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

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

5.3 In order to fulfil this function, and to comply with the requirements of the overriding regulations and legislation, the Board needs to have and maintain appropriate knowledge and understanding of the LGPS and pensions in general. In particular (as set out in the Board's Terms of Reference: a member of the Board **must be conversant with:**

- the legislation and associated guidance of the Local Government Pension Scheme (LGPS), and
- any document recording policy about the administration of the LGPS that is adopted by the Teesside Pension Fund.

a member of the Board **must have knowledge and understanding of –**

- The law relating to pensions, and
- Any other matters which are prescribed in regulations.

5.4 The main documents the Board is required to be conversant with are:

Regulations and guidance

- The LGPS Regulations 2013
- LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.
- LGPS (Management and Investment of Funds) Regulations 2016

- Together with any guidance issued under these regulations.

All these documents are at <https://www.lgpsregs.org/schemeregs/index.php>

Scheme documents

Member booklets, announcements and other key member and employer communications

Relevant policies of the Administering Authority and/or Pension Committee (for example: conflicts of interest, record-keeping, data protection and freedom of information, internal dispute resolution procedure, reporting breaches).

- The Council's statements (in its role as Administering Authority to the Pension Fund) on
 - Governance Compliance
 - Funding Strategy
 - Investment Strategy
 - Discretionary Policies
 - Communications Policy
- The Pension Fund risk register
- The actuarial valuation report
- The Pension Fund annual report and accounts
- Pension fund external audit report

These documents are mainly available at the following websites, or have been presented to the Board previously:

[TPF - Trust Documents \(teespen.org.uk\)](https://teespen.org.uk)

[Committee details - Teesside Pension Fund Committee | Middlesbrough Council](#)

[Committee details - Teesside Pension Board | Middlesbrough Council](#)

5.5 The main areas the Board is expected to have knowledge and understanding of are:

- Background and Understanding of the Legislative Framework of the LGPS
- General pensions legislation applicable to the LGPS
- Role and responsibilities of the Local Pension Board
- Role and responsibilities of the Administering Authority
- Funding and Investment
- Role and responsibilities of Scheme Employers
- Tax and Contracting Out
- Role of advisors and key persons
- Key Bodies connected to the LGPS

6 TRAINING APPROACH

6.1 Board Members receive induction training when they join the Board and are able to access training events as and when they are held for Pension Fund Committee and

Board members. Board Members are also invited to attend Border to Coast's Annual Conference which is usually held in Leeds at the end of September – this typically includes a training session, often related to investments.

6.2 The level of knowledge and understanding required cannot be acquired overnight and can be delivered in a number of ways, through (for example)

- Papers provided to the Board throughout the year
- Training sessions delivered by Council staff or by external companies
- Self-study through access to training materials and documents

6.3 An initial starting point for new Board members is to ensure they complete the Pensions Regulators on-line training modules the Public Service Toolkit, which is at the following web page:

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

6.4 Training sessions can be arranged to cover the areas set out in section 5 above. Pension Fund Committee members can also be invited to attend any training.

6.5 In addition the Fund has engaged an external provider (Hymans Robertson) to provide access for Board and Pension Fund Committee members to an on-line learning academy. This is designed to allow Board members to learn at their own pace and covers the full range of topics required to meet the knowledge and understanding requirement. Board members can access the on-line learning academy at the following link: [Aspire](#)

6.6 The Fund recently participated in a National Knowledge Assessment arranged by Hymans Robertson. The purpose of this assessment was to evaluate the overall level of knowledge and understanding of the Board and the Pension Fund Committee and identify any area which should be a particular focus for future training. Officers will work with the Board and Committee to deliver appropriate training to target any identified gaps.

6. NEXT STEPS

6.1 The workplan will continue to be provided to future Board meetings.

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

TEL NO: 01642 729024

Teesside Pension Board Work Plan		
Date of Board meeting and any standard items scheduled	Suggested areas of focus (from the Pensions Regulator's Public Service Toolkit list)	Suggested activities (including from the Scheme Advisory Board guidance)
November 2024 Annual Review of Board Training		Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme
February 2025	Conflicts of interest	Update on Code of Practice review
April 2025 Annual Board Report	Managing risk and internal controls	Review of risk register Review internal and external audit reports
July 2025 Draft Report and Accounts	Maintaining accurate member data	Review administration reports, including data quality scores and progress in relation to any data improvement plans.
November 2025 Annual Review of Board Training	Maintaining member contributions	Review administration reports including in relation to any late payment of contributions. Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme
February 2026	Providing information to members and others	Review standard employer and scheme member communications. Review procurements carried out by Fund
April 2026 Annual Board Report	Resolving internal disputes	Review and internal dispute cases / Pensions Ombudsman cases since the last review. Review the outcome of actuarial reporting and valuations.
July 2026 Draft Report and Accounts	Reporting breaches of the law	Review breaches process and log. Review the complete and proper exercise of employer and administering authority discretions.
November 2026 Annual Review of Board Training		Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme
February 2027	TBC	TBC
April 2027 Annual Board Report	TBC	TBC
July 2027 Draft Report and Accounts	TBC	TBC
November 2027 Annual Review of Board Training	TBC	TBC

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

TEESSIDE PENSION BOARD REPORT

25 NOVEMBER 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

Draft Pension Fund Annual Report 2023/24

1. PURPOSE OF THE REPORT

- 1.1 To present Members of the Teesside Pension Board (the Board) with a draft Pension Fund Annual Report which takes into account updated guidance on annual reports issued earlier this year.

2. RECOMMENDATION

- 2.1 That Board Members note this report and the draft annual report.

3. FINANCIAL IMPLICATIONS

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

4. BACKGROUND

- 4.1 The audit process for the Council, and so for the Pension Fund, has been protracted in recent years. As at the time of writing this report, the 2021/22 and 2022/23 Pension Fund accounts have not been signed off by the external auditor. However, this situation is expected to be resolved in the beginning of next month, as all delayed audits need to be signed off or 'disclaimed' by mid-December.
- 4.2 This means there remains some uncertainty over starting position within the enclosed draft accounts, although no significant changes are expected. The audit of the 2023/24 accounts has been delayed as well, owing to the delay to completing the previous years' audits. The 2023/24 audit is underway now and is expected to be completed by the end of February 2025.

5. DRAFT ANNUAL REPORT

- 5.1 Nevertheless, as there are significant changes being made to the format of the annual report, it was felt worthwhile circulating an initial draft for comment.

6. NEXT STEPS

- 6.1 A final version of the Annual Report will be produced once the audit of the 2023/24 accounts is complete.

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

TEL NO: 01642 729024



Teesside Pension Fund

Annual Report and Accounts
for the year ended

31 March 2024

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Section 1 – Overall Fund Management

Scheme Management and Advisors

1.1 Senior officers responsible for the Fund	
Chief Finance Officer	Debbie Middleton
Head of Pensions Governance and Investments	Nick Orton
Pensions Administration Manager	Graeme Hall, XPS Administration
Solicitor to the Fund	Charlotte Benjamin
1.2 Asset Pool and Asset Pool Operator	Border to Coast Pensions Partnership Limited

1.3 Investment managers used by the Fund

<i>Manager</i>	<i>Asset class</i>	<i>Website</i>
Border to Coast Pensions Partnership Limited	UK Equities	www.bordertocoast.org.uk/
	Overseas Equities	
	Alternatives	
State Street Global Advisors	Overseas Equities	www.ssga.com/uk/en_gb/institutional/ic
Internal Team	Cash	Link to Pension Fund Committee papers
	Overseas Equities	
	UK Equities	
	Alternatives	
Aberdeen Standard Life	Property / Property Debt	www.abrdn.com/en-gb/
Access Capital Partners	Alternatives	www.access-capital-partners.com/en
Ancala	Alternatives	www.ancala.com
Blackrock Fund Managers Ltd	Alternatives	www.blackrock.com/uk
Bridges	Alternatives	www.bridgesfundmanagement.com
Capital Dynamics	Alternatives	www.capdyn.com
CBRE - Direct Property Portfolio	Property / Property Debt	www.cbre.co.uk/
CCLA Investment Management	Property / Property Debt	www.ccla.co.uk
Darwin Leisure	Alternatives	www.darwinalternatives.com
Foresight Group	Alternatives	www.foresight.group

Manager	Asset class	Website
Gresham House	Alternatives	www.greshamhouse.com
Hearthstone	Alternatives	www.hearthstone.co.uk/
Hermes	Property / Property Debt	www.hermes-investment.com
Innisfree	Alternatives	www.innisfree.co.uk
Insight Investments	Alternatives	www.insightinvestment.com/uk/
JP Morgan IIF UK LP	Alternatives	am.jpmorgan.com/gb
La Salle	Alternatives	www.lasalle.com
Legal & General	Property / Property Debt	www.lgim.com
LGT Capital Partners	Alternatives	www.lgtcp.com
Pantheon Ventures (UK)	Alternatives	www.pantheon.com
Threadneedle	Property / Property Debt	www.columbiathreadneedle.co.uk
Unigestion	Alternatives	www.unigestion.com

1.4 Fund Custodian	The Northern Trust Company	www.northerntrust.com/united-kingdom/home
1.5 Fund Actuary	Hymans Robertson	www.hymans.co.uk
1.6 Additional Voluntary Contribution (AVC) Providers	Prudential Assurance, Phoenix Life	www.mandg.com/pru/hub/en-gb www.phoenixlife.co.uk
1.7 Fund Legal Advisors	CMS LLP Freeth LLP	www.cms.law/en/gbr/ www.freeths.co.uk
1.8 Fund Bankers	The NatWest Bank Plc	www.natwest.com
1.9 Director of Finance	Debbie Middleton	www.middlesbrough.gov.uk
1.10 External Auditor	Forvis Mazars LLP	www.forvismazars.com/uk/en
1.11 Pensions Administrator	XPS Administration	www.xpsgroup.com
1.12 Independent Investment Advisors	Peter Moon William Bourne	

Risk Management

1.13 How risk management is integrated within the governance structure.

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (the 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 Pension Fund Committee. The Funding Strategy Statement and the Investment Strategy Statement identify and analyse the risks faced by the pensions operations. These policies are reviewed regularly to reflect changes in activity and market conditions.

Market Risk

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

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

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in three ways:

1. The actuarial valuation of the Fund which is carried out every three years and resets the employer contribution rates. The valuation also assesses and analyses risks associated with the liabilities and future pension costs, such as longevity risks, inflation risks and expected future investment returns.
2. The asset liability study which is carried out every three years or more frequently if required considers alternative asset allocations for the Fund and the long-term impact on employer contribution rates.
3. Quarterly monitoring of the performance of the Fund against selected benchmarks, and annual performance reports to the Pension Fund Committee.

Other Price Risk

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

The Fund is exposed to asset 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 Funding Strategy Statement and the Investment Strategy Statement.

1.14 How risks are identified, managed, and reviewed.

The Fund maintains a risk register which is regularly reviewed to ensure mitigations for existing risks remain appropriate, any emerging risks are assessed, and the overall scoring remains appropriate.

The risk register is presented to the Committee at least annually and more frequently where significant emerging risks need to be presented.

1.15 What actions are being taken to mitigate the key risks (covering investment, governance, and administration)

Some of the key risks taken from the Fund's risk register are as follows:

Investment risks

Risk	Mitigation
<i>INFLATION</i> Price inflation is significantly more than anticipated: an increase in long-term inflation of 0.2% a year will increase the liability valuation by 3%.	In assessing the member liabilities, the triennial Fund Actuary assumptions made for inflation are "conservatively" set based on independent economic data and hedged against by setting higher investment performance targets.
<i>ADVERSE ACTUARIAL VALUATION</i> Impact of increases to employer contributions following the actuarial valuation.	Interim valuations provide early warnings. Actuary has scope to smooth impact for most employer liabilities.

Risk	Mitigation
<p>GLOBAL FINANCIAL INSTABILITY</p> <p>Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.</p>	<p>Increasing investment diversification will allow the Fund to be better placed to withstand this type of economic instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.</p>
<p>INVESTMENT CLASS FAILURE</p> <p>A specific industry investment class/market fails to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.</p>	<p>Increasing investment diversification will allow the Fund to be better placed to withstand this type of market class failure. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.</p>
<p>CLIMATE CHANGE</p> <p>The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors. The Fund's policy in relation to how it takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Responsible Investment Policy</p>	<p>In relation to the funding implications, the administering authority keeps the effect of climate change on future returns and demographic experience, e.g. longevity, under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.</p>
<p>ESG REPUTATIONAL DAMAGE</p> <p>Insufficient attention to environmental, social and governance (ESG) leads to reputational damage and/or negative financial impact</p>	<p>Border to Coast provides increased focus on Responsible Investment / ESG.</p>

Risk	Mitigation
<p><i>TPF INVESTMENT UNDERPERFORMANCE</i></p> <p>Investment Managers fail to achieve performance targets over the longer term: a shortfall of 1% on the investment target will result in an annual impact of £50m.</p>	<ol style="list-style-type: none"> 1) The asset allocation made up of equities, bonds, property, alternatives, cash etc. funds, is sufficiently diversified to limit exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal asset allocation. 3) Actuarial valuation and asset/liability study take place every three years. 4) Interim valuation data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance of a measure over CPI over gilts is regarded as achievable over the long-term when compared with historical data.

Draft

Governance / Pooling risks

Risk	Mitigation
<p>HIGHER THAN EXPECTED COSTS OF INVESTMENT POOLING</p> <p>Higher setup and ongoing costs of Border to Coast and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs).</p>	<p>Border to Coast's budget is set annually with the agreement of at least 9 of the 11 partner funds. Expenditure is monitored and reported to the Officer Group and Joint Committee meetings. Tenders for suppliers ensure value for money ethos applies.</p>
<p>KEY PERSON RISK</p> <p>Concentration of knowledge & skills in small number of officers and risk of departure of key staff - failure of succession planning.</p>	<p>Two Deputy positions were created in 2018/19 (although one remains to be filled). These act to support deputise as required for the Head of Investments, Governance and Pensions.</p>
<p>POOLING SYSTEMIC RISKS</p> <p>Systemic and other investment risks not being properly managed within the investment pool; for example, appropriate diversification, credit, duration, liquidity and currency risks.</p>	<p>Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review Border to Coast sub-fund investment elements on an on-going basis, and report to TPF Committee and Board.</p>
<p>GOVERNANCE SKILLS SHORTAGE</p> <p>Lack of knowledge of Committee & Board members relating to the investment arrangement and related legislation and guidance</p>	<p>Pension Fund Committee and Board new members have an induction programme and have access to on-line training based on the requirements of CIPFA Knowledge and Skills Framework including Pooling.</p>
<p>BORDER TO COAST FAILURE</p> <p>Failure of the operator itself, or its internal risks and controls failure of corporate governance, responsible investment, or the failure to exercise voting rights according to policy.</p>	<p>Ongoing oversight and close working with Border to Coast and the other Partner Funds will provide advance warning of any issues in this area and an opportunity to rectify them</p>
<p>INADEQUATE POOLING INVESTMENT EXPERTISE</p> <p>Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets.</p>	<p>Border to Coast has completed recruitment of experienced and capable management team, alongside its expanding complement of over 100 staff.</p>

Administration risks

Risk	Mitigation
<p>INACCURATE DATA RECORD COLLATION</p> <p>Failure to maintain proper, accurate and complete data records leading to increased errors and complaints.</p>	<p>Administration data quality is assessed as part of the triennial valuation process, as well as being assessed regularly in order to meet Pensions Regulator requirements on scheme data.</p>
<p>THIRD PARTY SUPPLIER FAILURE</p> <p>Financial failure of third party supplier results in service impairment and financial loss.</p>	<p>New supplier's financial strength is assessed through the procurement process. Existing suppliers are obliged to report any issues.</p>
<p>INSECURE DATA</p> <p>Failure to hold personal data securely - i.e data stolen.</p>	<p>XPS Administration have advised they have robust data security and are not aware of any attempted hacking events</p>
<p>LIQUIDITY SHORTFALLS</p> <p>Risk of illiquidity due to difficulties in realising investments and paying benefits to members as they fall due.</p>	<p>Daily monitoring of cash position, cash-flow planning</p>
<p>CASH INVESTMENT FRAUD</p> <p>Financial loss of cash investments from fraudulent activity.</p>	<p>Approval processes and systems (audited)</p>
<p>SCHEME MEMBER FRAUD</p> <p>Fraud by scheme members or their relatives (e.g. identity, death of member).</p>	<p>XPS checking processes – e.g. mortality screening</p>
<p>CONTRIBUTION COLLECTION FAILURE</p> <p>Failure to collect employee/er member pension contributions.</p>	<p>Ongoing monitoring of contribution collection at employer level</p>
<p>STRUCTURAL CHANGES TO EMPLOYER MEMBERSHIP</p> <p>Risk that TPF are unaware of structural changes to an employer's membership, or changes (e.g. closing to new entrants) meaning the individual employer's contribution level becomes inappropriate.</p>	<p>The XPS Administration employer liaison team will improve this by working closely with employers</p>

Other risks

Risk	Mitigation
<p>LONGEVITY</p> <p>Pensioners living longer than anticipated: adding one year to life expectancy will increase the future service rate by 0.8%.</p>	<p>In assessing the member longevity and pension liabilities, the Triennial Actuary assumptions made for longevity are "conservatively" set based on the latest life expectancy economic data. They are reviewed and updated at each three-year Actuarial valuation. If required, further investigation can be carried out of scheme specific/employer longevity data.</p>
<p>EMPLOYER FAILURE</p> <p>An employer ceasing to exist with insufficient funding, or being unable to meet its financial commitments, adequacy of bond or guarantee. Any shortfall would be attributed to the fund as a whole.</p>	<p>1) Fund employers should monitor own experience.</p> <p>2) Triennial Actuarial Assumptions will account for the possibility of employer(s) failure (for the purposes of IAS19/FRS102 and actuarial valuations). Any employer specific assumptions above the actuaries long-term assumption, would lead to further review.</p> <p>3) Employer's rates are set taking into account the strength of an employer and any underwriting by other employers in the Fund.</p>

1.16 Managing cyber risk

Cyber risk includes, for example, the risk that the Fund's data and / or systems could be infiltrated or taken over by criminals for financial gain and is covered across several of the risks listed above. An assessment of the Fund's approach to cyber risk also forms part of the Teesside Pension Board's workplan and was last considered at its February 2024 meeting, which included a report on approach to and mitigations to cyber risk from XPS (the Fund's third-party pension administrator).

1.17 The approach taken to risks relating to investment and pooling arrangements

These risks are included within the Fund's risk register – see sample "Governance / Pooling Risks" above. Mitigation relating to risks around investment and pooling arrangements includes:

- The effective partnership arrangements developed with the pool company and with the other partner funds within the Border to Coast Pensions Partnership ensures any issues will be quickly identified and collectively addressed

- As an equal shareholder in Border to Coast, the Council as administering authority to the Fund has joint control over specific company matters relating to the operation of the pooling company, as set out in documents establishing the company.
- The Fund has both a seat on the Joint Committee overseeing Border to Coast and, currently, a member of the Pension Committee sits as a shareholder director on Border to Coast's company board.
- Investment performance issues are considered at least quarterly through officer group meetings and each Border to Coast investment proposition is more formally and thoroughly assessed at least annually.

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.

See "Administration Risks" above. In addition, the Fund shares the approach it expects scheme employers to take in ensuring prompt provision of data and contributions through its Administration Strategy.

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

In common with almost all LGPS funds, the Fund is not a separate legal entity from the administering authority. This means, for example, all the investments the Fund makes are made in the name of Middlesbrough Council, and the Fund's accounts are part of Middlesbrough Council's accounts, albeit as a separate appendix. Middlesbrough Council also employs the Pensions Governance and Investments team and holds most of the places on the Pension Fund Committee. Measures in place to ensure there is clear separation where necessary between the Fund and Middlesbrough Council include the following:

- Middlesbrough Council's Constitution, the Pension Fund's Governance Policy and Compliance Statement and Conflicts Policy all emphasise the need for the Fund, where necessary, to be treated separately from the administering authority. For example, the Pension Fund Committee's responsibilities include the following: "In its role as the administering authority, Middlesbrough Council owes fiduciary duties to the employers and members of the Teesside Pension Fund and must not compromise this with its own particular interests".
- There is a defined procedure around evaluating any potential local investments designed to ensure input from the Fund's independent investment advisors together with external independent validation, where possible, before agreeing to any such investment.
- Officer and member codes of conduct, together with procedures in place at Pension Fund Committee and Teesside Board meetings require the declaration of any identified conflicts.
- The Fund's accounts identify the administering authority as a related party and require relevant transactions to be reported.

2. Governance and Training

2.1 Governance Structure and compliance with the Governance Compliance Statement

The Teesside Pension Fund (the Fund) is part of the Local Government Pension Scheme is governed by Public Service Pensions Act 2013 and the following 'secondary' legislation (all as amended):

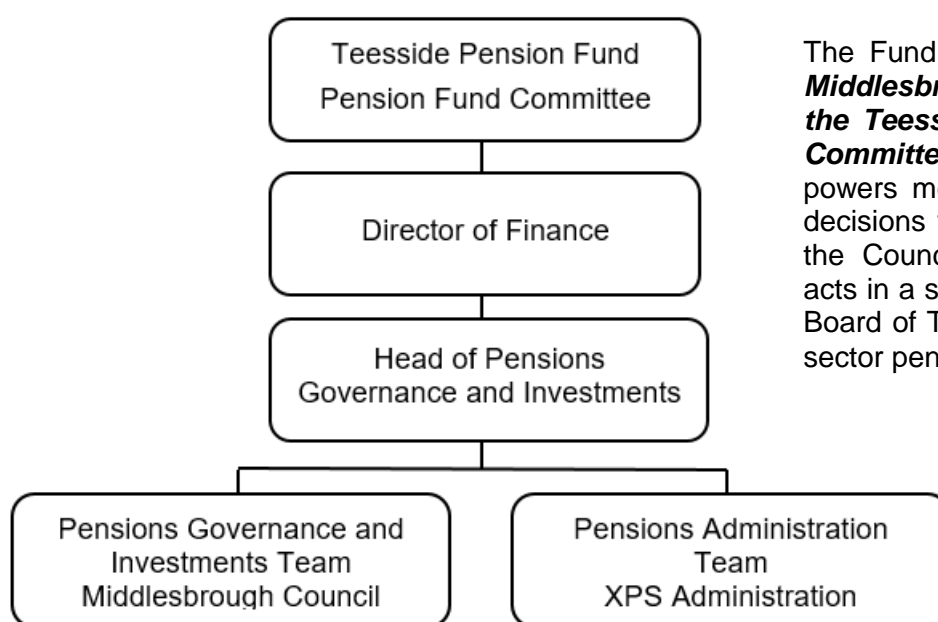
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme Regulations 2013; and
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

The regulations have changed over the years as the nature of the scheme has changed – the most significant recent change applied from April 2014 when the scheme moved (for future benefits) to a career average revalued earnings scheme from a final salary scheme. More information about the scheme, including updated scheme guides and details of scheme member benefits and contributions can be found on the national scheme member website www.lgpsmember.org and on our website at: www.teespen.org.uk.

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

The Fund is financed by way of contributions from employers and employees, based upon a percentage of pensionable pay, and supplemented by earnings from Fund investments. The Fund's assets, after payment of benefits, are invested as directed by the Pension Fund Committee. The Committee comprises elected members of Middlesbrough Council, representatives of the other unitary authorities, a representative of the other employers in the Fund and two scheme member representatives provided by the Trade Unions. The Committee is advised by relevant Council officers supported by external experts including the Fund's Investment Advisors.

Management of the Fund



The Fund is administered by **Middlesbrough Council** via **the Teesside Pension Fund Committee** which has plenary powers meaning it can make decisions without reference to the Council. This Committee acts in a similar manner to the Board of Trustees of a private sector pension fund.

The day to day running of the Teesside Pension Fund is delegated to the Director of Finance of Middlesbrough Council who is responsible for implementing the strategies and policies set by the Pension Fund Committee. Supporting the Director is the Head of Pensions Governance and Investments who oversees two groups: The Pensions Administration Team is responsible for the calculation and payment of pension benefits and for looking after employer interests in the Fund. This function is currently outsourced and is delivered by XPS Administration. The Pensions Governance and Investments Team manages the investment of the Fund in conjunction with the advice of the Fund's external Investment Advisors, as well as providing support to the Pension Fund Committee and Teesside Pension Board.

The Teesside Pension Fund Committee

Committee membership and meeting attendance during the year 2023/24

	Members (all have voting rights)	28/06/2023	27/09/2023	13/12/2023	13/03/2024
Middlesbrough Council	Councillor Julia Rostron (Chair)	✓	✓	✓	✓
	Councillor Jill Ewan (Vice-Chair)	✓	✓		✓
	Councillor John Kabuye	✓	✓	✓	✓
	Councillor David Branson	✓	✓	✓	✓
	Councillor David Coupe	✓	✓	✓	
	Councillor Theo Furness	✓		✓	✓
	Councillor Stephen Hill	✓		✓	✓
	Councillor Tom Livingstone	✓		✓	✓
	Councillor Dennis McCabe		✓		✓

	Members (all have voting rights)	28/06/2023	27/09/2023	13/12/2023	13/03/2024
Hartlepool BC	Councillor Rachel Creevy	✓			✓
Redcar & Cleveland BC	Councillor Marian Fairley			✓	✓
Stockton BC	Councillor Jim Beall	✓	✓		
'Other' Employers Representative	Julie Flaws (Teesside University)		✓	✓	✓
Scheme Members Representative	Tony Watson (UNISON)	✓	✓	✓	✓
Scheme Members Representative	Brian Foulger (GMB)				

The committee comprises representatives from all the district councils in the former Cleveland County area as well as a representative from the other employers in the Fund and representatives from the Trade Unions. The committee held four quarterly meetings during the year.

The size and political make-up of the committee is determined annually by Middlesbrough Council, and the Councillors are then nominated by each political party. Representatives of the other district Councils are nominated by them. The 'Other Employers' representative, is chosen by election by the other employers with active members in the Fund.

Terms of Reference – Teesside Pension Fund Committee

Terms of Reference:

The Pension Fund Committee's principal aim is to carry out the functions of Middlesbrough Council as the Scheme Manager and Administering Authority for the Teesside Pension Fund in accordance with Local Government Pension Scheme and any other relevant legislation.

In its role as the administering authority, Middlesbrough Council owes fiduciary duties to the employers and members of the Teesside Pension Fund and must not compromise this with its own particular interests. Consequently this fiduciary duty is a responsibility of the Pension Fund Committee and its members must not compromise this with their own individual interests.

The Pension Fund Committee has the following specific roles and functions, taking account of advice from the Chief Finance Officer (the Strategic Director of Finance Governance and Support) and the Fund's professional advisors:

- a) Ensuring the Teesside Pension Fund is managed, and pension payments are made in compliance with the Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
- b) Ensuring robust risk management arrangements are in place.
- c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Teesside Pension Fund.
- d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:

- i) Governance – approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Middlesbrough Council and making recommendations to Middlesbrough Council about any changes to that framework.
 - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.
 - iii) Investment strategy - approving the Fund's Investment Strategy Statement and Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.
 - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.
 - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.
 - vi) Discretions – determining how the various administering authority discretions are operated for the Fund.
- e) Monitoring the implementation of these policies and strategies on an ongoing basis.
 - f) In relation to the Border to Coast; the asset pooling collaboration arrangements:
 - i) Monitoring the performance of the Border to Coast and recommending actions to the Border to Coast Joint Committee, The Mayor or his Nominee (in his role as the nominated person to exercise Shareholder rights and responsibilities), Officers Groups or Border to Coast, as appropriate.
 - ii) Undertake the role of Authority in relation to the Inter Authority Agreement, including but not limited to:
 - Requesting variations to the Inter Authority Agreement
 - Withdrawing from the Inter Authority Agreement
 - Appointing Middlesbrough Council officers to the Officer Operations Group.
 - g) Considering the Fund's financial statements and the Fund's annual report.
 - h) Selection, appointment, dismissal and monitoring of the Fund's advisors, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, independent professional advisors and AVC provider.
 - i) Liaison with internal and external audit, including providing recommendations in relation to areas to be covered in audit plans, considering audit reports and ensuring appropriate changes are made following receipt of audit findings
 - j) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
 - k) Agreeing the terms and payment of bulk transfers into and out of the Fund.
 - l) Agreeing Pension Fund business plans and monitoring progress against them.
 - m) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
 - n) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
 - o) Receiving ongoing reports from the Chief Finance Officer, the Head of Pensions Governance and Investments and other relevant officers in relation to delegated functions.

Teesside Pension Board

The Public Service Pensions Act 2013 introduced a requirement for public service pension schemes to have pension boards. The pension board for the Teesside Pension Fund is the Teesside Pension Board. The Teesside Pension Fund Committee is still the sole decision-making body for the Fund, whereas the Teesside Pension Board assists Middlesbrough Borough Council, as the Administering Authority, to:

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

The Teesside Pension Board is made up of six voting members as follows:-

3 employer representatives; and 3 scheme member representatives.

Teesside Pension Board membership and meeting attendance during the year 2023/24

	Members (all have voting rights)	17 April 2023	11 September 2023	13 November 2023	26 February 2024
Employer representative (Middlesbrough Council)	Councillor Stefan Walker <i>Chair for first meeting</i>	✓			
Scheme member representative (UNISON)	Paul Thompson <i>Deputy Chair for first meeting, Chair from 11/09/23</i>	✓	✓	✓	✓
Scheme member representative (UNISON)	June Stubbs	✓			✓
Scheme member representative (pensioner)	Jeffrey Bell	✓	✓	✓	✓
Employer representative (Redcar & Cleveland Council)	Councillor William Ayre				
Employer representative (Hartlepool Council)	Councillor Martin Dunbar				
Employer representative (Redcar & Cleveland Council)	Councillor Christopher Massey <i>Deputy Chair from 11/09/23</i>		✓		✓
Employer representative (Middlesbrough Council)	Councillor Nicky Walker			✓	✓

Pension Fund Committee and Teesside Pension Board Training

All Pension Fund Committee members are invited to annual refresher training covering the investment governance and administration of the Fund. All Pension Fund Committee and Teesside Pension Board members attend induction training, either as part of a small group or on a one-to-one basis prior to their first meeting.

Other training was carried out during the year by Committee and Board members as follows:

Border to Coast Annual Conference investment training 27th September 2023 – Cllrs Coupe, Ewan and Kabuye from the Pension Fund Committee and Mr Thompson from the Teesside Pension Board

Border to Coast training update meeting with Pension Fund Committee and Teesside Pension Board covering future strategy approach – 25th October 2023.

Border to Coast Responsible Investment Workshop attended by Chair and Vice Chair on 14th November 2023

The regular Committee and Board meetings provide an opportunity for ongoing training throughout the year as shown below:

Pension Fund Committee	Training opportunities
Date of Meeting	
28 th June 2023	Market-related updates from Border to Coast and the Independent Investment Advisors. A focus on UK Real Estate (with input from Border to Coast and CBRE) together with pensions administration updates.
27 th September 2023	Market-related updates from Border to Coast and the Independent Investment Advisors. Update on Government LGPS consultation. A funding level update from the Scheme Actuary with relevant context. The draft Pension Fund Annual Report and Accounts. Pensions administration updates.
13 th December 2023	Market-related updates from Border to Coast and the Independent Investment Advisors. Update on Government LGPS consultation.
13 th March 2024	Market-related updates from Border to Coast and the Independent Investment Advisors. Pensions Regulator Code of Practice. Pension Fund Business Plan.

Teesside Pension Board	Training opportunities
Date of Meeting	
17 th April 2023	Update on recent Committee meetings. Pension Fund Business Plan. Teesside Pension Board Annual Report. Update on Workplan Items – Communications Policy. 31 March 2022 Final Actuarial Valuation Report. Pension administration updates.

Teesside Pension Board Date of Meeting	Training opportunities
11 th September 2023	Update on recent Committee meetings. Pooling Consultation. Update on Workplan Items – Pension Board training review, conflicts of interest. Pension administration updates
13 th November 2023	Update on recent Committee meetings. Update on Workplan Items – draft Annual Pension Fund Report and Accounts 2022/23. Pension administration updates
26 th February 2024	Update on recent Committee meetings. Update on Workplan Items – Internal Controls and Managing Risk, Cyber Security. Pooling consultation. Pensions Regulator Single Code of Practice. Pension administration updates

In addition, all Committee and Board members have access to the LGPS On-Line Learning Academy, a series of short videos designed to cover the range of knowledge and understanding Committee members are expected, and Board members are required to acquire and maintain.

Pension Fund Committee and Teesside Pension Board Activity

During the year the Pension Fund Committee met four times. Each meeting included:

- An investment activity report, detailing how the Fund was implementing its strategic asset allocation, and including trades carried out during the quarter, a fund valuation and details of returns on cash investments.
- Reports from Border to Coast and State Street Global Advisors including Environmental Social and Governance reports in relation to the Fund's investments with both these managers.
- A presentation from Border to Coast (our pooling company partner), typically highlighting topical investment issues.
- A presentation from the Fund's direct property manager CBRE detailing performance, market-related issues and any trading during the past quarter.
- Presentations from the Fund's two independent investment advisors giving their views on investment markets, the Fund's performance and any investment strategy recommendations.
- A presentation from XPS Administration setting out relevant current issues in pensions administration as well as providing statistics on activity and performance against targets.

Other issues considered during the year included:

- A 'whole of Fund' valuation update, taking into account changing market conditions, in particular the significant increase in interest rates.
- Details of government consultation on the future of the LGPS.
- Updates on progress of some of the Fund's local investments.

- A paper to consider whether to transfer the Fund's directly-held property assets to be managed by Border to Coast.
- Updates to Border to Coast's Responsible Investment Policy, Corporate Governance & Voting Guidelines and Climate Change Policy.
- The Pensions Regulator's General Code of Practice including a gap analysis to identify the degree of compliance the Fund has to the Code and an action plan to address any gaps.
- The draft Pension Fund Annual Report and Accounts for 2022/23
- The Pension Fund's Business Plan for 2023-26

During the year the Teesside Pension Board met four times. Each meeting included:

- Reports and feedback from recent Pension Fund Committee meetings
- Reports and updates in relation to the Teesside Pension Board's work plan – a rolling schedule designed to ensure the Board keeps its focus on key Local Pension Board areas identified within statutory (and other) guidance.
- A presentation from XPS Administration setting out relevant current issues in pensions administration as well as providing statistics on activity and performance against targets.

Other issues considered during the year included:

- The final valuation report in respect of the 31 March 2022 actuarial valuation.
- Details of government consultation on the future of the LGPS.
- The Pensions Regulator's General Code of Practice including a gap analysis to identify the degree of compliance the Fund has to the Code and an action plan to address any gaps.
- The draft Pension Fund Annual Report and Accounts for 2022/23
- A review of standard employer and scheme member communications
- Conflicts of interest policy
- A review of training arrangements for the Board
- Internal controls and managing risk
- Cyber security

The Board produces an annual report, typically published at its April meeting. The annual report for 2023-24 can be found at page 67 of the document at the following link: [\(Public Pack\)Agenda Document for Teesside Pension Board, 08/04/2024 14:00](#)

The Pensions Landscape

All of the major public sector schemes changed radically from April 2015, with new public sector schemes established and operated in accordance with the Public Service Pensions Act 2013. This change shifted the methodology of calculation from Final Salary to Career Average for

future benefits. However, due in part to its unique 'funded' status amongst these schemes, the LGPS changed a year earlier from April 2014. Whereas the other Public Sector Pension Schemes created new schemes, the LGPS changed the method of calculation for all members from 1st April 2014. More detail on how the current LGPS compares to previous versions of the scheme is contained in the "Summary of LGPS benefits" section.

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

Changes to the limits on tax relief available for pension savings were announced which came into effect on 6 April 2023. The standard annual allowance figure increased from £40,000 to £60,000, with the tapered annual allowance increasing from £4,000 to £10,000. Lifetime allowance tax charges were removed for retirement events from 6 April 2023. However, a cap on the Pension Commencement Lump Sum (PCLS) amount remained, which broadly mirrored the LTA excess tax charge with the tax now calculated at the members marginal rate rather than 55%. This meant that annual pension payments were no longer subject to lifetime allowance charges.

The Lifetime Allowance was then abolished from 6 April 2024, with the revised regime broadly mirroring the rules from 6 April 2023. The lifetime allowance was only breached by a very small proportion of members. The increase to the annual allowance means that fewer members will face a potential tax charge in the future.

Scheme specific changes

On 1 April 2014 the new look LGPS came into force, reflecting the changes required to public sector schemes derived from the Public Service Pension Commission recommendations.

From 1 April 2014:

- The LGPS became a Career Average Revalued Earnings (CARE) scheme using price inflation – the Consumer Prices Index (CPI) as the revaluation factor (the previous scheme was a final salary scheme).
- The rate pension builds up within the main scheme is 1/49th of pensionable pay each year where the previous scheme rate was 1/60th calculated on a final salary basis.
- There is no fixed scheme pension age, instead each member's Normal Pension Age (NPA) is their State Pension Age, with a minimum of 65 (the former scheme had a fixed pension age of 65).
- Member contributions to the scheme are set at one of nine different contribution bands, between 5.5% and 12.5% of pensionable pay, set based on the level of actual pensionable pay the scheme member receives.
- There is a facility for members to choose to pay half contributions for half the pension. This is known as the 50/50 option (earlier schemes had no such option). The intention was to provide a lower cost option for members who were perhaps considering opting-out of the scheme.
- Members' benefits for service prior to 1 April 2014 are protected, including protecting the earliest age a scheme member could receive a pension without early retirement

reductions applying. Protected past service continues to be based on final salary and age 65 NPA.

Following the reformation of public service pension schemes, which were introduced to the LGPS from 1 April 2014, transitional protections were introduced for older members. In respect of the LGPS, older members received an underpin calculation where, if the benefits they would have received under the final salary scheme would be higher, these higher benefits would be awarded. In December 2018, the court of appeal ruled that younger members of the Judicial and Firefighters Pension Schemes had been unlawfully discriminated against as they did not benefit from these protections. This meant that the discrimination must be removed; this ruling is widely known as the McCloud Judgment. The Public Services Pensions and Judicial Officers Act 2022 provided the framework for the changes required and on 1 October 2023 the LGPS regulations were amended to extend the statutory underpin to all applicable members. It is worth noting that unlike other public sector schemes, most members of the LGPS receive higher benefits under the Career Average arrangement, therefore the impact on benefits across the scheme on a whole is expected to be minimal.

In September 2022 the CPI rate was at an unprecedented high of 10.1%. This increase would have applied to CARE pensions from 1 April 2023. As the closing pension in respect of Annual Allowance calculations is calculated as at 6 April, the significant increase in CARE pensions would have seen an increased level of Annual Allowance breaches across the LGPS. On 31 March 2023 the revaluation date used for career average benefits in the LGPS was changed to 6 April each year instead of 1 April. This slight technical change had no impact on the value of scheme members' benefits but prevented significant numbers of LGPS members from exceeding their 'annual allowance' and having to potentially make a tax payment.

Promoting Scheme Membership

The Fund continues to promote Scheme membership and much of this work over the past twelve months has been directed at our newer employers and employees.

Employers have a very important role to play in the operation of the pension scheme, and in giving reassurance to their employees with regards to the scheme's short and long term benefits.

A variety of methods are used here such as workplace posters, presentations and staff briefings and also employer awareness courses that assist the employer to understand and impart general knowledge of the scheme to their staff.

With more people looking towards technology these days, we have continued to promote our Member Self Service (MSS) throughout the year. This facility allows scheme members to view their pension record(s) on-line as well as being able to run their own pension calculations.

Risk management

The Investment Strategy Statement sets out the approach of the Fund in identifying, mitigating and managing risk. The Fund's primary long-term risk is that the Fund's assets do not meet its liabilities, that is, the benefits payable to its members. The aim of the Fund's investment management is to achieve the long-term target rate of return with an acceptable level of risk.

There are three key forms of risk specific to the investment of assets:

- a) That associated with security of the Fund's assets.
- b) That associated with loss of value relating to those assets.

c) That associated with the ability of those assets to provide required rates of return.

a) Security of the Fund's Assets

The Fund's Custodian, Northern Trust, holds the majority of the Fund's Assets. An agreement is in place protecting the Fund against fraudulent loss and regular checks are made by independent auditors regarding the integrity of the Custodian's systems. In addition, the Fund's Direct Property assets are registered in the name of Middlesbrough Council and the Title Deeds and documents held by the Fund's solicitors, Freeth's. Cash balances belonging to the Fund are invested in accordance with agreed criteria, which consider an appreciation of risk.

b) Asset Risk

The value of all investments can go down as well as up. Even investments in Gilts, securities issued by HM Government, are not without risk. Individual companies can cease to trade, with shareholders well down the list of creditors.

The best way to protect the Fund against asset risk is through diversification into a number of asset classes, a range of countries and a range of companies. The Teesside Pension Fund Committee ensures the Fund has sufficient diversification at their committee meetings.

c) Investment Risk

One of the Pension Fund Committee's most important duties is to make sure that the Fund has enough Assets to pay the benefits already earned by scheme members. On top of that they are looking to achieve sufficient return on those Assets to keep down the cost of building up future benefits. In order to meet these responsibilities, the Pension Fund Committee sets a performance benchmark against which they can measure the progress of the Fund's investments. Funds which outperform their benchmark can reduce costs compared with those which underperform.

For the Fund to significantly outperform its benchmark it needs to have an asset mix which is different from that of its benchmark. The more outperformance is required the greater the differences will need to be. In other words, outperformance cannot be achieved without taking risks. Measurement of risk can identify whether the risk profile is, on one hand, large enough to deliver the required relative returns or alternatively so great as to lead to the possibility of serious underperformance.

The Asset/Liability Study, carried out every three years by the Fund Actuary in conjunction with the Fund's Investment Advisors, assesses the degree of risk which the Fund needs to incorporate into its investment strategy, mainly expressed as the split between bonds and equities, in order to meet its liabilities and in particular to achieve the goal of employer contribution rates which are both low and stable.

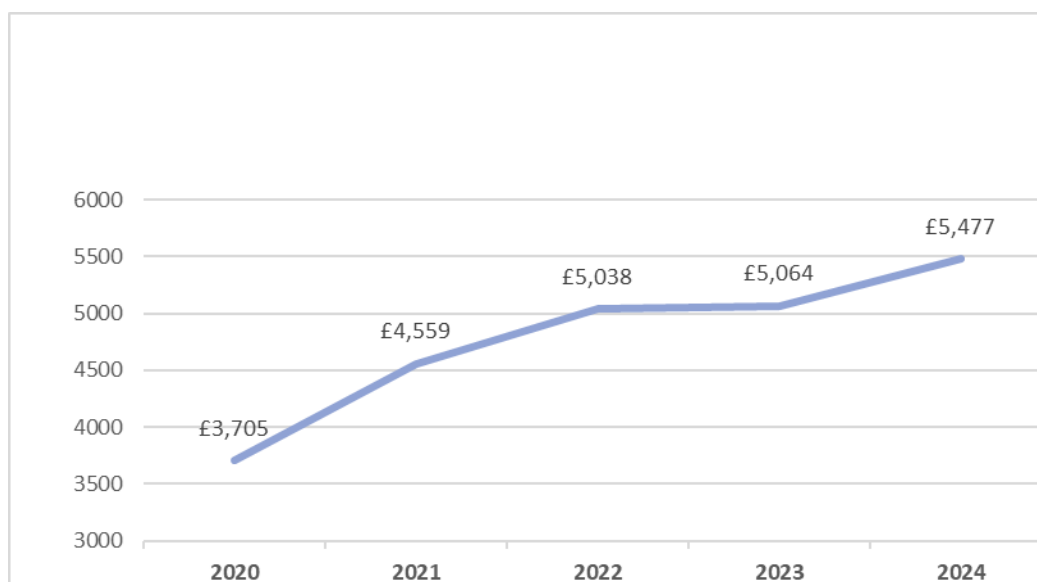
3. Financial Performance

3.1 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.

Income, Expenditure and Fund value

The Fund's Financial Statements show that the Net Asset Value has increased by 8% compared to the previous year. Over the last 4 years, from the 2020 value of £3,705 million, the value of Net Assets has increased by 48%.



Finance Performance Report

	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Fund Value at the start of the year	4,088,095	3,705,473	4,559,485	5,037,574	5,033,742
Income	152,932	117,772	153,596	164,640	186,819
Expenditure	(167,397)	(165,427)	(167,860)	(193,263)	(206,956)
Change in Market Value of Investments	(368,157)	901,667	492,353	24,791	432,846
Increase/(Decrease) in Fund during the year	(382,622)	854,012	478,089	(3,832)	412,709
Fund Value at the end of the year	3,705,473	4,559,485	5,037,574	5,033,742	5,476,607
Change in Fund Value %	(9%)	23%	10%	1%	8%

Financial Highlights

	£000	£000	£000	£000	£000
Pensions Paid	119,302	123,640	127,421	134,892	150,993
Administration Costs	2,185	1,938	2,238	2,470	2,234

Investment Management Costs	1,480	4,955	5,474	7,331	9,269
Oversight and Governance Costs	3,768	553	397	637	521

Membership

	2020	2021	2022	2023	2024
	No	No	No	No	No
Active	23,438	24,238	25,434	26,198	26,220
Deferred	23,488	23,322	26,249	27,225	28,180
Pensioner	24,651	25,366	26,212	26,915	27,813
Total	71,577	72,926	77,895	80,338	82,213

Fund Averages

	£	£	£	£	£
Fund value per member	51,769	62,522	64,671	63,032	66,615
Average Pension Paid	4,840	4,874	4,861	5,012	5,429
Total management expenses cost per member	104	102	104	130	146
Administration Cost per member	31	27	29	31	27
Investment Management cost per member	21	68	70	91	113
Oversight and Governance costs per member	53	8	5	8	6

Analytical review of the financial year

The financial performance of pension funds can vary significantly year on year - the total Fund value can undergo large movements resulting from the change in the market value of investments, and within the fund account the "net additions (withdrawals) from dealings with members" can vary due to external factors affecting the Fund itself or the principal employers within it.

The significant impact of unforeseeable and unquantifiable external factors have resulted in the policy of the administering authority not to set a budget for future periods for the Fund. It was felt that any budget would contain too many unknowable variables to be of any practical use and analysis of budget variances would contain inaccurate assumptions.

For this reason, it was felt that a much more meaningful analysis of the financial performance of the Fund could be gained from comparison with the performance in the previous year and the principal variances and movements in the financial performance of the fund in comparison with the previous year were as follows:

Summary of Analytical Review 2023/24

Fund Account	Notes	2022/23 £ ' 000	2023/24 £ ' 000	Change
Contributions and Other Income				
Employers Normal & Deficit	1	73,720	79,598	8%
Employers Additional	2	12	16	33%
Employees Normal	3	33,221	36,714	11%
Transfers in	4	4,896	8,055	65%
Capital Costs of Early Retirements	5	1,578	1,255	(20%)
Other Income		983	805	(18%)
Total Income		114,410	126,443	11%
Benefits and Other Expenditure				
Benefits	6	134,792	150,993	12%
Benefits - Basic Lump Sum	7	24,684	27,950	13%
Benefits - Lump Sums on Death		2,879	3,569	24%
Individual Transfers to other Schemes	8	8,463	11,820	40%
Administrative Expenses	11	2,470	2,234	(10%)
Investment Management Expenses	11	7,331	9,269	26%
Oversight and Governance Costs	11	637	521	(18%)
Other Expenditure	10/20	12,007	600	(95%)
Total Expenditure		193,263	206,956	7%
Return on Investments				
Dividends	13	24,838	18,101	(27%)
Rents	14	16,627	27,631	66%
Interest	15	8,765	14,644	67%
Unrealised gain / (loss) on Revaluation		54,947	432,846	688%
Total Return on Investments		105,177	493,222	369%
Net Increase in the Fund in the Year		478,089	26,712	1468%

Explanation of variances

	2022/23	2023/24	
1 Employers' Normal Contributions & Deficit contributions - £000	73,720	79,598	increase of 8%

Employers' normal contributions have increased by £6.2m, and deficit contributions have decreased by £0.1m, which has given an overall increase of £6.1m in the year.

	2022/23	2023/24	
2 Employers' Additional Contributions - £000	12	16	increase of 33%

Payments of additional contributions for authorised leave and maternity from 2022/23 to 2023/24 have increased by £0.04m.

	2022/23	2023/24	
3 Employees' Normal Contributions - £000	33,221	36,714	increase of 11%

Auto enrolment continues to make contributions to the scheme, and the ability for employees to pay 50% contributions instead of opting-out completely continues to have a positive effect for the year.

	2022/23	2023/24	
4 Transfers In - £000	4,896	8,055	increase of 65%

In 2023/24 169 transfers were received into the scheme at an average value of £47.2k, compared to 150 transfers at an average value of £32.6k in 2022/23.

	2022/23	2023/24	
5 Capital Cost of Early Retirements - £000	1,578	1,255	decrease of (20%)

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

	Number	Total Cost	Average
Hartlepool Borough Council	3	£141,215	£47,072
Middlesbrough Council	2	£177,816	£88,908
Stockton Borough Council	12	£396,635	£33,053
Redcar & Cleveland Borough Council	5	£214,276	£42,855
Total	22	£929,942	£42,270

2022/23	2023/24
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6 Benefits - £000	2022/23	2023/24	increase of 12%
	134,792	150,993	

At the year-end there were 27,813 Pensioner Members / Dependants receiving pension benefits, at an average of £5,429 a year (2022/23 26,915 receiving benefits at an average of £5,012 a year). This significant increase is a reflection of the 10.1% increase to pensions paid in April 2023 (in line with high inflation, based on the increase in the Consumer Prices Index at September 2022).

7 Benefits - Basic Lump Sum - £000	2022/23	2023/24	increase of 13%
	24,684	27,950	

There has been an increase of 13% in the value of Lump Sums paid by the Fund during the year, again partly a consequence of high inflation.

8 Individual Transfers to Other Schemes - £000	2022/23	2023/24	increase of 40%
	8,463	11,820	

Transfers out can vary quite markedly year on year depending on both numbers and the type of people transferring. For 2023/24, the individual transfers out was £11,820k (2022/23 £8,463k), an increase from the previous year. In term of numbers, the transfers out for 2023/24 were 184 (2022/23 148).

	Number	Total Cost	Average
2023/24	184	£11,820,324	£64,241
2022/23	148	£8,463,285	£57,184

9 Administrative Expenses - £000	2022/23	2023/24	decrease of (10%)
	2,470	2,234	

There has been a decrease of 10% in Administration costs in 2023/24.

10 Investment Management Expenses - £000	2022/23	2023/24	increase of 26%
	7,331	9,269	

The increase in investment management expenses reflects the continuing diversification in investments towards more expensive asset classes, such as private equity and infrastructure, and away from cheaper asset classes such as listed equities.

	2022/23	2023/24	
11 Oversight and Governance Costs - £000	637	521	decrease of (18%)

	2022/23	2023/24	
12 Other Expenditure - £000	12,007	600	decrease of 95%

The decrease in Other Expenditure is because the previous year figure included a £11.129m exit payment made when Stagecoach exited the Fund.

	2022/23	2023/24	
13 Dividend Income - £000	24,838	18,101	decrease of (27%)

	2022/23	2023/24	
14 Rent - £000	16,627	27,631	increase of 66%

The increased rent is a reflection of recent property purchases made by the Fund.

	2022/23	2023/24	
15 Interest - £000	8,765	14,644	increase of 67%

The average base rate for the year to 31 March 2024 was 5.03% (year to 31 March 2023 was 2.3%). This has increased the amount of interest received on cash deposits throughout the year, despite the decrease in overall cash levels.

	2022/23	2023/24	
16 Investments - £000	4,723,162	5,269,637	increase of 12%

Investment values for the portfolio showed a 12% increase in value, up by £546 million for the year.

	2022/23	2023/24	
17 Cash - £000	334,350	196,505	decrease of (41%)

Cash levels have decreased over the year and are now back to more typical levels. This is due to several large Property purchases and continued investment into new funds for example Other Debt. Also continued investments in Private Equity, Infrastructure and Other Alternatives.

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Amounts due to the Fund from Employers

	2022/23 £ ' 000	2023/24 £ ' 000
Current Assets		
Contributions in Respect of Employers	5,698	6,823
Contributions in Respect of Members	2,612	3,102
	<u>8,310</u>	<u>9,925</u>

The Contributions due are in respect of March 2024 and were received in April 2024.

Payment of Contributions to the Fund

Employers are required to pay employers and employees contributions to the Fund within 19 days of the end of the month to which they relate. The payment of contributions is monitored for timeliness and accuracy of payment.

Analysis of Contributions received

Total number of Contribution payments received	<u>1,674</u>
Number received late	<u>70</u>

The following table shows the late payment history for 2023/24 :-

Number of days payment was late	Number of late payments	Percentage of late payments
Less than 10	40	57.14%
Between 10 and 19	10	14.29%
Between 20 and 29	8	11.43%
Between 30 and 39	5	7.14%
More than 40	7	10%
Total	70	100.0%

Analysis of Contribution rates and amounts received 2023/24

Employer	Body	Employers Rate %	Employees £000	Employers £000
Ad Astra Academy Trust	S	17.5%	-280	-844

All Saints Academy	S	17.5%	-49	-136
Ash Trees Academy	S	17.5%	-63	-187
Badger Hill Academy	S	17.5%	-15	-44
Beamish Museum Ltd	A	15.7%	-175	-422
Beyond Housing	A	22.8%	-413	-1,463
Bikeability – Middlesbrough BC	A	17.7%	-2	-3
Bikeability – Stockton BC	A	17.9%	-1	-2
Billingham Town Council	A	17.7%	-8	-24
Bulloughs Cleaning Services	A	17.9%	-4	-12
Bulloughs Cleaning Services - VALT	A	17.9%	-11	-26
Business and Enterprise North East Ltd	A	24.5%	-1	-26
Caldicotes Primary Academy	S	17.5%	-13	-43
Care and Custody Health Ltd	A	19.4%	-5	-14
Care Quality Commission	A	17.9%	-845	-1,942
Carmel Education Trust	S	17.5%	-467	-1,418
Catcote Academy	S	17.5%	-131	-391
Caterlink - RCBC	A	28.2%	-2	-10
Caterlink - St Oswald's	A	27.9%	-3	-17
Churchill's (Collaborative Trust)	S	33.0%	0	0
Churchill's (Outwood Grange)	S	20.6%	-4	-12
Cleaning & Support Services (LLT)	A	15.2%	-5	-16
Cleveland College of Art and Design	S	15.7%	-213	-302
Cleveland Fire Brigade	S	14.3%	-280	-616
Conyers School	S	17.5%	-175	-528
Creative Management Services (Galileo)	A	29.4%	-12	-37
Creative Management Services Ltd	A	29.4%	-1	-6
Dolce - Rift House	A	17.5%	-1	-2
Dolce LLT	A	17.5%	-5	-17
Dyke House Academy	S	17.5%	-97	-278
Easterside Academy	S	17.5%	-38	-114
Eden Academy Trust Limited	S	17.5%	-83	-266
Egglescliffe Primary School	S	17.5%	-11	-35
Emmanuel Schools Foundation	S	17.5%	-81	-244
Endeavour Academies Trust	S	17.5%	-149	-432
Enquire Learning Trust (Central)	S	17.5%	-123	-248
Extol Academy Trust (Eldon Grove)	S	17.5%	-152	-455
Fabrick Housing Group	A	17.5%	-919	-2,996
Falcon Education Academies Trust	S	17.5%	-31	-92
Frederick Nattrass Primary Academy	S	17.5%	-24	-70
Freebrough Academy	S	17.5%	-55	-162
Future Regeneration of Grangetown	A	32.6%	-2	-10
Galileo Multi Academy Trust	S	17.5%	-231	-684
Grangefield Academy	S	17.5%	-65	-189
Green Lane Primary Academy	S	17.5%	-19	-59
Guisborough Town Council	S	17.7%	-9	-20

Hardwick Green Primary Academy	S	17.5%	-27	-81
Harrow Gate Primary Academy	S	17.5%	-38	-114
Hartlepool Borough Council	S	12.4%	-3,759	-7,306
Hartlepool College of Further Education	S	15.7%	-195	-515
Hartlepool Sixth Form College	S	15.7%	-23	-64
High Clarence Primary	S	17.9%	-12	-35
Holy Trinity Primary School	S	17.5%	-14	-43
Horizons Specialist Academy Trust	S	17.5%	-325	-942
Hutchison Catering - AET	A	38.9%	-8	-63
Hutchison Catering - Extol	A	38.9%	0	-3
Ingleby Barwick Town Council	A	17.7%	-3	-9
Ingleby Manor Free School & Sixth Form	S	17.5%	-42	-120
Ironstone Academy Trust - Ormesby Primary School	S	17.5%	-13	-42
Ironstone Academy Trust - Zetland Primary School	S	17.5%	-26	-59
James Cook Learning Trust	S	17.5%	-29	-87
Kader Academy	S	17.5%	-24	-72
KTS Academy	S	17.5%	-88	-273
Legacy Learning Trust	S	17.5%	-258	-768
Liberata UK Ltd	A	0.0%	-52	0
Lingfield Academy Trust	S	17.5%	-172	-338
Lockwood Parish Council	S	17.7%	-2	-3
Loftus Town Council	S	17.7%	-4	-11
Manor Community Academy	S	17.5%	-74	-220
Mbro and Stockton Mind	A	28.7%	-3	-13
Mellors Catering Ltd - Dormanstown	A	28.0%	0	-1
Mellors Catering Services Ltd (Central)	A	17.9%	-1	-3
Mellors Catering Services Ltd (Normanby)	A	17.9%	-3	-11
Mellors Ironstone	S	39.1%	-3	-8
Mellors Riverdale	A	18.6%	0	-1
Mellors Skelton	A	38.5%	-1	-33
Melrose Learning Trust	S	17.5%	-82	-243
Middlesbrough College	S	15.7%	-419	-1,033
Middlesbrough Council	AA	11.5%	-5,616	-10,059
Mitie Cleveland Fire	S	25.7%	-1	-5
NEAT Academy Trust	S	17.5%	-70	-147
Nicholas Postgate Catholic Academy Trust	S	17.5%	-991	-1,540
NMRN Trading	A	28.1%	-2	-8
Normanby Primary School	S	17.5%	-64	-107
North East Learning Trust	A	17.5%	-58	-171
North Ormesby Primary Academy	S	17.5%	-18	-53
North Shore Academy	S	17.5%	-58	-167
Northern Lights Learning Trust	S	17.5%	-260	-158
Norton Primary Academy	S	17.5%	-31	-90
Nunthorpe Academy	S	17.5%	-99	-285
Nunthorpe Primary Academy	S	17.5%	-18	-56

Oak Tree Primary Academy	S	17.5%	-32	-96
Oakdene Primary School	S	17.5%	-22	-66
One IT Services and Solutions Ltd	A	18.7%	-55	-127
One IT Services Ltd - Porter	A	15.9%	-2	-6
ONsite Building Trust	A	28.3%	-3	-14
Our Children 1st Academy Trust	S	17.5%	-46	-142
Outwood Academy Acklam	S	17.5%	-86	-260
Outwood Academy Bishopsgarth	S	17.5%	-61	-183
Outwood Academy Bydales	S	17.5%	-37	-108
Outwood Academy Normanby	S	17.5%	-84	-248
Outwood Academy Ormesby	S	17.5%	-60	-180
Outwood Academy Redcar	S	17.5%	-52	-157
Outwood Riverside	S	17.5%	-41	-122
Overfields Primary School	S	17.5%	-17	-50
Pentland Academy	S	17.5%	-30	-91
Police & Crime Commissioner for Cleveland	S	15.0%	-130	-183
Prince Regent Street Trust	S	17.5%	-106	-319
Redcar & Eston CIC	A	17.9%	-12	-33
Redcar and Cleveland Borough Council	S	10.2%	-4,111	-6,490
River Tees Multi Academy Trust	S	17.5%	-121	-243
Riverdale Primary School	S	17.5%	-11	-35
Rose Wood Academy	S	17.5%	-29	-88
Saltburn, Marske & New Marske Parish Council	S	17.7%	-3	-9
Samsic UK - Green Lane (LLT)	A	18.9%	-1	-1
Skelton and Brotton Parish Council	A	17.7%	-4	-11
Skelton Primary School	S	17.5%	-33	-95
SLM Charitable Trust (MBC)	A	11.5%	-50	-89
SLM Community Leisure Charitable Trust	A	13.3%	-27	-59
SLM Fitness & Health Ltd (MBC)	A	11.5%	-4	-8
SLM Fitness and Health Ltd	A	13.3%	-3	-7
SLM Food & Beverage Ltd (MBC)	A	11.5%	-1	-3
SLM Food and Beverage Ltd	A	13.3%	-2	-4
South Tees Development Corporation	S	16.3%	-88	-160
St Aidan's Primary School	S	17.5%	-22	-65
St Francis of Assisi	S	17.5%	-25	-76
St Mark's Academy	S	17.5%	-44	-130
St Mary's CE Primary School	S	17.5%	-8	-25
St_Mary's Catholic Voluntary Primary Academy	S	17.5%	-1	-2
Steel River Academy Trust	S	17.5%	-94	-287
Stockton Borough Council	S	13.1%	-6,143	-12,641
Taking Care	A	13.1%	-6	-11
Tascor Services Ltd - PFI	A	18.0%	-1	-2
Tees Active Limited	A	18.2%	-93	-251
Tees Valley Collaborative Trust	S	17.5%	-161	-459
Tees Valley Combined Authority	S	16.6%	-434	-1,000

Tees Valley Education Trust	S	17.5%	-148	-440
Teesside University	S	16.5%	-2,792	-6,694
Teesville Primary School	S	17.5%	-16	-49
The Chief Constable for Cleveland	S	15.0%	-2,040	-4,637
The Education Training Collective	A	15.7%	-496	-1,257
Thornaby Academy NET	S	17.5%	-11	-32
Thornaby C of E Primary	S	17.5%	-24	-73
Thornaby Town council	S	17.7%	-4	-3
Unity City Academy	S	17.5%	-75	-218
Veritau Tees Valley	A	10.2%	-9	-14
Viewley Hill Academy Trust	S	17.5%	-16	-49
Vision Academy Learning Trust	S	17.5%	-357	-1,058
Ward Jackson Church of England Primary Schoo	S	17.5%	-10	-32
Whitecliffe Academy	S	17.5%	-15	-44
XPS Administration Ltd	A	11.5%	-30	-51
Yarm Primary School	S	17.5%	-18	-54
			-36,714	-79,614

Note: net rate of contribution payable by each employing Organisation for the period 1 April 2023 to 31 March 2024 under the LGPS Regulations.

Performance Monitoring

As part of our commitment to continued service improvements we operate a system of performance monitoring. The Pensions Administration system monitors the key procedures that are performed by the administration unit. Each procedure is measured against its target and monitored on a monthly basis.

Performance

The pension administration unit aim to perform 98.50% of the procedures within each target timescale. The table below highlights the performance of the administration unit against the key procedure targets.

Procedure	Target 2023/24	Achieved within timescale
Processing New Starters	20 days from receipt	100%
Processing Transfer Values (TV's)	10 working days from the date of notification	100%
Refund of Contributions	10 working days from the request date	100%
Estimates of Benefit Entitlements	10 working days from date of request	99.77%
Pension benefits	10 working days from the receipt of all relevant information	99.57%
Deferred Benefits	10 working days from notification of leaving	99.95%

Key procedure volumes

The volumes of the key procedures performed by the Pensions administration unit have, reduced when compared to the previous year and are more in line with the 2021/22 levels.

Procedure	2021/22	2022/23	2023/24
Processing New Starters	4,065	2,235	1,926
Processing Transfer Values	333	563	402
Refund of Contributions	440	508	300
Estimates of Benefit Entitlements	2,297	4,702	2,211
Pension benefits	1,480	1,807	2,761
Deferred Benefits	1,759	3,808	1,975
Deaths	499	514	446
Divorces	141	133	170
General Enquiries	1,348	1,420	926
Total	12,362	15,690	11,117

Actuarial Valuation of the Fund

Every three years the Fund is required to appoint a suitably qualified actuary to assess solvency and to measure the level of assets compared to liabilities. This process is known as a valuation and the most recent one, carried out by the actuarial firm Hymans Robertson valued the Fund as at 31 March 2022. The principal conclusions of this valuation were:

- ◆ The ongoing funding level of the Fund on 31 March 2022 was 116% (2019 – 115%).
- ◆ The surplus of assets compared to the past service liabilities was £684 million (2019 – surplus of assets compared to past service liabilities £527 m).
- ◆ The average cost of accruing benefits payable by the employers, including administration expenses and lump sum death in service benefits, is 9.7% of pensionable pay (2019 – 17.2%).
- ◆ Employers will pay revised levels of contributions that will take in to account their specific circumstances and having regard to the principles set out in the funding strategy statement. Some employers will continue to pay lower contributions to take into account distribution of some of the surplus in the Fund identified at the previous valuation. The total aggregate Employer contribution rates to the Fund are anticipated to be 14.4% of Pay (2023/2024), 14.7% of Pay (2024/2025) and 5.3% of Pay (2025/2026).

Membership

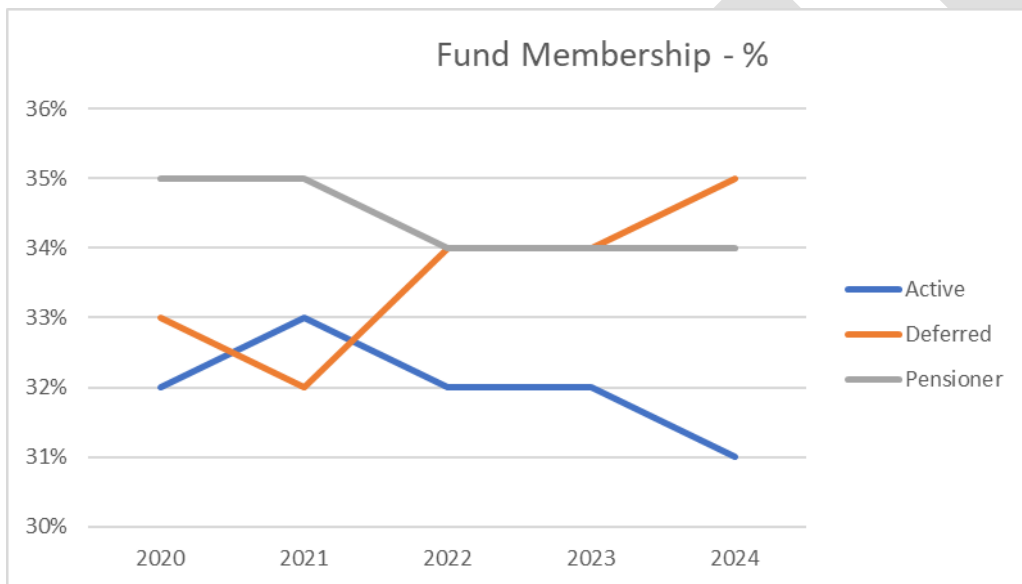
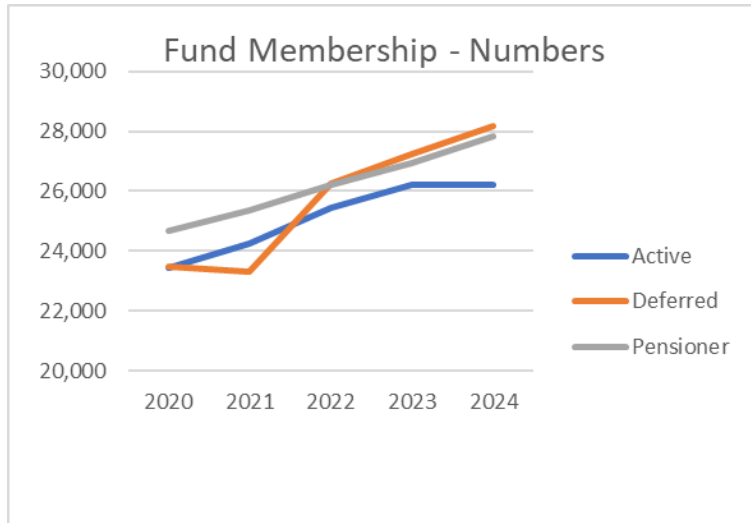
In 2023/24 financial year the total membership of the Fund increased by 1,875 to the current total of 82,213.

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



Membership Numbers

	2020	2021	2022	2023	2024
Active	23,438	24,238	25,434	26,198	26,220
Deferred	23,488	23,322	26,249	27,225	28,180
Pensioner	24,651	25,366	26,212	26,915	27,813
Total	71,577	72,926	77,895	80,338	82,213



Summary of Membership Changes

	Active Members	Deferred Members	Pensioners		Total
			Members	Dependants	
At 1 April 2023	26,198	27,225	23,540	3,375	80,338
Adjustments	29	431	138	(3)	595
New Members	2,257	1,469	1,262	234	5,222
Change in Status	(156)	(38)	(51)	(1)	(246)
Leavers	(2,108)	(907)	(505)	(176)	(3,696)
At 31 March 2023	26,220	28,180	24,384	3,429	82,213
% of Total at 31 March 2024	31.9%	34.3%	29.7%	4.2%	100.0%

The active admission date of 21 new employers commence during the 2023/2024 year. Admissions are either completed or in the process of being finalised. Of these 21, 6 were Scheduled and 15 Admitted Bodies. 8 employers left the fund, which means as at year end there were 157 employers in the Fund. Some employers which ceased were due to Academy moves/mergers.

Internal Dispute Resolution Procedure

In the first instance the member should contact the Teesside Pension Fund at the address shown at the end of the Annual Report. We will send a detailed guide explaining the Internal Dispute Resolution Procedure (IDRP) and how the appeal process will be handled. Any appeal must, ordinarily, be made within six months of receipt of the notification of the decision which is being disputed.

The initial review (stage 1) of each case is conducted by a person nominated by the body who made the decision (the ‘adjudicator’). Where an appeal concerns the employer’s decision, the adjudicator is an individual nominated by that employer, if the appeal is about the calculation of benefits, it will be reviewed by the adjudicator for the Teesside Pension Fund.

If, after the initial review, the member is still dissatisfied with the decision, they can apply via the second stage of the process to have decision reconsidered. This application must be made within six months of the receiving the decision of the initial review. At the second stage, if the appeal concerns an employer decision, it is reviewed by the Teesside Pension Fund. If the appeal concerns the administrator, then an independent third party pension specialist is appointed.

If the member is still not satisfied following the second stage decision, an appeal can be made to the Pensions Ombudsman.

Details of IDRP cases processed in the year

	Stage 1	Stage 2
Cases raised in 2023/2024	7	3
Cases completed in 2023/2024	6 (of which 2 were raised in prior year)	3

Fund account, net assets statement and notes

Financial Statements

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Statement of Responsibilities for the Financial Statements – Teesside Pension Fund

Statement of Responsibilities

Middlesbrough Council Responsibilities

The Council is required to:

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

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 and Net Asset Statements

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
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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 loss was XXX and unrealised gain was XXX. 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. There are no transaction costs during the year. (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
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Other investment balances

31 March 2023 £'000		31 March 2024 £'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 Opportunties 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
		£'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	Region	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	Region	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)

Draft

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
Future Pensioners*	21.9 years	25.5 years

*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 \(teespen.org.uk\)](#)

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:

<https://www.teespen.org.uk/about-us/governance-policy>

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:

<https://www.teespen.org.uk/about-us/communications-policy/>

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%

Investments and Funding

Asset Allocation Strategy – Investment Strategy Statement

The Investment Strategy Statement sets out how the Fund plans to invest its assets. This strategy is set for the long term and is reviewed every 3 years as part of the Fund's Asset/Liability study to ensure that it remains appropriate to the Fund's liability profile. As part of the strategy the Administering Authority has adopted a strategic benchmark representing the mix of assets best able to meet the long-term liabilities of the Fund. As of 31 March 2024, the actual assets compared to the benchmark as follows.

	Pension Fund at 31/03/2024	Pension Fund Target Strategic Allocation	Investment Strategy Statement Max	Investment Strategy Statement Min
UK Equities	11.2%	10%	80%	40%
Overseas Equities	49.7%	45%		
Property	9.9%	10%	15%	5%
Private Equity	10.2%	5%	10%	0%
Other Alternatives	3.5%	5%	10%	0%
Bonds / Other Debt / Cash	5.8%	15%	45%	5%
Infrastructure	9.7%	10%		
	100%	100%		

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

The value of the Teesside Fund at 31 March 2023 was £5.064 billion, an increase of approximately £26 million on the year. The Fund is invested in a wide range of assets. This meets the requirement to have diversification of investments in a fund, so that too great a concentration of investments in one asset class does not expose the Fund to risk of underperformance should that particular asset class perform badly.

The percentage amount invested in each asset class is shown below:

	Teesside Pension Fund at 31/03/2022	Teesside Pension Fund at 31/03/2023	Teesside Pension Fund Benchmark	Investment Strategy Statement Max	Investment Strategy Statement Min
UK Equities	12.14%	12.81%	10%	80%	40%
Overseas Equities	47.77%	48.42%	45%		
Alternatives	16.10%	22.84%	25%	20%	10%
Property	7.86%	9.27%	10%	20%	10%
Bonds	0.00%	0.00%	0%	40%	2%
Cash	16.13%	6.66%	10%		
	100.00%	100.00%	100%		

The largest 10 holdings (excluding direct property and cash), which make up 66.18% of the value of the portfolio as at 31 March 2024 are:

Security Description	% of Total Investments	Market value £'000
BORDER TO COAST OS DEV M-AA GBP	33.52%	1,833,038
BORDER TO COAST UK L E-AAGBP	11.21%	612,789
SSGA MPF PAC BASIN EX-JAPAN INDEX	6.15%	336,531
BORDER TO COAST EMERGING MARKET HYBRID FUND	3.94%	215,331
SSGA MPF EUROPE EX UK SUB-FUND	2.75%	150,452
SSGA MPF JAPAN EQUITY INDEX	2.41%	131,803
BORDER TO COAST PRIVATE EQUITY SERIES 1A	1.99%	108,860
BORDER TO COAST INFRASTRUCTURE SERIES 1A	1.60%	87,377
JP MORGAN IIF UK LP	1.51%	82,651
BORDER TO COAST INFRASTRUCTURE SERIES 2A	1.09%	59,803
	66.18%	3,618,634

INVESTMENT MANAGERS / INVESTMENTS

As at 31 March 2024 the market value of the fund was allocated to the following investment managers / investments:

Manager / Investment	Asset class	Market Value £'000	% of Fund
Border to Coast Pensions Partnership	Overseas Equities	2,048,369	37.46%
	UK Equities	612,789	11.21%
	Alternatives	455,056	8.32%
State Street Global Advisors	Overseas Equities	668,014	12.22%
CBRE - Direct Property Portfolio	Property and Property Debt	484,300	8.86%
Internal Team	Cash	198,625	3.63%
	UK Equities	2,005	0.04%
	Overseas Equities	8	0.00%
LGT Capital Partners	Alternatives	117,939	2.16%
Darwin Alternatives	Alternatives	112,140	2.05%
Gresham House	Alternatives	84,393	1.54%
JP Morgan IIF UK LP	Alternatives	82,651	1.51%
Access Capital Partners	Alternatives	75,328	1.38%
Capital Dynamics	Alternatives	75,121	1.37%
Unigestion	Alternatives	70,464	1.29%
Blackrock Fund Managers Ltd	Alternatives	55,109	1.01%
Insight Investments	Alternatives	50,656	0.93%
Pantheon Ventures (UK)	Alternatives	49,907	0.91%
Hermes	Alternatives	18,151	0.33%
	Property and Property Debt	15,369	0.28%
Aberdeen Standard Life	Property and Property Debt	28,463	0.52%
Innisfree	Alternatives	26,419	0.48%
Hearthstone	Alternatives	25,557	0.47%
Ancala	Alternatives	18,632	0.34%
Greyhound Retail Park	Property and Property Debt	18,575	0.34%
Titan Preston East	Property and Property Debt	16,167	0.30%
St Arthur Homes	Property and Property Debt	13,871	0.25%
GB Bank Ltd	Alternatives	12,000	0.22%
La Salle	Alternatives	10,184	0.19%
Foresight Group	Alternatives	8,599	0.16%
Legal & General	Property and Property Debt	6,378	0.12%
CCLA Investment Management Limited	Property and Property Debt	3,790	0.07%
Threadneedle	Property and Property Debt	3,234	0.06%
Total		5,468,262	100.00%

PERFORMANCE

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

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

In the year 2023/2024 the Fund achieved a return of 10.4% compared to our benchmark return of 9.0 %.

In the three-year period to 2022/2023 the Fund achieved a return of 8.0% per annum compared to our benchmark return of ---%.

In the five-year period to 2022/2023 the Fund achieved a return of 8.0% per annum compared to our benchmark return of ---%.

In the ten-year period to 2022/2023 the Fund achieved a return of 8.1% per annum compared to our benchmark of ---%.

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

Asset class	Performance measurement period					
	One Year					
	Fund return	Benchmark return	Excess			
UK Equities	7.3%	8.4%	-1.1%			
Overseas Equities	18.3%	16.1%	2.2%			
Property	6.6%	5.2%	1.4%			
Alternatives	0.6%	4.2%	-3.6%			
Cash	5.5%	5.0%	0.5%			
Total Fund	10.4%	9.0%	1.4%			

Asset class	Performance measurement period					
	Five Years			Ten Years		
	Fund return	Benchmark return	Excess	Fund return	Benchmark return	Excess
UK Equities						
Overseas Equities						
Property						
Alternatives						
Cash						
Total Fund						

The benchmarks used for each asset class and for the total Fund are as follows:

Asset Class	Benchmark
UK Equities	FTSE All Share Index
Overseas Equities	10% FTSE All Share Index 12% FTSE North America ex Controversies ex CW Index 11% FTSE Dev Europe ex UK ex Controversies ex CW Index 12% FTSE Dev Asia Pacific Ex Japan Index 5% FTSE Japan ex Controversies ex CW Index 5% FTSE Emerging Markets Index
Alternatives	Actuary rate of return: +4.25%
Cash	SONIA
Total Fund Benchmark	10% FTSE All Share Index 12% FTSE North America ex Controversies ex CW Index 11% FTSE Dev Europe ex UK ex Controversies ex CW Index 12% FTSE Dev Asia Pacific Ex Japan Index 5% FTSE Japan ex Controversies ex CW Index 5% FTSE Emerging Markets Index 10% SONIA 2% SONIA 25% Absolute Return +4.25% 8% Teesside Total Bond Composite 50.0% FTSE All Stocks Gilt Index 37.5% FTSE All Stocks Gilt Index 12.5% FTSE Over 5 Year Index-Linked Gilts Index

Ordinarily, the key to good performance is to get the big asset allocation decisions right. The weightings between equities and bonds in particular will go a long way to determining the fund performance. The Teesside Fund continues to be under-represented in bonds when compared to our customised benchmark and other Funds. Central Bank policies

and their programmes of quantitative easing have helped bonds performance over past years, continuing a “bull-run” in bond prices lasting over two decades. The significant rises in interest rates and bond yields over the recent period have impacted bond prices and made them relatively more affordable. The Fund will continue to work with its advisors to assess the situation and determine whether or when to return to investing in bonds.

The Teesside Fund continues to invest for long term returns in order to remain fully funded and continue to meet its future liabilities. The Fund continues to promote the view that the best way for the Fund to achieve the level of returns required to meet the liabilities of the Fund is to invest in growth assets over protection assets.

The Fund’s position regarding risk monitoring and risk control is set out in the Investment Strategy Statement, which can be viewed on-line at <https://www.teespen.org.uk/>. This is principally concerned with the three forms of risk:

- that associated with security of the Fund’s assets,
- that associated with loss of value relating to those assets, and
- that associated with the ability of those assets to provide the required rates of return.

As some of the Fund is managed on an in-house basis, appropriate measures are in place to manage investment risk and the Director of Finance determines the limits on delegation to individual managers.

INVESTMENT POOLING

In the July 2015 Budget the Chancellor announced the Government’s intention to work with the LGPS administering authorities to ensure that investments were pooled while maintaining overall investment performance. The criteria for developing proposals were set in November 2015:

- Asset pools achieve the benefits of scale (£25 billion as a minimum).
- Strong governance and decision making.
- Reduced cost and excellent value for money, with savings made across the LGPS.
- Improved capacity to invest in infrastructure.

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

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

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

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

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

During 2022/23 the Fund committed further investment in Border to Coast's private market funds – private equity and infrastructure and made an initial investment in the newly launched climate opportunities fund – expected to invest in private markets in a low carbon way.

During 2023/24 the Fund paused further commitments to Border to Coast's private market funds as invested amounts were quickly reaching or exceeded those set out in the Investment Strategy Statement.

Although savings are expected over the medium to long term, there are costs associated with setting up and running Border to Coast and transferring assets to be managed by the new company. During 2019/20, the Fund incurred costs of £1.6 million setting up, transferring assets to, and funding the ongoing management of assets by Border to Coast. During 2020/21, the Fund paid £1.642 million in investment management fees to Border to Coast. During 2021/22 the Fund paid £1.775 million in investment management fees to Border to Coast.

Before pooling the Fund was principally internally managed, meaning the Fund's investment team directly traded assets such as equities and bonds instead of appointing external investment managers to do this. Consequently, the Fund had very low costs for investing in public markets, costs which would inevitably increase if the investment was carried out by an external manager, even one as low-cost as Border to Coast. However, pooling brought other potential advantages to the Fund, such as greater operational resilience and an opportunity to benefit from greater resource in areas such as Responsible Investment. From a financial cost / benefit perspective, pooling also offered the opportunity to deliver reduced fees as external fund managers repositioned their pricing for a world where the LGPS would operate more collectively. Border to Coast has also been able to negotiate better pricing from private markets investment managers, and as the Fund changes its asset mix to included more of these types of investments the cost / benefit balance will become more favourable. Information collated by Border to Coast suggest that 2023/24 was the second year that the Fund is showing a small net financial gain in respect of asset pooling and that with another four or five years the Fund will have made a net cumulative financial gain from pooling, purely considering investment costs.

Pooling Savings / Costs

Border to Coast has worked with the Partner Funds to gather data, agree assumptions, and build a savings model and process that will enable consistent reporting against this key metric going forward. This supports one of the original objectives of pooling i.e., to reduce costs and deliver value for money. Savings from future launches are not included and the level of savings should grow over the long term as further funds are developed or as additional investments are made to existing Border to Coast propositions. The table below shows the position to 2023/24:

	Total to 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m	£m
Border to Coast - Set up and Operating Costs	1.07	0.42	0.53	0.57	0.58	0.43
Transition Costs	1.61	-	-	-	-	-
Fee savings/ costs due to pooling (reduced fees or passive management as a consequence of pooling)	0.36	0.48	0.42	0.27	0.18	0.2
Border to Coast fee savings - Private markets	-	(0.14)	0.40	0.97	2.67	3.05
Border to Coast fee savings - Public markets (additional costs)	(0.10)	(0.34)	(0.89)	(2.21)	(2.48)	(2.77)
One-offs (Crossing deals)	-	-	0.02	-	-	-
Other savings (lower projected staffing costs at the Fund)	0.30	0.33	0.33	0.34	0.35	0.37
Total Fee Savings	0.56	0.33	0.27	(0.63)	0.73	0.84
Net Position	(2.12)	(0.09)	(0.26)	(1.20)	0.15	0.41
Cumulative Net Position	(2.12)	(2.21)	(2.47)	(3.67)	(3.52)	(3.11)

Pooling – Asset transfers

A summary of the progress of asset transfers to Border to Coast is set out in the table below:

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Assets Under Management: £m						
Border to Coast	1,432	1,239	2,294	2,589	2,793	3,116
Assets not currently in transition plan	2,156	1,935	916	1,421	599	683
Assets in transition plan	500	530	1,349	1,028	1,672	1,669
Total	4,088	3,704	4,559	5,038	5,064	5,468
Assets Under Management: %						
Border to Coast	35%	33%	50%	51%	55%	57%
Assets not currently in transition plan	53%	52%	20%	28%	12%	12%
Assets in transition plan	12%	14%	29%	21%	33%	31%
Total	100%	100%	100%	100%	100%	100%

By the end of 2023/24 Border to Coast had 157 employees and was managing £31.1 billion of assets (including £3.1 billion of the Fund's assets) within 17 different investment

propositions (the Fund is invested in 6 of these), and in addition had commitments of £16 billion to its alternative 'private markets' assets programme (the Fund's commitments are around £1 billion of this sum).

As part of the governance arrangements for Border to Coast and its partner funds, a Joint Committee comprising of a representative from each Pension Committee has an oversight role over the arrangements of Border to Coast. The Joint Committee includes two (non-voting) scheme member representatives nominated by the eleven Partner Funds' Local Pension Boards. The Joint Committee represents the Funds as investors in Border to Coast. Border to Coast is jointly owned by the administering authorities of the Pension Funds so there is also a shareholder role that the authorities provide - the responsibilities are defined in a shareholder agreement. Pension Fund Officers provide ongoing day-to-day oversight and work closely with Border to Coast to ensure that the company provides the necessary investment vehicles to enable the Funds to implement their investment strategies.

SHAREHOLDER GOVERNANCE

Since the 1980s the policies of the Fund have promoted the view that it is not sufficient to simply hold shares in companies in which it invests. As a responsible shareholder the Fund has sought to influence those companies on a range of issues through dialogue and by voting at AGMs in order to promote shareholder value.

All Local Authority Pension Funds are required to produce an Investment Strategy Statement (ISS) setting out the Fund's position on a range of issues, including the need to state to what extent, if any, environmental, social and governance (ESG) considerations are taken into account in the fund's investment policy and the formulation of a policy on the exercise of voting rights attached to share ownership.

The Fund's ISS can be viewed on the Fund's website www.teespen.org.uk. The ISS has been amended to take into account the recommendations of the Myners Report on Institutional Investment.

The Fund's Investment Strategy Statement states that:

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

Responsible investment aims to incorporate ESG factors into investment decisions to better manage risks and generate long term returns, as part of the Fund's fiduciary duty. As a result, ESG factors are incorporated into the investment process and the Fund takes non-financial considerations, including climate change risks and opportunities, into account when making investments, and engages with companies in which we invest to ensure that they are minimising the risks and maximising the opportunities presented by non-financial considerations, including climate change and climate policy. The Fund has not excluded any investments on purely non-financial considerations and will continue to invest in accordance with the Regulations in this regard. However, the overriding consideration for any investment

is whether it generates an acceptable risk-adjusted return for the Fund, meeting the Fund's fiduciary duty.

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

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

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

In order to pursue a policy of positive engagement, the Fund is an active member of the Local Authority Pension Fund Forum, (whose website is www.lapfforum.org) which has 87 Local Authority funds as members. Seven of the eight LGPS asset pools including Border to Coast are also members of the Forum.

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

Much of this engagement work is carried out on the Fund's behalf by Border to Coast. Border to Coast has worked with its partner funds to develop jointly agreed Corporate Governance & Voting Guidelines and a Responsible Investment Policy. These can be found on Border to Coast's website:

<https://www.bordertocoast.org.uk/investments/responsible-investment/>

Asset table

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not pooled	Total
Equities (including convertible shares)	2,661	-	670	3,331
Bonds	-	-	-	-
Property	-	-	542	542
Hedge funds	-	-	-	-
Diversified Growth Funds (including multi-asset funds)	-	-	-	-
Private equity	203	-	355	558
Private debt	-	-	116	116
Infrastructure	230	-	300	530
Derivatives	-	-	-	-
Cash and net current assets	-	-	199	199
Other	23	-	171	194
Total	3,116		2,352	5,468

Contacts and further information

Contacts	
Pensions Unit <i>For General and Benefit Entitlement enquiries</i>	XPS Pensions Unit Teesside Pension Fund PO Box 340 Middlesbrough TS1 2XP Telephone: (01642) 030696 E Mail: pensionsunit@xpsgroup.com
Pensions Manager	Graeme Hall Telephone: (01642) 030643 E Mail: graeme.hall@xpsgroup.com
Head of Pensions Governance and Investments	Nick Orton Telephone: (01642) 729040 E Mail: Nick_Orton@middlesbrough.gov.uk
Teesside Pension Fund Website	www.teespen.org.uk
Employers Website	www.employers.teespen.org.uk
Border to Coast 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 https://www.teespen.org.uk/	

Draft

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

TEESSIDE PENSION BOARD REPORT

25 NOVEMBER 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

XPS ADMINISTRATION REPORT

1. PURPOSE OF THE REPORT

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

2. RECOMMENDATIONS

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

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications for the Fund.

4. BACKGROUND

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

CONTACT OFFICER: Graeme Hall (Operations Manager, XPS Administration)

TEL. NO.: (01642) 030643

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Teesside Pension Fund

Performance Delivery Report

Pension Board Meeting on 25th November 2024

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Headlines	4
Errors and Complaints	5
Member Engagement	6-10
Membership	11
Data Quality	12-13
Regulations and Guidance	14-16
Appendix 1 & 2 – SLAs	17-19
Appendix 3 – Administration Team	20

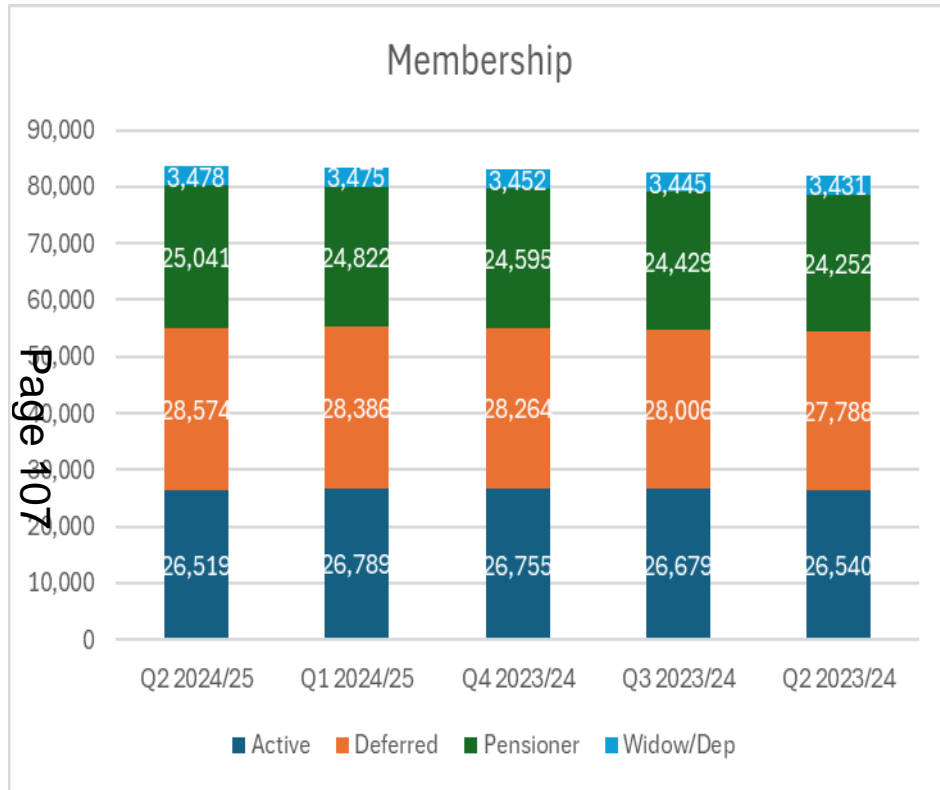
Items requiring a decision or attention are marked in the report with this logo



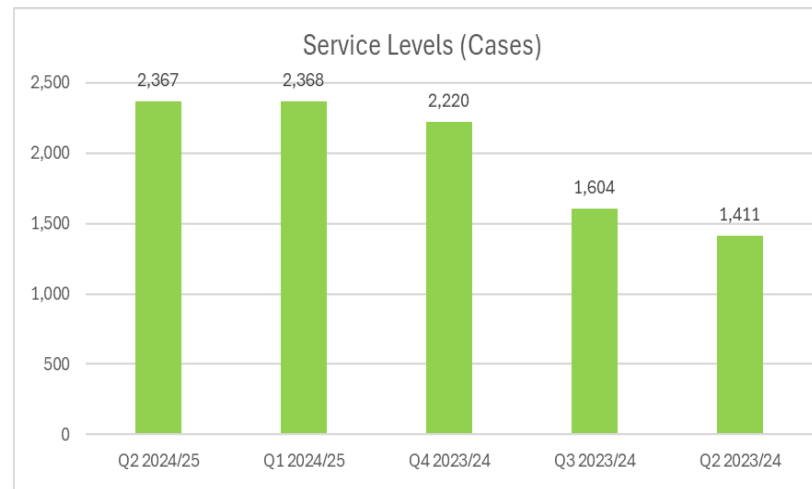
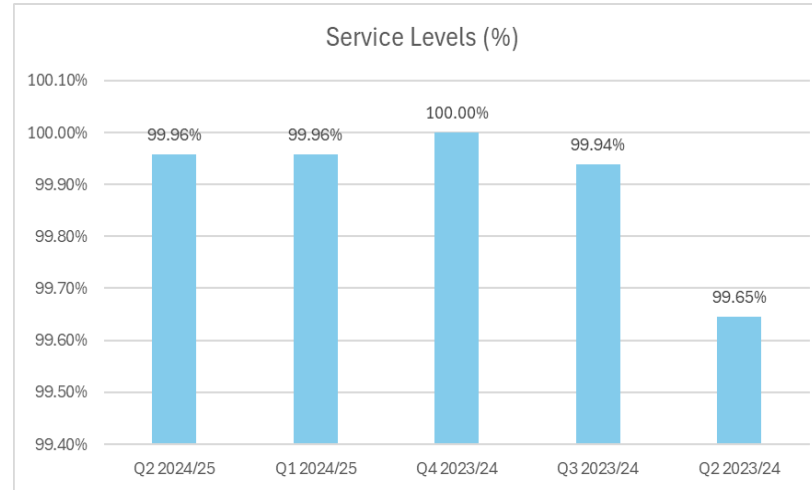
Highlights



Membership numbers



Service levels



Headlines

Members

Membership

- Membership continues to steadily increase

Scheme and Legislative

Annual Benefit Statements

- Active and Deferred Benefit statements were issued by the legislative deadlines

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Key items

- SLA: 99.96%
- Total membership is 83,612 members

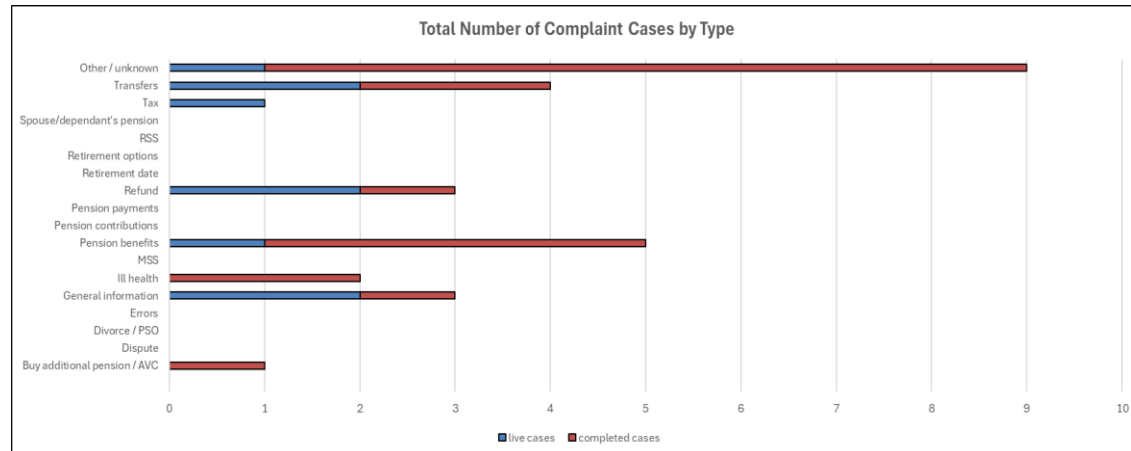
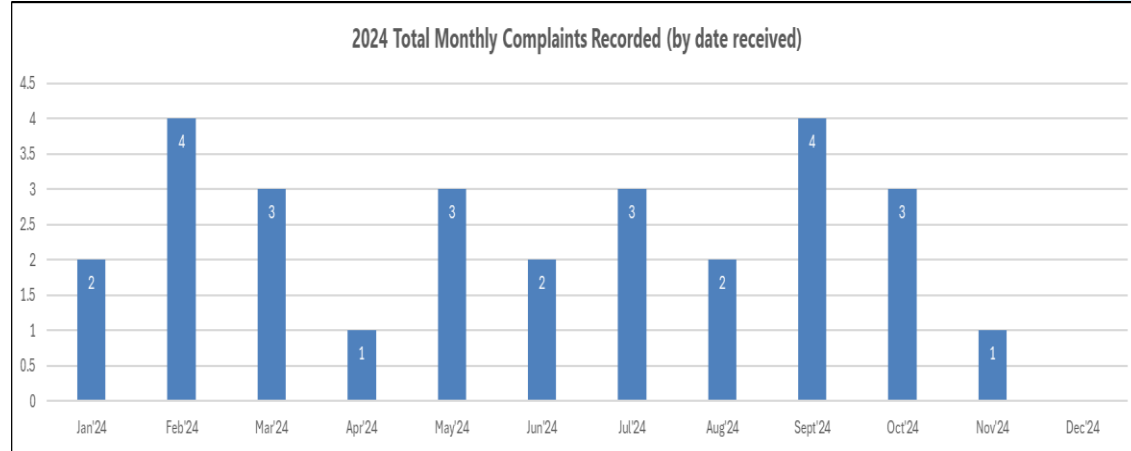
Errors and complaints



Complaint type	Live cases	Completed cases	Total
Buy additional pension/AVC	0	1	1
Dispute	0	0	0
Divorce/PSO	0	0	0
Errors	0	0	0
General information	2	1	3
Ill Health	0	2	2
MSS	0	0	0
Pension benefits	1	4	5
Pension contributions	0	0	0
Pension payments	0	0	0
Refund	2	1	3
Retirement date	0	0	0
Retirement options	0	0	0
RSS	0	0	0
Spouse/dependant's pension	0	0	0
Tax	1	0	1
Transfers	2	2	4
Other/unknown	1	8	9
Total	9	19	28

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Open IDR Description	Open Ombudsman Cases
General Dispute (General Dispute) – Stage 1	Mistake made in retirement quote
General Dispute (General Dispute) – Stage 2	



Member engagement – telephony

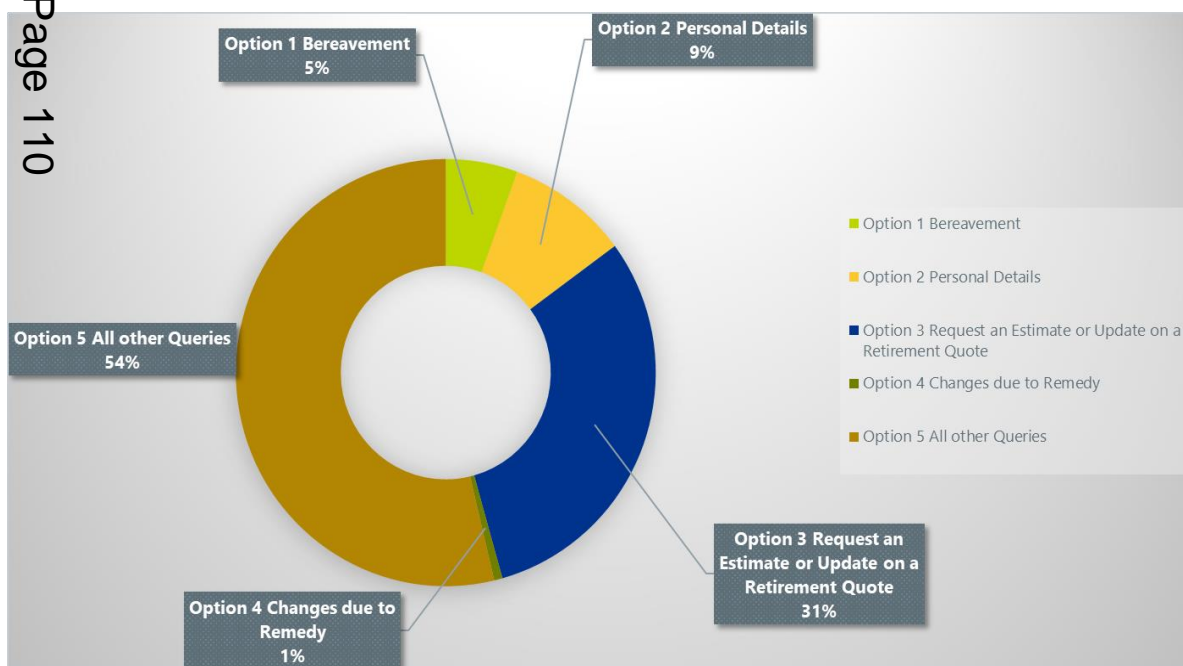


Telephone calls (Q1)

Total calls	Answered calls	Abandoned calls	Short Abandoned calls	Missed Calls
4,999	4,343	581	71	4

Average wait time	Average duration	Average abandon time
4 min 03 secs	12 min 48 secs	6 min 22 secs

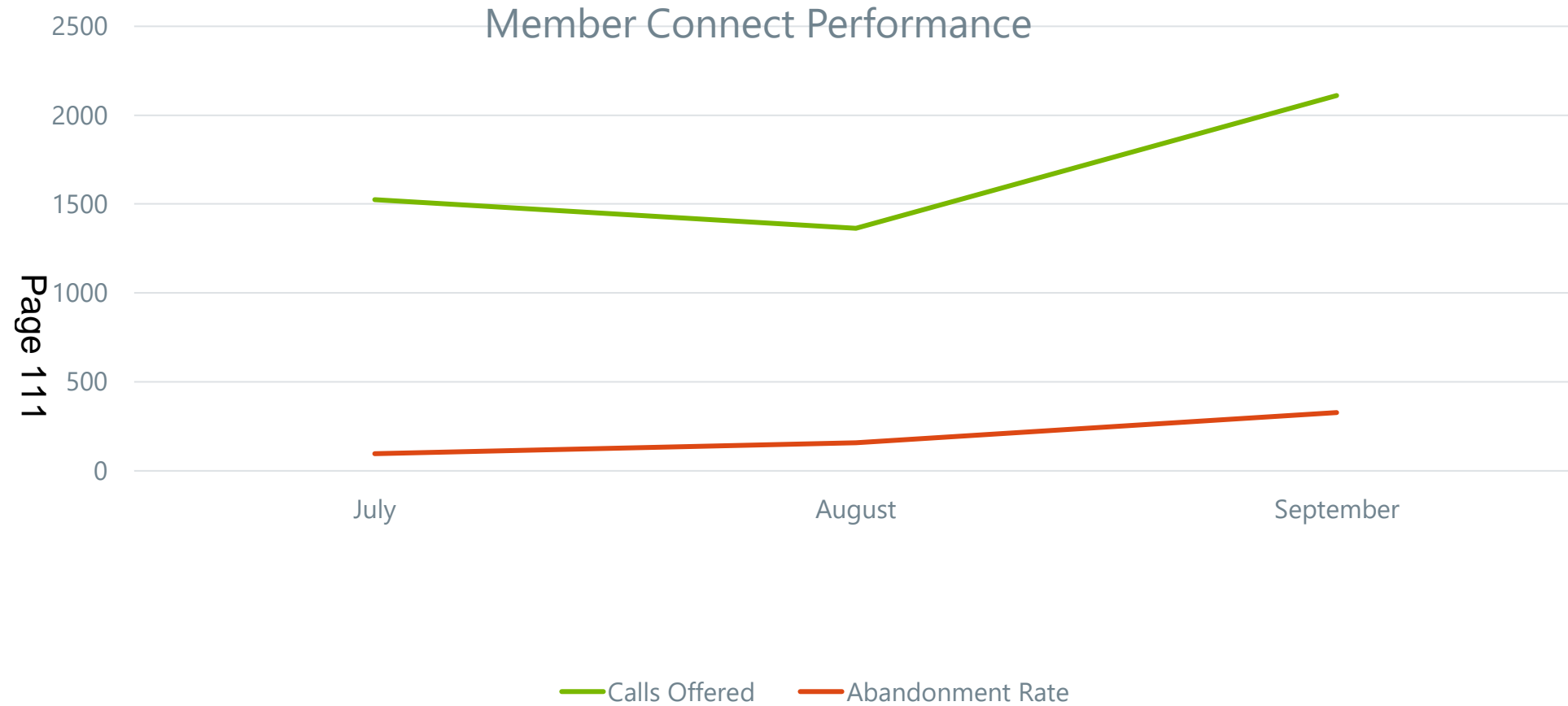
Breakdown of Member Selection:



Performance Summary:



Member Connect Performance 2024



Member engagement – telephony



Summary of Performance

Highlights	Key Achievements / Challenges
<p>Member Connect took over calls from admin on 22.04.2024.</p> <p>July</p> <ul style="list-style-type: none"> • Increase in calls from 1413 in June to 1524 in July. Average wait time increased by 56 seconds and average duration increased by 29 seconds. • Call trends due to Tax queries and general requests. • 336 referral calls made to this hunt group in total with 325 (96.15%) of these answered. 1 of these calls was from another area of the business. An average wait time to get through of 00:00:47 with the longest wait time of 00:04:09. <p>August</p> <ul style="list-style-type: none"> • Decrease in calls from 1524 in July to 1363 in August. Average wait time increased by 1 min and 29 seconds and average duration increased by 1 min and 37 seconds. • Call trends due to Updates and general requests. • 274 referral calls made to this hunt group in total with 269 (98.18%) of these answered. 1 of these calls was from another area of the business. An average wait time to get through of 00:00:42 with the longest wait time of 00:05:09. <p>September</p> <ul style="list-style-type: none"> • Increase in calls from 1363 in August to 2112 (749) in September. With wait time increasing from 00:03:38 to 00:05:51. Average handling time increased by 00:02:16. • Call trends due to Updates and general requests and ABS queries on the back of these being issued at the end of August. • In September, 330 referral calls made to this hunt group in total with 326 (98.79%) of these answered. 1 of these calls was from another area of the business. An average wait time to get through of 00:00:30 with the longest wait time of 00:03:20. 	<p>Weekly two-way feedback still in place to help support the onboarding of calls to my team and to update training documents with any process changes.</p> <p>Administration team finish at 16:30 on a Friday which means any calls which need a referral between 16:30 – 17:00 are tasked as a callback.</p> <p>August</p> <ul style="list-style-type: none"> • ABS statements were sent via post to 20,602 Active members and 20636 Deferred members at the end of August. We are anticipating higher call volumes in September. <p>September</p> <ul style="list-style-type: none"> • ABS statements were issued to 20,602 Active members and 20,636 Deferred Members at the end of August which is reflected in the increase in call volumes in September.

Member engagement



Teesside Pension Fund Website Traffic

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Top 5 Pages Viewed
Pageviews is the total number of pages viewed. Repeated views of a single page are counted.

1. Home Page
2. Member Self Service
3. LGPS Members
4. Contact Us
5. LGPS Employers

Last 5 Months of Users
Users who have initiated at least one session during the date range.

October	- 2,490
September	- 3,058
August	- 2,226
July	- 2,307
June	- 2,082

Browser Usage
What browser users are accessing the website on.

1. Chrome - 906
2. Edge - 731
3. Safari - 648
4. Samsung - 100
5. Firefox - 31

Device Usage
What devices users access the website.

1. Desktop - 1,417
2. Mobile - 956
3. Tablet - 53

Top 5 Locations
Where are people visiting the Teesside Pension Fund website from.

1. London
2. Middlesbrough
3. Stockton-on-Tees
4. not set
5. Manchester

Website Traffic October 2024

This information has been extracted from Google Analytics tool. It uses a Cookie to get information from the Teesside Pension Fund website. Users have the ability to turn off tracking cookies.

This means potentially some of the visitors may not be recorded and numbers may actually be higher than presented.

All data is as accurate as possible, if you have any further questions regarding this please contact Michael Beever at XPS.



www.teespen.org.uk

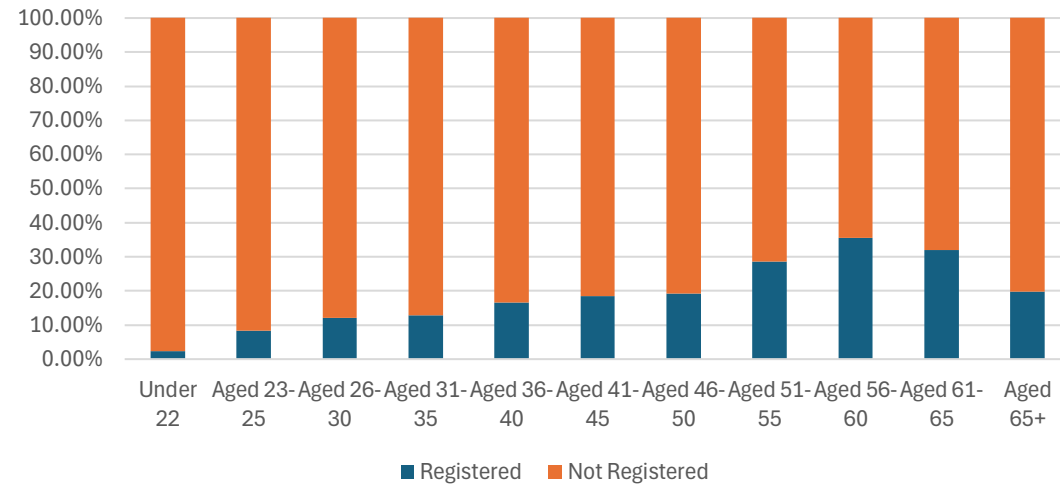
Member engagement – Member Self Service



Status	Not Registered	Registered	Total	% Uptake
Active	18,736	5,120	23,856	21.46%
Deferred	17,533	1,973	19,506	10.11%
Pensioner	18,750	2,789	21,539	12.95%
Widows/Dependants	3,355	31	3,386	0.92%
	58,374	9,913	68,287	14.52%

Age Group	Not Registered	Registered
Under 22	97.67%	2.33%
Aged 23-25	91.65%	8.35%
Aged 26-30	87.86%	12.14%
Aged 31-35	87.14%	12.86%
Aged 36-40	83.33%	16.67%
Aged 41-45	81.60%	18.40%
Aged 46-50	80.75%	19.25%
Aged 51-55	71.34%	28.66%
Aged 56-60	64.55%	35.45%
Aged 61-65	68.03%	31.97%
Aged 65+	80.14%	19.86%

Registered MSS Users by Age



Membership



Membership	Period Ending 30/09/2024	Period Ending 30/06/2024	Period Ending 31/03/2024	Period Ending 31/12/2023
Active Members				
Total at period start	26,789	26,755	26,679	26,540
New Starters	480	722	884	950
New Leavers	547	494	643	690
Retirements	197	186	163	111
Death	6	8	2	10
Total at period End	26,519	26,789	26,755	26,679
Deferred Members				
Total at period start	28,386	28,264	28,006	27,788
New Deferred	430	357	527	500
New Leavers	74	56	87	72
Retirements	162	172	174	197
Death	6	7	8	13
Total at period End	28,574	28,386	28,264	28,006
Pensioner Members				
Total at period start	28,297	28,047	27,874	27,683
New Retirements	359	358	339	312
New Dependents	54	60	64	74
Notified (need further details)	11	4	9	1
Death/cessation	180	164	221	194
Total at period End	28,519	28,297	28,047	27,874
Total membership at period end	83,612	83,472	83,066	82,559

Data Quality

109,984

Members Tested

99,665

Members Passed
All Tests

90.6%

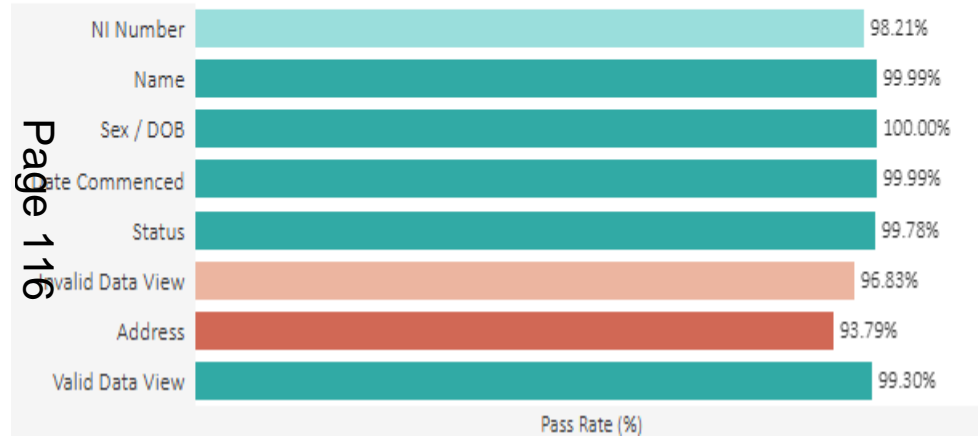
Pass Rate %

95.8%

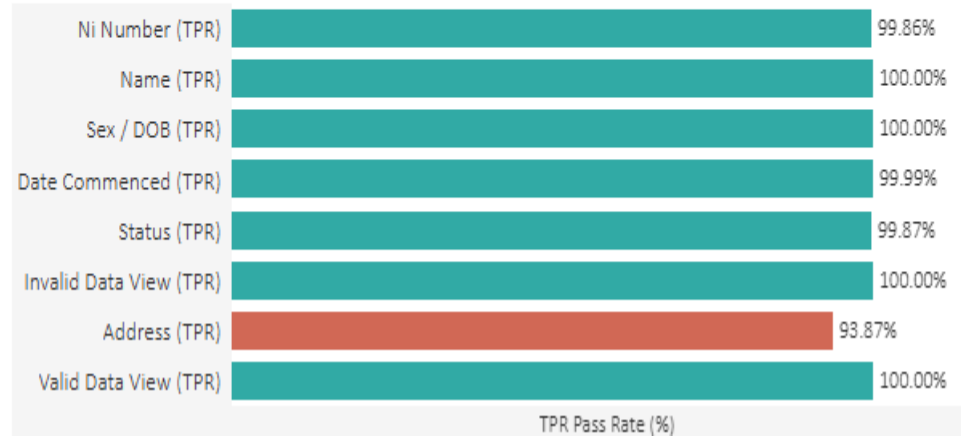
TPR Pass Rate %



Pass Rate % by Test Category



TPR Pass Rate % by Test Category



Data Quality



150,228

Member Records

85,399

Members Tested

43,428

Members Failed

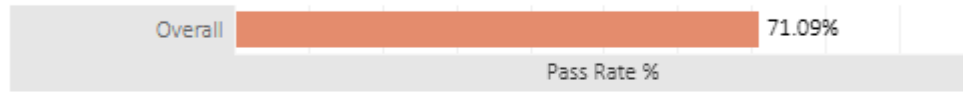
71.09%

Pass Rate %

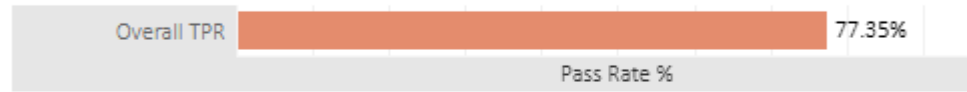
77.35%

TPR Pass Rate %

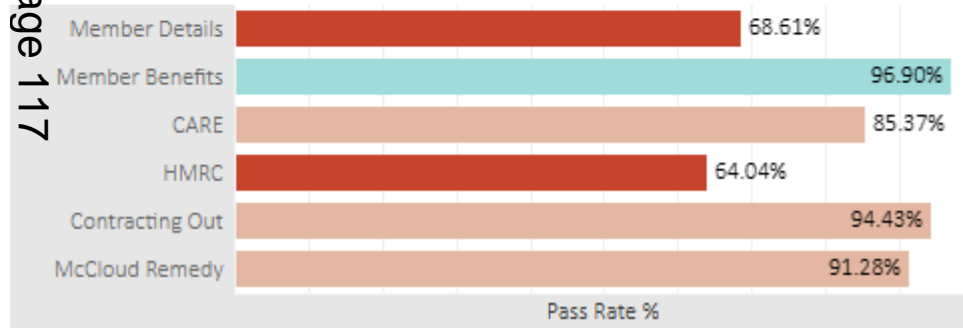
Grand Total | Pass Rate %



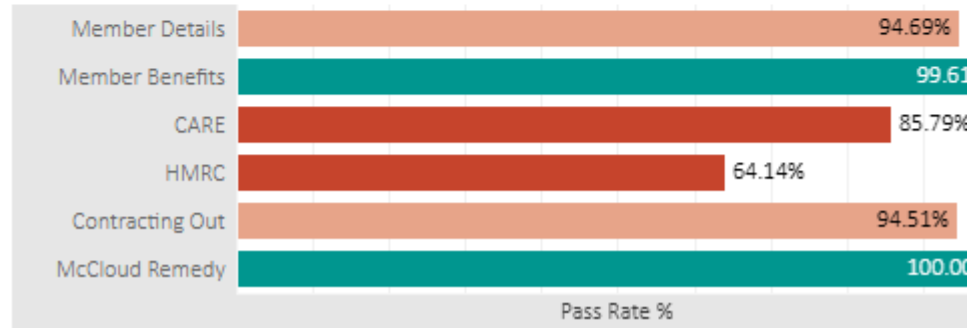
Grand Total | TPR Pass Rate %



Grand Total | Pass Rate % by Test Category



Grand Total | TPR Pass Rate % by Test Category



Regulations and Guidance



The King's Speech 2024 - Following the general election on 4 July 2024, the State Opening of Parliament took place on 17 July 2024 and the King's Speech set out the Government's plans and priorities for the first parliamentary session. Of potential interest is the Bill on Audit Reform and Corporate Governance. This could be a potential vehicle for separation of pension fund from host authority audit in England, as is already the case for LGPS funds in Scotland and Wales. The Board called for this in a letter to MHCLG in August 2022. The idea was supported by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW) and the Levelling Up Select Committee in the last Parliament. The Board was previously assured that its recommendation would be taken forward once a suitable legislative vehicle had been identified.

Court of Appeal dismisses Virgin Media appeal

On 25 July 2024, the Court of Appeal dismissed the appeal in the Virgin Media Ltd v NTL case. The High Court had previously ruled that:

- amendment of pension scheme rules in respect of Section 9(2B) rights were void unless the scheme actuary certified that the scheme still met the contracting-out adequacy test
- this applied to rights built up before and after the change in rules
- all amendments are affected by the ruling, not just those that have a negative impact on section 9(2B) rights.

The appeal concerned the second bullet point only, and the Court of Appeal upheld the High Court's ruling. The ruling will apply to the LGPS and that HM Treasury is currently assessing the implications for all public service pension schemes.

Updated flexible retirement guidance On 16 August 2024, MHCLG issued updated flexible retirement guidance. This replaces the guidance dated 28 April 2016 and is effective immediately. The guidance includes a revised methodology for calculating Death Grants.

Regulations and Guidance



Pensions review – call for evidence

On 4 September 2024, the government published a call for evidence to inform the first phase of the pensions review. The review aims to boost investment, increase pension pots and tackle waste in the pensions system, focusing on defined contribution workplace schemes and the LGPS. The first phase of the review is looking at measures to accelerate asset pooling and increasing investment in 'productive finance' in the UK by LGPS funds. The LGA submitted a response on behalf of the LGPC before the call for evidence closed on 25 September 2024. The response to the call for evidence is located on the SAB website. The second stage of the pensions review is expected to look at the issue of pensions adequacy and fairness, such as the gender pensions gap.

The Local Government Pension Scheme (Information)

Regulations 2024 (SI 2024/880) have been laid before Parliament and will come into force on 23 September 2024 and will be backdated to 01/10/2023:

These remove the requirement for LGPS administering authorities to include estimated calculations relating to the McCloud remedy in members' annual benefit statements for the 2023/24 scheme year.

LGPS statistics for 2023/24 published

On 24 October 2024, the Ministry for Housing, Communities and Local Government (MHCLG) published the LGPS statistics for England and Wales: 2023 to 2024. Highlights include:

- total expenditure of £17.1 billion, an increase of 11.9 per cent on 2022/23
- total income of £20.7 billion, an increase of 19.3 per cent on 2022/23
- employer contributions of £10.5 billion, an increase of 24.6 per cent on 2022/23 - this reflects early payment of employer contributions following the triennial valuation
- employee contributions of £3.0 billion, an increase of 8.3 per cent on 2022/23
- the market value of LGPS funds on 31 March 2024 was £391.5 billion, an increase of 9.0 per cent since 31 March 2023
- 99,505 retirements in 2023/24, an increase of 6.3 per cent on the number of retirements in 2022/23.

September 2024 CPI rate announced

On 16 October 2024, the Office for National Statistics announced the Consumer Price Index (CPI) rate of inflation for September 2024 as 1.7 per cent.

Regulations and Guidance



Club transfers – extension of 12-month time limit

On 24 October 2024, the Cabinet Office emailed public sector pension scheme stakeholders regarding the 12 month time limit for Club transfers. This communication stated that if administering authorities need to extend the 12 month time limit for a club transfer due to the McCloud Remedy, this is deemed as an exceptional circumstance and the deadline can be extended if both schemes agree.

The Pensions (Abolition of LTA Charge etc) (No 2) & (No 3) Regulations 2024

On 7 and 9 October 2024, the Pensions (Abolition of Lifetime Allowance Charge etc) (No 2) Regulations 2024 and the Pensions (Abolition of Lifetime Allowance Charge (No 3) Regulations 2024 were laid. Both sets of regulations will come into force on 18 November 2024 and have effect from the tax year 2024/25.

The regulations amend the Taxes Management Act 1970, the Income Tax Earnings and Pensions Act 2003, the Finance Act 2004 and secondary legislation. The changes include:

- minor corrections relating to LTA protections
- new provisions covering Transitional Tax-Free Amount Certificates (TTFAC) and the calculation to determine the value of member's benefits when paying a Trivial Commutation Lump Sum (TCLS).

Appendix 1 - Service Level Reports



The table below shows our performance against the Service Level Agreement during the reporting period plus historic Service Levels to show a full 12 months for comparison.

Period	Cases completed	Cases completed within target	Cases completed outside target	%age within target
October	529	528	1	99.8%
November	586	586	0	100.0%
December	489	489	0	100.0%
Quarter 3 2023/24	1,604	1,603	1	99.9%
January	582	582	0	100.0%
February	742	742	0	100.0%
March	896	896	0	100.0%
Quarter 4 2023/24	2,220	2,220	0	100.0%
Year - Total	6,518	6,512	6	99.9%
April	805	805	0	100.0%
May	718	718	0	100.0%
June	845	844	1	99.9%
Quarter 1 2024/25	2,368	2,367	1	100.0%
July	776	776	0	100.0%
August	776	775	1	99.9%
September	815	815	0	100.0%
Quarter 2 2024/25	2,367	2,366	1	100.0%
October	860	859	1	99.9%

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Appendix 1 - Service Level Reports



KPR Requirements

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	Jul-24				Aug-24				Sep-24				Oct-24			
				ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Within Target	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Within Target	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Within Target	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.16	292	292	100.00%	1.43	332	332	100.00%	2.00	321	321	100.00%	2.19	335	335
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100.00%	7.62	32	32	100.00%	6.25	24	24	100.00%	5.95	39	39	100.00%	5.40	50	50
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100.00%	4.87	30	30	100.00%	4.96	24	24	100.00%	4.83	12	12	100.00%	4.76	17	17
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.00%	4.85	376	376	100.00%	4.92	261	261	100.00%	4.80	302	302	99.73%	4.80	368	367
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100.00%	N/A	N/A		100.00%	N/A	N/A	N/A	100.00%	N/A	N/A		100.00%	N/A	N/A	
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	45,535	98.75%	N/A	N/A	N/A		87.71%	N/A	26,030	22,832	N/A	N/A	N/A		N/A	N/A	N/A	
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100.00%	2.91	46	46	99.26%	4.17	135	134	100.00%	3.83	141	141	100.00%	4.94	90	90
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100.00%	100.00%	N/A	N/A		100.00%	N/A	N/A	N/A	100.00%	N/A	N/A		100.00%	N/A	N/A	
All calculations and payments are correct.	Monthly		98.75%	100.00%	N/A	N/A		100.00%	N/A	N/A	N/A	100.00%	N/A	N/A		100.00%	N/A	N/A	

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Appendix 2 – Annual Benefit Statement



The table below shows our performance in issuing the Annual Benefit Statements to Active members:

Total Active membership at 31/03/2024	26,649	100.00%
Due ABS	26,030	97.68%
Not Due ABS	619	2.32%
Due - Produced	22,832	87.71%
Due - Not Produced	3,198	12.29%
Due - Totals	26,030	100.00%

Not Produced - Detail	Number	% of Not Produced
Missing Care pay	2,923	91.40%
Status change post ABS Run	111	3.47%
Exclude benefit calculation indicator set	1	0.03%
Other	163	0.71%
Total	3,198	100.00%

Not Due ABS - Detail	Number	% of Not Due
Status change pre ABS RUN	619	100.00%

Appendix 3 – Administration Team



Key contacts

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