



Teesside Pension Fund

Annual Report and Accounts
for the year ended

31 March 2023

Contents

Report of those charged with Governance.....	3
Membership	26
Head of Pensions Governance and Investments' Report	33
Financial Statements.....	43
Statement of Responsibilities for the Financial Statements	44
Fund Accounts and Net Asset Statements	45
Notes to the Pension Fund Accounts.....	46
Statement of the Actuary.....	71
The Compliance Statement.....	74
Summary of LGPS benefits.....	76
Pension increases.....	77
Contacts and further information.....	78

Report of those charged with Governance.

Chairman's Introduction

Welcome to the 2022/23 Annual Report and Accounts of the Teesside Pension Fund. During the year most of the Fund's assets continued to be managed externally and around 61% of those assets were invested in publicly-quoted equities – shares in companies listed on stock markets across the world. All the Fund's UK equities and, by the end of the year, approximately 76% of its overseas equities were managed by Border to Coast Pensions Partnership ('Border to Coast'). The other 24% of its overseas equities at the end of the year were invested passively through State Street Global Advisors. The funds allocation to publicly quoted equities is broadly similar to its allocation at the start of the year and is higher than its long-term strategic allocation of 55%, mainly as a medium-term tactical approach recommended by the Fund's investment advisors.

During the year significant additional commitments were made to private equity and infrastructure investments with Border to Coast. However, the nature of the investment process for those types of assets mean it will take several years for those commitments to be fully invested.

Border to Coast was set up by and is wholly owned by eleven Local Government Pension Schemes (LGPS) administering authorities each responsible for an LGPS fund. It was established to meet central government's requirement that local government pension schemes pool their investment assets to deliver savings and improve governance. Middlesbrough Council (as administering authority for the Teesside Pension Fund) is one of the owners and customers of Border to Coast. By the end of the year around 55% of the Fund's assets were invested through Border to Coast (up from 52% at start of the year), with this percentage expected to increase over the coming years.

Global equity markets were flat over the year as a whole but this does not tell the story of a tumultuous year politically and financially. Domestically the political turmoil was demonstrated by the UK having three prime ministers and four chancellors within the year, albeit all from the same party. Financial markets, and particularly bond markets, in the UK were also very volatile during and after the short-lived Liz Truss premiership. Internationally Russia's war in Ukraine continued without an obvious end in sight. This was a factor in commodity prices (including oil and gas) remaining high which, together with insipid global growth, labour market pressures and increasing food prices has resulted in inflation being more persistent than many commentators and central banks had anticipated.

During the year central banks took significant steps to combat inflation, with the US Federal Reserve Bank increasing rates eight times during period, ending the year with a target rate of 4.75% to 5.00% significantly higher than the 0.25% to 0.50% rate at the start of the year, and the highest rate since the 2007/2008 Global Financial Crisis. The Bank of England also increased interest rates eight times during the year, from 0.75% to 4.00%. Both banks have increased rates further after the year-end. A recession is one possible consequence of these rate increases, and although this is not inevitable it does seem likely that growth will remain stagnant. So far, financial markets have been relatively robust.

The overall financial performance of the Fund for the year to 31 March 2023 was broadly neutral. The Fund's value rose to £5.064 billion, an increase over the year of approximately £27 million. Performance across most of the Fund's asset classes was positive across the year,

albeit volatile during the year. Overseas equities, UK equities, alternatives and cash all produced above zero returns over the year. However, property returns were negative, showing performance of around -9% over the year. This was largely a consequence of a revaluation of the Fund's property assets as a consequence of challenging economic conditions in some sectors. Nevertheless, the Fund's property assets still outperformed their benchmark during the year.

At the end of the year the actuary published the latest triennial valuation of the Pension Fund (as at 31 March 2022) this showed a slight improvement in funding level from 115% to 116% although the assessed cost of providing future benefits increased, leading to some increases in contribution rates for many of the Fund's employers. The valuation also set the actuary's expectation for the Fund's long-term investment returns at 4.25% a year (down from 4.45% a year at the previous valuation). The Fund has failed to achieve a 4.25% return in the year ending 31 March 2023 but, as the Fund is a long-term investor it is able to take a long-term view and, provided its assets are appropriately managed and suitably diversified, does not need to react to short-term poor or flat performance.

The membership of the Fund has increased, with total membership at the year-end now standing at 80,338 an increase of 2,443 over last year. The number of active members has increased by 764 or 3.0% over the year and increased by 15.3% over the past four years. The number of pensioners increased by 703 or 2.7% over the year and increased by 12.2% over the past four years. The number of deferred members has increased by 976 or 3.7% over the year and increased by 16.5% over the past four years.

Where a member retires early on the grounds of redundancy or business efficiency there is a cost to the Fund arising from the fact that a pension is drawn earlier than the Actuary had assumed and for these types of retirement the normal early retirement reductions do not apply. It is the policy of the Fund to recharge the actuarial cost of these retirements to the employers. This policy has the advantage that the Fund recovers the cost of an early retirement at the outset. For the employer the advantages are twofold;

- 1 the impact of retirement decisions is transparent; and
- 2 the cost is invoiced separately rather than being recovered in the employer's contribution rate, which was once the case.

In this financial year the Fund received around £1.58 million from these early retirement recharges, a 43% reduction on last year's figure of around £2.75 million.

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

The latest actuarial valuation of the Fund was as at 31 March 2022, with the final report published at the end of March 2023. The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level. The aim of the Fund is to be 100% funded, and at the latest valuation the actuary was able to declare a funding level of 116%, a slight improvement on the 115% funding level reported at the previous valuation. This is particularly pleasing since it is the fourth time in succession that the Fund is able to declare it is fully funded.

However, although the Fund was judged to have more than sufficient assets to meet the cost of paying for the pension promises it has made to date, the assessed cost of providing future

benefits increased at this valuation, leading to some increases in contribution rates for many of the Fund's employers. The valuation also set the actuary's expectation for the Fund's long-term investment returns at 4.25% a year (down from 4.45% a year at the previous valuation). The Fund has failed to achieve a 4.25% return in the year ending 31 March 2023 but, as the Fund is a long-term investor it is able to take a long-term view and, provided its assets are appropriately managed and suitably diversified, does not need to react to short-term poor or flat performance.

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.

Nature of the Scheme

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

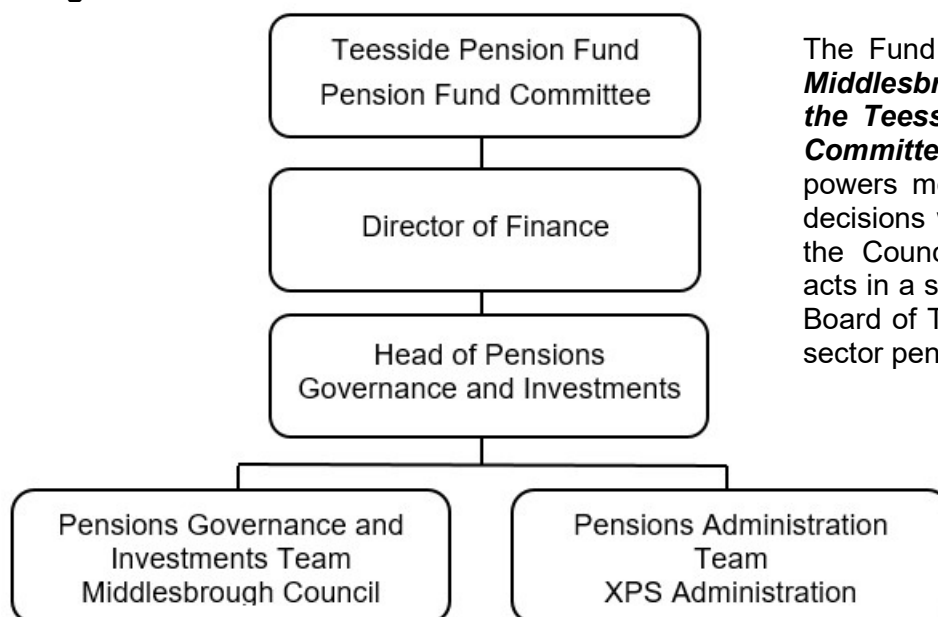
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme Regulations 2013; and
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

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

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

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

Management of the Fund



The Fund is administered by **Middlesbrough Council** via the **Teesside Pension Fund Committee** which has plenary powers 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 2022/23

	Members (all have voting rights)	29 June 2022	21 October 2022	14 December 2022	15 March 2023
Middlesbrough Council	Councillor David Coupe (Chair)	✓	✓	✓	✓
	Councillor Eric Polano (Vice Chair)	✓	✓	✓	✓
	Councillor Julia Rostron	✓	✓		✓
	Councillor Allan Bell	✓	✓	✓	✓
	Councillor John Hobson	✓	✓	✓	✓
	Councillor Theo Furness		✓		✓
	Councillor Stephen Hill		✓	✓	✓
	Councillor Dennis McCabe	✓	✓		
	Councillor Graham Wilson	✓	✓	✓	

	Members (all have voting rights)	29 June 2022	21 October 2022	14 December 2022	15 March 2023
Redcar & Cleveland BC	Councillor Glyn Nightingale				
Stockton BC	Councillor Jim Beall				✓
Hartlepool BC	Councillor Rachel Creevy	✓	✓	✓(virtual)	✓
	Julie Flaws	✓	✓	✓	✓
Trades Unions	Tony Watson (UNISON)	✓	✓	✓	✓
	Brian Foulger (GMB)	✓			✓

Declaration of Interest

Councillor J Beall, R Creevy, J Rostron

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.

Fund Administrators and Advisors

Administration

Chief Finance Officer	Ian Wright / Helen Seachurn (interim)
Head of Pensions Governance and Investments	Nick Orton
Pensions Administration Manager	Graeme Hall, XPS Administration
Solicitor to the Fund	Charlotte Benjamin

Advisors to the Fund

Actuary	Hymans Robertson
Solicitors	Nabarro LLP & Freeth Cartwright LLP
Auditors	Ernst & Young LLP
Investment Advisors	William Bourne and Peter Moon
Property Managers	CBRE
Custodian	The Northern Trust Company
AVC Providers	Prudential Assurance, Phoenix Life
Bankers	The NatWest Bank Plc

The Pensions Landscape

All of the major public sector schemes changed radically from April 2015, with new public sector schemes established and operated in accordance with the Public Service Pensions Act 2013. However, due in part to its unique 'funded' status amongst these schemes, the LGPS changed a year earlier from April 2014, meaning the career-average revalued earnings LGPS has now been in place for five years. More detail on how the current LGPS compares to previous versions of the scheme is contained in the "Summary of LGPS benefits" section.

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

Significant changes to the limits on tax relief available for pension saving were announced during the year although these did not come into effect until 6 April 2023. The standard annual allowance figure increased from £40,000 to £60,000, but with a lower figure applied for high earners. The lifetime allowance of £1.0731m was effectively removed altogether for retirement events from 6 April 2023. The lifetime allowance limit was only breached by a very small proportion of the LGPS membership, but the increase to the annual allowance means that fewer members will face a potential tax charge in the future.

On 30 March 2023 the Government published its 2023 review of the State Pension age. The Government is required to undertake a regular review of the State Pension age in accordance with the Pensions Act 2014. State Pension Age (SPA) is currently age 66 and will rise to age 67 between 2026 and 2028 before rising again to age 68 between 2044 and 2046.

At the first review in 2017, the Government accepted the recommendation that the State Pension age should rise to age 68 over the period 2037 to 2039; however, it outlined this would be subject to further review. The 2023 review confirms the rise to age 67 between 2026 and 2028 is still appropriate. However, the Government does not intend to change existing legislation to implement the recommendation of the 2017 review at the current time. It plans to have a further review within two years of the next Parliament to consider whether the rise to age 68 should occur earlier. The Government must publish the report no later than 29 March 2029.

The State Pension Age is particularly important to members of the LGPS as it is the age at which post-2014 'career average' benefits can be paid from the scheme without early reductions applying.

Scheme specific changes

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

From 1 April 2014:

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

All members of the previous scheme (the 2008 scheme) automatically became members of the 2014 scheme where their employment continued beyond 31 March 2014. A summary of the 2014 scheme provisions and a comparison to the 2008 scheme is highlighted later in this report in the section entitled "Summary of LGPS benefits and comparison to previous versions of the scheme".

Towards the end of the year the government changed the revaluation date used for career average benefits in the LGPS 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 purely because under the old rules, the growth in the value of their pension as assessed for tax purposes would have included the April inflation increase. This was a significant issue in 2023 as the pension increase percentage (and the revaluation applied to career average pensions) was the highest in the LGPS for many years.

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.

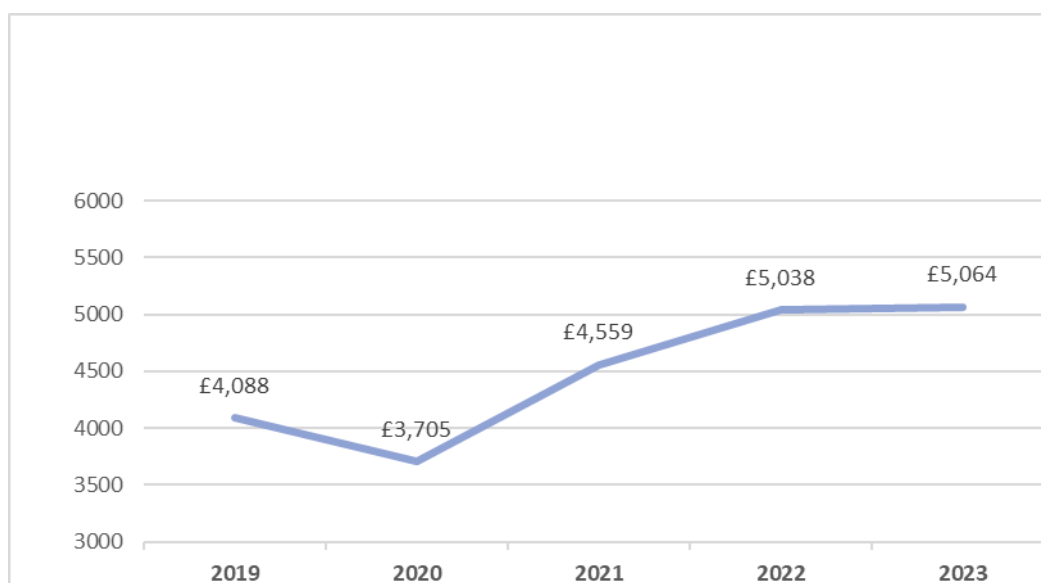
For the Fund to significantly outperform its benchmark it needs to have an asset mix which is different from that of its benchmark. The more outperformance is required the greater the differences will need to be. In other words, outperformance cannot be achieved without taking risks. Measurement of risk 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.

Financial Performance Report

Income, Expenditure and Fund value

The Fund's Financial Statements show that the Net Asset Value has increased by 0.5% compared to the previous year. Over the last 5 years, from the 2019 value of £4,088 million, the value of Net Assets has increased by 24%.



Finance Performance Report

	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Fund Value at the start of the year	3,896,452	4,088,095	3,705,473	4,559,485	5,037,574
Income	159,468	152,932	117,772	153,596	164,640
Expenditure	(162,057)	(167,397)	(165,427)	(167,860)	(192,875)
Change in Market Value of Investments	194,232	(368,157)	901,667	492,353	54,947
Increase/(Decrease) in Fund during the year	191,643	(382,622)	854,012	478,089	26,712
Fund Value at the end of the year	4,088,095	3,705,473	4,559,485	5,037,574	5,064,286
Change in Fund Value %	5%	(9%)	23%	10%	1%
Financial Highlights	£000	£000	£000	£000	£000
Pensions Paid	113,219	119,302	123,640	127,421	134,781
Administration Costs	1,692	2,185	1,938	2,238	2,087

Investment Management Costs	5,314	1,480	4,955	5,474	7,335
Oversight and Governance Costs	1,238	3,768	553	397	634

Membership

	2019	2020	2021	2022	2023
	No	No	No	No	No
Active	22,274	23,438	24,238	25,434	26,198
Deferred	23,361	23,488	23,322	26,249	27,225
Pensioner	23,983	24,651	25,366	26,212	26,915
Total	70,068	71,577	72,926	77,895	80,338

Fund Averages

	£	£	£	£	£
Fund value per member	58,345	51,769	62,522	64,761	63,037
Average Pension Paid	4,721	4,840	4,874	4,861	5,008
Total expenses cost per member	118	104	102	104	125
Administration Cost per member	24	31	27	29	6
Investment Management cost per member	76	21	68	70	91
Oversight and Governance costs per member	18	53	8	5	8

Analytical review of the financial year

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

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

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

Summary of Analytical Review 2022/23

Fund Account	Notes	2021/22 £ ' 000	2022/23 £ ' 000	Change
Contributions and Other Income				
Employers Normal & Deficit	1	67,720	73,720	9%

Employers Additional	2	12	12	0%
Employees Normal	3	29,934	33,221	11%
Transfers in	4	2,371	4,896	106%
Capital Costs of Early Retirements	5	2,748	1,578	(43%)
Other Income		878	983	12%
Total Income		103,663	114,410	10%
Benefits and Other Expenditure				
Benefits	6	127,421	134,792	6%
Benefits - Basic Lump Sum	7	22,750	24,684	9%
Benefits - Lump Sums on Death		3,587	2,879	(20%)
Individual Transfers to other Schemes	8	5,292	8,463	60%
Administrative Expenses	11	2,238	2,087	(7%)
Investment Management Expenses	11	5,474	7,331	34%
Oversight and Governance Costs	11	397	637	60%
Other Expenditure	12	701	12,002	1612%
Total Expenditure		167,860	192,875	15%
Return on Investments				
Dividends	13	33,525	24,838	(26%)
Rents	14	15,554	16,627	7%
Interest	15	854	8,765	926%
Profit on Sale of Investments		228,315	(1,129)	(100%)
Unrealised gain / (loss) on Revaluation		264,038	56,076	(79%)
Total Return on Investments		542,286	105,177	(81%)
Net Increase in the Fund in the Year		478,089	26,712	(94%)

Explanation of variances

1 Employers Normal Contributions & Deficit contributions - £000

	2021/22	2022/23	
	67,720	73,720	increase of 9%

Employers normal contributions have increased by £6.3m, and deficit contributions have decreased by £0.3m, which has given an overall increase of £6m in the year.

2 Employers Additional Contributions - £000

	2021/22	2022/23	
	12	12	

No change to payments of additional contributions for authorised leave and maternity from 2021/22 to 2022/23.

3 Employees Normal Contributions - £000

	2021/22	2022/23	
	29,934	33,221	increase of (11%)

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

	2021/22	2022/23	
4 Transfers In - £000	2,371	4,896	increase of (106%)

In 2022/23 150 transfers were received into the scheme at an average value of £32.6k, compared to 93 transfers at an average value of £25.5k in 2021/22.

	2021/22	2022/23	
5 Capital Cost of Early Retirements - £000	2,748	1,578	decrease of (43%0)

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	£183,989	£61,330
Middlesbrough Council	8	£135,042	£16,880
Stockton Borough Council	17	£744,577	£43,799
Redcar & Cleveland Borough Council	2	£36,622	£18,311
Total	30	£1,100,230	£36,674

	2021/22	2022/23	
6 Benefits - £000	127,421	134,792	increase of 6%

At the year-end there were 26,915 Pensioner Members / Dependants receiving pension benefits, at an average of £5,008 per annum. (2021/22 26,212 receiving benefits at an average of £4,861 per annum)

	2021/22	2022/23	
7 Benefits - Basic Lump Sum - £000	22,750	24,684	increase of 9%

There has been an increase of 9% in the value of Lump Sums paid by the Fund during the year.

	2021/22	2022/23	
8 Individual Transfers to Other Schemes - £000	5,292	8,463	increase of 60%

Transfers out can vary quite markedly year on year depending on both numbers and the type of people transferring. For 2022/23, the individual transfers out was £8,463k (2021/22 £5,292k), an

increase from the previous year. In term of numbers, the transfers out for 2022/23 were 148 (2021/22 150).

	Number	Total Cost	Average
2022/23	148	£8,463,285	£57,184
2021/22	150	£5,292,018	£35,280

	2021/22	2022/23	
9 Administrative Expenses - £000	2,238	2,087	decrease of (7%)

There has been a decrease of 7% in Administration costs in 2022/23.

	2021/22	2022/23	
10 Investment Management Expenses - £000	5,474	7,331	increase of 34%

Border to Coast management fees of £2.501 million. Includes management fees for investments in Private Equity, Infrastructure and Other Alternative investment funds of £2.311 million. £639k for Property management fees 22/23.

	2021/22	2022/23		
11 Oversight and Governance Costs - £000	397	637	increase of	60%

Border to Coast Governance costs £304k and Actuary Fees at £302k

	2020/21	2021/22		
12 Other Expenditure - £000	701	12,002	increase of	1,612%

An increase in Other Expenditure reflects a large exit payment of an employer of £11.129 millions.

	2021/22	2022/23		
13 Investment Income - £000	33,525	24,838	decrease of	(26%)

New investment income of £24.8 million received from investments in Private Equity, Infrastructure, Other Debt and Other Alternatives.

	2021/22	2022/23		
14 Rent - £000	15,554	16,627	increase of	7%

Following the end of the Covid-19, rental income has returned to normal rates, any rent-free periods have been removed. New properties have also been purchased throughout the year which are now providing the fund with additional rental income.

	2021/22	2022/23		
15 Interest - £000	854	8,765	increase of	(926%)

The base rate has increased dramatically over the year from 0.75% in April 22 to 4.25% in March 23. This has increased the amount of interest received on cash deposits throughout the year.

	2021/22	2022/23		
16 Investments - £000	4,217,188	4,723,162	increase of	12%

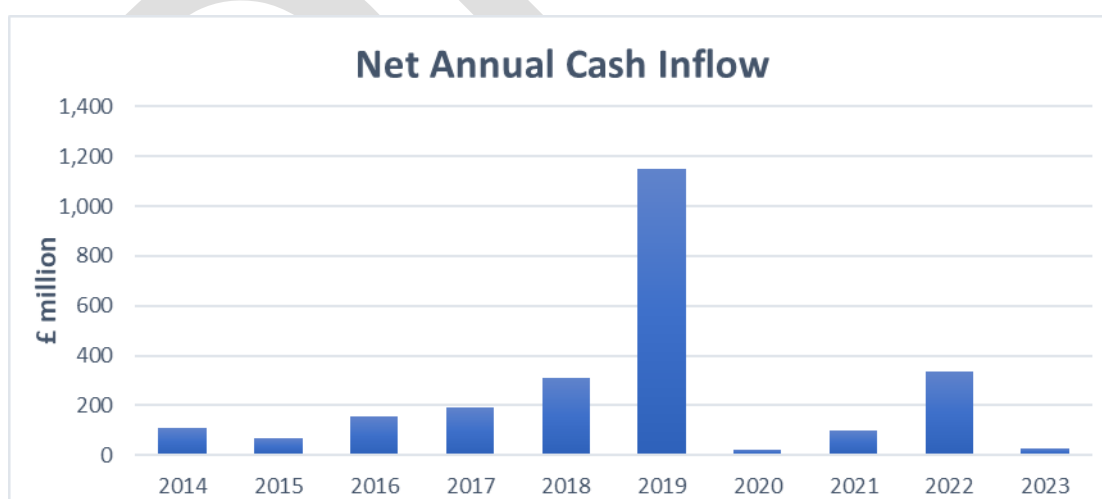
Investment values for the portfolio showed a 12% increase in value, up by £506 million for the year.

	2021/22	2022/23		
17 Cash - £000	817,250	334,350	decrease of	(59%)

Cash levels have decreased over the year and are now back to normal 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.

Cashflow Statement

	£000 2021/22	£000 2022/23
Cashflow from Operating Activities		
Cash received for Contributions	96,287	107,363
Cash received for Early Retirements	2,765	272
Cash Received from Transfers In	2,371	4,896
Cash Received from Investments	177,091	50,538
Cash Received from Sales of Investments	228,315	55,659
Cash from Other Income	878	983
Total Cash Received	507,707	219,711
Cash paid for Benefits	153,758	162,355
Cash paid for Transfers Out	5,974	20,435
Cash paid for Management Expenses	12,092	11,290
Total Cash Paid	171,824	194,080
Net Cash Inflow from Operating Activities	335,883	25,631
Application of Cash		
Net Sales / Purchases of Investments	(131,075)	508,632
Increase in Cash with Custodian	0	0
Increase in Cash on Deposit	476,600	(482,900)
Decrease in Cash at Bank	(8,958)	(130)
Increase in Other Debtor Balances	(568)	530
Increase in Other Creditor Balances	(116)	(501)
	335,883	25,631



The net annual cash flow of the Fund has, to date, always been positive and the realised profit and losses on the sale of investments can have a very significant impact in any one year.

Asset Allocation Strategy

The Investment Strategy Statement sets out how the Fund plans to invest its assets. This strategy is set for the long term and is reviewed every 3 years as part of the Fund's Asset/Liability study to ensure that it remains appropriate to the Fund's liability profile. As part of the strategy the Administering Authority has adopted a strategic benchmark representing the mix of assets best able to meet the long-term liabilities of the Fund. As of 31 March 2023, the actual assets compared to the benchmark as follows.

	Pension Fund at 31/03/2023	Pension Fund Target Strategic Allocation	Investment Strategy Statement Max	Investment Strategy Statement Min
UK Equities	12.8%	10%	80%	40%
Overseas Equities	48.4%	45%		
Property	9.3%	10%	15%	5%
Private Equity	9.4%	5%	10%	0%
Other Alternatives	3.6%	5%	10%	0%
Bonds / Other Debt / Cash	8.5%	15%	45%	5%
Infrastructure	8.0%	10%		
	100%	100%		

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

Amounts due to the Fund from Employers

	2021/22 £ ' 000	2022/23 £ ' 000
Current Assets		
Contributions in Respect of Employers	5,965	5,698
Contributions in Respect of Members	2,755	2,612
	<u>8,720</u>	<u>8,310</u>

The Contributions due are in respect of March 2023 and were received in April 2023.

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 1,695

Number received late 57

The following table shows the late payment history for 2022/23 :-

Number of days payment was late	Number of late payments	Percentage of late payments
Less than 10	24	42.1%
Between 10 and 19	4	7.0%
Between 20 and 29	13	22.8%
Between 30 and 39	6	10.5%
More than 40	10	17.6%
Total	57	100.0%

Analysis of Contribution rates and amounts received 2022/23

Employer	Body	Employers Rate %	Employees £000	Employers £000
Ad Astra Academy Trust	S	17.5%	-259	-779
All Saints Academy	S	17.5%	-41	-116
Ash Trees Academy	S	17.5%	-53	-161
Badger Hill Academy	S	17.5%	-13	-39
Beamish Museum Ltd	A	15.7%	-140	-579
Beyond Housing	A	23.4%	-424	-1,508
Billingham Town Council	A	17.7%	-8	-24
Bulloughs Cleaning Services	A	17.9%	-4	-12
Business and Enterprise North East Ltd	A	24.5%	-3	-103
Caldicotes Primary Academy	S	17.5%	-11	-35
Care and Custody Health Ltd	A	17.5%	-5	-12
Care Quality Commission	A	17.9%	-886	-2,036
Carmel Education Trust	S	17.7%	-418	-1,268
Catcote Academy	S	17.5%	-123	-370
Caterlink - RCBC	A	21.5%	-6	-23
Caterlink - St Oswald's	A	22.3%	-3	-13
Churchill's (Collaborative Trust)	S	17.5%	-1	-1
Churchill's (Outwood Grange)	S	17.5%	-4	-13
Churchill's Hardwick Green	S	17.5%	-2	-7
Churchill's Harewood	S	17.5%	0	-1
Churchill's Yarm Primary	S	17.5%	-1	-4
Cleveland College of Art and Design	S	15.2%	-137	-326
Cleveland Fire Brigade	S	14.8%	-251	-572
Conyers School	S	17.5%	-167	-501

Employer	Body	Employers Rate %	Employees £000	Employers £000
Creative Management Services (Galileo)	A	20.6%	-3	-12
Creative Management Services Ltd	A	17.5%	-1	-8
Dyke House Academy	S	17.5%	-90	-263
Easterside Academy	S	17.5%	-33	-100
Eden Academy Trust Limited	S	17.5%	-76	-224
Egglescliffe Primary School	S	17.5%	-9	-29
Emmanuel Schools Foundation	S	17.5%	-82	-244
Endeavour Academies Trust	S	17.5%	-139	-403
Enquire Learning Trust (Central)	S	17.5%	-102	-205
Extol Academy Trust (Eldon Grove)	S	17.5%	-115	-342
Fabrick Housing Group	A	20.1%	-924	-2,655
Falcon Education Academies Trust	S	17.5%	-33	-99
Frederick Natrass Primary Academy	S	17.5%	-24	-69
Freebrough Academy	S	17.5%	-49	-143
Future Regeneration of Grangetown	A	30.9%	-2	-10
Galileo Multi Academy Trust	S	17.5%	-229	-675
Grangefield Academy	S	17.5%	-56	-168
Green Lane Primary Academy	S	17.5%	-38	-117
Guisborough Town Council	S	17.7%	-7	-20
Hardwick Green Primary Academy	S	17.5%	-26	-78
Harrow Gate Primary Academy	S	17.5%	-32	-93
Hartlepool Borough Council	S	12.4%	-3,483	-6,693
Hartlepool Care Services Ltd	A	27.9%	0	-2
Hartlepool College of Further Education	S	15.2%	-183	-463
Hartlepool Sixth Form College	S	15.2%	-21	-55
Holy Trinity Primary School	S	17.5%	-15	-45
Horizons Specialist Academy Trust	S	17.5%	-276	-817
Hutchinson's Catering	A	17.9%	-2	-8
Hutchison Catering - AET	A	17.9%	-23	-71
Hutchison Catering - Extol	A	17.9%	-1	-5
Ian Ramsey Church of England Academy	S	17.5%	-49	-140
Ingleby Barwick Town Council	A	17.7%	-1	-8
Ingleby Manor Free School & Sixth Form	S	17.5%	-42	-122
Ironstone Academy Trust - Ormesby Primary School	S	17.5%	-15	-46
Ironstone Academy Trust - Zetland Primary School	S	17.5%	-20	-62
James Cook Learning Trust	S	17.5%	-69	-207
Kader Academy	S	17.5%	-24	-71
KGB Cleaning Ltd – LJS	A	14.8%	0	-1
KTS Academy	S	17.5%	-88	-272
Legacy Learning Trust	S	17.5%	-205	-438
Liberata UK Ltd	A	0.0%	-38	0

Employer	Body	Employers Rate %	Employees £000	Employers £000
Lingfield Academy Trust	S	17.5%	-64	-199
Lockwood Parish Council	S	17.7%	-1	-4
Loftus Town Council	S	17.7%	-4	-12
Manor Community Academy	S	17.5%	-63	-187
Mbro and Stockton Mind	A	17.9%	-2	-8
Mellors Catering Ltd - Dormanstown	A	17.5%	0	-2
Mellors Catering Services Ltd (Central)	A	17.5%	-1	-5
Mellors Catering Services Ltd (Normanby)	A	17.9%	-3	-9
Mellors Ironstone	S	17.9%	-2	-5
Mellors NPCAT	S	17.9%	-3	0
Mellors Riverdale	A	18.9%	0	-1
Mellors Skelton	A	18.9%	-1	-4
Melrose Learning Trust	S	17.5%	-36	-106
Middlesbrough College	S	15.2%	-418	-976
Middlesbrough Council	AA	11.5%	-5,314	-9,474
Mitie Cleveland Fire	S	17.5%	-1	-3
NEAT Academy Trust	S	17.5%	-53	-148
Nicholas Postgate Catholic Academy Trust	S	17.5%	-361	-2,080
NMRN Trading	A	15.8%	-3	-7
Normanby Primary School	S	17.5%	-45	-97
North East Learning Trust	A	17.5%	-58	-172
North Ormesby Primary Academy	S	17.5%	-14	-41
North Shore Academy	S	17.5%	-51	-148
Northern Lights Learning Trust	S	17.5%	-25	-76
Norton Primary Academy	S	17.5%	-28	-80
Nunthorpe Academy	S	17.5%	-118	-262
Nunthorpe Primary Academy	S	17.5%	-16	-50
Oak Tree Primary Academy	S	17.5%	-30	-91
Oakdene Primary School	S	17.5%	-20	-62
One Awards Limited	A	22.2%	-9	-37
One IT Services and Solutions Ltd	A	15.6%	-58	-111
One IT Services Ltd - Porter	A	15.9%	-2	-5
ONsite Building Trust	A	19.3%	-3	-9
Our Children 1st Academy Trust	S	17.5%	-45	-137
Outwood Academy Acklam	S	17.5%	-76	-228
Outwood Academy Bishopsgarth	S	17.5%	-49	-144
Outwood Academy Bydales	S	17.5%	-31	-89
Outwood Academy Normanby	S	17.5%	-64	-187
Outwood Academy Ormesby	S	17.5%	-56	-162
Outwood Academy Redcar	S	17.5%	-36	-106
Outwood Riverside	S	17.5%	-68	-80
Overfields Primary School	S	17.5%	-14	-44

Employer	Body	Employers Rate %	Employees £000	Employers £000
Pentland Academy	S	17.5%	-33	-101
Police & Crime Commissioner for Cleveland	S	14.5%	-76	-150
Prince Regent Street Trust	S	17.5%	-64	-193
Redcar & Eston CIC	A	17.9%	-10	-26
Redcar and Cleveland Borough Council	S	10.2%	-3,770	-5,936
River Tees Multi Academy Trust	S	17.5%	-44	-235
Riverdale Primary School	S	17.5%	-10	-31
RM Education	S	18.9%	-1	-2
Rose Wood Academy	S	17.5%	-27	-82
Saltburn, Marske & New Marske Parish Council	S	17.7%	-3	-9
Skelton and Brotton Parish Council	A	17.7%	-4	-11
Skelton Primary School	S	17.5%	-31	-88
SLM Charitable Trust (MBC)	A	11.5%	-53	-93
SLM Community Leisure Charitable Trust	A	19.2%	-28	-88
SLM Fitness & Health Ltd (MBC)	A	11.5%	-5	-10
SLM Fitness and Health Ltd	A	19.2%	-3	-9
SLM Food & Beverage Ltd (MBC)	A	11.5%	-2	-4
SLM Food and Beverage Ltd	A	19.2%	-2	-5
South Tees Development Corporation	S	17.5%	-140	-324
St Aidan's Primary School	S	17.5%	-20	-60
St Francis of Assisi	S	17.5%	-23	-69
St Mark's Academy	S	17.5%	-39	-119
St Mary's CE Primary School	S	17.5%	-8	-23
Steel River Academy Trust	S	17.5%	-90	-274
Stockton Borough Council	S	13.1%	-5,751	-11,825
Stockton Riverside College	A	15.2%	-470	-1,141
Sunnyside Academy	S	17.5%	0	0
Tascor Services Ltd - PFI	A	N/A	0	-2
Tees Active Limited	A	18.2%	-95	-255
Tees Valley Collaborative Trust	S	17.5%	-139	-398
Tees Valley Combined Authority	S	15.3%	-407	-838
Tees Valley Community Asset Preservation Trust	A	17.0%	0	-1
Tees Valley Education Trust	S	17.5%	-140	-407
Teesside University	S	15.8%	-2,573	-5,824
Teesville Primary School	S	17.5%	-19	-50
The Chief Constable for Cleveland	S	14.5%	-1,805	-3,956
Thornaby C of E Primary	S	17.5%	-22	-67
Thornaby Town council	S	17.5%	-2	-4
Unity City Academy	S	17.5%	-68	-197
Veritau Tees Valley	A	10.2%	-9	-13
Viewley Hill Academy Trust	S	17.5%	-20	-62

Employer	Body	Employers Rate %	Employees £000	Employers £000
Vision Academy Learning Trust	S	17.5%	-333	-980
Whitecliffe Academy	S	17.5%	-10	-32
XPS Administration Ltd	A	17.5%	-26	-58
Yarm Primary School	S	17.5%	-18	-54
			-33,221	-73,732

Note: net rate of contribution payable by each employing Organisation for the period 1 April 2022 to 31 March 2023 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 99.94% of the procedures within each target timescale. The table below highlights the performance of the administration unit against the key procedure targets.

Procedure	Target 2022/23	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	99.88%
Pension benefits	10 working days from the receipt of all relevant information	92.26%
Deferred Benefits	10 working days from notification of leaving	97.22%

Key procedure volumes

The volumes of the key procedures performed by the Pensions administration unit have increased, compared to the previous year.

Procedure	2020/21	2021/22	2022/23
Processing New Starters	4,065	2,235	2,310
Processing Transfer Values	333	563	321
Refund of Contributions	440	508	279
Estimates of Benefit Entitlements	2,297	4,702	3,406
Pension benefits	1,480	1,807	646
Deferred Benefits	1,759	3,808	1,546

Procedure	2020/21	2021/22	2022/23
Deaths	499	514	880
Divorces	141	133	192
General Enquiries	1,348	1,420	961
Total	12,362	15,690	10,541

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:

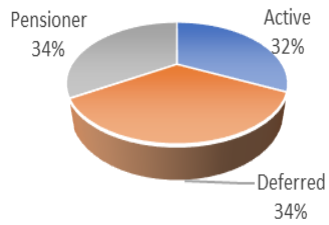
- ◆ The ongoing funding level of the Fund on 31 March 2022 was 116% (2019 – 115%).
- ◆ The surplus of assets compared to the past service liabilities was £684 million (2019 – surplus of assets compared to past service liabilities £527 m).
- ◆ The average cost of accruing benefits payable by the employers, 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 2022/23 financial year the total membership of the Fund increased by 2,443 to the current total of 80,338.

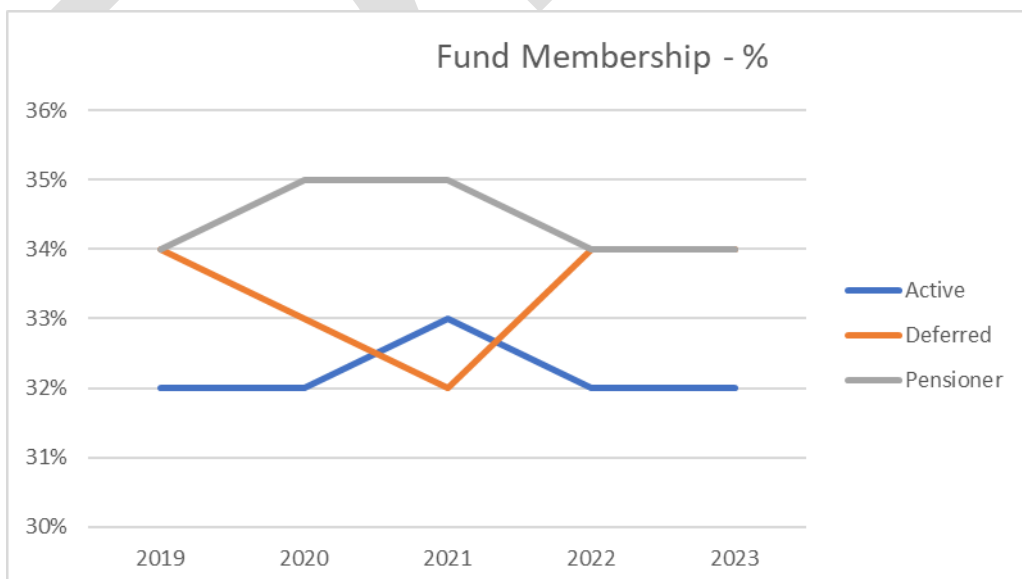
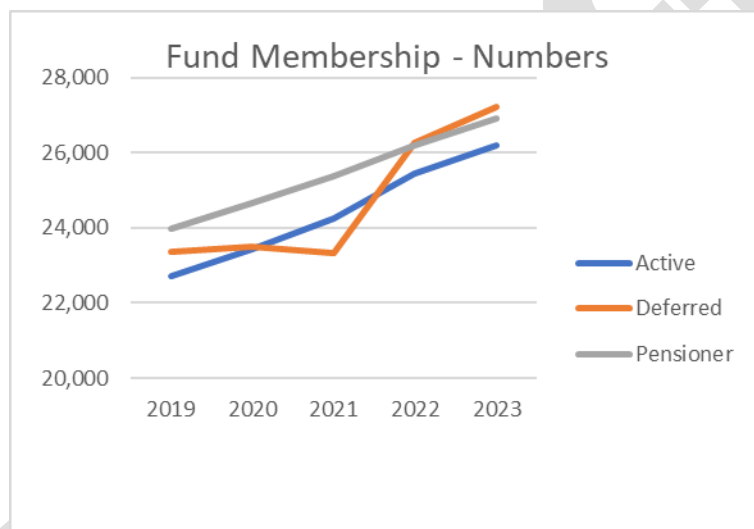
The number of pensioners continues to increase but proportionately the Fund membership remains broadly split between the three categories of member.

Membership at 31 March 2023



Membership Numbers

	2019	2020	2021	2022	2023
Active	22,724	23,438	24,238	25,434	26,198
Deferred	23,361	23,488	23,322	26,249	27,225
Pensioner	23,983	24,651	25,366	26,212	26,915
Total	70,068	71,577	72,926	77,895	80,338



Summary of Membership Changes

	Active Members	Deferred Members	Pensioners		Total
			Members	Dependants	
At 1 April 2022	25,434	26,249	22,907	3,305	77,895
Adjustments	(945)	26	(640)	8	(1,551)
New Members	4,873	1,986	1,460	272	8,591
Change in Status	(1,399)	(47)	(181)	0	(1,627)
Leavers	(1,765)	(989)	(6)	(210)	(2,970)
At 31 March 2023	26,198	27,225	23,540	3,375	80,338
% of Total at 31 March 2023	32.6%	33.9%	29.3%	4.2%	100.0%

During the year we had 4 new employers and 8 left the fund which means as at year end there were 143 employers in the Fund. The new employers were as follows: 1 was scheduled employers and 3 were admitted bodies. Details of the employers and their contribution rates are set out in the Actuary's Statement at the end of this Section.

A full list of participating employers and their membership numbers is as follows:

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Ad Astra Academy Trust	251	62	14	0	327
All Saints Academy	33	29	3	1	66
Ash Trees Academy	59	58	18	0	135
Badger Hill Academy	13	10	6	0	29
Beamish Museum Ltd	83	84	32	3	202
Beyond Housing	221	237	263	27	748
Billingham Town Council	5	8	0	0	13
Bulloughs Cleaning Services	11	0	0	0	11
UMi Commercial Ltd	1	22	22	4	49
Caldicotes Primary Academy	16	12	2	0	30
Care and Custody Health Ltd	2	2	0	0	4
Care Quality Commission	261	139	417	12	829
Carmel Education Trust	688	38	20	0	746
Catcote Academy	121	64	20	0	205
Caterlink - RCBC - 00353	12	3	2	0	17
Caterlink - St Oswalds	6	0	0	0	6
Churchill's Collaborative Trust	7	0	1	0	8
Churchill's Outwood Grange	13	5	0	0	18
The Northern School of Art	106	115	59	11	291
Cleveland Fire Brigade	139	104	94	7	344
Compass Badger Freebrough Whitecliffe	1	0	1	0	2
Compass Contract Services Ltd	4	5	1	2	12

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Compass Group Manor	0	1	2	0	3
The 1590 Trust	248	76	29	2	355
Creative Management Services Ltd	5	10	8	0	23
Creative Management Services (Galileo)	0	0	0	0	0
Dyke House Academy	92	64	14	0	170
Easterside Academy	57	15	4	0	76
Eden Academy Trust Limited	97	40	5	2	144
Egglescliffe Primary School	16	8	0	2	26
Emmanuel School Foundation	97	72	40	0	209
Endeavour Academies Trust	141	34	11	1	187
Enquire Learning Trust (Central)	20	3	1	0	24
Extol Academy Trust (Eldon Grove)	56	27	3	0	86
Thirteen Housing Group	61	30	57	5	153
Falcon Education Academies Trust	40	11	5	0	56
Frederick Natrass Primary Academy	26	22	5	0	53
Freebrough Academy	52	41	16	0	109
Future Regeneration of Grangetown	1	2	3	0	6
Galileo Multi Academy Trust	393	75	26	1	495
Grangefield Academy	62	50	11	0	123
Green Lane Primary Academy	61	21	11	0	93
Guisborough Town Council	6	2	4	0	12
Hardwick	31	23	3	0	57
Harrow Gate Primary Academy	41	38	5	0	84
Hartlepool Borough Council	2,744	3170	0	0	5914
Hartlepool Care Services Ltd	1	3	1	0	5
Hartlepool College of Further Education	219	296	125	18	658
Hartlepool Sixth Form College	19	59	17	4	99
Holy Trinity Primary School	23	5	1	0	29
Horizons Specialist Academy Trust	276	87	21	6	390
Hutchinson's Catering	6	0	0	0	6
Hutchison Catering AET	15	1	0	0	16
Hutchison Catering Extol	4	0	0	0	4
Ian Ramsey Church of England Academy	63	25	17	0	105
Ingleby Barwick Town Council	2	1	0	0	3
Ingleby Manor Free School & Sixth Form	39	20	0	0	59
James Cook Learning Trust	81	17	7	0	105
Kader Academy	27	8	3	0	38
KGB Cleaning Ltd - LJS	3	1	0	0	4
KTS Academy	129	74	12	1	216
Legacy Learning Trust	204	28	5	0	237

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Liberata UK Ltd	19	33	68	9	129
Lingfield Academy Trust	80	19	5	0	104
Lockwood Parish Council	0	2	0	0	2
Loftus Town Council	5	0	2	0	7
Manor Community Academy	79	58	25	1	163
Mellors Catering Services Ltd (Central)	3	8	6	1	18
Mellors Catering Ltd - Dormanstown	2	0	0	0	2
Mellors Catering Services Ltd (Normanby)	3	0	0	0	3
Mellors Ironstone	4	4	1	0	9
Mellors Riverdale	2	1	1	0	4
Mellors Skelton	1	0	0	0	1
Middlesbrough and Stockton Mind	2	1	0	0	3
Middlesbrough College	589	470	194	13	1266
Middlesbrough Council	3,839	4732	3324	335	12230
Mitie Cleveland Fire	1	1	0	0	2
NEAT Academy Trust	41	1	2	0	44
Nicholas Postgate Catholic Academy Trust	980	182	57	1	1220
NMRN Operations	5	1	1	0	7
Normanby Primary School	59	27	3	2	91
North East Learning Trust	63	3	1	0	67
Northern Lights Learning Trust	13	10	1	0	24
North Ormesby Primary Academy	16	5	3	0	24
North Shore Academy	65	73	14	2	154
Norton Primary Academy	31	38	8	1	78
Nunthorpe Academy	108	64	16	0	188
Nunthorpe Primary Academy	40	26	1	0	67
Oakdene Primary	0	0	0	0	0
Oak Tree Academy	50	27	12	6	95
One Awards Limited	13	18	16	2	49
One IT Services and Solutions Ltd	14	4	2	0	20
One IT Services Ltd - Porter	1	0	0	0	1
ONsite Building Trust	2	2	1	0	5
Ormesby Primary School	33	13	2	0	48
Our Children 1st Academy Trust	61	18	5	0	84
Outwood Academy Acklam	77	65	14	1	157
Outwood Academy Bishopsgarth	59	36	3	0	98
Outwood Academy Bydales	29	34	8	0	71
Outwood Academy Normanby	37	10	3	0	50
Outwood Academy Ormesby	61	50	5	0	116
Outwood Academy Redcar	38	21	3	0	62

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Outwood Academy Riverside	18	9	0	0	27
Overfields Primary School	28	3	3	0	34
Park Homes UK Ltd	3	0	0	0	3
Pentland Academy	57	17	8	0	82
Police & Crime Commissioner for Cleveland	23	37	29	3	92
Prince Regent Street trust	92	10	6	0	108
Redcar and Cleveland Borough Council	2664	3893	2,985	300	9842
Redcar & Eston CIC	7	3	0	0	10
Riverdale Primary School	25	8	4	0	37
River Tees Multi Academy Trust	45	15	3	0	63
RM Education	1	0	0	0	1
Rose Wood Academy	50	26	5	0	81
Saltburn Marske and New Marske Parish Council	4	2	1	0	7
Skelton and Brotton Parish Council	3	0	1	0	4
Skelton Primary School	43	31	6	0	80
SLM Community Leisure Charitable Trust	29	24	21	0	74
SLM Fitness and Health Ltd	7	6	0	0	13
SLM Food and Beverage Ltd	1	1	0	0	2
SLM Charitable Trust MBC	56	23	6	0	85
SLM Food & Beverage Ltd (MBC)	3	7	1	0	11
SLM Fitness & Health Ltd (MBC)	2	4	3	0	9
South Tees Development Corporation	29	7	1	0	37
St Aidans Primary School	22	5	1	0	28
St Francis of Assisi	31	5	3	0	39
St Mark's Academy	48	17	7	0	72
St Mary's CE Primary School	10	7	0	0	17
Steel River Academy Trust	145	20	5	0	170
Stockton Borough Council	4,453	5,454	4,075	417	14399
Stockton Riverside College	402	306	138	7	853
Sunnyside Academy	51	44	9	2	106
Tascor Services Ltd - PFI	1	1	1	0	3
Tees Active Limited	72	100	54	3	229
Tees Valley Collaborative Trust	154	43	9	0	206
Tees Valley Combined Authority	145	44	12	0	201
Tees Valley Community Asset Preservation Trust	1	1	0	0	2
Tees Valley Education Trust	148	40	10	0	198
Teesville Primary School	29	9	5	0	43
Teesside University	1471	1,231	624	81	3407
The Chief Constable for Cleveland	993	149	96	5	1243
Thornaby C of E Primary	40	9	3	0	52

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Thornaby Town Council	1	0	0	0	1
Unity City Academy	62	100	27	3	192
Veritau Tees Valley	4	0	0	0	4
Vision Academy Learning Trust	517	107	26	0	650
Viewley Hill Academy Trust	24	14	2	1	41
Whitecliffe Academy	19	3	3	0	25
Wynyard Church of England Primary School	38	2	0	0	40
XPS Administration Ltd	1	0	2	0	3
Yarm Primary School	52	34	4	0	90
Zetland Primary School	38	4	2	0	44
Employers with no active members		3836	10085	2070	15991
Total	26198	27225	23540	3375	80338

Internal Dispute Resolution Procedure

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

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

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

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

Details of IDRP cases processed in the year

The majority of cases that reach the appeal stage continue to be where members have approached employers and former employers for the early release of benefits – often on grounds of ill health.

Cases started in year	6
Cases resolved in year	3 Ongoing/Ombudsmen
Cases resolved in year	1 Cases Upheld

Head of Pensions Governance and Investments' Report

During the year there was considerable volatility in investment markets which were impacted in particular by interest rate rises across global markets in response to high inflation. However, over the year as a whole the Fund's equities slightly increased in value, partly as result of Border to Coast's equity funds continuing to deliver consistent, above benchmark performance, although (in line with its targets) at a steady rather than spectacular rate.

A more significant change for the Fund was the marked reduction in its cash holdings over the year, dropping from £817m to £334m – a reduction of £483m. This was a planned reduction and was mainly a result of the Fund meeting the commitments it has made in 'alternative' investments such as infrastructure, private equity and other alternatives. As the Fund looks to meet its allocation to these assets this will require significant outlay of cash to investment managers over the initial years of the investments. Over time money will be returned from those investments, but when an organisation in the earlier stages of building up a portfolio of 'alternative' investments this will typically involve drawing down on its cash reserves. Cash was also spent on three direct property investments during the year, with the Fund's property manager CBRE being able to identify and acquire quality properties with secure tenants that improved the over quality of the Fund's direct property portfolio.

Currently the Fund classifies cash, bonds, other debt and infrastructure as 'protection' assets, with its other assets (such as equities, private equity and property) classed as return-seeking assets. The Funds long term investment strategy is to have 25% of its assets as protection assets and 75% as return seeking. Although the Fund's infrastructure investments increased by over £150m and its allocation to other debt increased by around £40m during the year, this was not enough to offset the reduction in cash. Consequently, the Fund's allocation to protection assets reduced from around 22% to just over 16% during the year. Although this is within the broad range set out in the Fund's Investment Strategy Statement and the Fund's investment advisors are comfortable with the level of risk the Fund is taking, this position will remain under review.

During the year, the political and economic backdrop continued to be challenging. Russia's ongoing war in Ukraine; continuing tension involving the US, China and Taiwan; and significant instability in energy costs across the globe increased political risks. In the UK, the short Truss premiership and the similarly short-lived September 2022 mini-Budget proposals caused financial shock waves. The reaction to the unfunded tax cuts proposed in the mini-Budget included dramatic impacts on gilt market and related derivatives strategies which required Bank of England intervention and led to a fall in the value of the pound and rises in the cost of UK government borrowing and mortgage rates.

Inflation rose across many economies, a partly as a result of higher commodity prices, supply chain pressures, a rebound in demand as economies recovered from Covid-induced disruption, and tighter labour markets resulting in higher wages. This led to monetary tightening as central banks increased interest rates in some cases also stopped or reversed asset purchases. Central banks had to navigate a difficult path - not raising interest rates enough could mean inflation would not be tackled and would become embedded in the economy, raising interest rates too much or too quickly could turn a slow-down into a recession. By the end of the financial year the expectation was the interest rates would begin to fall again later in the year. Equity markets in particular remain volatile and are closely interested in whether central banks are able to steer the global economy through this difficult patch.

Global equities dipped sharply in the first half of the year with investor concerns focusing on rising interest rates and the risk that over-reaction from central banks would trigger recession. As inflation looked to be dipping in many economies and the expectation of peak interest rates diminished markets strengthened in the second half of the year. There were significant sector

concerns, and the collapse of two US regional banks (Silicon Valley Bank and Signature Bank) which were made worse by the rescue of Credit Suisse (which had idiosyncratic weaknesses) negatively impacted the recovery in financial markets. Market volatility remains high.

The current macroeconomic environment is weak. Government debt levels are high and continue to rise. Options to control this are limited – one is to tighten fiscal policy, another is to accept a higher level of inflation than the 2% previously targeted and to (over time) inflate away the value of the debt. Whether these options are practical or palatable in different countries will be more a political than an economic calculation.

High interest rates mean governments and consumers will both have higher debt servicing costs. Corporate investment, which has been relatively weak in the last few years, is unlikely to rebound in the current uncertain environment, although in the US the fiscal stimulus from the Inflation Reduction Act and the CHIPS and Science Act is likely to be helpful, even though these measures could impact on trade relations between the US and other regions. Inflation is starting to diminish in some areas as should by falling non-energy commodity prices and an easing of supply chain pressures. Despite the weak economic backdrop, there has not been a sharp fall in corporate earnings although earnings expectations have recently been reduced downwards. If central banks can manage to bring inflation under control without triggering recession, financial markets should continue to deliver reasonable returns.

During the year the Fund's UK equities, along with a proportion of its overseas equities, continued to be managed by Border to Coast. Border to Coast's overseas equities fund is hitting its long-term objective of outperforming its benchmark by 1% a year. Its UK equities fund was fractionally behind this objective but is still comfortably outperforming the benchmark. Border to Coast's emerging markets equity fund has underperformed during the shorter period the Fund has been investing in it – this will continue to be monitored by the investment team and the Fund's advisors.

The Fund retains some passive equities (managed by State Street Global Advisors), mainly to allow the Fund to choose a different geographic allocation to that applied by Border to Coast's overseas equity fund. As expected, the value of the passively invested equities closely tracked the value of global markets.

During the year the Fund carried out a number of transactions including:

- Transactions relating to private markets investments including.
- Net investments in infrastructure funds totalling around £136m.
- Net investments in private equity funds totalling around £95m.
- Net investments in 'other' alternatives funds totalling around £71m.
- Four separate property transactions were completed during the year with totalling around £102m.
- Three property debt transactions took place during the year totalling around £50m.

The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level with the aim of the Fund to be 100% funded. The results of the latest valuation of the Fund, as of 31 March 2022, were published in March 2023 and these showed the funding level at 116%. This is a significant increase in the previous funding level of 100% and was largely due to increases in the value of the assets since the last valuation offset to some degree by increases in the assessed value of the Fund's liabilities, mainly due to an increase in long term inflation assumptions. Revised contribution rates were put in place for the scheme employers that took effect from April 2023 and some employers saw an increase to their

contribution rate primarily to increased inflation assumptions and a reduction in projected future investment returns.

The next valuation is due on 31 March 2023 with results affecting employer contribution rates from April 2026.

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 66.25% of the value of the portfolio as at 31 March 2023 are:

Security Description	% of Total Investments	Market value £'000
BORDER TO COAST OS DEV M-AA GBP	32.56%	1,647,397
BORDER TO COAST UK L E-AAGBP	12.77%	646,205
SSGA MPF PAC BASIN EX-JAPAN INDEX	6.32%	320,026
BORDER TO COAST EMERGING MARKET HYBRID FUND	4.02%	203,394
SSGA MPF EUROPE EX UK SUB-FUND	2.63%	132,964
SSGA MPF JAPAN EQUITY INDEX	2.13%	107,694
BORDER TO COAST PRIVATE EQUITY SERIES 1A	1.82%	92,098
JP MORGAN IIF UK LP	1.59%	80,512
BORDER TO COAST INFRASTRUCTURE SERIES 1A	1.44%	72,911
INSIGHT IIFIG SECURED FINANCE II FUND	0.97%	48,966
	66.25%	3,352,167

INVESTMENT MANAGERS / INVESTMENTS

As at 31 March 2023 the market value of the fund was allocated to the following investment managers / investments:

Manager / Investment	Asset class	Market Value £'000	% of Fund
State Street Global Advisors	Overseas Equities	599,220	11.84%
Border to Coast Pensions Partnership	UK Equities	646,205	12.77%
	Overseas Equities	1,850,791	36.58%
	Alternatives	296,180	5.85%
Internal Team	Cash	336,783	6.66%
	Overseas Equities	8	0.00%
	UK Equities	2,110	0.04%
CBRE - Direct Property Portfolio	Property and Property Debt	378,890	7.49%
Darwin Leisure	Alternatives	126,128	2.49%
LGT Capital Partners	Alternatives	108,097	2.14%
JP Morgan IIF UK LP	Alternatives	80,512	1.59%
Access Capital Partners	Alternatives	66,371	1.31%
Capital Dynamics	Alternatives	66,350	1.31%
Gresham House	Alternatives	61,236	1.21%
Unigestion	Alternatives	52,765	1.04%
Pantheon Ventures (UK)	Alternatives	50,625	1.00%
Insight Investments	Alternatives	48,966	0.97%
Blackrock Fund Managers Ltd	Alternatives	43,776	0.87%
GB Bank Ltd	Alternatives	40,080	0.79%
Aberdeen Standard Life	Property and Property Debt	34,842	0.69%
Hermes	Property and Property Debt	33,680	0.67%
Graftongate Investments Ltd	Direct Property	24,725	0.49%
Greyhound Retail Park	Alternatives	20,000	0.39%
Hearthstone	Alternatives	19,441	0.38%
Innisfree	Alternatives	18,570	0.37%
Ancala	Alternatives	18,081	0.36%
Foresight Group	Alternatives	8,611	0.17%
La Salle	Alternatives	7,671	0.15%
Legal & General	Property and Property Debt	6,646	0.13%
ST Arthur Homes	Alternatives	4,534	0.09%
CCLA Investment Management Limited	Property and Property Debt	3,944	0.08%
Threadneedle	Property and Property Debt	3,399	0.07%
Bridges Evergreen	Alternatives	708	0.01%
Total		£5,059,945	100.00%

PERFORMANCE

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

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

In the year 2022/2023 the Fund achieved a return of 1.4% compared to our benchmark return of (1.4) %.

In the three-year period to 2022/2023 the Fund achieved a return of 12.9% per annum compared to our benchmark return of 9.6%.

In the five-year period to 2022/2023 the Fund achieved a return of 7.4% per annum compared to our benchmark return of 5.2%.

In the ten-year period to 2022/2023 the Fund achieved a return of 7.4% per annum compared to our benchmark of 7.0%.

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

Asset class	Performance measurement period					
	One Year			Three Years		
	Fund return	Benchmark return	Excess	Fund return	Benchmark return	Excess
UK Equities	5.0%	2.9%	2.1%	2.3%	13.8%	-11.5%
Overseas Equities	1.6%	1.2%	0.4%	15.3%	15.6%	-0.3%
Property	-9.4%	-14.9%	5.4%	6.9%	2.6%	4.3%
Alternatives	3.9%	4.5%	-0.6%	14.4%	4.5%	9.9%
Cash	2.2%	2.2%	-0.1%	0.8%	0.8%	0.0%
Total Fund	1.4%	-1.4%	2.8%	12.9%	9.6%	3.3%

Asset class	Performance measurement period					
	Five Years			Ten Years		
	Fund return	Benchmark return	Excess	Fund return	Benchmark return	Excess
UK Equities	4.7%	5.0%	-0.3%	5.5%	5.8%	-0.4%
Overseas Equities	9.1%	8.7%	0.4%	11.4%	11.2%	0.2%
Property	4.8%	2.7%	2.1%	7.2%	7.1%	0.0%
Alternatives	10.0%	4.6%	5.4%	5.7%	5.2%	0.5%
Cash	0.6%	0.7%	-0.1%	0.5%	0.5%	0.0%
Total Fund	7.4%	5.2%	2.2%	7.4%	7.0%	0.4%

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	12% S&P 500 Index 12% FTSE Dev Asia Pacific Ex Japan Index 11% EuroStoxx 600 Ex UK Index 5% Topix 500 Index 5% FTSE Emerging Index
Property	MSCI Property Index (GBP)
Alternatives	Actuary rate of return: +4.45%
Cash	SONIA
Total Fund Benchmark	10% FTSE All Share Index 12% S&P 500 Index 11% EuroStoxx 600 Ex UK Index 12% FTSE Dev Asia Pacific Ex Japan Index 5% Topix 500 Index 5% FTSE Emerging Index 10% MSCI Property Index 10% SONIA 25% Actuary rate of return +4.45%

Ordinarily, the key to good performance is to get the big asset allocation decisions right. The weightings between equities and bonds in particular will go a long way to determining 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 year 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 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.

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 include more of these types of investments the cost / benefit balance will become more favourable. Information collated by Border to Coast suggests that 2022/23 was the first 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.

By the end of 2022/22 Border to Coast had 138 employees and was managing 28.2 billion of assets (including £2.5 billion of the Fund's assets) within 9 different sub-funds (the fund is invested in 3 of these sub-funds), and in addition had commitments of £12 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.

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/sustainability>

Draft

Financial Statements

INDEX

	Pages
1 Statement of Responsibilities for the Financial Statements	44
2 Auditor's Report	45
3 Fund Account and Net Assets Statement	46
4 Notes to the Financial Statements	47-70

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 2021 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 2023

2021/22 £000			2022/23 £000
	Contributions and Benefits		
	Dealings with members, employers and others directly involved in the Fund		
(97,666)	Contributions	6	(106,953)
(2,371)	Transfers in from other pension funds	8	(4,896)
(3,626)	Other income	9	(2,561)
(103,663)	Total Income from Members		(114,410)
153,758	Benefits payable	7	162,355
5,974	Payments to and on account of leavers	10	20,435
159,732	Total Expenditure to Members		182,790
56,069	Net (additions) / withdrawals from dealings with members		68,380
8,128	Management expenses	11,19	10,085
64,197	Net (additions) / withdrawals from dealings with members, employers and others directly involved in the Fund		78,465
	Returns on investment		
(49,933)	Investment income	12	(50,230)
(492,353)	Profits and losses on disposal of investments and changes in market value of investments	13	(54,947)
(542,286)	Net returns on investments		(105,177)
(478,089)	Net (increase) / decrease in the net assets available for benefits during the year		(26,712)
4,559,485	Net assets of the scheme as at 1st April		5,037,574
5,037,574	Net assets of the scheme as at 31st March		5,064,286
2021/22	Net Assets Statement as at 31st March		2022/23
5,036,271	Investments Assets	13	5,060,738
12,806	Current Assets	16	14,102
(11,503)	Current liabilities	17	(10,554)
5,037,574	Net assets of the scheme at 31st March		5,064,286

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 2022/23 and beyond as part of its going concern assessment. This included consideration of the following:

- The Fund had assets of c. £5.06 billion as of 31 March 2023. £4.32 billion (85%) of this is held in assets which are considered to be liquid, and which could be converted to cash if required (including £0.33 billion actually held as cash).
- The Fund has estimated that in 2023/24 it will pay out approximately £195 million in benefits and other outgoings in the coming twelve months and is forecasting contribution income in the region of £125 million. This shortfall in contribution income versus benefits and other expenditure of £70 million will be met partly from other investment income, which is estimated to be £64 million in 2023/24 with the remaining £6 million being taken from the Fund's cash balance, which was £334 million at 31 March 2023.

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

The statement of accounts summarises the Fund's transactions for the 2022/23 financial year and its position as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

2. Summary of Significant Accounting Policies

Accruals

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

Fund Account – Revenue Recognition

Contributions income

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

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

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

Transfer values

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

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

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

Investment income

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

Interest Income

Interest income is recognised in the Fund Account 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 2023. 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 2023 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 2023. 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 2023.

Outstanding Commitments

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

Cash and Cash Equivalents

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

Disposal of Investments

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

Interest on Cash Balances

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

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As

permitted under the Code, the Fund has adopted to disclose the actuarial present value of promised retirement benefits by way of a note, refer to Note 15.

Additional Voluntary Contributions

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

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

Value Added Tax

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

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

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

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is no recognition for low-value and short-term leases). CIPFA/LASAAC have however deferred implementation of IFRS16 for local government to 1 April 2022 due to the impact of Covid-19.

4. Critical Judgements, Sensitivities and Accounting Estimates

Unquoted Private Equity, 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 2023 is £1,155,773,631 (£737,329,876 at 31 March 2022).

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 £113 million.
Pooled Investment Vehicles	Infrastructure and global property investments are valued at fair value in accordance with the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of 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 £4,320 million 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 19.5% in the value of directly held property £73.9 million, on a fair basis of £378.9 million.

6. Contributions Receivable

		2021/22	2022/23
		£'000	£'000
Employers	Normal	(67,214)	(73,562)
	Additional Contributions	(12)	(12)
	Deficit Recovery Contributions	(506)	(158)
Members	Normal	(29,934)	(33,221)
	Total	(97,666)	(106,953)
Analysis of Total Contributions		2021/22	2022/23
		£'000	£'000
Administering Authority – Middlesbrough Council		(12,629)	(14,788)
Scheduled Bodies		(72,217)	(79,669)
Admission Bodies		(12,820)	(12,496)
Total		(97,666)	(106,953)

7. Benefits Payable

	2021/22	2022/23
	£'000	£'000
Pensions	127,421	134,792
Commutations and lump sum retirement benefits	22,750	24,684
Lump sum death benefits	3,587	2,879
Total	153,758	162,355
Analysis of Total Benefits		
Administering Authority – Middlesbrough Council	24,119	26,174
Scheduled Bodies	95,869	100,137
Admission Bodies	33,770	36,044
Total	153,758	162,355

8. Transfers in from Other Pension Funds

	2021/22	2022/23
	£'000	£'000
Individual transfers in from other schemes	(2,371)	(4,896)
Total	(2,371)	(4,896)

9. Other Income

	2021/22	2022/23
	£'000	£'000
Capital Costs of Early Retirements	(2,748)	(1,578)
Other Income	(878)	(983)
Total	(3,626)	(2,561)

10. Payment to and on Account of Leavers

	2021/22	2022/23
	£'000	£'000
Refunds to members leaving service	199	11,761
Payments for members joining state scheme	483	211
Individual transfers to other schemes	5,292	8,463
Total	5,974	20,435

11. Management Expenses

	2021/22	2022/23
	£'000	£'000
Administrative costs	2,238	2,087
Investment management expenses	5,474	7,331
Oversight and governance costs	397	637
Total	8,109	10,055

Investment Management Expenses

	2021/22	2022/23
	£'000	£'000
Management fees	3,959	6,793
Custody fees	25	21
Transaction costs	939	0
Loans & Investment support service charges	551	517
Total	5,474	7,331

12. Investment Income

	2021/22	2022/23
	£'000	£'000
Income from pooled investment vehicles	(33,525)	(24,838)
Net rents from properties (see note below)	(15,554)	(16,627)
Interest on cash deposits	(854)	(8,765)
Total	(49,933)	(50,230)
	2021/22	2021/22
	£'000	£'000
Rental Income and Property Expenses		
Gross Rental income	(16,172)	(18,460)
Property Expenses / (Income)	618	1,833
Net Rents from Properties	(15,554)	(16,627)

13. Investment Assets

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

2021/22	Value at 1 April 2021	Reclassified Assets	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	90	1,621	0	0	1,620	1,710
Pooled Investment Vehicles	3,869,990	(21,621)	1,163,001	(1,672,195)	432,431	3,773,227
Pooled Property Investments	64,040	0	0	(8,197)	4,387	60,230
Properties	277,200	0	4,406	0	53,915	335,521
Loans	0	0	20,000	0	0	20,000
Directly Held – Private Equity	0	20,000	6,500	0	0	26,500
	4,211,320	0	1,193,907	(1,680,392)	492,353	4,217,188
Cash Deposits	340,650					817,250
Other Investment Balances	1,847					1,833
Net Investment assets	4,553,817					5,036,271

Valuation Basis

There are four funds that have been valued at Cost rather than Market Value at 31 March 23 as the investments are at an early stage and an open Market Value is yet to be determined. These include Leonardo (£24.7M), Greyhound Retail Park (£20.0M), ST Arthur Homes (£4.5M) and GB Bank Limited (£40.0M).

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 £1,128,891 and unrealised gain was £56,076,232. Prior year realised profit was £228,314,613 and unrealised gain was £264,038,252.

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 transactions costs during the year. (2021/2022 £938,946). 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 2022/2023 the value at 31 March 2023 of the direct property portfolio was: **£403,615,188**
- For 2021/2022 the value at 31 March 2022 of the direct property portfolio was: **£335,520,529**

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

Security	Market Value 31 March 2022 £'000	% of net assets of the scheme	Market Value 31 March 2023 £'000	% of net assets of the scheme
Border to Coast PE Overseas Dev Mkts	1,608,520	31.95%	1,647,397	32.56%
Border to Coast PE UK Listed Equity	615,588	12.23%	646,205	12.77%
SSGA MPF Pacific Basin Ex- Japan Index	334,706	6.65%	320,026	6.32%

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

Asset Class / Security	Market Value 31 March 2022	% of asset class	Market Value 31 March 2023	% of asset class
	£'000		£'000	
UK Equities				
Border to Coast UK Listed Equity	615,588	99.72%	646,205	99.67%
Overseas Equities				
Border to Coast Overseas Dev Mkts	1,608,520	66.41%	1,647,397	67.24%
SSGA MPF Pacific Basin Ex-Japan Index	334,706	13.82%	320,026	13.06%
SSGA MPF Europe Ex-UK Equity Index Sub Fund	122,869	5.07%	132,964	5.43%
Border to Coast Emerging Market Hybrid Fund	210,824	8.70%	203,394	8.30%
Private Equity				
Crown Co Investment Opp II PLC	25,331	6.90%	27,528	5.71%
Unigestion SA	25,421	6.92%	27,546	5.71%
Pantheon Global Co-Investment Opportunities IV	26,412	7.19%	32,568	6.75%
Crown Growth Global Opportunities III	34,019	9.26%	37,392	7.75%
Border to Coast Private Equity Series 1A	72,562	19.76%	92,098	19.09%
Border to Coast Private Equity Series 1B	0	0.00%	26,727	5.54%
GB Bank Limited	26,500	7.22%	40,080	8.31%
Infrastructure				
Border to Coast Infrastructure Series 1A	45,996	18.57%	72,911	18.13%
Border to Coast Infrastructure Series 1B	12,421	5.01%	21,321	5.30%
Border to Coast Infrastructure Series 1C	22,408	9.05%	36,987	9.20%
JP Morgan IIF UK I LP	36,125	14.58%	80,512	20.02%
Gresham House BSI Infrastructure LP	21,166	8.54%	22,759	5.66%
Other Alternatives				
Border to Coast Climate Opportunities Series 2A	0	0.00%	10,244	5.70%
Darwin Leisure Prop Units - Class C	23,488	20.48%	23,447	13.06%
Darwin Bereavement Services Fund - Class B	17,042	14.86%	18,087	10.07%
Darwin Bereavement Services Fund - Income Units	10,264	8.95%	30,309	16.88%
Darwin Leisure Dev Fd – Class D	18,656	16.26%	19,865	11.06%
Darwin Leisure Property Fund K - Income Units	15,449	13.47%	34,420	19.17%
Hearthstone Residential Fund 1	9,675	8.43%	9,605	5.35%
Hearthstone Residential Fund 2	0	0.00%	9,836	5.48%
Gresham House BSI Housing Fund LP	13,588	11.85%	15,406	8.58%
Other Debt				
Insight IIFIG Secured Finance II Fund	24,676	47.20%	48,966	53.48%
Greyhound Retail Park Chester	20,000	38.25%	20,000	21.84%
Pantheon Senior Debt Secondaries II	7,609	14.55%	18,057	19.72%

Direct Property				
Doncaster (Omega Boulevard)	37,800	11.27%	31,200	7.73%
Birmingham (Bromford Central)	23,950	7.14%	20,200	5.00%
London (51/54 Long Acre)	0	0.00%	31,000	7.68%
Swindon (Symmetry Park, Unit 1)	21,600	6.44%	31,150	7.72%
Graftongate Investments Ltd (Leonardo)	0	0.00%	24,725	6.13%
Property Unit Trusts				
Standard Life Investments European Property Growth Fund	39,036	64.81%	34,842	53.24%
LAMIT - Local Authorities Property Fund	4,723	7.84%	3,944	6.03%
Hermes Property	5,064	8.41%	16,608	25.38%
Threadneedle Property	4,114	6.83%	3,399	5.19%
Legal and General Managed Property Fund	7,294	12.11%	6,646	10.16%

Geographical Analysis of Investments

	2021/22		2022/23	
	£'000	%	£'000	%
United Kingdom	1,240,930	30%	1,470,021	31%
United States	1,101,132	26%	1,284,003	27%
Asia Pacific Ex Japan	817,262	19%	666,391	14%
Europe	580,568	14%	823,204	17%
Japan	266,463	6%	276,140	6%
Others	210,833	5%	203,403	5%
Total	4,217,188	100%	4,723,162	100%

Equities

	2021/22	2022/23
	£'000	£'000
UK quoted	1,701	2,110
Overseas Quoted	9	9
Total	1,710	2,119

Pooled Investment Vehicles and Properties

	2021/22	2022/23
	£'000	£'000
UK Equity	615,588	648,315
Pooled Property investment Vehicle	60,230	65,438
Private Equity	340,778	482,511
Infrastructure	247,734	402,107
Other Alternatives	114,709	179,599
Other Debt	32,284	91,557
UK Unit and Investment Trusts Total	1,411,323	1,869,527
Overseas Equities	2,422,134	2,450,020
Overseas Unit and Investment Trusts Total	2,422,134	2,450,020
Total	3,833,457	4,319,547

UK Properties

	2021/22	2022/23
	£'000	£'000
Freehold	268,251	345,415
Leasehold	67,000	58,200
Total	335,521	403,615

The properties were valued on the basis of Fair Value at 31 March 2023 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

	2021/22	2022/23
	£'000	£'000
Sterling Cash deposits	817,250	334,350

Other investment balances

	2021/22	2022/23
	£'000	£'000
Cash deposits with custodian	1,470	1,470
Interest due on cash deposits	363	1,756
Total	1,833	3,226

Outstanding Commitments

As at 31 March 2023, the Fund had the following outstanding commitments.

	Initial Commitment	Capital Payments made	Outstanding commitments at 31 March 2023
	GBP	GBP	GBP
Infrastructure			
Border to Coast Infrastructure Series 1A	100,000,000	59,821,475	40,178,525
Border to Coast Infrastructure Series 1B	50,000,000	21,970,573	28,029,427
Border to Coast Infrastructure Series 1C	50,000,000	32,201,193	17,798,807
Border to Coast Infrastructure Series 2A	150,000,000	16,059,102	133,940,898
Capital Dynamics Clean Energy Infrastructure Fund VIII	20,000,000	14,100,754	5,899,246
Capital Dynamics Clean Energy Infrastructure Fund VIII - Co Investment	10,000,000	7,050,377	2,949,623
Gresham House, British Strategic Investment Infrastructure Fund	20,000,000	19,070,660	929,340
Gresham House, British Strategic Investment Infrastructure Fund II	25,000,000	12,383,298	12,616,702
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	445,000,000	200,718,642	244,281,358
	EUR	EUR	EUR

Access Capital Infrastructure Fund	23,000,000	15,622,040	7,377,960
Access Capital Infrastructure Fund II	20,000,000	14,476,403	5,523,597
Access Capital Infrastructure Fund II (Fund 2)	15,000,000	7,961,781	7,038,219
Ancala Infrastructure Fund II	23,000,000	16,925,167	6,074,833
Foresight Energy Infrastructure	17,000,000	9,931,380	7,068,620
Total EUR	98,000,000	64,916,771	33,083,229
	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	765,180	4,234,820
Gresham House, British Strategic Investment Housing Fund LP	20,000,000	13,944,083	6,055,917
Hearthstone Residential Fund 2 LP	20,000,000	10,453,507	9,546,493
Total GBP	45,000,000	25,162,769	19,837,231
	EUR	EUR	EUR
La Salle Real Estate Debt Strategies IV	25,000,000	8,782,275	16,217,725
Total EUR	25,000,000	8,782,275	16,217,725
	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	4,534,442	11,465,558
Total GBP	16,000,000	4,534,442	11,465,558
	USD	USD	USD
Pantheon Senior Debt Secondaries II	25,000,000	16,367,215	8,632,785
Total USD	25,000,000	16,367,215	8,632,785
Private Equity			
	GBP	GBP	GBP
Border to Coast Private Equity Series 1A	100,000,000	60,369,403	39,630,597
Border to Coast Private Equity Series 1B	50,000,000	25,378,167	24,621,833
Border to Coast Private Equity Series 1C	50,000,000	17,282,757	32,717,243
Border to Coast Private Equity Series 2A	100,000,000	3,126,918	96,873,082
Capital Dynamics LGPS Collective for Pools 18/19	10,000,000	6,429,550	3,570,450
GB Bank Limited	28,000,000	20,080,050	7,919,950
Hermes Innovation Fund	20,000,000	13,019,125	6,980,875
Foresight Regional Investments IV	5,000,000	747,988	4,252,012
Total GBP	363,000,000	146,433,957	216,566,043
	EUR	EUR	EUR
Access Capital Fund VIII Growth Buy-Out Europe	30,000,000	16,792,109	13,207,891

Access Capital Co-Investment Fund Buy-Out Europe II	22,000,000	9,050,000	12,950,000
Capital Dynamics Mid-Market Direct V	20,000,000	13,803,038	6,196,962
Crown Growth Global Opportunities III	30,000,000	22,950,000	7,050,000
Unigestion Direct II	25,000,000	17,819,008	7,180,992
Unigestion Secondary V	50,000,000	23,000,000	27,000,000
Unigestion Direct III	37,500,000	5,426,563	32,073,437
Total EUR	214,500,000	108,840,718	105,659,282
	USD	USD	USD
Blackrock Private Opportunities Fund IV	25,000,000	21,171,123	3,828,877
Capital Dynamics Global Secondaries V	22,000,000	14,373,458	7,626,542
Crown Co-Investment Opportunities II	30,000,000	19,785,000	10,215,000
Crown Co-Investment Opportunities III	30,000,000	10,350,000	19,650,000
Crown Global Opportunities VII	40,000,000	18,920,000	21,080,000
Crown Secondaries Special Opportunities II	25,000,000	15,487,500	9,512,500
Pantheon Global Co Investment Opportunities IV	30,000,000	23,268,429	6,731,571
Total USD	202,000,000	123,355,510	78,644,490

14. Financial Instruments

Net Gains and Losses on Financial Instruments

	2021/22	2022/23
Financial Assets	£'000	£'000
Fair Value through profit and loss account	(492,353)	(54,947)

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 31/3/22			As at 31/3/23		
Financial Assets	£'000	£'000	£'000	£'000	£'000	£'000
Equities	1,710			2,119		
Pooled Investments	3,819,727			4,251,990		
Pooled Property Investments	60,230			65,438		
Cash		817,250			334,350	
Other Investment balances		1,833			3,226	
Sundry debtors and prepayments		12,806			14,102	
	3,881,667	831,889	0	4,319,547	351,678	0
Financial Liabilities						
Sundry creditors			(11,503)			(10,340)
Net Financial Assets of the Fund	3,881,667	831,889	(11,503)	4,319,547	351,678	(10,340)

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 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
Value as at 31 March 2022	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss account	21,710	3,037,721	822,236	3,881,667
Loans and receivables	831,889	0	0	831,889
Financial Liabilities at amortised cost	(11,503)	0	0	(11,503)
Total Financial Assets	842,096	3,037,721	822,236	4,702,053

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 2022.

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

	Assessed valuation range (+/-)	Value at 31 March 2023	Value on increase	Value on decrease
		£'000	£'000	£'000
Pooled Investments - Private Equity	19.12%	482,511	574,767	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		1,196,678	1,422,722	970,636

Valuation of Financial Instrument Carried at Fair Value – 31 March 2022

	Assessed valuation range (+/-)	Value at 31 March 2022	Value on increase	Value on decrease
		£'000	£'000	£'000
Pooled Investments - Overseas Equity	18.75%	367,278	436,143	298,414
Pooled Investments – Private Equity	18.75%	247,734	294,184	201,284
Pooled Investments - Infrastructure	18.75%	114,710	136,218	93,202
Pooled Investments – Other Alternatives	18.75%	32,284	38,337	26,231
Pooled Investments – Property	7.05%	60,230	64,476	55,984
Total		822,236	969,359	675,114

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

Period 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	367,278	0	112,012	(17,487)	20,708	0	482,511
Pooled Investments - Infrastructure	247,734	0	165,302	(28,866)	17,937	0	402,107
Pooled Investments - Other Alternatives	114,709	0	68,252	(2,424)	(938)	0	179,599
Pooled Investments - Other Debt	32,285	(20,000)	40,737	(5,485)	19,486	0	67,023
Pooled Investments - Property	60,230		15,000	0	(9,792)	0	65,438
Total	822,236	(20,000)	401,303	(54,262)	47,401	0	1,196,678

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

Period 2021/22	Market Value 1 April 2021	Transfer between levels	Purchase s	Sales	Unrealise d Gains/ Losses	Realised Gains/ Losses	Market Value 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Investments - Overseas Equity	1,235,449	(1,235,449)	0	0	0	0	0
Pooled Investments - Private Equity	149,794	0	129,033	(17,569)	106,020	0	367,278
Pooled Investments - Infrastructure	35,473	156,909	81,335	(13,256)	(12,727)	0	247,734
Pooled Investments - Other Alternatives	5,806	100,401	9,931	(641)	(788)	0	114,709
Pooled Investments - Other Debt	0	7,609	27,296	(2,253)	(367)	0	32,285
Pooled Investments - Property	42,340	21,194	0	(8,197)	2,838	2,055	60,230
Total	1,468,862	(949,336)	247,595	(41,916)	94,976	2,055	822,236

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 2021/22 reporting period.

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

2021/22 Price Risk Asset Type	Region	Value at 31/03/2022 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Equities	UK	1,701	14.98%	1,956	1,446
	Non UK	9	12.96%	10	8
	Total	1,710		1,966	1,454
Managed and Unitised Funds	UK	903,699	14.98%	1,039,073	768,325
	Non UK	2,976,258	12.96%	3,361,981	2,590,535
	Total	3,879,957		4,401,054	3,358,860
Total		3,881,667		4,403,020	3,360,314

Interest Rate risk

Interest rate risk is the risk to which the Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2023 is set out below:

Asset Type at 31 March	2022	2023
	£'000	£'000
Cash and cash equivalents	817,250	334,350
Other Investment balances	1,833	3,226
Total	819,083	337,576

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
	£'000	£'000	£'000
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)

Carrying value at 31 March 2022	£'000	£'000	£'000
Cash and cash equivalents	817,250	2,043	(2,043)
Other Investment balances	1,833	5	(5)
Total	819,083	2,048	(2,048)

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 2022 and as at 31 March 2023, showing the sensitivity analysis of foreign exchange movements.

Currency Risk 31 March 2023	Value	Change	Value on	Value on
	£'000	%	Increase	Decrease
			£'000	£'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

Currency Risk 31 March 2022	Value £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Australian Dollar	9	8.10%	10	8
Euro	580,568	5.20%	610,758	550,378
Japanese Yen	266,463	9.20%	290,978	241,948
US Dollar	1,101,132	8.30%	1,192,526	1,009,738
Asia Pacific ex Japan basket	817,262	8.10%	883,460	751,064
Total	2,765,434		2,977,731	2,553,137

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

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The Fund is exposed to credit risk on its investment portfolio, including its cash deposits, and on the contributions receivable from the Fund's participating employers. The market values on investments usually reflect an assessment of credit risk in their pricing and as a result the risk of the loss is implicitly provided for in the fair value of the Fund's investments. Credit risk on cash deposits is managed by Middlesbrough Council's in-house Treasury Management Team, following the Council's Treasury Management Policy. This policy is described in detail in Middlesbrough Council's Annual Report. Credit risk on contributions receivable from employers is minimised by regular monitoring of monthly receipt of payments from employees. There is no provision for doubtful debts against the amounts due from employers as at 31st March 2022. The LGPS Regulations require that a risk assessment of any new transferee admission body is carried out, and that a bond or guarantee is obtained where necessary. The Teesside Pension Fund and Investment Panel must approve the admission of any new body. Bonds or guarantees have been obtained for the Fund's admission body, where possible. The Fund is potentially exposed to credit risk from certain scheduled employers that have neither tax-raising powers nor a guarantee from central government.

Collateral and other credit enhancement

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

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund holds in-house cash resources to meet the day to day needs and to pay pensions. If there is insufficient cash available to meet immediate needs, there are sufficient other assets available which can be realised at short notice and at minimal cost. 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)	2.7%
Salary Increase Rate	3.7%
Discount Rate	4.3%

Life expectancy from age of 65 (years) assumptions

Mortality Assumptions:	Years
Longevity at 65 for current pensioners:	
Men	20.90
Women	23.90
Longevity at 65 for future pensioners :	
Men	21.90
Women	25.50

16. Current Assets

Receivables		31/03/2022	31/03/2023
		£000	£000
Other receivables		2,723	4,029
Sundry debtors		615	1,145
Contributions due in respect of	Employers	5,965	5,698
	Members	2,755	2,612
Cash balances		748	618
Total		12,806	14,102
Analysed by:			
Other local authorities		4,736	4,379
Other entities and individuals		7,322	9,105
Add cash balances		748	618
Total		12,806	14,102

17. Current liabilities

Amounts due within one year		31/03/2022	31/03/2023
		£000	£000
Rents received in advance		(2,774)	(2,559)
Accrued expenses		(7,715)	(6,480)
Other payables		(1,014)	(1,515)
Total		(11,503)	(10,554)
Analysed by:			
Other local authorities		(1,121)	(765)
Public Corp & Trading Funds		(5,499)	(5,451)
Other entities and individuals		(4,883)	(4,338)
Total		(11,503)	(10,554)

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					
				2021/22	2022/23
				£000	£000
With Profits and Deposit Accounts				4,312	4,312
Unit Linked Accounts				4,021	4,021
Total				8,333	8,333

19. Related Party Transactions

The Fund is administered by Middlesbrough Council. During the reporting period, the council incurred costs of £765,000 (2021/22: £1,147,000) 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 £9.5 million over the period (2021/22 - £8.6 million).

20. External Audit Costs

	2021/22	2022/23
	£000	£000
Payable in respect of external audit	19	30

21. Senior Employees' Remuneration

	2021/22	2022/23
	£000	£000
Key Management Personnel		
Short Term Benefits	66	63
Post Employments Benefits	8	7
Total	74	70

22. Events after the Balance Sheet Date

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

Teesside Pension Fund

Statement of the Actuary for the year ended 31 March 2022

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 June 2021. In summary, the key funding principles are as follows:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due.
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, and scheduled, resolution and admitted bodies, while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk exposure policies of the Administering Authority and employers alike.
- Seek returns on investments within reasonable risk parameters.

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 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £4,088 million, were sufficient to meet 115% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2019 valuation was £527 million.

Individual employers' contribution requirements for the period 1 April 2020 to 31 March 2023 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 2019 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's assets. The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Pre-retirement discount rate (ongoing funding target)	4.45%
Pre-retirement discount rate (orphan body funding target)	4.45%
Post-retirement discount rate (ongoing funding target)	4.45%
Post-retirement discount rate (orphan body funding target)	3.00%

Pre and Post-retirement discount rate (low risk funding target)	1.30%
Salary increase assumption	3.10%
Benefit increase assumption (CPI)	2.10%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the S2N tables with improvements in line with the CMI 2018 model, with smoothing (Sk) of 7.5, initial adjustment of 0% and a long term rate of 1.5% p.a. for males and females. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.8 years	23.4 years
Future Pensioners*	23.1 years	25.2 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be marginally better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation as at 31 March 2022 may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation.



Steven Law FFA

19 May 2022

For and on behalf of Hymans Robertson LLP

The Compliance Statement

Local Government Pension Scheme Regulations

Middlesbrough Council administers the Teesside Pension Fund in accordance with:

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

The Local Government Pension Scheme Regulations 2013 (as amended); and

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

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

http://www.teespen.org.uk/documents/index.php?name=GOVERNANCE_2

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:

<http://www.teespen.org.uk/documents/index.php?name=ISS>

The Funding Strategy Statement

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

- The purpose of the statement:
 - Establishes a clear and transparent strategy which identifies how employers' pension liabilities are best met going forward;
 - Supports the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
 - Take a prudent longer term view of funding liabilities.

- The purpose of the Fund, i.e. receive contributions and make pensioner payments.
- The solvency and target funding levels of the Fund, i.e. 100% of the liabilities of the Fund can be met over the long term.
- The identification of key risks to the Fund, and the control mechanisms in place to mitigate these risks.
- Links to the Fund's investment strategy.
- The key responsibilities of the administering authority, scheme employers and the Fund's Actuary are also set out.

The latest Funding Strategy Statement can be seen at

<http://www.teespen.org.uk/documents/index.php?name=FSS>

Governance Policy

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

The Policy also sets out the:

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

The latest policy document can be viewed at:

<https://www.teespen.org.uk/about-us/pensions-panel/>

Communications Policy

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

The Teesside Pension Fund actively communicates with all of its stakeholders, including the members, the employers and other external organisations. For example we have been providing every active member of the scheme with a statement of accrued benefits since 2001, well before it became compulsory to do so. The statement of accrued benefits also includes the member's State Pension Forecast to aid in their financial planning.

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

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

<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 %
2014	2.7%
2015	1.2%
2016	0.0%
2017	1.0%
2018	3.0%
2019	2.4%
2020	1.7%
2021	0.5%
2022	3.1%
2023	10.1%

Contacts and further information

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