

TEESSIDE PENSION BOARD

A meeting of the Teesside Pension Board was held on Monday 13 November 2023.

PRESENT: Councillor N Walker
P Thompson (Chair) and J Bell

ALSO IN ATTENDANCE: G Hall (XPS Administration)

OFFICERS: N Orton, J McNally

APOLOGIES FOR ABSENCE: Councillor Massey
J Stubbs

23/11 **WELCOME AND EVACUATION PROCEDURE**

The Chair opened the meeting, welcomed those present and explained the Building Evacuation Procedure.

23/12 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/Nature of Interest
Jeff Bell	Non Pecuniary	Member of Teesside Pension Fund

23/13 **MINUTES - TEESSIDE PENSION BOARD - 11 SEPTEMBER 2023**

The minutes of the meeting of the Teesside Pension Board held 11 September 2023 were taken as read and approved as a correct record.

A member queried why the At Ease newsletter had still not been published. The Board was advised that the company who published the newsletter had failed security checks and therefore data could not be shared with them. Negotiations were taking place with a third party to post the newsletter and it would be published by the end of the year.

23/14 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 28 JUNE 2023**

A copy of the minutes of the meeting of the Teesside Pension Fund Committee held on 28 June 2023 was submitted for information.

NOTED

23/15 **TEESSIDE PENSION FUND COMMITTEE - 27 SEPTEMBER 2023 - UPDATE**

The Head of Pensions Governance and Investments provided a verbal update on agenda items considered at a meeting of the Teesside Pension Fund Committee held on 27 September 2023.

Members were advised that the Fund had completed the purchase of a Retail Park located in St Albans, an affluent south-east commuter town. The Retail Park was currently let to B&Q, Aldi and Costa. The property totalled 67,757 square feet and was let for an average unexpired term of 15.8 years. It was acquired for £30.5 million reflecting 5.27% net initial yield.

Members were advised that the overall financial performance of the Fund for the year to 31 March 2022 was broadly neutral. The Fund's value rose slightly to £5.064 billion, an increase over the year of approximately £27 million.

Members were informed that State Street had changed their approach to investments excluding companies such as UN Global Compact Violators and controversial weapons

companies and they were proposing to exclude tobacco companies. A meeting had been arranged to discuss this proposal.

AGREED that the information provided was received and noted.

23/16

UPDATE ON WORK PLAN ITEMS

A report of the Interim Director of Finance was presented to provide information on items scheduled in the work plan for consideration at the current meeting.

The item scheduled for consideration in the work plan for this meeting was the draft Pension Fund Annual Report and Accounts. This was included as a separate agenda item.

As discussed at the previous Board meeting, the Board's statutory responsibilities and Pensions Dashboards had been added as additional topics on the work plan.

The work plan at Appendix A set out the planned activity for the Board. This was brought to each Board meeting and would be updated in line with suggestions from the Board and to take account of any changes to best practice or the regulations and guidance for the Scheme.

AGREED that the information provided was received and noted.

23/17

DRAFT ANNUAL PENSION FUND REPORT AND ACCOUNTS 2022/23

A report of the Interim Director of Finance was presented to provide Members of the Teesside Pension Board (the Board) with the 2022/23 draft unaudited Annual Report and Accounts for the Teesside Pension Fund.

A copy of the draft unaudited Report and Accounts for the year ended 31 March 2023 was attached to the submitted report at Appendix A. A version of these accounts was presented to the Pension Fund Committee meeting on 27 September 2023.

The overall financial performance of the Fund for the year to 31 March 2023 was broadly neutral. The Fund's value rose slightly to £5.064 billion, an increase over the year of approximately £27 million. Performance was muted but positive overall across equities, but property assets were negative, showing a -9% return over the year, largely because of revaluations following challenging economic conditions in some sectors.

Membership of the Fund continued to increase, 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 had 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 had increased by 976 or 3.7% over the year and increased by 16.5% over the past four years.

The Fund's latest triennial valuation, which looked at the Fund's assets and liabilities as at 31 March 2022, during the year and the final report was published at the end of March 2023. Headlines from the valuation were an increase of around £1 billion in assets from around £4 billion at the 31 March 2019 valuation to around £5 billion. However, this was accompanied by an increase in the value of the Fund's liabilities – the estimated cost of meeting the pension promises it had made – primarily because the actuary increased their long-term inflation assumption and also became more pessimistic about the outlook for future investment returns. Overall, the Fund's funding level increased slightly from 115% to 116% but the estimated cost of providing future benefits increased as well, leading to contribution rate increases for some employers taking effect during the three year period starting 1 April 2023.

This year's Pension Fund Annual Report and Accounts included some additional information in relation to asset pooling. This was shown starting at page 40 of the Report, and set out details Border to Coast had collated in consultation with its eleven Partner Funds (including Teesside) to show the costs and benefits of investment pooling so far.

For the Teesside Fund, the initial decision to pool assets was difficult to justify financially as the Fund's internal investment arrangements had proved over time to be both successful and value for money. The decision to pool assets as part of Border to Coast was largely taken to

comply with central government directives, and to deliver greater resilience to the Fund's investment approach. There were other advantages to pooling, including developing a collective resource to assist the Partner Funds in areas such as Responsible Investment. Border to Coast was also able to leverage economies of scale to obtain better rates from external organisations such as private markets investment managers. This latter point had increased in significance for the Fund as it had committed more assets to Border to Coast's private markets investments (private equity, infrastructure and climate opportunities), to the extent that in 2022-23 the Fund was showing a net gain (in year) in respect of pooling – this was anticipated to translate into a net overall gain in the next few years.

The Annual Report and Accounts were presented in draft form and, whilst the main numbers and outcomes were not expected to change in any significant way, changes might be needed as further review took place. Some highlighted text from the previous year existed in the draft where further input was required. In addition, the audit process for the Council's accounts (which included the Pension Fund accounts this Report was based on) was not complete and further changes might be required. When complete, the Annual Report and Accounts would be published on the Pension Fund's website.

AGREED that the Teesside Pension Fund draft unaudited Annual Report and Accounts 2022/23 was received and noted.

23/18 **XPS ADMINISTRATION REPORT**

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

The report provided information on the following:

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

The following issues were highlighted:

Membership was currently as follows:

Active – 25,747

Deferred – 28,313

Pensioner – 24,118

Dependants – 3420

Annual Benefit Statements had been sent out at the end of August. Every active and deferred member should have received their statement by 31 August 2023.

A new Contact Centre had been developed to ensure that members' queries could be dealt with quickly and efficiently.

AGREED that the information provided was received and noted.

23/19 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED**

None.