

Teesside Pension Board

Annual Report 2023 – 2024



1. Background

The **Teesside Pension Fund** is the Local Government Pension Scheme (LGPS) for local authority employees in the Teesside region (and employees working for other bodies that are eligible to participate). The Fund has over 80,000 members, and assets of approximately £5.2 billion (as at 31 December 2023).

The administering authority for the Teesside Pension Fund is Middlesbrough Council on behalf of all participating employers. The Council has granted authority to manage the investments of the Fund (within the requirements of the Local Government Pension Scheme Regulations) to the **Teesside Pension Fund Committee** which has the power to make decisions without reference to Full Council. The Committee consists of elected members of Middlesbrough Council, representatives from the other unitary authorities and other employers and the trade unions (all of whom have voting rights). The Committee receives support and advice from a number of sources including Council officers and the Fund's Investment Advisers.

Section 5 of the *Public Service Pensions Act 2013* required every LGPS to establish a Board to assist in assuring that the administration of its Pension Scheme complies with all relevant legislation. Pensions Boards are specifically required to assist in:

- (a) securing compliance with:
 - (i) scheme regulations and other legislation relating to the governance and administration of the scheme;
 - (ii) any requirements imposed in relation to the scheme by the Pensions Regulator;
 - (iii) such other matters as the scheme regulations may specify
- (b) ensuring the effective and efficient governance and administration of the Scheme.

In accordance with the *Public Service Pensions Act 2013* and the Local Government Pension Scheme regulations, the **Teesside Pension Board** ('the Board') was created on 1 April 2015 to assist in the administration of the Teesside Pension Fund. The Board's formal statement of purpose is:

To assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:

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

This means that the Board is providing oversight of these matters and, accordingly, the Board is not a decision making body in relation to the management of the Pension Fund. The Board makes recommendations and provides assurance to assist in the management of the Fund.

The Board consists of six voting members – three employer representatives and three member representatives. Two employer representatives are appointed from the Councils of Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees, and one employer representative is chosen from all other Scheme employers. Two member representatives are appointed from the recognised trades unions representing employees who are Scheme

members, and one member representative is appointed from the pensioner Scheme members.

Cllr Stefan Walker was Chair of the Board for the first meeting of the year but was not re-elected in the May 2023 council elections. Cllr William Ayre was also no longer a Board member after these elections. Paul Thompson of UNISON (previously Deputy Chair) was appointed Chair of the Board at the second meeting of the year (the September meeting) Cllr Christopher Massey was appointed Deputy Chair at the same meeting. During the year the Board welcomed three new members (all employer representative) Cllr Christopher Massey (from Redcar and Cleveland Council), Cllr Nicky Walker (from Middlesbrough Council) and Cllr Martin Dunbar (from Hartlepool Council). The scheme member representatives remained the same throughout the year: Paul Thompson and June Stubbs (both from UNISON) and Jeff Bell (pensioner representative).

This is the eighth Annual Report of the Board, for the period 1 April 2023 to 31 March 2024.

2. Introduction

Welcome to the eighth Annual Report of the Teesside Pension Board.

The Board seeks to assist the administering authority of the Teesside Pension Fund to maintain effective and efficient governance. We continue to be supported in this role by officers of Middlesbrough Council (the administering authority for Teesside Pension Fund), and we have also been assisted by specialist external advisers, and by staff from XPS Administration who deal with the day to day pension administration.

As highlighted in previous annual reports Teesside Pension Fund entered into an agreement to pool what now represents over half of its investments with other LGPS Funds through Border to Coast Pensions Partnership Limited ('Border to Coast'). Border to Coast was set up, and is wholly owned, by eleven LGPS administering authorities each responsible for an LGPS fund (originally twelve administering authorities were involved until the long-planned merger of two of those authorities was confirmed, backdated to 1 April 2020). Border to Coast was established to meet central government's requirement that local government pension schemes pool their investment assets with the aims of providing savings and improving governance. Middlesbrough Council (as administering authority for the Teesside Pension Fund) is one of the owners and customers of Border to Coast.

Initial investments with Border to Coast were in public equities (shares) and all the Fund's UK equities transferred during 2018/19 to be managed by Border to Coast, using the same low-cost 'internally-managed' approach but delivered by a larger team of investment professionals based in Leeds. The Fund also made a relatively small initial investment in Border to Coast's internally-managed overseas equity fund during 2018/19, followed by a transfer the majority of the rest its overseas equities in 2021/22 from being managed passively (by State Street Global Advisors) to being actively managed by Border to Coast (again, using a low-cost 'internally-managed' approach). The Fund has also invested in Border to Coast's Emerging Markets Fund and is making increasingly significant investments into Border to Coast's private markets funds. Initially this was private equity and infrastructure but from 2021/22 onwards investments also being made into Border to Coast's Climate Opportunities fund. This fund will invest in a suitably diversified global portfolio of climate-related opportunities such as renewable energy, green hydrogen,

carbon capture and storage and energy storage. As at 31 December 2023, 56.1% of the Fund's assets were invested through Border to Coast, with this percentage expected to increase over the coming months and years.

Teesside Pension Board has received updates and commented on the process of establishing and developing Border to Coast. The Board is conscious that the Teesside Pension Fund is fully funded and has benefited from low running costs. The Board will therefore continue to closely monitor the progress of Border to Coast to satisfy itself that any movement of assets into Border to Coast remains in the interest of the Teesside Pension Fund and its members, and that Border to Coast is meeting the aims of providing savings and improving governance.

3. Board Activity 2023 – 2024

Over the 11 months to the end of February 2024, global equity market performance was mixed but collectively positive. The US in particular performed exceptionally well, a marked improvement on the previous year. One significant caveat was the extent to which US stock market growth was dependant on a small range of technology stocks which have benefited from investor interest in artificial intelligence and its potential current and future applications. Market concentration in the US increased significantly during the period, with the top five stocks in the S&P 500 (Microsoft, Apple, Nvidia, Amazon and Meta) making up nearly a quarter of its total market capitalisation. Returns in Japan and Europe were positive and better than in the UK where performance was broadly flat.

The overall value of the Fund's assets improved slightly and is on course to remain over £5 billion. More significantly, interest rates continued to rise during the period and domestically the Bank of England base rate remained at a 16-year high of 5.25%. This has influenced market views on long-term return rates which in turn reduce the value the actuary places on the Fund's liabilities. If this position does not change over the next year or so it could make to an improvement in funding level at the next actuarial valuation more likely.

Although the Board has no role in deciding how the Fund is invested, it does have a role in overseeing the Committee's actions in this respect. As the global economy continues its progress to a more challenging and less benign period, the Fund's investment approach is likely to face challenges and the Board's oversight role will remain important during the coming months and years.

Over the course of 2023/24 all four of the planned meetings were held and were quorate and all four meetings were held in person. The Board has been able to continue in its role and carry out its responsibilities to ensure effective governance. As well as continuing to receive minutes and verbal updates from Pension Fund Committee meetings (meetings which all Board members are able to attend and all Board members receive agendas for), over the course of the year the Board has considered papers or had oral reports covering the following areas:

- The Fund's annual Business Plan
- The Board's own Annual Report
- The Draft Annual Report for the Fund (containing the Fund's accounts).
- Board membership and training

- Administration reports from XPS – these include performance against service level agreement targets, information on general administration activity, statistics on appeals cases and details of current and future issues impacting, or potentially impacting, on the administration of the Fund.
- The Final Actuarial Valuation Report of Fund as at 31 March 2022.
- The Pensions Regulator’s Single Code of Practice
- Updates on work programme items (see below), including:
 - Reviewing the Fund’s Communications Policy and standard member and employer communications
 - Internal controls and managing risks
 - Reviewing the Fund’s approach to cyber security
 - Pension Board conflicts of interest

4. Board work programme

At its 19 July 2021 meeting the Board confirmed that the focus of its activity would be guided by the general principles set out by the Pensions Regulator. The Pensions Regulator’s website lists the following areas of governance and administration that those responsible for running, overseeing or advising a public service pension scheme need to focus on:

- **“Reporting duties**
Managers of public service pension schemes must ensure that the scheme return we issue each year is completed on time. They must also tell us of any changes to their scheme’s ‘registrable information’ as soon as possible.
- **Internal controls and managing risks**
Public service pension schemes need to have good internal controls. They are a key characteristic of a well-run scheme and will enable risks to the scheme to be managed effectively.
- **Record-keeping**
Failing to maintain complete and accurate records can affect the ability of your public service pension scheme to carry out basic functions. Accurate record-keeping is crucial in ensuring that benefits are paid correctly.
- **Communicating to members**
Members of public service pension schemes need to receive information to help them understand their pension arrangements and make informed decisions.
- **Publishing scheme information**
Certain information relating to public service pension schemes needs to be published so that scheme members and interested parties know that their scheme is being managed effectively.
- **Maintaining contributions**
Public service pension schemes need to have procedures and processes that enable you to effectively monitor pension contributions, resolve payment issues and report payment failures.
- **Pension board conflicts of interest and representation**

In public service pension schemes, potential conflicts of interest need to be identified and managed to prevent actual conflicts of interest arising.

- **Resolving internal disputes**

Internal dispute resolution (IDR) arrangements play an important part in the management of a public service pension scheme. They enable someone with an interest in the scheme to ask for a matter in dispute to be resolved.

- **Reporting breaches of the law**

Certain people involved with the governance and administration of a public service pension scheme must report certain breaches of the law to us.”¹

Taking these principles and its own Terms of Reference into account the Board set out its updated work plan as follows:

¹ (from <https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes/scheme-management>)

Teesside Pension Board Work Plan		
Date of Board meeting and any standard items scheduled	Suggested areas of focus (from the Pensions Regulator's list)	Suggested activities (including from the Scheme Advisory Board guidance)
July 2021 Draft Report and Accounts		
November 2021 Annual Review of Board Training	Pension board conflict of interest	Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme
February 2022	Reporting breaches Maintaining contributions Reporting duties	Review procurements carried out by Fund
April 2022 Annual Board Report	Internal controls and managing risks	Review the complete and proper exercise of employer and administering authority discretions.
July 2022 Draft Report and Accounts	Record keeping Resolving internal disputes	Review performance and outcome statistics Review handling of any cases referred to Pensions Ombudsman
November 2022 Annual Review of Board Training	Regulator Code of Practice Gap Analysis	Review the outcome of actuarial reporting and valuations.
February 2023		Review the outcome of actuarial reporting and valuations.
<i>April 2023 Annual Board Report</i>	<i>Communicating to members Publishing scheme information</i>	<i>Review standard employer and scheme member communications</i>
<i>September 2023 Annual Review of Board Training</i>	<i>Pension board conflict of interest</i>	<i>Review the arrangements for the training of Board members</i>
<i>November 2023 Draft Report and Accounts</i>		
<i>February 2024</i>	<i>Internal controls and managing risks</i>	<i>Review the Fund's approach to cyber security</i>
April 2024 Annual Board Report	Pension Board statutory responsibilities	Pensions Dashboards
July 2024 Draft Report and Accounts		
November 2024 Annual Review of Board Training		Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme

(2023/24 activities are shown in ***bold italics*** above)

Appendix – Board membership and meeting attendance

Membership

Stefan Walker - Chair for the 17 April 2023 meeting, left office May 2023	Employer representative (Councillor, Middlesbrough Council)
Billy Ayre - Member for the 17 April 2023 meeting, left office May 2023	Employer representative (Councillor, Redcar & Cleveland Council)
Paul Thompson – Chair from the 11 September 2023 meeting onwards, Deputy Chair for the 17 April 2023 meeting	Scheme member representative (UNISON)
Jeff Bell	Scheme member representative (retired members)
June Stubbs	Scheme member representative (UNISON)
Christopher Massey – Member and Deputy Chair from the 11 September 2023 meeting	Employer representative (Councillor, Redcar & Cleveland Council)
Martin Dunbar – Member from the 11 September 2023 meeting	Employer Representative (Councillor, Hartlepool Council)
Nicky Walker – Member from the 11 September 2023 meeting	Employer representative (Councillor, Middlesbrough Council)

Meeting attendance:

	17 April 2023	11 September 2023	13 November 2023	26 February 2024
S Walker	✓			
B Ayre	✗			
P Thompson	✓	✓	✓	✓
J Bell	✓	✓	✓	✓
J Stubbs	✓	✓	✗	✓
C Massey		✓	✗	✓
M Dunbar		✗	✗	✗
N Walker		✗	✓	✓