

# TEESSIDE PENSION FUND

Administered by Middlesbrough Council

## PENSION FUND COMMITTEE REPORT

17 JULY 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

Draft Annual Pension Fund Accounts 2023/24

### 1. PURPOSE OF THE REPORT

- 1.1 To present Members of the Teesside Pension Fund Committee (the Committee) with the 2023/24 draft unaudited accounts for the Teesside Pension Fund and to provide an update on the revised format required for the Pension Fund Annual Report.

### 2. RECOMMENDATION

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

### 3. FINANCIAL IMPLICATIONS

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

### 4. BACKGROUND

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

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

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

## **5. PERFORMANCE SUMMARY**

- 5.1 The overall financial performance of the Fund for the year to 31 March 2024 was very positive. The Fund's value rose to £5.477 billion, an increase over the year of approximately £413 million, over 8%. This increase in value is mainly a result of equity market performance, which was positive for the year as a whole.
- 5.2 The Fund is two years into the current triennial valuation cycle. The Fund's asset value as at 31 March 2025 will be used by the Fund actuary when calculating the three-yearly valuation of the Fund. The value of the Fund's assets is currently increasing broadly in line with the actuary's expectations at the last valuation. Although welcome news, it is important to recognise the long-term nature of the Fund and the volatility of many of its assets mean that the actuary will look beyond just the immediate value of the assets when carrying out the valuation. In addition, the size of the Fund's liabilities (the cost of paying current and future benefits) is just as important when carrying out the valuation and setting employer contribution rates. Factors such as the actuary's view of future inflation rates, future investment returns and life expectancy expectations will play a key part in the actuary's valuation calculations.
- 5.3 Total membership of the Fund has increased, with total membership at the year-end now standing at 82,213 an increase of 1,875 over last year. The number of active members has remained broadly similar, increasing by just 22 or 0.08% over the year, and increased by 11.9% over the past four years. The number of pensioners increased by 898 or 3.3% over the year, and increased by 12.8% over the past four years. The number of deferred members has increased by 955 or 3.5% over the year, and increased by 20% over the past four years. Note, some of the increase in the number of deferred members in the four-year figure is because we are now recognising in the count of deferred members those individuals who have left employment but not yet had their benefits fully processed.
- 5.4 Every three years the Fund actuary, carries out a full actuarial valuation of the Fund. The purpose is to calculate how much employers in the scheme need to contribute going forward to ensure that the Fund's liabilities, the pensions due to current and future pensioners, will be covered. Unlike all the other major public sector schemes the Local Government Scheme is a funded scheme. That means there is a pool of investments producing income which meet a significant part of the liabilities.
- 5.5 The latest actuarial valuation of the Fund was as at 31 March 2022, with the final report published at the end of March 2023. The actuary calculates to what extent

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

## **6. FRS / IAS REPORTS**

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

## **7. INTERNATIONAL FINANCE REPORTING STANDARDS (IFRS)**

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

## **8. NEXT STEPS**

- 8.1 The Pension Fund Accounts presented here are in draft form and, whilst the main numbers and outcomes are not expected to change, changes may be needed as further review takes place. In addition, the audit process is not complete and further changes may be required as a consequence of this.
- 8.2 The Pension Fund Annual Report is currently being prepared so as to comply as far as possible with the new guidance. A final draft will be presented to the 25 September Pension Fund Committee for approval and to the 25 November Teesside Pension Board for noting before publication by 1 December 2024.

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