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Statement of Responsibilities

Middlesbrough Council Responsibilities

The Council is required to:

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

The Chief Finance Officer's Responsibilities

The Director of Finance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the Accounts and Audit Regulations (England) 2015.

In preparing the Statement of Accounts, the Director of Finance has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonably prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Confirmation of the Statement of Accounts

I confirm that the Teesside Pension Fund Statement of Accounts gives a true and fair view of the financial position of the Fund at 31 March 2024 and of its income and expenditure for that year.

Director of Finance
Middlesbrough Council

Fund Accounts for the year ended 31st March 2024

2022/23 £000			2023/24 £000
	Contributions and Benefits		
	Dealings with members, employers and others directly involved in the Fund		
(106,953)	Contributions	6	(116,328)
(4,896)	Transfers in from other pension funds	8	(8,055)
(2,561)	Other income	9	(2,060)
(114,410)	Total Income from Members		(126,443)
162,355	Benefits payable	7	182,512
20,435	Payments to and on account of leavers	10	12,318
182,790	Total Expenditure to Members		194,830
68,380	Net (additions) / withdrawals from dealings with members		68,387
10,473	Management expenses	11,20	12,126
78,853	Net (additions) / withdrawals from dealings with members, employers and others directly involved in the Fund		80,513
	Returns on investment		
(50,230)	Investment income	12	(60,376)
(54,947)	Profits and losses on disposal of investments and changes in market value of investments	13	(432,846)
(105,177)	Net returns on investments		(493,222)
(26,324)	Net (increase) / decrease in the net assets available for benefits during the year		(412,709)
5,037,574	Net assets of the scheme as at 1st April		5,063,898
5,063,898	Net assets of the scheme as at 31st March		5,476,607
2022/23	Net Assets Statement as at 31st March		2023/24
5,060,738	Investments Assets	13	5,468,354
14,102	Current Assets	16	16,027
(10,942)	Current liabilities	17	(7,774)
5,063,898	Net assets of the scheme at 31st March		5,476,607

The notes on the following pages form part of the Financial Statements.

Notes to the Pension Fund Accounts

1. Basis of Preparation

The accounts are prepared on a going concern basis; that is, on the assumption that the Council will continue to operate as the administering authority for the Pension Fund and the Pension Fund will continue to meet its financial obligations for the foreseeable future from the date that the audited accounts are issued, this period being at least twelve months from the approval of these financial statements.

The financial statements are prepared in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting, which states that as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council is established under the Local Government Regulations 2013 as an Administering Authority of the Local Government Pensions Scheme and is therefore a statutory body expected to be a going concern until notification is given that the body will be dissolved, and its functions transferred.

The Pension Fund has carried out an assessment on its financial position and performance during 2023-24 and beyond as part of its going concern assessment. This included consideration of the following:

- The Fund had assets of c. £5.47b as at 31 March 2024. £3.53b (64.5%) of this is held in assets which are considered to be liquid, and which could be converted to cash if required (including £0.20b actually held as cash).
- The Fund has estimated it will pay out £234m in benefits and other outgoings in the coming twelve months and is forecasting contribution income in the region of £121m. This shortfall in contribution income versus benefits and other expenditure of £113m will be met from investment income – forecast to be £145m if dividend income can be taken from Border to Coast equity funds, or £75m if this option does not become available during 2024/25. Assuming the lower amount of investment income is received, the remaining £38m would be taken from the Fund's cash balance, which was £199m at 31 March 2024.

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

The statement of accounts summarises the Funds' transactions for the 2023-24 financial year and its position at year end as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24, which is based upon international Financial Reporting Standards (IFRS), as amended for the UK local government sector.

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

2. Summary of Significant Accounting Policies

Accruals

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

Fund Account – Revenue Recognition

Contributions income

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

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

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

Transfer values

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

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

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

Investment income

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

Interest Income

Interest income is recognised in the Fund Account on an accruals basis, using the effective interest rate of the financial instrument as at the date of acquisition.

Dividend Income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

Distributions from Pooled Funds

Distributions from pooled funds are recognised on the date of issue. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

Property Related Income

Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a cash collection basis.

Movement in the Net Market Value of Investments

Changes in the net market value of investments (including property) are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense items

Benefits payable

Pensions and lump sums benefits payable include all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1 (1) of schedule 36 of the Finance Act 2004 and, as such, is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the

country of origin, unless exemption is permitted. Any withholding tax recovered is credited on receipt. We account for dividends and recoverable tax on a cash basis but do not account for non-recoverable tax.

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its Pension fund management expenses in accordance with CIPFA's guidance, "*Accounting for Local Government Pension Scheme Management Expenses (2016)*".

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. Expenses for Actuarial, Audit and Legal fees are paid directly by the Fund.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.

Fees of external investment managers and the Fund's custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The costs of the council's in-house fund management team are charged direct to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.

Property expenses

Property expenses have been recorded gross and shown as a deduction from the gross rental income received in determining net rents from properties..

Net Assets Statement

Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at 31 March 2024. A financial asset is recognised in the Net Assets statement on the date the Fund becomes party to the contractual acquisition of an asset. From this date, any gains and losses arising from changes in the fair value of assets are recognised in the Fund account.

The value of investments as shown in the Net Assets Statement have been determined as follows:

Market Quoted Investments

Investments are valued at market value as at 31 March 2024 as provided by the Fund's custodian. Quoted UK securities are valued at the bid price based on quotations in the Stock Exchange Daily Official List. Overseas quoted securities are, similarly, valued at the bid price from overseas stock exchanges, translated at closing rates of exchange.

Pooled Investment Vehicles

Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published, otherwise at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

Fixed Interest Securities

The value of fixed income investments excludes interest earned but not paid over at the year end. The interest earned has been accrued within investment income receivable.

Unquoted Investments

Unlisted securities, including partnerships, are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers or those controlling the partnerships.

Freehold and Leasehold properties

Properties are shown as valued at 31 March 2024. Properties are valued annually by an independent external valuer on a fair value basis, and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

Custody and Security of Investments

Most investments are held in nominee name by the Fund's Global Custodian, the BNP Paribas Securities Services. Exceptions to this are directly owned properties, money markets cash deposits and specified unquoted investments, which would be registered in the name of the administering authority.

Where the Custodian does not provide a custody service in their own right, they utilise third party Sub Custodians, who are appointed by the Custodian.

The agreement between the Fund and the Custodian provides for certain indemnities where there has been loss as a result or action or inaction by the Custodian or its Sub Custodians. This is supported by limited insurance cover procured by the Custodian.

Financial Instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes financial assets and liabilities such as trade receivables and trade payables.

IFRS 13 Fair value measurement

This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The fund complies currently complies with this standard.

Foreign Currency Transactions

Foreign income and sales and purchases of investments in foreign currencies received during the year have been converted into Sterling at the exchange rate at the date of transaction. Amounts outstanding at the year-end have been valued at the closing exchange rates on 31 March 2024.

Outstanding Commitments

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

Cash and Cash Equivalents

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

Disposal of Investments

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

Interest on Cash Balances

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

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the Fund has adopted to disclose the actuarial present value of promised retirement benefits by way of a note, refer to Note 15.

Additional Voluntary Contributions

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

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

Value Added Tax

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

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

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

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is no recognition for low-value and short-term leases). CIPFA/LASAAC have however deferred implementation of IFRS16 for local government to 1 April 2024 due to the impact of Covid-19.

4. Critical Judgements, Sensitivities and Accounting Estimates

Unquoted Private Equity, Infrastructure and Other Alternative investments

It is important to recognise the highly subjective nature of determining the fair value of private equity, infrastructure, and other alternative investments. They are inherently based on forward-looking estimates and judgements involving many factors. These are valued by the investment managers using the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of conservative value. The value of these investments at 31 March 2024 was £1,369,917,299 (£1,155,773,631 at 31 March 2023).

Pension Fund Liabilities

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 15. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Assumptions made about the Future and other Major Sources of Estimation Uncertainty

The Statement of the Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other several factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured for example, a 0.1% per annum decrease in the discount factor assumption could increase liability by around £75m.
Pooled Investment Vehicles	Infrastructure and global property investments are valued at fair value in accordance with the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of conservative value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Unobservable market values amount to £4,783b and are relating to infrastructure, real estate, and pooled equity vehicles
Freehold and leasehold property	Independent external valuers, Cushman & Wakefield use techniques to determine the fair value of directly held freehold and leasehold property in accordance with the relevant parts of the current RICS Red Book.	The effect of variations in the factors supporting the valuation would be an increase or decrease 18.3% in the value of directly held property £88.6m, on a fair basis of £484.3m.

6. Contributions Receivable

		2022/23	2023/24
		£'000	£'000
Employers	Normal	(73,562)	(79,548)
	Additional Contributions	(12)	(16)
	Deficit Recovery Contributions	(158)	(50)
Members	Normal	(33,221)	(36,714)
	Total	(106,953)	(116,328)
Analysis of Total Contributions		2022/23	2023/24
		£'000	£'000
	Administering Authority – Middlesbrough Council	(14,788)	(15,676)
	Scheduled Bodies	(79,669)	(87,999)
	Admission Bodies	(12,496)	(12,653)
	Total	(106,953)	(116,328)

7. Benefits Payable

	2022/23	2023/24
	£'000	£'000
Pensions	134,792	150,993
Commutations and lump sum retirement benefits	24,684	27,950
Lump sum death benefits	2,879	3,569
Total	162,355	182,512
Analysis of Total Benefits		
Administering Authority – Middlesbrough Council	26,381	28,968
Scheduled Bodies	100,356	113,643
Admission Bodies	35,618	39,901
Total	162,355	182,512

8. Transfers in from Other Pension Funds

	2022/23	2023/24
	£'000	£'000
Individual transfers in from other schemes	(4,896)	(8,055)
Total	(4,896)	(8,055)

9. Other Income

	2022/23	2023/24
	£'000	£'000
Capital Costs of Early Retirements	(1,578)	(1,255)
Other Income	(983)	(805)
Total	(2,561)	(2,060)

10. Payment to and on Account of Leavers

	2022/23	2023/24
	£'000	£'000
Refunds to members leaving service	11,761	259
Payments for members joining state scheme	211	239
Individual transfers to other schemes	8,463	11,80
Total	20,435	12,318

11. Management Expenses

	2022/23	2023/24
	£'000	£'000
Administrative costs	2,470	2,234
Investment management expenses	7,331	9,269
Oversight and governance costs	637	521
Total	10,438	12,024

Investment Management Expenses

	2022/23	2023/24
	£'000	£'000
Management fees	6,793	8,671
Custody fees	21	19
Loans & Investment support service charges	517	579
Total	7,331	9,269

12. Investment Income

	2022/23	2023/24
	£'000	£'000
Income from pooled investment vehicles	(24,838)	(24,838)
Net rents from properties (see note below)	(16,627)	(16,627)
Interest on cash deposits	(8,765)	(8,765)
Total	(50,230)	(50,230)
	2022/23	2023/24
	£'000	£'000
Rental Income and Property Expenses		
Gross Rental income	(18,460)	(30,641)
Property Expenses / (Income)	1,833	3,010
Net Rents from Properties	(16,627)	(27,631)

13. Investment Assets

2023/24	Value at 1 April 2023	Reclassified Assets	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	2,119	0	0	0	(106)	2,013
Pooled Investment Vehicles	4,187,376	0	269,975	(244,352)	452,477	4,665,476
Pooled Property Investments	65,438	0	1,149	0	(9,352)	57,235
Properties	403,615	0	86,857	0	(6,172)	484,300
Loans	24,534	0	0	0	24,079	48,613
Directly Held – Private Equity	40,080	0	0	0	(28,080)	12,000
	4,723,162	0	357,981	(244,352)	432,846	5,269,637
Cash Deposits	334,350					193,440
Other Investment Balances	3,226					2,212
Net Investment assets	5,060,738					5,465,289

2022/23	Value at 1 April 2022	Reclassified Assets	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	1,710	0	0	1,129	(720)	2,119
Pooled Investment Vehicles	3,773,227	0	385,196	(55,828)	84,781	4,187,376
Pooled Property Investments	60,230	0	15,000	0	(9,792)	65,438
Properties	335,521	0	87,416	0	(19,322)	403,615
Loans	20,000	0	4,534	0	0	24,534
Directly Held – Private Equity	26,500	0	13,580	0	0	40,080
	4,217,188	0	505,726	(54,699)	54,947	4,723,162
Cash Deposits	817,250					334,350
Other Investment Balances	1,833					3,226

Net Investment assets	5,036,271				5,060,738
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Valuation Basis

There are three investments that have been valued at Cost rather than Market Value in 2023-24 as the investments are at an early stage and an open Market Value is yet to be determined. These are Capital Dynamics Clean Energy Infrastructure UK (£0.2M), Titan Preston East (£16.2M) and St Arthur Homes (£13.9M).

Change in Market Value

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Realised profit was £27,367,998 and unrealised gain was £403,801,540. Prior year realised profit was £1,128,891 and unrealised gain was £56,076,232.

Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs for 2023-24 are £3,987,071 (2022-23 Nil). In addition to the transaction costs disclosed here, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund. For accounting purposes, the transaction costs have been re-allocated to expenses.

Investments Analysed by Fund Manager

The funds equities are mainly managed externally by Border to Coast. Private equities, infrastructure, other alternatives, and other debt are all managed in-house with the only exception being the direct property portfolio managed by CBRE Limited.

- for 2023-24 the value at 31 March 2024 of the direct property portfolio was: £484,300,000
- for 2022-23 the value at 31 March 2023 of the direct property portfolio was: £403,615,188

The remainder of the Fund is all managed in-house.

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

Market Value 31 March 2023	% of net assets of the scheme	Security	Market Value 31 March 2024	% of net assets of the scheme
£'000			£'000	
1,647,397	32.56%	Border to Coast PE Overseas Dev Mkts	1,833,038	33.52%
646,205	12.77%	Border to Coast PE UK Listed Equity	612,789	11.21%
320,026	6.32%	SSGA MPF Pacific Basin Ex-Japan Index	336,531	6.15%

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

Market Value 31 March 2023	% of asset class	Asset Class / Security	Market Value 31 March 2024	% of asset class
£'000			£'000	
		UK Equities		
646,205	99.67%	Border to Coast UK Listed Equity	612,789	99.67%
		Overseas Equities		
1,647,397	67.24%	Border to Coast Overseas Developed Markets	1,833,038	67.48%
320,026	13.06%	SSGA MPF Pacific Basin ex-Japan Index	336,531	12.39%
132,964	5.43%	SSGA MPF Euro Ex UK Equity Index Sub Fund	150,451	5.54%
203,394	8.30%	Border to Coast Emerging Market Hybrid Fund	215,331	7.93%
		Private Equities		
27,546	5.71%	Crown Co Investment Opp II PLC	30,212	5.42%
32,568	6.75%	Unigestion SA	33,217	5.96%
37,392	7.75%	Pantheon Global Co-Investment Opportunities IV	32,368	5.80%
92,098	19.09%	Crown Growth Global Opportunities III	108,860	19.52%
26,727	5.54%	Border to Coast Private Equity Series 1A	41,612	7.46%
-	0.00%	Border to Coast Private Equity Series 1B	28,383	5.09%
		Infrastructure		
72,911	18.13%	Border to Coast Infrastructure Series 1A	87,377	16.50%
21,321	5.30%	Border to Coast Infrastructure Series 1B	31,146	5.88%
36,987	9.20%	Border to Coast Infrastructure Series 1C	44,654	8.43%
-	0.00%	Border to Coast Infrastructure Series 2A	59,803	11.29%
80,512	0.00%	JP Morgan IIF UK I LP	82,651	15.60%
		Other Alternatives		
10,244	5.70%	Border to Coast Climate Opportunities Series 2A	23,000	11.88%
23,447	13.06%	Darwin Leisure Prop Units - Class C	16,447	8.50%
18,087	10.07%	Darwin Bereavement Services Fund - Class B	19,041	9.84%
30,309	16.88%	Darwin Bereavement Services Fund - Income Units	30,683	15.85%
19,865	11.06%	Darwin Leisure Development Fund – Class D	16,601	8.57%
34,420	19.17%	Darwin Leisure Property Fund K - Income Units	24,369	12.59%
9,605	5.35%	Hearthstone Residential Fund 1	9,767	5.04%
9,836	5.48%	Hearthstone Residential Fund 2	15,789	8.16%
15,406	8.58%	Gresham House BSI Housing Fund LP	22,551	11.65%
		Other Debt		
47,966	53.48%	Insight IIFIG Secured Finance II Fund	50,656	43.68%
20,000	21.84%	Greyhound Retail Park Chester	18,575	16.02%
18,057	19.72%	Pantheon Senior Debt Secondaries II	16,689	13.94%
-	0.00%	Titan - Preston East	16,167	11.96%
-	0.00%	Gresham House BSI Housing Fund LP	13,871	14.39%
		Direct Property		
31,200	7.73%	Doncaster (Omega Boulevard)	31,400	6.48%
-	0.00%	Swindon (Symmetry Park Unit 1)	31,600	6.52%
31,000	7.68%	London (51/54 Long Acre)	31,000	6.40%
-	0.00%	ST Albans (Griffiths Retail Park)	30,500	6.30%
24,725	6.13%	Yeovil (Leonardo)	27,750	5.72%
-	0.00%	Washington (Radial 64)	50,250	10.38%
		Property Unit Trusts		

34,842	53.24%	Standard Life Investments European Property Growth Fund	28,463	49.73%
3,944	6.03%	LAMIT - Local Authorities Property Fund	3,790	6.62%
16,608	25.38%	Hermes Property	15,369	26.85%

Geographical Analysis of Investments

31 March 2023				31 March 2024
£'000	%		£'000	%
1,470,021	31%	United Kingdom	1,545,718	29%
1,284,003	27%	United States	1,558,890	30%
666,391	14%	Asia Pacific	703,139	13%
823,204	17%	Europe	931,444	18%
276,140	6%	Japan	315,107	6%
203,403	5%	Others	215,339	4%
4,723,162	100%	Total	5,269,637	100%

Equities

31 March 2023		31 March 2024
£'000		£'000
2,110	UK quoted	2,005
9	Overseas quoted	8
2,119	Total	2,013

Pooled Investment Vehicles and Properties

31 March 2023		31 March 2024
£'000		£'000
648,315	UK Equity	612,789
65,438	Pooled Property investment Vehicle	57,235
482,511	Private Equity	545,675
402,107	Infrastructure	529,682
179,599	Other Alternative Investments	193,601
91,557	Other Debt	67,345
1,869,527	UK Unit and Investment Trusts Total	2,006,327
2,450,020	Overseas Equities	2,716,383
2,450,020	Overseas Unit and Investment Trusts Total	2,716,383
4,319,547	Total	4,722,710

UK Properties

31 March 2023		31 March 2024
£'000		£'000
345,415	Freehold	347,275
58,200	Leasehold	137,025
403,615	Total	484,300

The properties were valued on the basis of Fair Value at 31 March 2024 by Cushman and Wakefield LLP acting as an External Valuer. The valuer's opinion of the Fair Value of the Fund's interests in the properties has been reported (as per VPS4 item 7 of the RICS Red Book). Under these provisions, the term "Fair Value" mean the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13, namely "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Cash Deposits

31 March 2023		31 March 2024
334,350		193,440
334,350	Sterling Cash deposits	193,440

Other investment balances

31 March 2023		31 March 2024
£'000		£'000
1,470	Cash deposits with custodian	1,470
1,756	Interest due on cash deposits	742
3,226	Total	2,212

Outstanding Commitments

As at 31 March 2024, the Fund had the following outstanding commitments.

	Initial Commitment	Capital Payments made	Outstanding commitments at 31 March 2024
Infrastructure			
	GBP	GBP	GBP
Border to Coast Infrastructure Series 1A	100,000,000	74,963,079	25,036,921
Border to Coast Infrastructure Series 1B	50,000,000	29,709,580	20,290,420
Border to Coast Infrastructure Series 1C	50,000,000	37,355,868	12,644,132
Border to Coast Infrastructure Series 2A	150,000,000	62,208,526	87,791,474
Border to Coast Infrastructure Series 2B	150,000,000	11,782,789	138,217,211
Capital Dynamics Clean Energy Infrastructure Fund VIII	20,000,000	18,234,087	1,765,913
Capital Dynamics Clean Energy Infrastructure Fund VIII - Co Investment	10,000,000	9,117,044	882,956
Gresham House, British Strategic Investment Infrastructure Fund	20,000,000	18,133,331	1,866,669
Gresham House, British Strategic Investment Infrastructure Fund II	25,000,000	22,418,467	2,581,533
Innisfree PFI Continuation Fund	10,000,000	9,708,498	291,502
Innisfree PFI Secondary Fund 2	10,000,000	8,352,712	1,647,288
Total GBP	595,000,000	301,983,981	293,016,019
	EUR	EUR	EUR
Access Capital Infrastructure Fund	23,000,000	21,689,000	1,311,000
Access Capital Infrastructure Fund II	20,000,000	17,242,000	2,758,000
Access Capital Infrastructure Fund II (Fund 2)	15,000,000	9,696,000	5,304,000
Ancala Infrastructure Fund II	23,000,000	20,519,672	2,480,328
Foresight Energy Infrastructure	17,000,000	12,401,536	4,598,464
Total EUR	98,000,000	81,548,208	16,451,792
	USD	USD	USD
Blackrock Global Energy & Power Infrastructure Fund III	25,000,000	20,195,569	4,804,431
Blackrock Global Renewable Power III	25,000,000	12,377,208	12,622,792
Total USD	50,000,000	32,572,777	17,427,223
Other Alternatives			

	GBP	GBP	GBP
Bridges Evergreen TPF Housing Co-Investment LP	5,000,000	794,749	4,205,251
Gresham House Housing Fund	20,000,000	19,546,066	453,934
Hearthstone Residential Fund 2 LP	20,000,000	17,685,493	2,314,507
Border to Coast Climate Opportunities Series 2A	80,000,000	23,384,911	56,615,089
Capital Dynamics Clean Energy Infrastructure UK	20,000,000	170,000	19,830,000
Total GBP	145,000,000	61,581,219	83,418,781
	EUR	EUR	EUR
La Salle Real Estate Debt Strategies IV	25,000,000	13,022,767	11,977,233
Total EUR	25,000,000	13,022,767	11,977,233
	USD	USD	USD
Border to Coast Climate Opportunities Series 2A	80,000,000	10,243,486	69,756,514
Total USD	80,000,000	10,243,486	69,756,514
Other Debt			
	GBP	GBP	GBP
St Arthur Homes	16,000,000	14,113,266	1,886,734
Total GBP	16,000,000	14,113,266	1,886,734
	USD	USD	USD
Pantheon Senior Debt Secondaries II	25,000,000	20,631,718	4,368,282
Total USD	25,000,000	20,631,718	4,368,282
Private Equity			
	GBP	GBP	GBP
Border to Coast Private Equity Series 1A	100,000,000	73,845,512	26,154,488
Border to Coast Private Equity Series 1B	50,000,000	32,876,678	17,123,322
Border to Coast Private Equity Series 1C	50,000,000	28,897,835	21,102,165
Border to Coast Private Equity Series 2A	100,000,000	16,958,239	83,041,761
Border to Coast Private Equity Series 2B	100,000,000	6,508,313	93,491,687
Capital Dynamics LGPS Collective for Pools 18/19	10,000,000	7,850,000	2,150,000
GB Bank Limited	49,999,950	44,043,750	5,956,200
Hermes Innovation Fund	20,000,000	14,411,813	5,588,187
Foresight Regional Investments IV	5,000,000	1,102,238	3,897,762
Total GBP	484,999,950	226,494,378	258,505,572
	EUR	EUR	EUR
Access Capital Fund VIII Growth Buy-Out Europe	30,000,000	20,982,000	9,018,000
Access Capital Co-Investment Fund Buy-Out Europe II	22,000,000	11,475,000	10,525,000
Capital Dynamics Mid-Market Direct V	20,000,000	16,583,038	3,416,962
Crown Growth Global Opportunities III	30,000,000	24,000,000	6,000,000
Unigestion Direct II	25,000,000	21,457,608	3,542,392
Unigestion Secondary V	50,000,000	26,000,000	24,000,000
Unigestion Direct III	37,500,000	17,794,659	19,705,341
Total EUR	214,500,000	138,292,305	76,207,695
	USD	USD	USD
Blackrock Private Opportunities Fund IV	25,000,000	20,340,118	4,659,882

Capital Dynamics Global Secondaries V	22,000,000	15,400,000	6,600,000
Crown Co-Investment Opportunities II	30,000,000	26,175,000	3,825,000
Crown Co-Investment Opportunities III	30,000,000	16,680,000	13,320,000
Crown Global Opportunities VII	40,000,000	24,880,000	15,120,000
Crown Secondaries Special Opportunities II	25,000,000	20,387,500	4,612,500
Pantheon Global Co Investment Opportunities IV	30,000,000	27,070,000	2,930,000
Total USD	202,000,000	150,932,618	51,067,382

14. Financial Instruments

Net Gains and Losses on Financial Instruments

2022-23		2023-24
£'000	Financial Assets	£'000
(54,947)	Fair Value through profit and loss account	(432,846)

Fair Value of Financial Instruments

	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair Value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	As at 31/3/23			As at 31/3/24		
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Equities	2,119			2,013		
Pooled Investments	4,251,990			4,726,089		
Pooled Property Investments	65,438			57,235		
Cash		334,350			197,710	
Other Investment balances		3,226			2,212	
Sundry debtors and prepayments		14,102			16,027	
	4,319,547	351,678	0	4,785,337	215,949	0
Financial Liabilities						
Sundry creditors			(10,942)			(7,774)
Net Financial Assets of the Fund	4,319,547	351,678	(10,942)	4,785,337	215,949	(7,774)

Valuation of financial instruments carried at fair value.

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where fair values are derived from unadjusted **quoted prices in active markets** for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on **observable market data**.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Teesside Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken at 31 March annually. Cash flow adjustments can be used where valuations at 31 March could not be obtained.

Teesside Pension Fund has no investments in hedge funds.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Valuation of Financial Instruments Carried at Fair Value

	Level 1	Level 2	Level 3	Total
Value as at 31 March 2024	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss account	50,626	3,329,171	1,405,539	4,785,336
Loans and receivables	215,940	-	-	215,940
Financial Liabilities at amortised cost	(7,774)	-	-	(7,774)
Total Financial Assets	258,792	3,329,171	1,405,539	4,993,502
Value as at 31 March 2023	£'000	£'000	£'000	£'000
Financial assets at fair value through profit and loss account	26,653	3,096,216	1,196,678	4,319,547
Loans and receivables	351,828	0	0	351,828
Financial Liabilities at amortised cost	(10,340)	0	0	(10,340)
Total Financial Assets	368,141	3,096,216	1,196,678	4,661,035

Sensitivity of assets at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation classifications described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held on 31 March 2024.

Valuation of Financial Instrument Carried at Fair Value – 31 March 2024

	Assessed valuation range (+/-)	Value at 31 March 2023	Value on increase	Value on decrease
		£'000	£'000	£'000
Pooled Investments - Private Equity	11.40%	545,675	607,882	483,468
Pooled Investments - Infrastructure	11.40%	529,682	590,066	469,298
Pooled Investments - Other Alternatives	11.40%	193,601	215,672	171,530
Pooled Investments - Other Debt	11.40%	67,345	75,022	59,668
Pooled Investments - Property	18.30%	57,235	67,709	46,761
Total		1,393,538	1,556,351	1,230,725

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

	Assessed valuation range (+/-)	Value at 31 March 2022	Value on increase	Value on decrease
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		£'000	£'000	£'000
Pooled Investments - Private Equity	19.12%	442,431	527,024	390,255
Pooled Investments - Infrastructure	19.12%	402,107	478,990	325,224
Pooled Investments - Other Alternatives	19.12%	179,599	213,939	145,260
Pooled Investments - Other Debt	19.12%	67,023	79,838	54,208
Pooled Investments - Property	14.90%	65,438	75,188	55,688
Total		1,156,598	1,374,979	970,635

Reconciliation of Fair Value Measurements within level 3 during 2023/24

	Market Value 1 April 2023	Transfer between levels	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Investments – Private Equity	442,431	-	102,574	-34,333	35,003	-	545,675
Pooled Investments – Infrastructure	402,107	-	124,559	-17,375	20,391	-	529,682
Pooled Investments – Other Alternatives	179,599	-	38,368	-3,628	-20,738	-	193,601
Pooled Investments - Other Debt	67,023	-	3,275	-22	-2,930	-	67,346
Pooled Investments – Property	65,438	-	-	-	-8,203	-	57,235
Total	1,156,598	-	268,776	-55,358	23,523	-	1,393,539

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

	Market Value 1 April 2022	Transfer between levels	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Investments – Private Equity	340,778	-	112,012	(17,487)	20,708	-	442,431
Pooled Investments – Infrastructure	247,734	-	165,302	(28,866)	17,937	-	402,107
Pooled Investments – Other Alternatives	114,709	-	68,252	(2,424)	(938)	-	179,599
Pooled Investments - Other Debt	32,285	(20,000)	40,737	(5,485)	19,486	-	67,023
Pooled Investments – Property	60,230	-	15,000	-	(9,792)	-	65,438
Total	795,736	(20,000)	401,303	(54,262)	47,401	-	1,156,598

Nature and extent of exposure to risk arising from financial instruments.

Risk and risk Management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

Responsibility for the fund's risk management strategy rests with the Teesside Pension Fund Committee. The Funding Strategy Statement and the Investment Strategy Statement identify and analyse the risks faced by the pension's operations. These policies are reviewed regularly to reflect changes in activity and market conditions.

Market risk

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

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

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The fund manages these risks in three ways:

1. The actuarial valuation of the Fund which is carried out every three years and resets the employer contribution rates.
2. The asset liability study which is carried out every three years or more frequently if required considers alternative asset allocations for the Fund and the long-term impact on employer contribution rates.
3. Quarterly monitoring of the performance of the Fund against selected benchmarks, and annual performance reports to the Pension Fund Committee.

Other Price risk

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

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the Fund Strategy Statement and the Investment Strategy Statement.

Other Price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with Portfolio Evaluation Ltd, the Fund has determined that the following movements in market price risk are reasonably possible for the 2023-24 reporting period.

2023/24 Price Risk Asset Type		Value at 31/03/2024 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Equities	UK	2,005	10.50%	-	-
	Non-UK	8	11.00%	-	-
	Total	2,013		-	-
Managed and Unitised Funds	UK	1,059,413	11.40%	1,180,186	938,640
	Non-UK	3,723,910	11.40%	4,148,436	3,299,384
	Total	4,783,323		5,328,622	4,238,024
Total		4,785,336		5,328,622	4,238,024

2022/23 Price Risk Asset Type		Value at 31/03/2023 £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Equities	UK	2,110	12.30%	2,370	1,850
	Non UK	9	12.89%	10	8
	Total	2,119		2,380	1,858
Managed and Unitised Funds	UK	1,064,296	12.30%	1,195,204	933,388
	Non UK	2,253,132	12.89%	3,672,461	2,833,803
	Total	4,317,428		4,867,665	3,767,191
Total		4,319,547		4,870,045	3,769,049

Interest Rate risk

Interest rate risk is the risk to which the Fund is exposed to changes in interest rates and relates to its holdings in cash. The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2024 is set out below:

2022-23 £'000	Asset Type at 31 March	2023-24 £'000
334,350	Cash and cash equivalents	193,440
3,226	Other Investment balances	2,212
337,576	Total	195,652

Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 25 basis points (BPS) change in interest rates.

Asset Type		+25 BPS	-25 BPS
Carrying value at 31 March 2023	£'000	£'000	£'000
Cash and cash equivalents	196,505	491	(491)
Other Investment balances	2,212	6	(6)
Total	198,717	497	(497)

Carrying value at 31 March 2023	£'000	£'000	£'000
Cash and cash equivalents	334,350	836	(836)

Other Investment balances	3,226	8	(8)
Total	337,576	844	(844)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund's currency rate risk is considered by the Fund's Investment Advisors and Investment Managers. The Pension Fund Investment Committee is informed quarterly of the Fund's currency exposure.

The following tables summarise the fund's currency exposure as at 31 March 2023 and as at 31 March 2024, showing the sensitivity analysis of foreign exchange movements.

Currency Risk 31 March 2024	Value £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Australian Dollar	8	6.50%	9	7
Euro	931,444	4.40%	972,428	890,460
Japanese Yen	315,107	8.70%	342,521	287,693
US Dollar	1,558,890	7.90%	1,682,042	1,435,738
Asia Pacific ex Japan basket	703,139	5.50%	741,812	664,466
Total	3,508,588		3,738,812	3,278,364

Currency Risk 31 March 2023	Value £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Australian Dollar	8	8.54%	9	7
Euro	823,203	5.10%	865,186	781,220
Japanese Yen	276,140	8.40%	299,336	252,944
US Dollar	1,284,003	8.86%	1,397,766	1,170,240
Asia Pacific ex Japan basket	666,391	8.54%	723,301	609,481
Total	3,049,745		3,285,597	2,813,893

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

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The Fund is exposed to credit risk on its investment portfolio, including its cash deposits, and on the contributions receivable from the Fund's participating employers. The market values on investments usually reflect an assessment of credit risk in their pricing and as a result the risk of the loss is implicitly provided for in the fair value of the Fund's investments. Credit risk on cash deposits is managed by Middlesbrough Council's in-house Treasury Management Team, following the Council's Treasury Management Policy. This policy is described in detail in Middlesbrough Council's Annual Report. Credit risk on contributions receivable from employers is minimised by regular monitoring of monthly receipt of payments from

employees. There is no provision for doubtful debts against the amounts due from employers as at 31st March 2023. The LGPS Regulations require that a risk assessment of any new transferee admission body is carried out, and that a bond or guarantee is obtained where necessary. The Teesside Pension Fund and Investment Panel must approve the admission of any new body. Bonds or guarantees have been obtained for the Fund's admission body, where possible. The Fund is potentially exposed to credit risk from certain scheduled employers that have neither tax-raising powers nor a guarantee from central government.

Collateral and other credit enhancement

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

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund holds in-house cash resources to meet the day to day needs and to pay pensions. If there is insufficient cash available to meet immediate needs, there are sufficient other assets available which can be realised at short notice and at minimal cost. Except for investments in private equity, infrastructure partnerships, other alternatives and other debt there are no commitments to contribute further capital to any of the existing fund investments. When private equity, infrastructure partnership, other alternatives and other debt capital calls are received, payments are made from cash or, if there are insufficient cash fund available, other assets are realised.

15. Actuarial Valuation

Contributions are paid to the Fund by the employers to provide for the benefits which will become payable to Scheme members when they fall due. The funding objectives are to meet the cost of Scheme members' benefits whilst they are working and to build up assets to provide adequate security for the benefits as they accrue.

In order to check that the funding objectives are being met the Fund is required to carry out an Actuarial Valuation every 3 years, The Triennial Valuation. An Actuarial Valuation was carried out as at 31st March 2022 using the 'Projected Unit Method' which produced the following results;

	31/03/2019	31/03/2022
	£'000	£'000
Net Liabilities	3,561	4,351
Assets	4,088	5,036
Surplus	527	685
Funding Level	115%	116%

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2022 were:

Pension Increase Rate (CPI)	2.75%
Salary Increase Rate	3.75%
Discount Rate	4.85%

Life expectancy from age of 65 (years) assumptions

Mortality Assumptions:	Years
Longevity at 65 for current pensioners:	
Men	20.50
Women	23.50
Longevity at 65 for future pensioners :	
Men	21.30
Women	25.00

16. Current Assets

Receivables		31/03/2023	31/03/2024
		£000	£000
Other receivables		4,029	1,105
Sundry debtors		1,145	1,530
Contributions due in respect of	Employers	5,698	6,823
	Members	2,612	3,102
Cash balances		618	3,467
Total		14,102	16,027
Analysed by:			
Other local authorities		4,379	4,718
Other entities and individuals		9,105	7,842
Add cash balances		618	3,467
Total		14,102	16,027

17. Current liabilities

Amounts due within one year		31/03/2023	31/03/2024
		£000	£000
Rents received in advance		(2,559)	(2,859)
Accrued expenses		(6,868)	(3,210)
Other payables		(1,515)	(1,705)
Total		(10,942)	(7,774)
Analysed by:			
Other local authorities		(1,117)	(1,136)
Public Corp & Trading Funds		(5,452)	(20)
Other entities and individuals		(4,373)	(6,618)
Total		(10,942)	(7,774)

18. Additional Voluntary Contributions (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested with the Fund's nominated AVC providers, the Prudential Assurance Co Ltd. These contributions are not part of the Pension Fund and are not reflected in the Fund's accounts in accordance with regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The value of AVC investments are as follows:

Prudential AVC balances					
				2022/23	2023/24
				£000	£000
With Profits and Deposit Accounts				5,247	5,504
Unit Linked Accounts				4,378	5,171
Total				9,625	10,675

19. Related Party Transactions

The Fund is administered by Middlesbrough Council. During the reporting period, the council incurred costs of £1,136,000 (2022/23: £1,175,000) in relation to the administration and management of the fund and was reimbursed by the fund for these expenses. Middlesbrough Council is one of the largest members of the pension fund and made employer contribution payments of £10.059 million over the period (2022/23 - £9.5 million).

20. External Audit Costs

	2022/23	2023/24

	£000	£000
Payable in respect of external audit	35	102

21. Senior Employees' Remuneration

	2022/23	2023/24
	£000	£000
Key Management Personnel		
Short Term Benefits	97	68
Post Employments Benefits	11	8
Total	108	76

Director of Finance paid via agency (Allen Lane) £226,430

22. Events after the Balance Sheet Date

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

Teesside Pension Fund

Statement of the Actuary for the year ended 31 March 2024

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,306 million, were sufficient to meet 116% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £684 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.25% pa
Salary increase assumption	3.70% pa
Benefit increase assumption (CPI)	2.70% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Current Pensioners	20.9 years	23.9 years
Future Pensioners*	21.9 years	25.5 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, asset performance has improved towards the end of 2023 and into 2024 and inflation has begun to return towards historical levels and the Bank of England's target (2% pa). There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities. Overall, the funding position is likely to be stronger than at the previous formal valuation at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.



Julie Baillie FFA

22 May 2024

For and on behalf of Hymans Robertson LLP

The Compliance Statement

The Compliance Statement Local Government Pension Scheme Regulations

Middlesbrough Council administers the Teesside Pension Fund in accordance with:

The Local Government Pension Scheme Regulations 2013 (as amended)

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

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

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

[Agenda Item 12 - Appendix A - 2021 Teesside PF Governance Policy and Compliance Statement.pdf \(middlesbrough.gov.uk\)](#)

[Full details of the changes to the scheme, along with updated scheme guides, are on our website at \[www.teespen.org.uk\]\(http://www.teespen.org.uk\)](#)

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that Local Government Pension Scheme's administering authorities prepare, publish, and maintain an Investment Strategy Statement (ISS). The current version of the Teesside Pension Fund ISS was approved by the Pension Fund Committee in March 2021 and contains statements on:

- Investment responsibilities, setting out the key responsibilities of the Teesside Pension Fund Committee, key officers of the Fund, the Fund's Custodian, and the Independent Investment Advisors.
- The investment strategy and the type of investments held, e.g., equities, bonds, property etc.
- The maximum and minimum amount allowable in each asset class and any discretion by the administering authority to increase the limits on various types of investment.
- Risk, including the ways in which risks are to be measured and managed.
- The existing investment management arrangements, including details of the Fund's commitment to investment pooling through its jointly owned pooling company Border to Coast.
- The Fund's position as a responsible investor and its promotion of ethical, social, and corporate governance best practice.
- The exercise of the rights (including voting rights) attaching to investments, and the Fund's statement of commitment to the Stewardship Code.
- The Fund's commitment to measure and report investment performance.
- The level of compliance with the Myners Principles.

The statement is maintained and published by Middlesbrough Council, copies of which are available on application, or it can be seen at the Fund's website:

[investment-strategy-statement-february-2019.pdf \(teespen.org.uk\)](#)

The Funding Strategy Statement

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

- The purpose of the statement:
 - Establishes a clear and transparent strategy which identifies how employers' pension liabilities are best met going forward;
 - Supports the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
 - Take a prudent longer-term view of funding liabilities.
- The purpose of the Fund, i.e., receive contributions and make pensioner payments.
- The solvency and target funding levels of the Fund, i.e., 100% of the liabilities of the Fund can be met over the long term.
- The identification of key risks to the Fund, and the control mechanisms in place to mitigate these risks.
- Links to the Fund's investment strategy.
- The key responsibilities of the administering authority, scheme employers and the Fund's Actuary are also set out.

The latest Funding Strategy Statement was approved by the Pensions Fund Committee and was effective from March 2020, and can be seen at

[funding-strategy-statement-23-06-2021.pdf \(teespen.org.uk\)](https://www.teespen.org.uk/funding-strategy-statement-23-06-2021.pdf)

Governance Policy

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

The Policy also sets out the:

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

The latest policy document can be viewed at:

[TPF - Pensions Panel \(teespen.org.uk\)](https://www.teespen.org.uk/TPF-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:

[TPF - Communications Policy \(teespen.org.uk\)](http://teespen.org.uk)

Summary of LGPS benefits and comparison to previous versions of the scheme.

	LGPS 2014	LGPS 2008	LGPS pre-2008
Basis of pension	Career Average Revalued Earnings (CARE)	Final salary	
Accrual rate	1/49 th	1/60 th	1/80 th pension with separate 3/80 th lump sum
Revaluation rate (active members)	Consumer Price Index (CPI)	Based on final salary	
Pensionable pay	Pay including non-contractual overtime and additional hours for part time staff	Pay excluding non-contractual overtime and non-pensionable additional hours	
Scheme member contributions	9 bands between 5.5% and 12.5%: rate paid is based on actual pensionable pay	7 bands between 5.5% and 7.5%: rate paid based on whole-time equivalent pensionable pay	6% of pensionable pay 5% pensionable pay for some former manual workers
Contribution flexibility	Members can pay 50% for 50% of the benefits	None	
Normal pension age	Individual member's state pension age (min 65)	65	65 but benefits can be paid without reductions from age 60 with enough service (25 years)
Lump sum option	Yes, £12 for each £1 of pension		

Death benefits	Yes, lump sum of 3 x pensionable pay and survivor pension based on 1/160 th accrual		
Indexation of pension in payment	Consumer Prices Index (CPI)	CPI (Retail Prices Index (RPI) for pre 2011 increases)	RPI
Qualifying period for benefits	2 years	3 months	3 months (2 years before 2004)

Pension increases

Public service pensions are increased under the provisions of the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975. With effect from April 2011 increases are based on the Consumer Price Index for September each year and are paid the following year from the first Monday in the new financial year.

Pensions awarded after the date of the last increase receive an apportioned increase related to the date the pension began. Those Pensions payable under age 55 on ill health grounds may have increases applied subject to meeting certain additional criteria. Other pensions are subject to the increase (including backdating) from the member's 55th birthday.

The following table shows the rate of pension increases that have applied during the last 10 years.

From April	Increase %
2015	1.2%
2016	0.0%
2017	1.0%
2018	3.0%
2019	2.4%
2020	1.7%
2021	0.5%
2022	3.1%
2023	10.1%
2024	6.7%

Contacts and further information

Contacts	
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Teesside Pension Fund Website	www.teespen.org.uk
Employers Website	www.employers.teespen.org.uk
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A copy of this report, and those for previous years, is available on our web site at www.teespen.org.uk	