

Teesside Pension Board

Annual Report 2024 – 2025



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 £5.58 billion (as at 31 December 2024).

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.

Scheme member representative Paul Thompson of UNISON was Chair of the Board and employer representative Cllr Christopher Massey was Deputy Chair of the Board throughout the year. During the year the other two scheme member representatives on the Board were June Stubbs (UNISON) and Jeff Bell (pensioner representative) and the other two scheme employer representatives were Cllr Nicky Walker (from Middlesbrough Council) and Cllr Martin Dunbar (from Hartlepool Council).

This is the ninth Annual Report of the Board, for the period 1 April 2024 to 31 March 2025.

2. Introduction

Welcome to the ninth 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 of 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. During the year the Fund sold its remaining passive equity investments held with State Street Global Advisors, with around half of the proceeds being invested with Border to Coast's internally managed overseas equity fund and the remainder being retained in the Fund as cash in the medium term. As at

31 December 2024, 63.1% 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 2024 – 2025

Over the 11 months to the end of February 2025, global equity market performance was volatile but positive overall. The US in particular performed well, although as in the previous year US stock market growth was significantly 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 continues to be a factor during the period, with the largest five stocks in the S&P 500 (Apple, Nvidia, Microsoft, Amazon and Alphabet) making up nearly a quarter of its total market capitalisation. Returns in Japan were negative over the period but were positive in the UK and Europe.

The overall value of the Fund's assets improved and is on course to remain over £5 billion. Interest rates were reduced three times by the Bank of England over the year from 1 April 2024 but remain at 4.5%, similar to rates seen before the 2007/2008 global financial crisis. 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 imminently it makes 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, volatile 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 2024/25 planned meetings were held although one was cancelled as it was inquorate.

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.

- Pensions Regulator General Code of Practice Compliance Assessment and Review
- Updates on work programme items (see below), including:
 - Internal controls and managing risks
 - Pension Dashboards
 - Pension Board conflicts of interest
 - Pension Board Statutory Responsibilities

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 work plan as follows (shown here after being updated during the year):

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 Public Service Toolkit list) | Suggested activities (including from the Scheme Advisory Board guidance) |
| <i>April 2024 Annual Board Report</i> | <i>Pension Board statutory responsibilities</i> | <i>Pensions Dashboards</i> |
| <i>July 2024 Draft Report and Accounts</i> | | |
| <i>November 2024 Annual Review of Board Training</i> | | <i>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</i> |
| <i>February 2025</i> | <i>Conflicts of interest</i> | <i>Update on Code of Practice review</i> |
| <i>March 2025 Annual Board Report</i> | <i>Managing risk and internal controls</i> | <i>Review of risk register Review internal and external audit reports</i> |
| <i>July 2025 Draft Report and Accounts</i> | Maintaining accurate member data | Review administration reports, including data quality scores and progress in relation to any data improvement plans. |
| <i>November 2025 Annual Review of Board Training</i> | Maintaining member contributions | Review administration reports including in relation to any late payment of contributions. 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 |
| <i>February 2026</i> | Providing information to members and others | Review standard employer and scheme member communications. Review procurements carried out by Fund |
| <i>April 2026 Annual Board Report</i> | Resolving internal disputes | Review and internal dispute cases / Pensions Ombudsman cases since the last review. Review the outcome of actuarial reporting and valuations. |
| <i>July 2026 Draft Report and Accounts</i> | Reporting breaches of the law | Review breaches process and log. Review the complete and proper exercise of employer and administering authority discretions. |
| <i>November 2026 Annual Review of Board Training</i> | | 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 |

(2024/25 activities are shown in *italics* above)

Appendix – Board membership and meeting attendance**Membership**

| | |
|--|--|
| Paul Thompson – Chair | Scheme member representative (UNISON) |
| Jeff Bell | Scheme member representative (retired members) |
| June Stubbs | Scheme member representative (UNISON) |
| Christopher Massey – Deputy Chair | Employer representative (Councillor, Redcar & Cleveland Council) |
| Martin Dunbar | Employer Representative (Councillor, Hartlepool Council) |
| Nicky Walker | Employer representative (Councillor, Middlesbrough Council) |

Meeting attendance:

| | 8 April 2024 | 8 July 2024 | 25 November 2024 | 26 February 2025 | 31 March 2025 |
|------------|------------------|-------------|------------------|------------------|---------------|
| | Inquorate | | | | |
| P Thompson | ✓ | ✓ | ✓ | ✓ | |
| J Bell | ✓ | ✓ | ✓ | ✓ | |
| J Stubbs | ✗ | ✓ | ✗ | ✗ | |
| C Massey | ✗ | ✓ | ✗ | ✓ | |
| M Dunbar | ✗ | ✗ | ✗ | ✗ | |
| N Walker | ✗ | ✗ | ✓ | ✗ | |