

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

PENSION FUND COMMITTEE REPORT

3 FEBRUARY 2026

DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE

ACTUARIAL VALUATION UPDATE AND DRAFT FUNDING STRATEGY STATEMENT

1. PURPOSE OF THE REPORT

- 1.1 To update the Committee on progress on the ongoing triennial actuarial valuation of the Pension Fund as at 31 March 2025.

2. RECOMMENDATION

- 2.1 That Members note the report and provide any comments in respect of the updated Funding Strategy Statement.

3. FINANCIAL IMPLICATIONS

- 3.1 No specific financial implications are attached to this report, although the eventual outcome of the actuarial valuation will have significant financial implications for the Fund employers as it will determine the employer contribution rates they will pay for the three years from 1 April 2026 onwards.

4. BACKGROUND

- 4.1 Every three years the administering authority of each Local Government Pension Scheme (LGPS) Fund is required to obtain an actuarial valuation of the assets and liabilities of their Fund, together with an actuary's report on the valuation and a 'rates and adjustments certificate' setting out the employer contributions required to the Fund over the next three year period. Each LGPS Fund in England Wales (including our Fund) is currently undergoing their three-yearly valuation, which will look at the position of each Fund as at 31 March 2025, will set contribution rates for the three year period starting 1 April 2026 and whose final report needs to be produced before 31 March 2026.
- 4.2 The terms of reference for the Teesside Pension Fund Committee include approving the Fund's Funding Strategy Statement and overseeing the triennial valuation.
- 4.3 As part of the valuation process the Fund's actuary Hymans Robertson has produced an update presentation summarising some of the initial outcomes of the valuation for the whole of the Fund. This will be presented in another part of the Agenda.

5. DRAFT FUNDING STRATEGY STATEMENT

- 5.1 The LGPS regulations set out the requirement for an administering authority (the fund) to publish a Funding Strategy Statement (FSS). In preparing the FSS, the fund may seek input from their actuary, or take other professional advice, to prepare the document. However, the FSS must be owned and adopted by the administering authority ('the fund').
- 5.2 The LGPS Scheme Advisory Board, MHCLG and CIPFA issued revised "Guidance for Preparing and maintaining a Funding Strategy Statement (FSS)" in January 2025. Hymans are reviewing Teesside's draft FSS to ensure compliance with the latest guidance.
- 5.3 The FSS plays an integral role in setting out the fund's approach to managing long-term funding requirements and funding risk in LGPS whilst enabling stability and sustainability for participating scheme employers.
- 5.4 The purpose of a FSS is to:
- establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities will be met going forward.
 - support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the Local Government Pension Scheme (England and Wales) Regulations 2013 and Regulation 60 of the Local Government Pension Scheme (Scotland) Regulations 2018.
 - ensure that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the fund.
 - explain how the fund balances the interests of different employers.
 - explain how the fund deals with conflicts of interest and references other policies/strategies.
- 5.5 The Draft Funding Strategy Statement is attached as an Appendix.

6. MAIN CHANGES TO THE FSS

- 6.1 This is an update of the core FSS only, the other funding policies which are appended to the FSS will be reviewed and updated separately. The outcomes of changes in regulations following consultations on the LGPS scheme may require an early revisit to the FSS.
- 6.2 The 'effective date' of the revised FSS is 1 April 2026. This means that all employer work from this date will be carried out in line with the requirements of this FSS document, and all

existing employer work will be carried out in line with the existing FSS. This is consistent with current practice, but this point has been made explicit in the FSS. This is consistent with a valuation date of 31 March 2025, as this valuation determines contribution rates payable from 1 April 2026 to 31 March 2029, which is the period covered by this FSS.

- 6.3 There are two parts to the new FSS, to align with the structure of the latest FSS guidance, i.e. relating to 1, Key Funding Principles, and 2 – Employer events. The subheadings within these parts are unchanged relative to the previous FSS.
- 6.4 The new guidance includes a requirement for funds to set out how often the FSS is reviewed, and an annual review is recommended. Wording has been added to section 1 of the FSS to recognise this. The intention is to review the FSS in the spring each year.
- 6.5 No changes have been made to the section on the contribution stability parameters – this reflects Hymans current expectations of the maximum steps to be allowed.
No changes have been made to the sections of the FSS relating to pooling. There are not expected to be any material changes to the arrangements, but the final draft will reflect the outcome of discussions.
- 6.6 No changes have been made to section 3, which sets out additional contributions that may be payable by employers.
- 6.7 No changes have been made to section 4, which sets out how the fund determine asset shares for employers.
- 6.8 No changes have been made to section 5, which sets out ‘what happens when an employer joins the fund’. This section can be updated once fund policy relating to this has been reviewed and revised. We may also wish to update this section once we know more about the final implementation of new fair deal in the LGPS (with the consultation on proposed changes open until 22 December 2025).
- 6.9 No changes have been made to section 6 (bulk transfers). This section can be updated once fund policy relating to this has been reviewed and revised if necessary, in light of the expectation of an increase in the incidence of employer consolidations across LGPS funds.
- 6.10 Minor changes have been made to section 7 (cessations) to provide clarity around guarantors of last resort and subsumption. This section can be updated again once the fund’s cessation policy has been reviewed.
- 6.11 The FSS now includes a glossary (appendix C), as is required under the new guidance.
- 6.12 No changes have been made to the summary of funding risks in the ‘risks and controls’ section.
- 6.13 The section on climate risk and TCFD reporting will be updated following the provision of Hymans advice in this area.

- 6.14 The assumptions appendix has been updated following agreement to the final 2025 valuation assumptions.

6. NEXT STEPS

- 6.1 The Fund will put the Funding Strategy Statement out to consultation to employers. Responses will be considered in formulating the Final Funding Strategy Statement for presentation to 4th March Pensions Committee.
- 6.2 The Committee will be kept updated on progress with the valuation, and reports will be brought to upcoming scheduled meetings.

CONTACT OFFICER: Andrew Lister – Head of Pensions Governance and Investments

TEL NO.: 01642 726328

