Teesside Pension Fund

Andrew Lister
Head of Pensions Governance & Investments

08 June 2026

Agenda

- LGPS scheme overview
- Teesside Pension Fund
- Investments
- Pooling
- Responsible Investment
- Committee Business

Training to meet Knowledge and Understanding

There is a statutory requirement for individual Committee and Board members to develop knowledge and understanding on the following areas:

- Pensions legislation and guidance
- Pensions governance
- Funding strategy and actuarial methods
- Pensions administration and communications
- Pensions financial strategy, management, accounting, reporting and audit standards
- Investment objectives, strategic asset allocation, pooling, and pooling performance management
- Risk management
- Pension services procurement, contract management, and relationship management.
- Key skills and behaviours

Scheme Overview: What is the LGPS?

- The Local Government Pension Scheme.
- Statutory public sector occupational pension scheme, governed by primary and secondary legislation.
- Administered under LGPS Regulations 2013.
- Although the LGPS is a nationwide scheme, it is made up of 86 stand-alone regional funds. These are locally administered, normally by local authorities (the 'administering authority').
- One of the largest public sector pension schemes in the World.

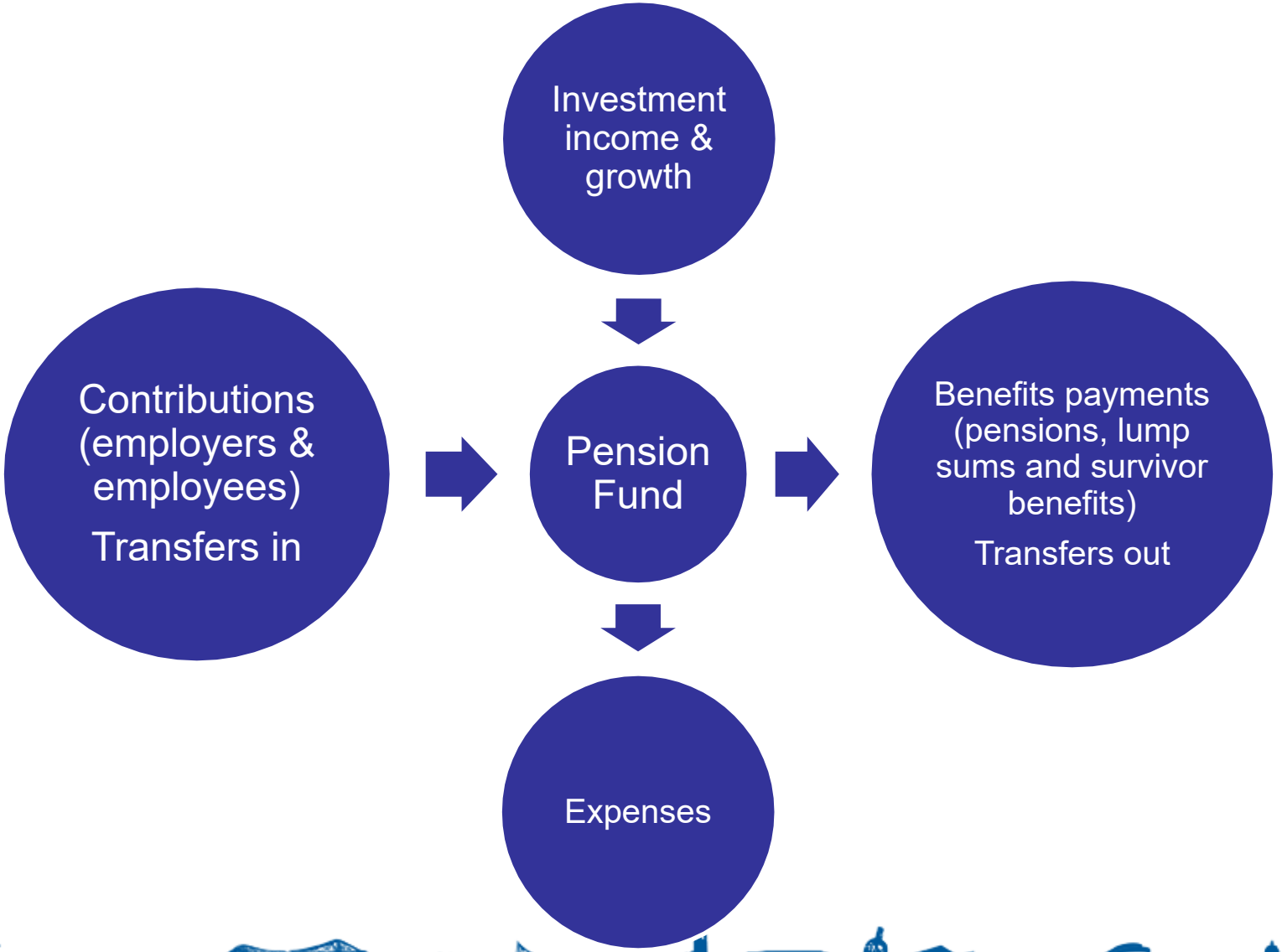
What is the LGPS?

- LGPS is open to
  - employers providing local government services
  - academies, colleges and some universities (post 92)
  - employers where local government services have been contracted out (e.g. school cleaning contracts).
  - A wide range of other public service employers, including admission bodies for Charities and Private Sector contractors.
- Defined Benefit Scheme – guaranteed to pay out an income based on your service and how much you earn.

How does the LGPS compare with other Public Pension Schemes?

- Most public sector schemes are “pay as you go” (Teachers; Fire; Police; NHS; Civil Service) and therefore 100% unfunded.
- Unfunded means that the pensions are paid directly from income (and if not sufficient, national taxation).
- In Funded schemes net contributions are invested to build a financial reserve for future pension benefits, ensuring that funds accumulate over time.

How does the LGPS Work?



Member Benefits

lgps

Valuable part of pay and reward package for LGPS employees and employers

Employees and Employers contribute

Member contribution between 5.5% - 12.5% depending on pay.

Employer contribution set every 3 year at time of Fund valuation

Member Benefits

Overview of benefits

- Pensions.
- Lump sums.
- Spouse, civil partner and co-habiting partner pensions.
- Children.
- Death grants.
- Ill health pension from any age.
- Options for early leavers - deferred benefits, transfers and refunds.
- APCs and AVCs (increase benefits through additional contributions).

Joining the scheme

Almost all local government employees can join the scheme. Since May 2026 elected members can join.

In addition, other bodies can join:

- Staff employed by scheduled bodies that are not eligible to join another scheme (e.g. Teachers).
- Staff employed by designated and admission bodies who are nominated by their employer to be members.

Maximum age of 75, no minimum (but must be an employee).

Eligible employees are automatically enrolled upon commencing employment and re-enrolled under auto-enrolment rules.

Staff with a contract of less than 3 months can elect to join.

All members can opt out if they wish.

Pension Benefits – Main Scheme over time

Scheme members may have a number of different 'bits' to their pension calculated in different ways dependent upon how long they have been in the scheme.

Up to 31.3.2008	1.4.2008 - 31.03.2014	1.04.2014 onwards
Pension = Total membership x 1/80 x Final Salary Pay Automatic lump sum	Pension = Total membership x 1/60 x Final Salary Pay No automatic lump sum	Pension = Membership each year x1/49 x Career Average Pay + cost of living increases No automatic lump sum

Some flexibility on retirement:

- Can swap pension for lump sum (or extra).
- £1 yearly pension for £12 one off lump sum – limits apply.

Pension Benefits – Main Scheme over time

Type	When	How
Normal – State Pension Age (SPA) and beyond	SPA - and later - must take before age 75	Voluntary - no reduction Increases from SPA
Redundancy, Early, Efficiency	From age 55 – (57 from 2028)	Employer led – no reductions – but may be strain on fund costs
Voluntary Early Retirement	From age 55 - (57 from 2028)	Member led – reductions -(some protections) - employers discretion to waive reductions –may be strain on fund costs
Ill Health	From any age	Permanently incapable Employer led - medical certification Three tiers depending on likelihood of gainful employment
Flexible	From age 55 - (57 from 2028)	Employers consent required, all or some of benefits into payment – reductions (some protections) - employer can waive – may be strain on fund costs

The Normal Pension Age in the scheme is now linked to the State Pension Age for each member.

Different Groups of Scheme Members

There are three different groups of scheme member:

- Active – these are working for one of the employers and contributing.
- Deferred – these members are no longer contributing. They may have suspended contributions or left a scheme employer.
- Pensioner – these are in receipt of scheme pension benefits.

Death Benefits

Death Grant – Lump Sum

In general:

- Active 3 x pay.
- Deferred 5 x pension.
- Pensioner (within 10 years of taking pension and under age 75) 10 x pension less pension paid.

Death grant – member completes expressions of wishes. Fund decides, taking into account wishes and other circumstances.

Survivors' Pensions

No need to nominate eligibility with LGPS Regulations.

Spouse, civil partner or cohabiting partner (conditions).
Total membership x pay x 1/160

Eligible children:

- Under the age of 18, or under the age of 23 and in full time education or vocational training.
- One child = total membership x pay x 1/320
- Two or more = equal share based on 1/160
- Higher rates apply where no surviving partner.

Early Leavers

- Members who leave the scheme before age 55 are not entitled to immediate payment of their benefits.
- A key consideration is whether the member has met the ‘vesting period’ – generally, reached 2 years of membership.
- If a member leaves the scheme after having met the vesting period, they will be entitled to deferred benefits. Annual cost of living increases will be applied.
- If a member leaves the scheme and hasn’t met the vesting period, they will be offered a refund of their contributions.

Teesside Pension Fund

Local Government Pension Scheme (LGPS) – England & Wales:

- 6.7 million members
- Rules set by central government, run locally
- Middlesbrough Council is the Administering Authority for the Teesside Pension Fund

Teesside Pension Fund

- Over 80,000 scheme members (active / deferred / pensioner roughly even split)
- Over 150 employers – for staff at four unitary councils, university & colleges, (non-uniformed) police & fire, (non-teaching) academy schools, housing associations, town & parish councils, private sector companies (outsourced contracts)
- £6.1 billion fund value at 31/03/26. 141% funded at 31 March 2025
- ‘surplus’ being used to reduce employer contribution rates – means Councils spend less on funding staff pensions – more available to spend on Council priorities. Teesside Councils rates are some of the lowest.

Teesside Pension Fund

Teesside Pension Fund Committee

- Overall responsibility for management of Fund including setting strategy
- Fifteen members: Nine Middlesbrough Councillors (inc Chair & Vice Chair), one each (Councillors) from Hartlepool, Stockton and Redcar & Cleveland, two scheme member reps (from Trade Unions) and one 'other' employer rep
- Make decisions e.g. strategic asset allocation decisions, without reference to full Council
- Advised by officers and external advisors (e.g. independent person, fund actuary)

Teesside Pension Board

- Oversight body (not decision-making) – to assist the Council as administering authority for the Fund, to secure compliance with regulations, effective and efficient governance and administration of the Fund and compliance with Pensions Regulator requirements
- Six members: three employer nominated, three scheme member nominated (two from Trade Unions, one pensioner rep)

Teesside Pension Fund

Border to Coast Pensions Partnership

- Set up in response to Government directive for LGPS Funds to pool investments
- Eleven original 'Partner Funds' – Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, South Yorkshire, Surrey, Teesside, Tyne and Wear, Warwickshire
- From 1st April 2026 an additional seven Partner Funds – Kent, Cambridgeshire, Essex, Northamptonshire, Hertfordshire, East Sussex, West Sussex
- Central Government focus was on cost savings and 'encouragement' to invest in UK infrastructure projects
- The Fund is invested in their UK, Overseas Developed and Emerging Market equity funds, as well as their private equity, infrastructure and climate opportunities funds.
- Council jointly owns Border to Coast – close partnership working – has control as one of eighteen shareholders and oversight through seat on Border to Coast Joint Committee (one elected member from each partner fund)

Teesside Pension Fund

Pensions Governance and Investments Team

- Support Committee (and Board)
- Oversee / instruct investment managers
- Work closely with Border to Coast
- Invest ‘short term’ cash (currently around £440m)
- Oversee and monitor outsourced pensions administration contract
- Work with investment advisors, actuary, auditors
- Collecting scheme member and employer contributions

Pensions Administration

- Calculating and paying benefits (on leaving, retiring, transfers, death)
- Maintaining accurate data
- Providing estimates (annually, on request, through website)
- Maintaining website, producing newsletters, member and employer communications
- Outsourced to external provider – Tyne & Wear Pension Fund

Fiduciary Duty

The key implications of the fiduciary duty for Committee members are:

- at all times, you are to act in the interests of the Fund as a whole and not your own personal interests or those of your own Council / employer / Trade Union;
- you owe a duty of care to scheme employers and members;
- act reasonably in making decisions;
- importance of financial interests
- Non-financial factors can be considered but cannot be detrimental to financial considerations.

Whilst the LGPS is not a trust based Scheme, Committee members are in a position of trust.

Fiduciary Duty

Law Commission: Fiduciary Duties of Investment Intermediaries (2014):

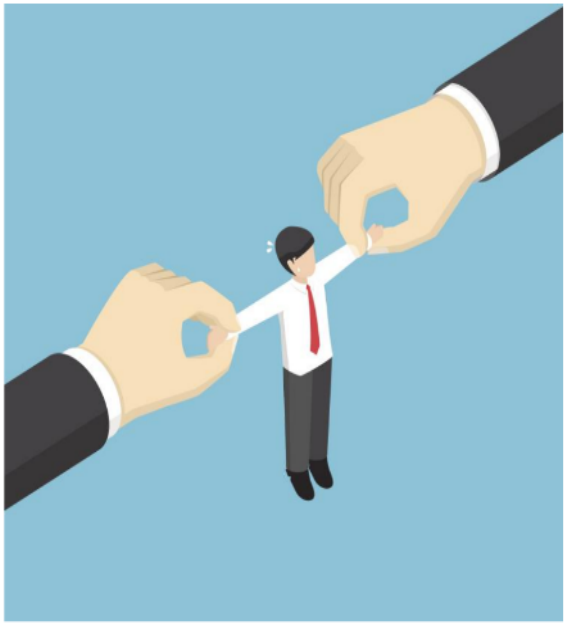
"In broad terms, trustees should take into account financially relevant factors. However, the circumstances in which trustees may make non-financially related decisions are more limited."

In general, non-financial factors may only be taken into account if two tests are met:

(1)Trustees should have good reason to think that scheme members would share that concern; and

(2)The decision should not involve a risk of significant financial detriment to the fund."

Conflicts of Interest



Applies to the Pensions Committee and the Local Pension Board.

Conflicts may arise where:

- there is a duty to act in the interests of the Fund and the Fund's beneficiaries and to secure compliance with regulations, and
- an individual has a competing personal interest or a separate duty to act in the interests of another party

The main duty is to the Fund, Scheme members and employers.

Role of the Pensions Regulator (tPR)

- Responsible for regulating the governance and administration of pension schemes (both public & private) and has published a code of practice for public service schemes to adhere to.
- Combined Pension General Code of Practice – March 2024.
- Focussed on data quality and regulatory compliance.
- Enhanced focus of compliance and enforcement.
- Regulatory and enforcement action.
  - Issue Improvement Notices.
  - Issue fines for breaches of the law.
  - Prosecuting offences in the criminal courts.
  - Banning trustees not considered fit and proper for the role.

Other Bodies

Other organisations that you will come across include:

- LGA (Local Government Association), who provide guidance on the technical aspects of the LGPS.
- CIPFA (Chartered Institute of Public Finance and Accountancy), who provide support on reporting and accountancy aspects.
- GAD (Government Actuary's Department), whose aim is to improve the stewardship of public sector finances by supporting effective decision-making and robust financial reporting through actuarial analysis, modelling and advice.
- MHCLG (Ministry of Housing, Communities and Local Government).
- SAB (Scheme Advisory Board), operated by the LGA
- HM Treasury.

Ministry of Housing, Communities and Local Government

- This central government department has overall responsibility for the strategic management and policy making in relation to the LGPS in England and Wales. It was previously called the Department for Levelling Up, Housing and Communities.

Ministry of Housing,
Communities &
Local Government

Scheme Advisory Board

Whereas the Local Pension Board has local oversight of the pension fund, the Scheme Advisory Board has national oversight.

It represents employers and scheme members, and consists of representatives from across a broad spectrum of LGPS stakeholders.

The SAB works with Government and other stakeholders to encourage best practice, increase transparency and coordinate technical and standards issues.

Separate SABs exist for the schemes in England & Wales, Scotland and Northern Ireland.

The Actuary and triennial valuation

A defined benefit (DB) scheme is subject to the statutory funding objective, which means it needs to have appropriate assets to cover its accrued liabilities.

The Fund's actuary carries out actuarial valuations of the fund every 3 years with the following objectives:

- To comply with legislation (it is mandatory to have an actuarial valuation every 3 years).
- To monitor the ongoing health of the Fund and manage risk – ensuring there is enough money in the fund to pay pensions due.
- To set appropriate contribution rates for employers.
- To monitor the actual experience of the fund against the assumptions made.

Investment Regulatory Requirements

- LGPS Regulations require Funds to prepare and maintain an Investment Strategy Statement (ISS).
- This is published on the Fund's website.
- The ISS is reviewed at least every 3 years, usually as part of Triennial Valuation.

Investment Strategy Statement

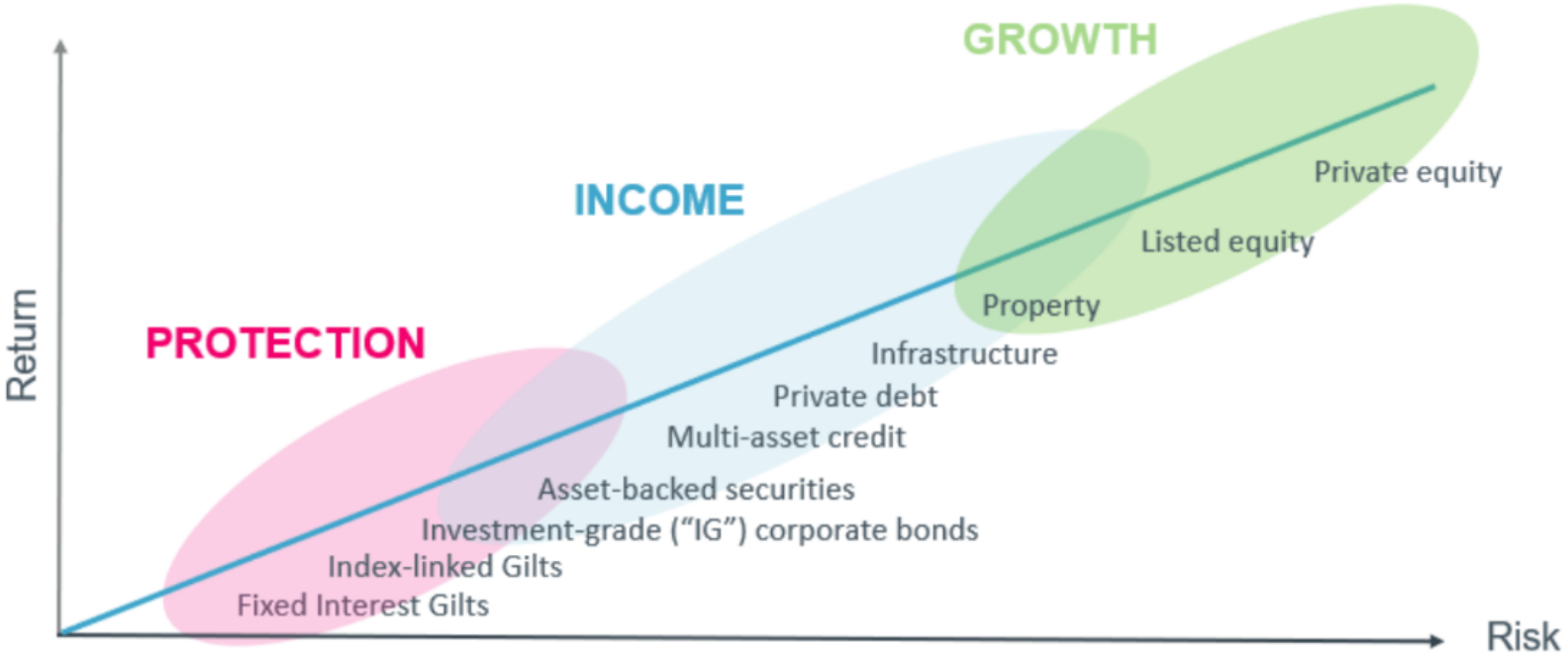
- The ISS explains the Fund's approach and beliefs including:
  - Types/mix of investments e.g. equities, bonds, property.
  - Approach to risk.
  - Expected returns.
  - Approach to Pooling.
  - Local Investment
  - How ESG (Environmental, Social & Governance) issues are considered & Policy on Voting.
- Links to the funding strategy.
- Advice received from the pool, independent person and officers.

Asset Classes

- Different types of assets, or ‘asset classes’, offer varying possibilities for investment return in exchange for varying degrees of risk.
- The mix of different assets which the Fund aims to achieve is reflected in the Investment Strategy Statement.

Investment Portfolio

The Investment Strategy will seek to balance risk and return. For example, the Fund may look at the mix of growth, income and protection assets.



Protection

- Manage the overall level of investment risk
- Good match to the Fund's liabilities

Income

- Stabilise and diversify returns
- Income generated used to pay benefits
- Avoids untimely divestment of assets

Growth

- Deliver long-term real returns
- Keep contributions affordable and close any deficits
- Higher level of investment risk

Equities

- Equities are the shares of companies listed on stock exchanges, and that can be bought and sold on that exchange. Shares in companies give an entitlement to dividends and the prospect of capital gains.
- The capital gain is the increase in the share price over time and a dividend is the share of the company's profits distributed as income. Both the share price and dividend income can rise and fall over time and the combination of these two elements derives the total return from an equity.
- Equities are expected to deliver a higher return than bonds over the long term.

Equities

- Equities can be held in either actively managed funds or passive funds.
- Actively managed funds attempt to outperform their respective benchmarks by owning more or less of each individual constituent of the benchmark. There are active decisions made about whether to own each company and to what extent.
- Passively managed funds attempt to match the performance of the underlying benchmark as closely as possible.
- Passive investments tend to replicate the benchmark by holding most, if not all, of the constituent companies.
- Fees are considerably lower, but the opportunity of outperformance compared to the benchmark is forgone.

Bonds

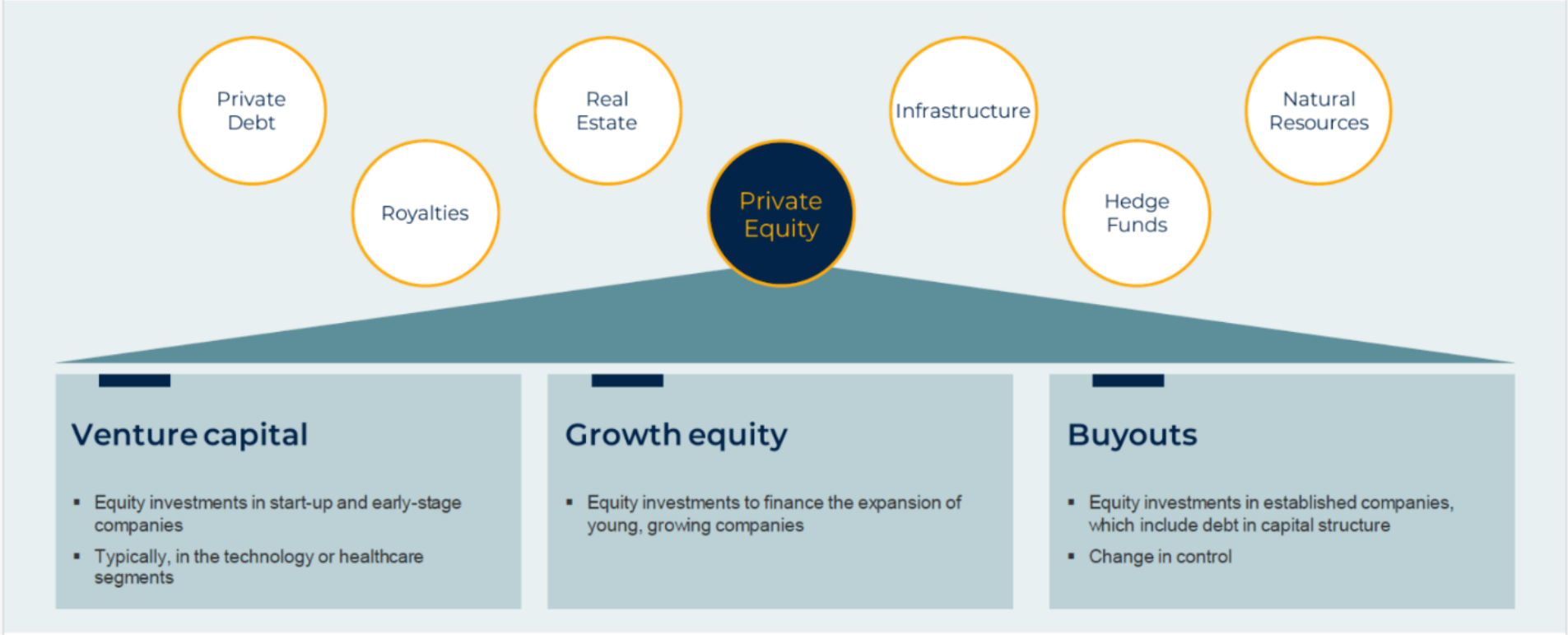
- Bonds can be issued by governments or by companies and represent a loan to the company or government. In return for investment, they provide a regular income and should be repaid in full at maturity.
- Sovereign debt is issued by Governments and Corporate bonds are issued by companies. Bonds issued by the UK Government are called Gilts.
- Corporate bonds are perceived as being higher risk than gilts and therefore pay a higher interest rate.
- Index-linked gilts provide income and maturity payments which increase (or decrease) in line with inflation.

Real Estate

- Real Estate concerns investing in land and any structures permanently attached to it.
- Investing in real estate allows funds to acquire assets which provide a rental stream. This will tend to rise in line with the rate of inflation over a period of time. In turn this should have a positive effect on capital values.
- Real Estate investments also provide diversification in portfolios and can provide a hedge against volatility in equity markets.
- These investments require more management attention than other forms of investment, and are less liquid than equities or bonds.
- Because of the fees payable and tax imposed, real estate is comparatively expensive to purchase and, therefore, trade.
- As a consequence, real estate is usually held for the longer term.

Private Markets

Private markets is the generic term that covers unquoted investment (not traded publicly on stock markets). There are various sub-divisions of this asset class such as private equity, private infrastructure and private credit. Each of these has its own set of characteristics and performance profiles.



Private Markets

- Private markets are generally accessible to qualified institutional and individual investors through private funds or direct investments into private companies.
- Institutions or individuals provide capital which can be used to:
  - Start businesses.
  - Fund growth.
  - Make acquisitions.
  - Strengthen balance sheets.
  - Initiate buyouts of public companies.
- Investment managers use the capital invested to buy businesses, guide them through pre-determined improvement plans. And exit the investment to return the funds back to the original investors.

Private Markets

- Generally, investing in private markets is less volatile over the short- to medium-term than investing in quoted companies, but this investment is less liquid.
- In private equity, the investor may have a greater ability to influence, as there is usually a small set of shareholders. However, in the event of bankruptcy, the investor is unlikely to be repaid.
- Returns have varied widely depending upon the sort of criteria employed and the year of investing. Investment in this area aids diversification and justifies the risks involved.

Cash

- There is always a cash element within the Fund, allowing day-to-day pension fund requirements to be met.
- There are occasions when cash is viewed as an asset class in its own right.
- All cash is actively managed.

Asset Classes - summary

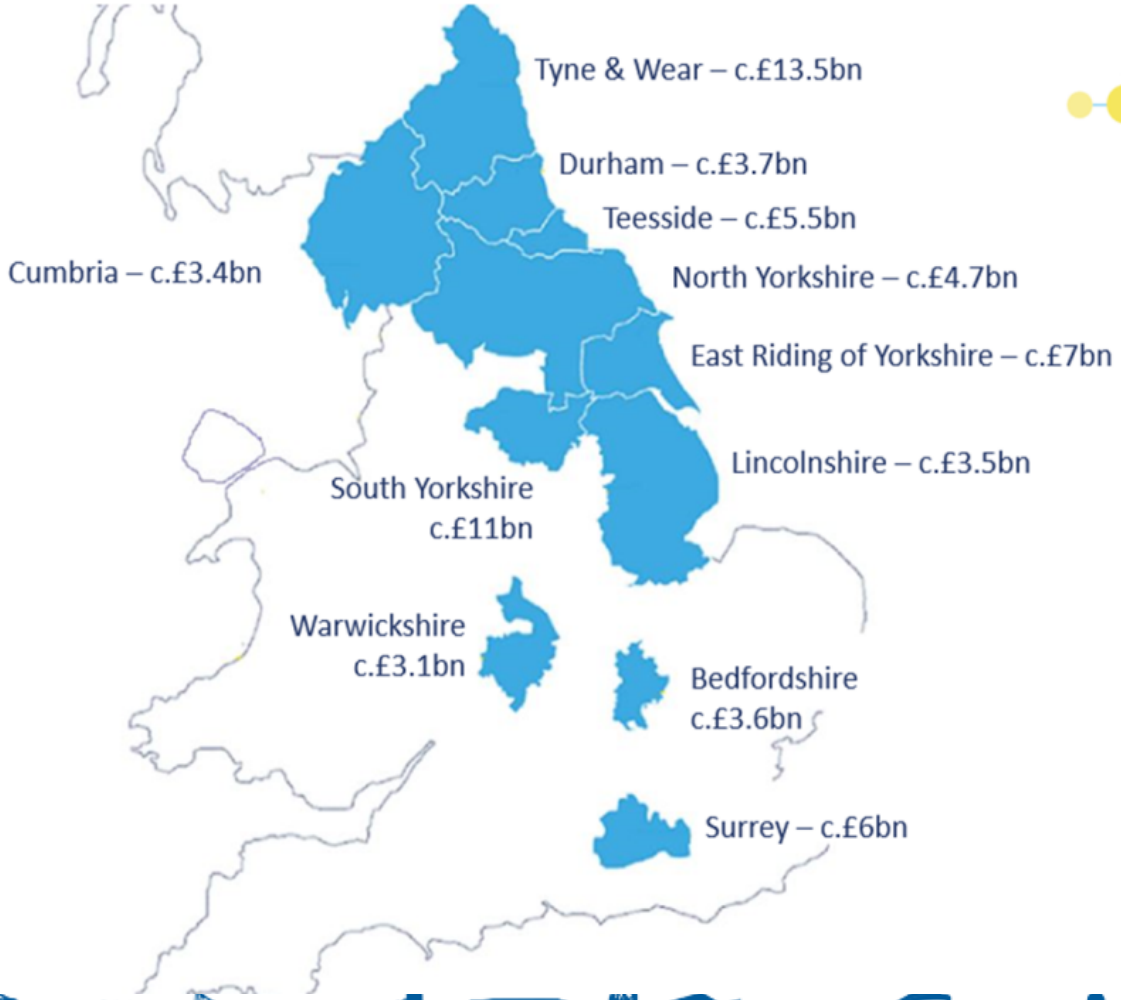
Key things to keep in mind are:

- Of the asset classes, equities, real estate and alternative assets are essentially return seeking. By contrast, bonds are usually held for stability and security.
- A high allocation to return seeking assets helps to keep pensions affordable. However, return seeking assets increase risk and volatility.
- Diversification (i.e. not putting all your eggs in one basket) should help to reduce the downside risk.
- A long-term approach, seeking return, is generally considered appropriate for such long-term liabilities, hence the high allocation to equities and alternatives seen in the LGPS world.

Border to Coast Asset Pooling

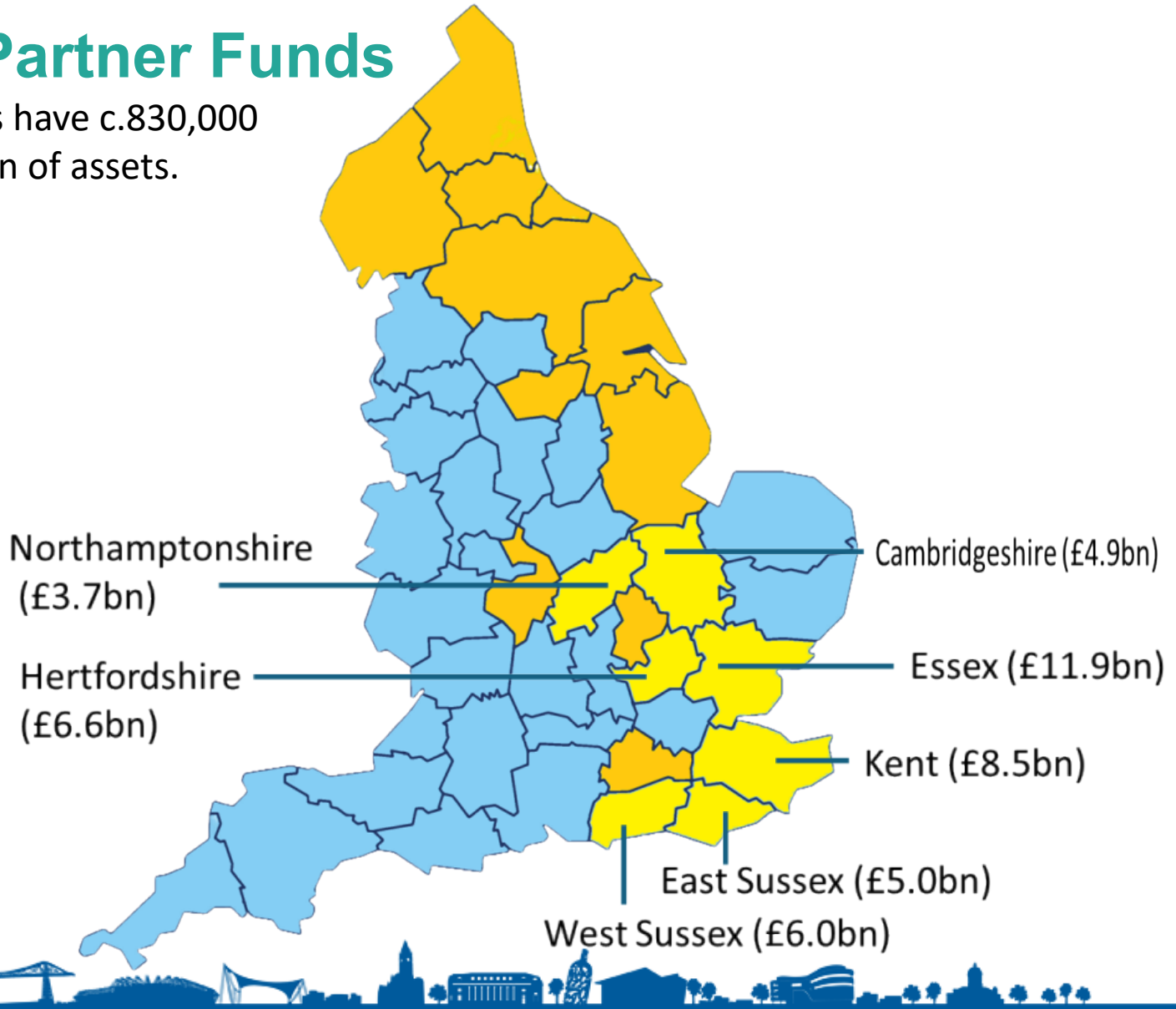
OUR PARTNER FUNDS

£65bn



Incoming Partner Funds

The seven new Funds have c.830,000 members and c.£45bn of assets.



Oversight & Governance

- The administering authority has two distinct roles:
- **Shareholder** - functions relate to ownership of the Operator and subject to company law documents.
- **Investor** - rights relate to the investment as a ‘customer’.
- Need to **separate** functions (and manage potential conflicts).

Roles and decision making

- Each Fund retains decision-making powers regarding asset allocation and delegates the investment management function to BCPP Limited. The pooling of LGPS assets has no impact on the pension entitlement of members of the fund.

- BCPP has an internal team of investment managers, in addition to appointing external managers. Its role is to implement the investment strategies of the partner funds, through a range of investment sub-funds, offering internally and externally managed solutions.

Accountability

BCPP is held to account through the following mechanisms:

- A fund representative on the BCPP Shareholder Board, with equal voting rights, provides oversight and control of the corporate operations of BCPP Limited. Each Fund has an equal share in the company.
- A representative on the BCPP Joint Committee who monitors and oversees the investment operations of BCPP Limited.
- Officer support to the above with representatives from the Officer Operations Group (forum dealing with day to day interaction with Border to Coast) and the Statutory Officer Group.

Joint Committee

- A collective forum to discuss common investor issues, operates under public law requirements.
- 18 members, one from each partner fund with equal voting rights.
- Oversight role over Border to Coast – but has no decision-making powers.
- Administered by South Yorkshire / Kent.
- Meets 4 times a year.

BORDER TO COAST
ANNUAL CONFERENCE
Stronger Together: Our Next Chapter

Our annual conference is an opportunity to review our progress, explore the key issues affecting pension investments, and discuss our collective priorities for the future.

It's also a great way to meet other pensions committee members and hear from industry experts along with members of the Border to Coast investment team.

24-25 SEPTEMBER 2026
Hilton Leeds City Hotel
Neville Street, Leeds, LS1 4BX

Sessions include:

Macro-economic overview
Delivering new capabilities
The world of private markets
Excellence in strategic partnerships
Measures of success

CRM@BORDERTOCOAST.ORG.UK for any questions

BORDER TO COAST PENSIONS PARTNERSHIP

Responsible Investment

- Investment choices have consequences
- Environmental, Social, Governance (ESG) implications
- Fiduciary duty – consider all relevant investment risk-factors (including ESG factors)
- Responsible Investment (RI) is not ‘Ethical Investment’
- Financial motive – companies that behave well typically better for long-term investors like the Teesside Pension Fund
- Border to Coast integrate Responsible Investment into investment decision-making – we expect our other investment managers to adopt a similar approach

Responsible Investment

Responsible investment is designed to ***enhance*** risk and return characteristics by ensuring ***all relevant factors*** are accounted for when assessing risk and potential returns.

Responsible investment ***does not*** seek to take a moral or ethical stance to investing. Emphasis is on ***integration of ESG criteria*** into investment decision making.

Responsible investment includes active ownership - ***engaging*** with companies, issuers and assets, and using shareholder rights by ***voting***.

Climate Change

- Border to Coast Climate Change Policy (approved by Partner Funds)
- Embedding sustainability in investment decision –making will increase long-term investment returns and positively impact the world our beneficiaries live in
- Risks investors exposed to:
  - Physical risk of climate change impacts
  - Transitional risks of decarbonising economies (also social risk)
- Border to Coast – “committed to a net zero carbon emissions target by 2050 at the latest for our assets under management”
- Task-Force on Climate-related Financial Disclosure (TCFD) – reporting on climate exposure of assets mandatory in private sector

Typical Pension Fund Committee

- Investment activity report (including details of cash investment)
- Reports from external managers – Border to Coast
- In-person presentations from Border to Coast
- Reports and input from independent investment advisor (William Bourne)
- Administration update from Pensions Administration provider
- Other topical reports

Committee Business 2026/27

The Pensions Act 2026 will require additional items to be considered by Committee during 2026/27. The relationships with Border to Coast Pensions Partnership and Tyne and Wear Pension Fund also continue to develop.

These activities were included in the Pension Fund Business Plan which was approved at March's Committee meeting and include:

- Review Investment Strategy Statement
- Set objectives for local investment
- Review training policy

Training Resources

- Pensions Regulator Public Service Pension Schemes Toolkit Public Service toolkit online learning | The Pensions Regulator
- Hymans Robertson – Training Toolkit – aspire.hymanslearning.co.uk/learn/signin

- Member Induction Pack
- Border to Coast webinars

Useful Websites

- Teesside Pension Fund website, hosted by Tyne and Wear Pension Fund
  - twpf.info
- LGPS Scheme Advisory Board Website
  - lgpsboard.org
- LGPS Members website
  - lgpsmember.org
- Hymans LOLA training website
  - aspire.hymanslearning.co.uk/learn/signin
- The Pension Regulator website
  - thepensionsregulator.gov.uk