TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 17 June 2026.

PRESENT: Councillors J Kabuye (Chair), J Rostron, J Ewan, D Branson, D Coupe (Vice-Chair), D Jackson, J Beall, M Fairley, Ms J Flaws, Mr T Watson and Mr B Foulger

ALSO IN ATTENDANCE: L Davison (Tyne and Wear Pension Fund), R Elwell (Border to Coast), P Gent (Border to Coast), T Backhouse (Forvis Mazars), D Knight (Border to Coast) & W Bourne (Independent Advisor)

OFFICERS: A Humble, A Lister, W Brown and T Frankland

APOLOGIES FOR ABSENCE: Councillors D McCabe

26/7 WELCOME AND FIRE EVACUATION PROCEDURE

The Chair welcomed all present to the meeting and read out the Building Evacuation Procedure.

26/8 DECLARATIONS OF INTEREST

Name of Member	Type of Interest	Item / Nature of Business
Councillor Beall	Non-Pecuniary	Member of Teesside Pension Fund and Member of Tees Valley Combined Authority Overview and Scrutiny Committee (Item 5).
Councillor Branson	Non-Pecuniary	Spouse – Member of Teesside Pension Fund
Councillor Coupe	Pecuniary	Non-Executive Director of Border to Coast Pensions Partnership LTD
Councillor Ewan	Non-Pecuniary	Member of Teesside Pension Fund and Member of Tyne and Wear Pension Fund
Councillor Jackson	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non-Pecuniary	Member of Teesside Pension Fund
Brian Foulger	Non-Pecuniary	Member of Teesside Pension Fund

26/9 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 7 MAY 2026

The minutes of the meeting of the Teesside Pension Fund Committee held on 7 May 2026 were taken as read and approved as a correct record.

26/10 LGPS CURRENT ISSUES

In March, the Teesside Pension Committee received the Fit for the Future Implementation report which updated Members on the likely implications of the Pensions Act 2026 and associated LGPS Regulations. On 20 May 2026, the consultation outcome including the government response to the Local Government Pension Scheme in England and Wales: Fit for the Future – technical consultation was published. In addition, two statutory instruments which would come into effect on 30 June 2026 were published. The resulting legislation left the policy intent unchanged but with slight adjustments to timings.

The LGPS ‘Fit for the Future’ reforms formalised the requirement for administering authorities to work through a single pool and evolve the division of responsibilities between Funds and their pool companies. Under the new framework, Funds would continue to set investment strategy, but all decisions beneath this level – including portfolio construction, manager selection, rebalancing, cashflow management, and stewardship—would become the statutory responsibility of the pool. The Investment Strategy Statement (ISS) must now follow a prescribed format, include high-level objectives for returns, risk, liquidity, responsible investment and local investment, and be based on “principal strategic advice” from Border to Coast.

To support this new model, Border to Coast was working with Partner Funds to develop advisory and implementation capabilities that would provide Partner Funds with an end-to-end investment solution. This evolution was consistent with the direction of travel set out in the 2030 Strategy approved unanimously by Partner Funds, which sought to harness the governance premium through a holistic approach to scheme management. This Strategy anticipated the need for advisory support from the Pool, deeper alignment between strategy and implementation, and a more resilient operating model as the LGPS matured and the policy landscape evolved. Border to Coast and Partner Funds were committed to continuing the collaborative approach to the Partnership that had driven success to date, ensuring no surprises in the future model through clear and structured engagement.

Alongside the pooling reforms, the Government was also introducing wider governance requirements for administering authorities—including a new Senior LGPS Officer role, the appointment of an Independent Person, strengthened training and oversight expectations, and regular Independent Governance Reviews. These matters remained the responsibility of Partner Funds but shaped the environment in which the new pooling model would operate.

At this point in the meeting, Councillor Beall declared a non-pecuniary interest as a member of the Tees Valley Combined Authority Overview and Scrutiny Committee and referenced Appendix 3 and the comments regarding ongoing discussions with TVCA on their emerging growth plan regarding the Fund’s local investment. Councillor Beall indicated that he was unaware of these discussions and requested that a dedicated report be brought to a future meeting of the Committee to provide more information. The Head of Pensions Governance and Investments advised that the Fund was required to liaise with TVCA as part of the Pension Schemes Act however final decisions around local investment now lied with Border to Coast. The pilot allowed Border to Coast to explore how the three-way relationship could work and Members were assured that they were aware of the political risks involved.

ORDERED that the information received was agreed and noted.

26/11 **INVESTMENT ACTIVITY REPORT (INCL. TM REPORT, VALUATION & FORWARD INVESTMENT PROGRAMME)**

The Head of Pensions Governance and Investments presented a report of the Corporate Director of Finance, the purpose of which was:

- To inform Members how the Investment Advisors’ recommendations were being implemented,
- To provide a detailed report on transactions undertaken to demonstrate the implementation of the Investment Advice and to provide the Fund’s Valuation and;
- To report on the treasury management of the Fund’s cash balances.

Members heard that the Fund continued to favour growth assets over protection assets and for the period under discussion, bonds were still not considered value for the Fund. The Fund had no investments in Bonds at this time.

At the June 2018 Committee it was agreed that a maximum level of 20% of the Fund would be held in cash. Cash level at the end of March 2026 was 7.42% Investment in Alternatives, such as infrastructure and private equity, offer the Fund diversification from equities and bonds. An amount of £8.7m was invested in the quarter.

It was a requirement that all transactions undertaken were reported to the Committee. Appendix A detailed transactions for the period January to March 2026. There were net purchases of £2.9m in the period.

The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice (the Code) set out how cash balances should be managed. The Code stated that the objective of treasury management is the management of the Authority's cash flow, its borrowings and investments, in such a way as to control the associated risks and achieve a level of performance or return consistent with those risks. The security of cash balances invested was more important than the interest rate received.

Members were advised that representatives from FW Capital had agreed to attend the meeting of the Teesside Pension Fund Committee in September to provide an update on the Fund's investment.

ORDERED that the information provided was received and noted.

26/12 **BORDER TO COAST PRESENTATION**

A presentation on Border to Coast's Investment Performance was provided to Members, providing information on the following:

- Teesside Pension Fund's Listed ACS Investments
- Portfolio Performance (Net of Fees)
- Portfolio Performance (Comments)
- Fund Exposure to Defence and Tobacco
- UK Real Estate Fund Performance (Net of Fees)
- UK Real Estate Fund (Purchases and Sales)
- Private Equity – Summary
- Infrastructure – Summary
- Climate Opportunities – Summary
- Border to Coast Update

Members noted that concerns regarding the Fund's exposure to tobacco and defence investments had been raised at previous meetings and an update on any actions taken or progress made in response to those concerns was requested. It was confirmed that these concerns had been raised through the Border to Coast Joint Committee however there had been insufficient support from the other participating Funds to include tobacco and defence companies on the exclusions list or take the concerns further.

ORDERED that the information provided was received and noted.

26/13 **INVESTMENT ADVISOR REPORT**

The Independent Investment Adviser had provided reports on current capital market conditions with further commentary provided at the meeting.

It was noted that, despite a challenging geopolitical and economic backdrop, global equity markets had remained resilient. The escalation of conflict involving Iran, higher energy prices, rising inflation and increasing government borrowing costs would normally be expected to weigh on markets however the S&P 500 had continued to perform strongly. This resilience had largely been driven by better-than-expected corporate earnings, particularly within the technology sector, continued demand for AI-related services, stronger profits from higher energy prices and ongoing monetary support from the US Treasury. While recession concerns had eased, economic growth across the US and Europe remains relatively modest.

The outlook remained uncertain due to rising inflation, higher bond yields and worsening government finances, particularly in the United States which presented ongoing risks. The appointment of Kevin Warsh as Chair of the Federal Reserve brought additional uncertainty around future monetary policy. Bond yields had risen as expectations of interest rate cuts faded, although significant further increases were not anticipated given the impact higher borrowing costs would have on governments. In this environment, the adviser highlighted the potential attractiveness of index-linked gilts, which currently offered real yields above the Fund's real discount rate and provided protection against the risk of persistently higher inflation.

The adviser maintained the view that equity markets could be approaching a significant turning point, while noting that governments and central banks were likely to seek to limit further rises in bond yields. It was also highlighted that, with investment implementation now largely undertaken by Border to Coast, the Committee should focus on holding the pool to account, particularly in light of concerns around the recent performance of its main equity funds.

OREDERED that the information provided was received and noted.

26/14 **PENSION ADMINISTRATION REPORT**

A representative from the Tyne & Wear Pension Fund was in attendance to provide the TWPF Pensions Administration Report.

The following areas were covered in the presentation:

- Introduction
- Pensions Processing
- Performance Against Statutory Requirements and Key Performance Indicators
- Member Electronic Communications and Registration
- Service Delivery
- Employer Performance
- Dashboards
- Industry Developments Affecting Administration
- Conclusion

Members were advised that the Fund measured performance across pension processing using a variety of indicators. In line with statutory requirements and guidance, the main measure of the service was against the national LGPS Scheme Advisory Board's (SAB) Performance Indicators. This was the standard measure of internal performance across LGPS Funds and was reportable in the Pension Fund Annual Report and Accounts. Performance against the SAB KPIs from the start of the contract was set out in Appendix 1 and showed underperformance in several areas against the internal performance target that had been set at 80%.

The main reasons for underperformance are as follows:

- Ongoing issues whilst dealing with inherited data – this will continue to impact individual cases until all outstanding cases are resolved
- Performance figures will continue to appear poor as 'out of date' cases are progressed to completion
- Planned system downtime to integrate Teesside Pensions Fund records into the administration system, and to install upgrades related to the mandatory McCloud remedy

It was noted that in addition to the staff wishing to transfer from the previous provider, additional staff had already been recruited and joined Tyne and Wear Pension Fund, and more were joining over the coming weeks to tackle the data issues.

Members also heard that year end had progressed positively with the majority of member data now received, although a significant amount of follow-up work remained before all cases could be classed as complete.

A Member referred to the performance data and sought assurance that performance was being effectively monitored and showing improvement. The Head of Pensions Governance and Investments confirmed that regular meetings were taking place and that arrangements were in place to monitor performance closely and support continued improvement.

In relation to the data issues, a Member raised concern that issues with the inherited data from the previous provider had gone undetected and emphasised the need for thorough due diligence going forward.

ORDERED that the information provided was received and noted.

26/15 **DRAFT EXTERNAL AUDIT PLAN**

A report was presented to the Committee, the purpose of which was to provide Members with the Draft Audit Strategy Memorandum report for the external audit of the Pension Fund for year ended March 2026 to be carried out by Forvis Mazars. Forvis Mazars would complete the audit of the Pension Fund financial statements based on this Audit Strategy and give their audit opinion by the statutory deadline of 31 January 2027.

Forvis Mazars were the external auditors for Middlesbrough Council and the Pension Fund. The attached draft report (Appendix 1) described their plans to carry out the audit of the Pension Fund financial statements for the year ended 31 March 2026. The draft report described the audit scope, approach and timelines, audit risks, materiality levels and fees which were set by Public Sector Audit Appointments (PSAA). The English Devolution and Community Empowerment Act 2026 included enabling provisions at Part 4 section 98 which would allow separation of Pension Fund audits from that of the Administering Authority. A Statutory Instrument (SI) was needed to put in place the requirement for a separate statement of accounts for the Pension Fund. The SI would include the commencement date for separation which in theory could take place for 2025/2026 statements but practicalities were likely to mean separation would take place for the Pension Fund Statements year ended 31 March 2027.

Separation of the Pension Fund financial statements would have the advantages of reducing the size and complexity of the Council's financial statements and would mean the Pension Fund statements audit certification would not be held up by any issues with the Council's audit.

The Pension Fund External Audit Plan would be presented to the Audit Committee and the Pension Fund would prepare its 2025/26 financial statements for inclusion in Middlesbrough Council's Statement of Accounts by 30 June 2026. These statements, along with the draft Pension Fund Annual Report 2025/26, would be submitted to a future Pension Committee meeting. Forvis Mazars would audit the financial statements and issue their audit opinion by 31 January 2027. The final Pension Fund Annual Report, including the audit opinion would then be published on the Fund's website.

Forvis Mazars' Engagement Manager was in attendance and gave further commentary at the meeting.

ORDERED that the information provided was received and noted.

26/16 **RISK REGISTER**

The Head of Pensions Governance and Investments had submitted a report of the Corporate Director of Finance to the Committee, the purpose of which was to advise Members of changes to the Pension Fund Risk Register and to provide Members with an opportunity to review the Risk Register.

Internal Audit had recommended that the Risk Register was presented at each quarterly Pension Fund Committee meeting, with any emerging risk or high risks highlighted for discussion.

There were four modified risks detailed in section 5 of the report:

- TPF004 – Political Risk (Investments)
- TPF019 – Governance Skills Shortage
- TPF020 – Inadequate Border to Coast Oversight,
- TPF037 – Compliance Failures

ORDERED that the information provided was received and noted.

26/17 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

26/18 **EXCLUSION OF PRESS AND PUBLIC**

ORDERED that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

26/19 **EXEMPT - PRESENTATION BY BORDER TO COAST'S CEO RACHEL ELWELL**

The CEO of Border to Coast was in attendance to deliver a presentation on the following:

- Brief History and Fit for the Future
- Future Plans
- Legacy Asset Management & Local Investment

Further commentary was provided at the meeting.

ORDERED that the information provided was received and noted.