



Teesside Pension Fund

Annual Report and Accounts
for the year ended

31 March 2021

Contents

Report of those charged with Governance.....	3
Membership	27
Head of Pensions Governance and Investments' Report	34
Financial Statements.....	43
Statement of Responsibilities for the Financial Statements	44
Fund Accounts and Net Asset Statements	46
Notes to the Pension Fund Accounts.....	47
Statement of the Actuary.....	71
The Compliance Statement.....	72
Summary of LGPS benefits.....	74
Pension increases	75
Contacts and further information	76

Report of those charged with Governance

Chairman's Introduction

Welcome to the 2020/21 Annual Report and Accounts of the Teesside Pension Fund. During the year most of the Fund's assets continued to be managed externally and around three quarters of those asset were invested in publicly-quoted equities – shares in companies listed on stock markets across the world. All of the Fund's UK equities and, by the end of the year, approximately 44% of its overseas equities were managed by Border to Coast Pensions Partnership ('Border to Coast'). The other 56% its overseas equities at the end of the year was invested passively through State Street Global Investors. During the year significant commitments were made to private equity and infrastructure investments with Border to Coast. However, the nature of the investment process for those types of assets mean it will take a number of years for those commitments to be fully invested.

Border to Coast was set up by, and is wholly owned by, twelve (now eleven, following the planned merger of two of the founders) LGPS administering authorities each responsible for an LGPS fund. It was established to meet central government's requirement that local government pension schemes pool their investment assets to deliver savings and improve governance. Middlesbrough Council (as administering authority for the Teesside Pension Fund) is one of the owners and customers of Border to Coast. By the end of the year 50% of the Fund's assets were invested through Border to Coast, with this percentage expected to increase over the coming year and beyond.

Global equity markets saw a very strong recovery from the severe drop in markets towards the end of 2019/20 triggered by the Covid-19 pandemic and concerns about its financial impact. The recovery was particularly strong in the US, where the stock market recovered to pre-pandemic levels in the first half of the financial year and continued to new record levels during the remainder of the year. The recovery was less strong in other markets, most noticeably in the UK, where although there was a significant market recovery, stock indices were still around 10% below pre-pandemic highs by the end of the financial year.

Much of the recovery in financial markets was a consequence of the quick and significant intervention from governments across the world in an effort to support global markets, economies and businesses deal with the financial consequences of the pandemic and the social, economic and trade restrictions put in place to deal with it. Market sentiments were also boosted by the significant rapid scientific achievement of the development and distribution of a number of different effective vaccines against Covid-19, giving the prospect of a return to social and economic normality in the near future (at least for some parts of the world).

Many other potentially significant market events were somewhat overshadowed by the concentration of the progress of the global response to the pandemic: Joe Biden ultimately convincingly won a protracted presidential election against Donald Trump. President Biden has already differentiated himself from his predecessor with significant spending pledges (including a substantial commitment to infrastructure spending) and a willingness to engage on global issues, such as tackling climate change. Brexit was finally concluded during the year, although the fall-out in relation to trade and Northern Ireland's position in relation to this continues to cause reverberations.

The Fund adjusted its asset allocation during the year, slightly increasing its long term equity allocation target but at the same time making a more definitive commitment to reduce its equity overweight position in the short to medium term.

The overall financial performance of the Fund for the year to 31 March 2021 was very positive. The Fund's value rose to £4.553 billion, an increase over the year of approximately £847 million. This increase in value served to offset what was a negative performance in the previous year, and puts the Fund broadly on track with expectations at the last triennial valuation of the Fund, details of which are set out below.

The membership of the Fund has increased, with total membership at the year-end now standing at 72,926 an increase of 1,349 over last year. The number of active members has increased by 800 or 3.4% over the year, and increased by 1.9% over the past four years. The number of pensioners increased by 715 or 2.9% over the year, and increased by 14.4% over the past four years. The number of deferred members decreased last year by 166 or 0.7%, but has increased by 2.0% over the past four years.

Where a member retires early on the grounds of redundancy or business efficiency there is a cost to the Fund arising from the fact that a pension is drawn earlier than the Actuary had assumed and for these types of retirement the normal early retirement reductions do not apply. It is the policy of the Fund to recharge the actuarial cost of these retirements to the employers. This policy has the advantage that the Fund recovers the cost of an early retirement at the outset. For the employer the advantages are twofold;

- 1 the impact of retirement decisions is transparent; and
- 2 the cost is invoiced separately rather than being recovered in the employer's contribution rate, which was once the case.

In this financial year the Fund received just over £4.3 million from these early retirement recharges, an 8% increase on last year's figure of just under £4.0 million.

Every three years the Fund actuary, AON Hewitt, carries out a full actuarial valuation of the Fund. The purpose is to calculate how much employers in the scheme need to contribute going forward to ensure that the Fund's liabilities, the pensions due to current and future pensioners, will be covered. Unlike all the other major public sector schemes the Local Government Scheme is a funded scheme. That means there is a pool of investments producing income which meet a significant part of the liabilities.

The latest actuarial valuation of the Fund was as at 31 March 2019, with the final report published at the end of March 2020. The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level. The aim of the Fund is to be 100% funded, and at the latest valuation the actuary was able to declare a funding level of 115%. This is particularly pleasing since it is the third time in succession that the Fund is able to declare it is fully funded. The next valuation is due to be carried out as at 31 March 2022 with the final report due to be published in March 2023 and any changes required to employer contribution rates due to come into force from April 2023.

Nature of the Scheme

The Teesside Pension Fund (the Fund) is part of the Local Government Pension Scheme is governed by Public Service Pensions Act 2013 and the following 'secondary' legislation (all as amended):

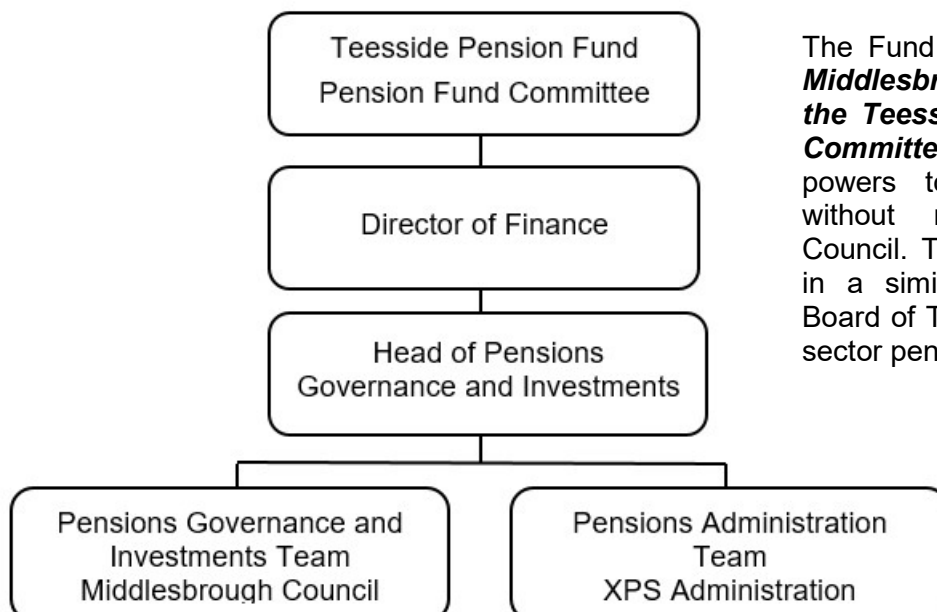
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme Regulations 2013; and
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

The regulations have changed over the years as the nature of the scheme has changed – the most significant recent change applied from April 2014 when the scheme moved (for future benefits) to a career average revalued earnings scheme from a final salary scheme. More information about the scheme, including updated scheme guides and details of scheme member benefits and contributions can be found on the national scheme member website www.lgpsmember.org and on our website at: www.teespen.org.uk.

The Regulations specify the pensions and other benefits payable and fix the rates of member contributions. Employer contributions are set every three years by the Fund Actuary. The purpose of the Fund is to provide retirement benefits for local authority employees in the Teesside area and other bodies admitted by agreement. The Fund is administered by Middlesbrough Council on behalf of all participating employers. A full list of participating organisations is given in the Membership section below.

The Fund is financed by way of contributions from employers and employees, based upon a percentage of pensionable pay, and supplemented by earnings from Fund investments. The Fund's assets, after payment of benefits, are invested as directed by the Pension Fund Committee. The Committee comprises elected members of Middlesbrough Council, representatives of the other unitary authorities, the Trade Unions and the Fund's Investment Advisers.

Management of the Fund



The Fund is administered by **Middlesbrough Council** via **the Teesside Pension Fund Committee** which has plenary powers to make decisions without reference to the Council. This Committee acts in a similar manner to the Board of Trustees of a private sector pension fund.

The day to day running of the Teesside Pension Fund is delegated to the Director of Finance of Middlesbrough Council who is responsible for implementing the strategies and policies set by the Pension Fund Committee. Supporting the Director is the Head of Pensions Governance and Investments who oversees two groups: The Pensions Administration Team is responsible for the calculation and payment of pension benefits and for looking after employer interests in the Fund. This function is currently outsourced and is delivered by XPS Administration. The Pensions Governance and Investments Team manages the investment of the Fund in conjunction with the advice of the Fund's external Investment Advisors, as well as providing support to the Pension Fund Committee and Teesside Pension Board.

The Teesside Pension Fund Committee

Committee membership and meeting attendance during the year 2020/21

Members	With voting rights	Jun	Sep	Dec	Mar	
Middlesbrough Council	Councillor DP Coupe	✓	✓	✓	✓	
	Councillor J Rostron	✓	✓	✓	✓	
	Councillor E Polano	✓	✓	✓		
	Councillor A Bell	✓	✓	✓	✓	
	Councillor J Hobson	✓	✓	✓	✓	
	Councillor T Furness	✓	✓	✓	✓	
	Councillor M Storey				✓	
	Councillor A Waters					
	Councillor S Walker	✓				
	Councillor B Cooper	✓	✓	✓	✓	
	Councillor S Dean	✓	✓	✓		
	Councillor Z Uddin	✓	✓	✓	✓	
	Redcar & Cleveland BC	Councillor Nightingale	✓		✓	✓
	Stockton BC	Councillor J Beall	✓	✓	✓	✓
Hartlepool BC	Vacant					
Independent	Mr P Fleck	✓			✓	
Trades Unions	Tony Watson (UNISON)		✓	✓	✓	
	B Foulger (GMB)				✓	

Declaration of Interest

Councillor J Rostron, B Cooper, J Beall, Z Uddin

The committee invites representatives from all the district councils in the former Cleveland County area as well as representatives from the Trade Unions. The committee held four

quarterly meetings during the year, and an additional meeting to review the Fund's draft report and accounts.

The size and political make-up of the committee is determined annually by Middlesbrough Council, and the Councillors are then nominated by each political party. Representatives of the other district Councils are nominated by them. The 'Other Employers' representative, is chosen by election by the admitted bodies of the Fund.

Terms of Reference – Teesside Pension Fund Committee

Terms of Reference:

The Pension Fund Committee's principal aim is to carry out the functions of Middlesbrough Council as the Scheme Manager and Administering Authority for the Teesside Pension Fund in accordance with Local Government Pension Scheme and any other relevant legislation.

In its role as the administering authority, Middlesbrough Council owes fiduciary duties to the employers and members of the Teesside Pension Fund and must not compromise this with its own particular interests. Consequently this fiduciary duty is a responsibility of the Pension Fund Committee and its members must not compromise this with their own individual interests.

The Pension Fund Committee has the following specific roles and functions, taking account of advice from the Chief Finance Officer (the Strategic Director of Finance Governance and Support) and the Fund's professional advisers:

- a) Ensuring the Teesside Pension Fund is managed and pension payments are made in compliance with the Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
- b) Ensuring robust risk management arrangements are in place.
- c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Teesside Pension Fund.
- d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
 - i) Governance – approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Middlesbrough Council and making recommendations to Middlesbrough Council about any changes to that framework.
 - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.
 - iii) Investment strategy - approving the Fund's Investment Strategy Statement and Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.
 - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due,

- calculating and paying benefits, gathering information from and providing information to scheme members and employers.
- v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.
 - vi) Discretions – determining how the various administering authority discretions are operated for the Fund.
- e) Monitoring the implementation of these policies and strategies on an ongoing basis.
 - f) In relation to the Border to Coast; the asset pooling collaboration arrangements:
 - i) Monitoring the performance of the Border to Coast and recommending actions to the Border to Coast Joint Committee, The Mayor or his Nominee (in his role as the nominated person to exercise Shareholder rights and responsibilities), Officers Groups or Border to Coast, as appropriate.
 - ii) Undertake the role of Authority in relation to the Inter Authority Agreement, including but not limited to:
 - Requesting variations to the Inter Authority Agreement
 - Withdrawing from the Inter Authority Agreement
 - Appointing Middlesbrough Council officers to the Officer Operations Group.
 - g) Considering the Fund's financial statements and the Fund's annual report.
 - h) Selection, appointment, dismissal and monitoring of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, independent professional advisers and AVC provider.
 - i) Liaison with internal and external audit, including providing recommendations in relation to areas to be covered in audit plans, considering audit reports and ensuring appropriate changes are made following receipt of audit findings
 - j) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
 - k) Agreeing the terms and payment of bulk transfers into and out of the Fund.
 - l) Agreeing Pension Fund business plans and monitoring progress against them.
 - m) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
 - n) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
 - o) Receiving ongoing reports from the Chief Finance Officer, the Head of Pensions Governance and Investments and other relevant officers in relation to delegated functions.

Teesside Pension Board

The Public Service Pensions Act 2013 introduced a requirement for public service pension schemes to have pension boards. The pension board for the Teesside Pension Fund is the Teesside Pension Board. The Teesside Pension Fund Committee is still the main decision making committee for the Fund, whereas the Teesside Pension Board assists Middlesbrough Borough Council, as the Administering Authority, to:

- a) Secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pension Regulator in relation to the Scheme; and
- b) To ensure the effective and efficient governance and administration of the Scheme.

The Teesside Pension Board is made up of six voting members as follows:-

3 employer representatives; and 3 scheme member representatives.

Fund Administrators and Advisors

Administration

Chief Finance Officer	Ian Wright
Head of Pensions Governance and Investments	Nick Orton
Pensions Administration Manager	Graeme Hall, XPS Administration
Solicitor to the Fund	Charlotte Benjamin

Advisors to the Fund

Actuary	Aon Hewitt Limited
Solicitors	Nabarro LLP & Freeth Cartwright LLP
Auditors	Ernst & Young LLP
Investment Advisors	William Bourne and Peter Moon
Property Managers	CBRE
Custodian	The Northern Trust Company
AVC Providers	Prudential Assurance, Phoenix Life
Bankers	The NatWest Bank Plc

The Pensions Landscape

All of the major public sector schemes changed radically from April 2015, with new public sector schemes established and operated in accordance with the Public Service Pensions Act 2013. However, due in part to its unique ‘funded’ status amongst these schemes, the LGPS changed a year earlier from April 2014, meaning the career-average revalued earnings LGPS has now been in place for five years. More detail on how the current LGPS compares to previous versions of the scheme is contained in the “Summary of LGPS benefits” section.

Government changes to the wider pensions landscape were also introduced from April 2015, promoting “Freedom and choice” granting greater flexibility in how and when they access their pension savings. These changes largely impact upon defined contribution schemes and, due to the nature of the LGPS, do not have major impact upon the scheme or its operation. However, members making Additional Voluntary Contributions can now potentially access monies from these funds from age 55, whilst still contributing to the LGPS, on transfer to another provider.

The limits on tax relief available for pension saving have remained broadly flat over the year, with the standard annual allowance figure remaining at £40,000, but with a lower figure applied for high earners. The lifetime allowance increased to £1.0731m from April 2020, however the government has announced that it will not increase beyond that level until at least the 2025/26 tax year. The lifetime allowance limit is only breached by a very small proportion of the LGPS membership, but the annual allowance continues to mean that more members could face a potential tax charge in the future.

The introduction of the new Single Tier State Pension from April 2016 also marked the end of “contracting-out” for public sector schemes like the LGPS. Previously, schemes such as the LGPS were allowed to contract-out of the additional element of the State Pension (meaning that members paid reduced National Insurance contributions) in return for providing benefits at least equal to those that the State would have provided if the higher contribution rate had been paid.

The government consulted during the year on changes required to the scheme to remove discrimination identified by the courts that took place when public sector pensions were changed in 2014 and 2015, including when the 2014 career average LGPS was introduced. Further announcements and draft regulations are expected on this in the coming year however the outcome is expected to mean that some scheme members will receive higher retirement benefits from the scheme. This will usually be where a scheme member has had a significant pay rise and so would have been better off if they have been able to remain in the final salary version of the LGPS. The scheme actuary has already factored in the approximate expected additional cost of this when calculating employer contribution rates at the last valuation (published in March 2020), and will be able to include a more accurate assessment of the cost when the next valuation is prepared. Only a small proportion of scheme members are likely to be affected by these changes, and all those affected will be automatically notified of any additional benefit.

Scheme specific changes

On 1 April 2014 the new look LGPS came into force, reflecting the changes required to public sector schemes derived from the Public Service Pension Commission recommendations.

From 1 April 2014:

- The LGPS became a Career Average Revalued Earnings (CARE) scheme using price inflation – the Consumer Prices Index (CPI) as the revaluation factor (the previous scheme was a final salary scheme).
- The rate pension builds up 1/49th of pensionable pay each year where the previous scheme rate was 1/60th.
- There is no fixed scheme pension age, instead each member's Normal Pension Age (NPA) is their State Pension Age, with a minimum of 65 (the former scheme had a fixed pension age of 65).
- Member contributions to the scheme are set at one of nine different contribution bands, between 5.5% and 12.5% of pensionable pay, set based on the level of actual pensionable pay the scheme member receives.
- There is a facility for members to choose to pay half contributions for half the pension. This is known as the 50/50 option (earlier schemes had no such option). The intention was to provide a lower cost option for members who were perhaps considering opting-out of the scheme.
- Members' benefits for service prior to 1 April 2014 are protected, including protecting the earliest age a scheme member could receive a pension without early retirement reductions applying. Protected past service continues to be based on final salary and age 65 NPA.

All members of the previous scheme (the 2008 scheme) automatically became members of the 2014 scheme where their employment continued beyond 31 March 2014. A summary of the 2014 scheme provisions and a comparison to the 2008 scheme is highlighted in section Summary of LGPS benefits.

The Local Government Pension Scheme (Amendment) (No. 2) Regulations 2020, which came into force on 23 September 2020 introduced changes to the way debts owed by scheme employers leaving the scheme can be dealt with. The regulations:

- Enable an administering authority and a Scheme employer to agree to defer exit payments in return for an ongoing commitment to meet their existing liabilities in a deferred debt agreement and
- Enable administering authorities to offer employers exiting the Local Government Pension Scheme the option to spread exit payments by obtaining a revised rates and adjustments certificate setting out the proportion of the exit payments that is to be paid in each year after exit, over a period to be determined by the administering authority.

Administering authorities are required to set out their policy in relation to these new flexibilities within their Funding Strategy Statement. The Fund's Funding Strategy Statement has been updated and at the time of writing the changes are out for consultation with employers.

Promoting Scheme Membership

The Fund continues to promote Scheme membership and much of this work over the past twelve months has been directed at our newer employers and employees.

Employers have a very important role to play in the operation of the pension scheme, and in giving reassurance to their employees with regards to the scheme's short and long term benefits.

A variety of methods are used here such as workplace posters, presentations and staff briefings and also employer awareness courses that assist the employer to understand and impart general knowledge of the scheme to their staff.

With more people looking towards technology these days, we have continued to promote our Member Self Service (MSS) throughout the year. This facility allows scheme members to view their pension record(s) on-line as well as being able to run their own pension calculations.

Interaction with scheme members and employers over the year has been primarily been on-line, by telephone and to a lesser extent by mail, rather than face to face. This has been an inevitable consequence of the coronavirus restrictions and various lockdowns in place during the year.

Risk management

The Investment Strategy Statement sets out the approach of the Fund in identifying, mitigating and managing risk. The Fund's primary long term risk is that the Fund's assets do not meet its liabilities, that is, the benefits payable to its members. The aim of the Fund's investment management is to achieve the long term target rate of return with an acceptable level of risk.

There are three key forms of risk specific to the investment of assets:

- a) That associated with security of the Fund's assets.
- b) That associated with loss of value relating to those assets.
- c) That associated with the ability of those assets to provide required rates of return.

a) Security of the Fund's Assets

The Fund's Custodian, Northern Trust, holds the majority of the Fund's Assets. An agreement is in place protecting the Fund against fraudulent loss and regular checks are made by independent auditors regarding the integrity of the Custodian's systems. In addition the Fund's Direct Property assets are registered in the name of Middlesbrough Council and the Title Deeds and documents held by the Fund's solicitors, Freeths. Cash balances belonging to the Fund are invested in accordance with agreed criteria, which take into account an appreciation of risk.

b) Asset Risk

The value of all investments can go down as well as up. Even investments in Gilts, securities issued by HM Government, are not without risk. Individual companies can cease to trade, with shareholders well down the list of creditors.

The best way to protect the Fund against asset risk is through diversification into a number of asset classes, a range of countries and a range of companies. The Teesside Pension Fund Committee ensures the Fund has sufficient diversification at their committee meetings.

c) Investment Risk

One of the Pension Fund Committee's most important duties is to make sure that the Fund has enough Assets to pay the benefits already earned by scheme members. On top of that they are looking to achieve sufficient return on those Assets to keep down the cost of building up future benefits. In order to meet these responsibilities the Pension Fund Committee sets a performance benchmark against which they can measure the progress of

the Fund's investments. Funds which outperform their benchmark can reduce costs compared with those which underperform.

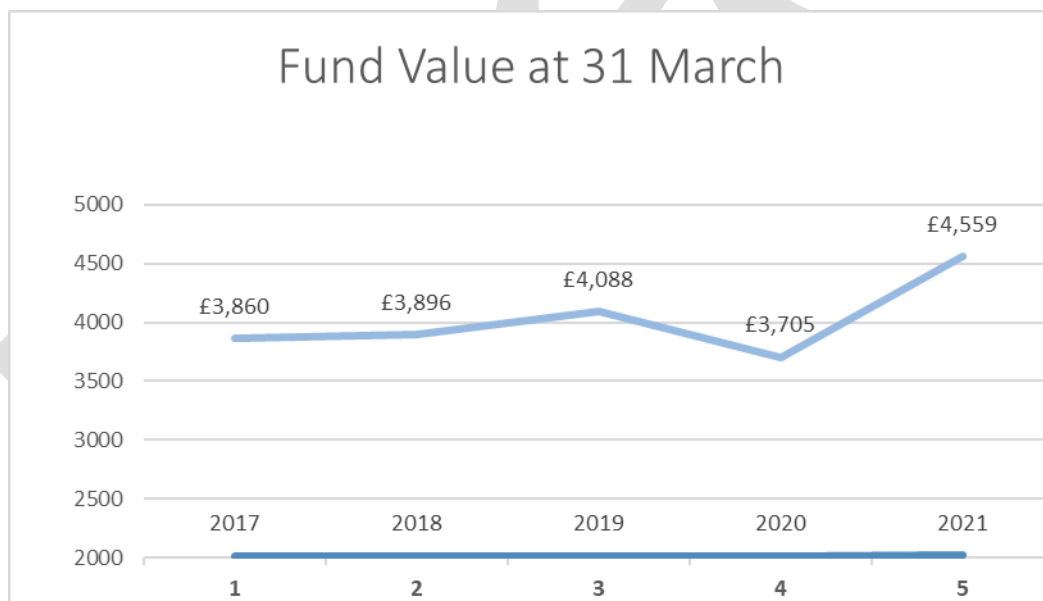
For the Fund to significantly outperform its benchmark it needs to have an asset mix which is different from that of its benchmark. The more outperformance is required the greater the differences will need to be. In other words outperformance cannot be achieved without taking risks. Measurement of risk can identify whether the risk profile is, on one hand, large enough to deliver the required relative returns or alternatively so great as to lead to the possibility of serious underperformance.

The Asset/Liability Study, carried out every three years by the Fund Actuary in conjunction with the Fund's Investment Advisors, assesses the degree of risk which the Fund needs to incorporate into its investment strategy, mainly expressed as the split between bonds and equities, in order to meet its liabilities and in particular to achieve the goal of employer contribution rates which are both low and stable.

Financial Performance Report

Income, Expenditure and Fund value

The Fund's Financial Statements show that the Net Asset Value has increased by 19% compared to the previous year. Over the last 5 years, from the 2017 value of £3,860million, the value of Net Assets has increased by 18%.



Finance Performance Report

	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000
Fund Value at the start of the year	3,133,118	3,859,589	3,896,452	4,088,095	3,705,473
Income	199,644	207,829	159,468	152,932	117,772
Expenditure	(139,542)	(146,866)	(162,057)	(167,397)	(165,464)
Change in Market Value of Investments	666,369	(24,100)	194,232	(368,157)	901,667
Increase/(Decrease) in Fund during the year	726,471	36,863	191,643	(382,622)	853,975
Fund Value at the end of the year	3,859,589	3,896,452	4,088,095	3,705,473	4,559,448
Change in Fund Value %	23%	1%	5%	(9%)	23%

Financial Highlights

	£000	£000	£000	£000	£000
Pensions Paid	101,668	105,369	113,219	119,302	123,640
Administration Costs	1,870	1,672	1,692	2,185	1,938
Investment Management Costs	2,596	2,451	5,314	1,480	4,957
Oversight and Governance Costs	207	684	1,238	3,768	588

Membership

	2016	2017	2018	2019	2020
	No	No	No	No	No
Active	23,791	23,295	22,274	23,438	24,238
Deferred	22,861	23,243	23,361	23,488	23,322
Pensioner	22,177	22,757	23,983	24,651	25,366
Total	68,829	69,295	70,068	71,577	72,926

Fund Averages

	£	£	£	£	£
Fund value per member	56,075	56,230	58,345	51,769	62,522
Average Pension Paid	4,584	4,630	4,721	4,840	4,874
Total expenses cost per member	68	69	118	104	103
Administration Cost per member	27	24	24	31	27
Investment Management cost per member	38	35	76	21	68
Oversight and Governance costs per member	3	10	18	53	8

Analytical review of the financial year

The financial performance of pension funds can vary significantly year on year - the total fund value can undergo large movements resulting from the change in the market value of investments, and within the fund account the 'net additions (withdrawals) from dealings with members' can vary due to external factors affecting the fund itself or the principal employers within it.

The significant impact of, unforeseeable and unquantifiable, external factors have resulted in the policy of the administering authority not to set a budget for future periods for Teesside Pension Fund. It was felt that any budget would contain too many unknowable variables to be of any practical use and analysis of budget variances would contain inaccurate assumptions.

For this reason, it was felt that a much more meaningful analysis of the financial performance of the Fund could be gained from comparison with the performance in the previous year and the principal variances and movements in the financial performance of the fund in comparison with the previous year were as follows;

Summary of Analytical Review 2020/21

Fund Account	Notes	2019/20 £ ' 000	2020/21 £ ' 000	Change
Contributions and Other Income				
Employers Normal & Deficit	1	69,495	64,965	(7%)
Employers Additional	2	12	13	(8%)
Employees Normal	3	29,914	30,415	2%
Transfers in	4	8,546	3,061	(64%)
Capital Costs of Early Retirements	5	3,982	4,311	8%
Other Income		3	1,266	42,100%
Total Income		111,952	104,031	(7%)
Benefits and Other Expenditure				
Benefits	6	119,302	123,640	4%
Benefits - Basic Lump Sum	7	24,257	22,947	(5%)
Benefits - Lump Sums on Death		2,700	3,198	18%
Individual Transfers to other Schemes	8	13,279	7,794	(41%)
Administrative Expenses	9	2,185	1,938	(11%)
Investment Management Expenses	10	1,480	4,957	235%
Oversight and Governance Costs	11	3,790	588	(84%)
Other Expenditure	12	404	364	(10%)
Total Expenditure		167,397	165,426	(1%)
Return on Investments				
Dividends	13	20,764	(511)	(102%)
Rents	14	15,682	12,584	(20%)
Interest	15	4,534	1,668	(63%)
Profit on Sale of Investments		22,069	136,402	518%
Unrealised gain / (loss) on Revaluation		(390,226)	765,265	296%
Total Return on Investments		(327,177)	915,408	(380%)
Net Increase in the Fund in the Year		(382,622)	854,013	(323%)

Explanation of variances

	2019/20	2020/21	
1 Employers Normal Contributions & Deficit contributions - £000	69,495	64,965	decrease of (7%)

Employers normal contributions have decreased by £4.5m, and deficit contributions have stayed the same, which has given an overall decrease of £4.5m in the year.

	2019/20	2020/21	
2 Employers Additional Contributions - £000	12	13	increase of 8%

Payments of additional contributions for authorised leave and maternity have increased during 2020/21.

	2019/20	2020/21	
3 Employees Normal Contributions - £000	29,914	30,415	increase of 2%

Auto enrolment continues to make contributions to the scheme, and the ability for employees to pay 50% contributions continues to have a positive effect for the year.

	2019/20	2020/21	
4 Transfers In - £000	8,546	3,061	decrease of (64%)

In 2020/21 141 transfers were received into the scheme at an average value of £21.7k, compared to 286 transfers at an average value of £29.6k in 2019/20.

	2019/20	2020/21	
5 Capital Cost of Early Retirements - £000	3,982	4,311	increase of 8%

The number of early retirements has increased compared to the previous year, and the average cost per retirement has also increased. The retirements from the Councils processed in the year were as follows;

	Number	Total Cost	Average
Hartlepool Borough Council	17	£165,078	£9,710
Middlesbrough Council	9	£693,734	£77,082
Stockton Borough Council	10	£957,658	£95,766
Redcar & Cleveland Borough Council	3	£77,531	£25,844
Total	39	£1,894,001	£48,564

	2019/20	2020/21	
6 Benefits - £000	119,302	123,640	increase of 4%

At the year-end there were 25,336 Pensioner Members / Dependants receiving pension benefits, at an average of £4,880 per annum. (2019/20 24,651 receiving benefits at an average of £4,840 per annum)

	2019/20	2020/21	
7 Benefits - Basic Lump Sum - £000	24,257	22,947	decrease of (5%)

There has been a decrease of 5% in the value of Lump Sums paid by the Fund during the year.

	2019/20	2020/21	
8 Individual Transfers to Other Schemes - £000	13,279	7,794	decrease of (41%)

Transfers out can vary quite markedly year on year depending on both numbers and the type of people transferring. For 2020/21, the individual transfers out was £7,794k (2019/20 £13,279k), a decrease from the previous year. In term of numbers, the transfers out for 2020/21 were 150 (2019/20 200)

	Number	Total Cost	Average
2020/21	150	£7,794,000	£51,960
2019/20	200	£13,279,500	£66,398

	2019/20	2020/21	
9 Administrative Expenses - £000	2,185	1,938	decrease of (11%)

There has been a decrease of 11% in Administration costs in 2020/21.

	2019/20	2020/21	
10 Investment Management Expenses - £000	1,480	4957	increase of 235%

An increase in transaction costs from £120k 19/20 to 719k 20/21. Includes Border to Coast management fees of £1.642 million. Includes management fees for investments in Private Equity, Infrastructure and Other Alternative investment funds of £1.416 million. £497k for Property management fees 20/21.

	2019/20	2020/21		
11 Oversight and Governance Costs - £000	3,790	588	decrease of	(84%)

Border to Coast management costs have been moved to Investment Management expenses.

	2019/20	2020/21		
12 Other Expenditure - £000	404	364	decrease of	(10%)

A decrease in Other Expenditure reflects the decrease in refunds to leaving members.

	2019/20	2020/21		
13 Dividend Income - £000	20,764	4,948	decrease of	(76%)

Overall Dividend Income has decreased by £15.8 million which is due to the sale of all fund equities. Equities are now mainly owned by the Fund in pooled vehicles, where dividend income is reinvested instead of being distributed.

	2019/20	2020/21		
14 Rent - £000	15,682	12,584	decrease of	(20%)

Reduced rental income due to Covid-19, rent free periods have been provided to tenants and a number of rent re-gears have been approved, in turn reducing the amount of rent received in 20/21.

	2019/20	2020/21		
15 Interest - £000	4,534	1,668	decrease of	(63%)

The base rate continues to be low along with fewer cash investments has led to a decrease in interest received.

	2019/20	2020/21		
16 Investments - £000	3,198,000	4,211,320	increase of	32%

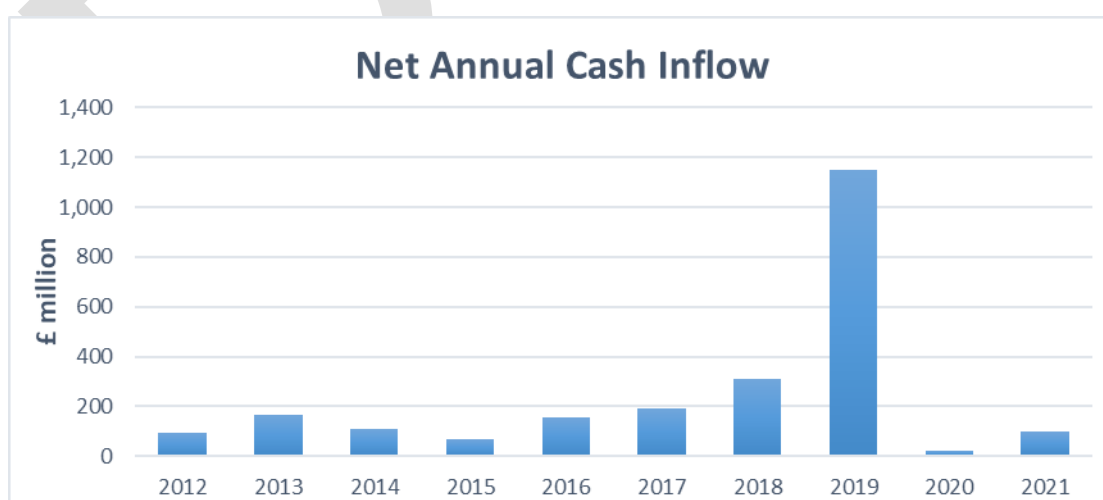
Investment values for the portfolio showed a 32% increase in value (£1.013 billion) for the year.

	2019/20	2020/21		
17 Cash - £000	515,228	349,550	decrease of	(32%)

Cash levels have continued to reduce over the year due to new investments in Private Equity, Infrastructure and Other Alternative funds following divestments from equities, as part of the Fund's transformation to pooling.

Cashflow Statement

	£000 2019/20	£000 2020/21
Cashflow from Operating Activities		
Cash received for Contributions	100,185	95,267
Cash received for Early Retirements	3,948	2,970
Cash Received from Transfers In	8,546	3,061
Cash Received from Investments	53,900	25,484
Cash Received from Sales of Investments	22,069	136,402
Cash from Other Income	3	1,266
Total Cash Received	188,651	264,450
Cash paid for Benefits	146,259	149,785
Cash paid for Transfers Out	13,683	8,158
Cash paid for Management Expenses	7,433	9,913
Total Cash Paid	167,375	167,856
Net Cash Inflow from Operating Activities	21,276	96,594
Application of Cash		
Net Sales / Purchases of Investments	46,447	246,999
Increase in Cash with Custodian	0	0
Increase in Cash on Deposit	(26,159)	(151,745)
Decrease in Cash at Bank	(103)	703
Increase in Other Debtor Balances	114	568
Increase in Other Creditor Balances	977	69
	21,276	96,594



The net annual cash flow of the Fund has, to date, always been positive and the realised profit and losses on the sale of investments can have a very significant impact in any one year.

Asset Allocation Strategy

The Investment Strategy Statement sets out how the Fund plans to invest its assets. This strategy is set for the long term and is reviewed every 3 years as part of the Fund's Asset/Liability study to ensure that it remains appropriate to the Fund's liability profile. As part of the strategy the Administering Authority has adopted a strategic benchmark representing the mix of assets best able to meet the long term liabilities of the Fund. As at 31 March 2021 the actual assets compared to the benchmark as follows;

	Pension Fund at 31/03/2021	Pension Fund Target Strategic Allocation	Investment Strategy Statement Max	Investment Strategy Statement Min
UK Equities	28%	22%	80%	40%
Overseas Equities	48%	28%		
Alternatives	9%	15%	20%	10%
Property and Property Debt	8%	15%	20%	10%
Bonds	0%	18%	40%	2%
Cash	7%	2%		
	100%	100%		

The Fund asset mix % varies slightly from the statutory accounts due to internal classification differences.

Amounts due to the Fund from Employers

	2019/20 £ ' 000	2020/21 £ ' 000
Current Assets		
Contributions in Respect of Employers	5,127	4,123
Contributions in Respect of Members	2,050	3,180
Amounts due in respect of early retirements	181	0
	<u>7,358</u>	<u>7,303</u>

The Contributions due are in respect of March 2021 and were received in April 2021.

Payment of Contributions to the Fund

Employers are required to pay employers and employees contributions to the Fund within 19 days of the end of the month to which they relate. The payment of contributions is monitored for timeliness and accuracy of payment.

Analysis of Contributions received

Total number of Contribution payments received 1,632

Number received late 66

The following table shows the late payment history for 2020/21 :-

Number of days payment was late	Number of late payments	Percentage of late payments
Less than 10	16	24.24%
Between 10 and 19	9	13.63%
Between 20 and 29	5	7.58%
Between 30 and 39	7	10.61%
More than 40	29	43.94%
Total	66	100.0%

Analysis of Contribution rates and amounts received 2020/21

	Employers Rate %	Employees £000	Employers £000
Ad Astra Academy Trust	17.5%	198	602
All Saints Academy	17.5%	31	88
Ash Trees Academy	17.5%	236	0
Badger Hill Academy	17.5%	9	27
Barnard Grove Primary School	17.5%	-12	5
Beamish Museum Ltd	23.3%	123	510
Beyond Housing	19.3%	470	1,381
Billingham Town Council	17.7%	6	18
Bulloughs Cleaning Services	17.9%	10	31
Caldicotes Primary Academy	17.5%	7	20
Care and Custody Health Ltd	15.9%	5	13
Care Quality Commission	17.9%	1,038	2,405
Carmel Education Trust	17.5%	262	798
Catcote Academy	17.5%	103	313
Caterlink - RCBC - 00353	21.5%	7	29
Caterlink - St Oswalds	22.3%	3	13
Churchill's Collaborative Trust	17.9%	1	4
Churchill's Hardwick Green	17.0%	2	8
Churchill's Harewood	17.0%	0	1
Churchill's Outwood Grange	17.9%	3	7
Churchill's Yarm Primary	17.0%	1	3
Cleveland Fire Brigade	14.8%	220	496

Cleveland Fire Support Network	14.8%	2	0
Community Integrated Care	23.0%	0	3
Compass Contract Services Ltd	17.9%	10	32
Conyers School	17.5%	149	449
Creative Management Services Ltd	24.9%	2	7
Diocese of Middlesbrough Trustee	22.3%	9	20
Dyke House Academy	17.5%	77	225
Easterside Academy	17.5%	29	89
Ecocleen Services (Operations) Ltd	26.4%	0	1
Eden Academy Trust Limited	17.5%	72	215
Egglescliffe Primary School	17.5%	6	20
Emmanuel School Foundation	17.5%	77	231
Endeavour Academies Trust	17.5%	132	382
Enquire Learning Trust (Central)	17.5%	81	155
Eskdale Academy	17.5%	-3	-8
Extol Academy Trust (Eldon Grove)	17.5%	48	174
Fabrick Housing Group	17.4%	1,049	2,631
Falcon Education Academies Trust	17.5%	16	43
Fleet Factors RCBC	10.2%	1	2
Forward Swindon Ltd	0.0%	0	350
Frederick Natrass Primary Academy	17.5%	20	59
Freebrough Academy	17.5%	46	136
Future Regeneration of Grangetown	30.9%	2	12
Galileo Multi Academy Trust	17.5%	227	679
Grangefield Academy	17.5%	46	136
Green Lane Primary Academy	17.5%	33	102
Guisborough Town Council	17.7%	6	18
Hardwick Green Primary Academy	17.5%	21	62
Harrow Gate Primary Academy	17.5%	29	87
Hartlepool Borough Council	12.4%	3,291	6,397
Hartlepool Care Services Ltd	24.7%	2	10
Hartlepool College of Further Education	15.2%	161	410
Hartlepool Sixth Form College	15.2%	20	52
Hemlington Hall Academy	17.5%	28	84
Holy Trinity Primary School	17.5%	14	43
Horizons Specialist Academy Trust	17.5%	208	613
Hutchinson's Catering	17.9%	3	11
Ian Ramsey Church of England Academy	17.5%	190	0
Ingleby Barwick Town Council	17.7%	3	6
Ingleby Manor Free School & Sixth Form	17.5%	38	111

James Cook Learning Trust	17.5%	58	172
Kader Academy	17.5%	19	57
KGB Cleaning Ltd - LJS	14.8%	1	3
KTS Academy	17.5%	79	247
Legacy Learning Trust	17.5%	151	446
Liberata UK Ltd	0.0%	44	0
Lockwood Parish Council	17.7%	1	2
Loftus Town Council	17.7%	2	5
Manor Community Academy	17.5%	58	169
Mellors Catering Ltd - Dormanstown	21.2%	1	4
Mellors Catering Services Ltd (Central)	17.9%	4	12
Mellors Catering Services Ltd (Normanby)	17.9%	2	7
Mellors Ironstone	17.9%	3	11
Mellors NPCAT	17.9%	14	45
Middlesbrough and Stockton Mind	17.5%	2	7
Middlesbrough College	15.2%	393	972
Middlesbrough Council	11.5%	5,318	8,133
Mitie Cleveland Fire	17.5%	1	2
Nicholas Postgate Catholic Academy Trust	17.5%	522	1,532
NMRN Operations	15.8%	4	11
Normanby Primary School	17.5%	32	99
North Ormesby Primary Academy	17.5%	18	54
North Shore Academy	17.5%	44	133
Northern Lights Learning Trust	17.5%	10	30
Norton Primary Academy	17.5%	25	75
Nunthorpe Academy	17.5%	89	255
Nunthorpe Primary Academy	17.5%	14	42
Oak Tree Academy	17.5%	27	82
One Awards Limited	22.2%	29	92
One IT Services and Solutions Ltd	15.6%	52	103
One IT Services Ltd - Porter	15.9%	2	5
ONsite Building Trust	19.3%	3	9
Ormesby Primary School	17.5%	15	48
Our Children 1st Academy Trust	17.5%	33	103
Outwood Academy Acklam	17.5%	75	229
Outwood Academy Bishopsgarth	17.5%	46	136
Outwood Academy Bydales	17.5%	32	96
Outwood Academy Normanby	17.5%	37	108
Outwood Academy Ormesby	17.5%	51	154
Outwood Academy Redcar	17.5%	32	96

Outwood Academy Riverside	17.5%	7	21
Overfields Primary School	17.5%	13	39
Pentland Academy	17.5%	27	84
Police & Crime Commissioner for Cleveland	14.5%	93	168
Prince Regent Street trust	17.5%	46	138
Redcar & Eston CIC	17.9%	4	10
Redcar and Cleveland Borough Council	10.2%	3,193	5,033
River Tees Multi Academy Trust	17.5%	54	153
Riverdale Primary School	17.5%	8	26
Rose Wood Academy	17.5%	22	63
Rye Hills Academy	17.5%	54	158
Saltburn Marske and New Marske Parish Council	17.7%	4	10
Skelton and Brotton Parish Council	17.7%	3	10
Skelton Primary School	17.5%	36	101
SLM Charitable Trust MBC	11.5%	51	94
SLM Community Leisure Charitable Trust	19.2%	36	112
SLM Fitness & Health Ltd (MBC)	11.5%	4	9
SLM Fitness and Health Ltd	19.2%	2	8
SLM Food & Beverage Ltd (MBC)	11.5%	3	6
SLM Food and Beverage Ltd	19.2%	1	4
Sopra Steria Ltd	14.5%	134	294
South Tees Development Corporation	20.2%	86	184
St_Aidans Primary School	17.5%	18	54
St_Bede's Catholic Academy	17.5%	2	7
St_Francis of Assisi	17.5%	20	60
St_Mark's Academy	17.5%	30	90
St_Mary's CE Primary School	17.5%	6	22
Stagecoach Transit	43.5%	2	582
Steel River Academy Trust	17.5%	72	219
Stockton Borough Council	13.1%	5,124	10,622
Stockton Riverside College	15.2%	370	907
Sunnyside Academy	17.5%	49	149
Tascor Services Ltd - PFI	18.0%	1	5
Tees Active Limited	18.2%	99	271
Tees Valley Collaborative Trust	17.5%	99	285
Tees Valley Combined Authority	15.3%	319	652
Tees Valley Community Asset Preservation Trust	17.0%	2	5
Tees Valley Education Trust	17.5%	102	296
Teesside Learning Trust	17.5%	20	49
Teesside University	15.8%	2,018	4,646

Teesville Primary School	10.2%	37	45
The Chief Constable for Cleveland	14.5%	1,377	3,033
The Northern School of Art	15.2%	120	288
Thornaby C of E Primary	17.5%	19	59
Thornaby Town Council	17.7%	1	2
UMi Commercial Ltd	24.5%	3	97
Unity City Academy	17.5%	56	164
Veritau Tees Valley	17.5%	8	12
Viewley Hill Academy Trust	17.5%	18	54
Vision Academy Learning Trust	17.5%	239	717
Whitecliffe Academy	17.5%	6	19
Wynyard Church of England Primary School	17.5%	18	55
XPS Administration Ltd	11.5%	31	66
Yarm Primary School	17.5%	20	60
Zetland Primary School	17.5%	18	56
Total Contributions 2020/21		30,415	64,978

Note: net rate of contribution payable by each employing Organisation for the period 1 April 2020 to 31 March 2021 under the LGPS Regulations.

Performance Monitoring

As part of our commitment to continued service improvements we operate a system of performance monitoring. The Pensions Administration system monitors the key procedures that are performed by the administration unit. Each procedure is measured against its target and monitored on a monthly basis.

Performance

The pension administration unit aim to perform 98.5% of the procedures within each target timescale. The table below highlights the performance of the administration unit against the key procedure targets.

Procedure	Target 2020/21	Achieved within timescale
Processing New Starters	20 days from receipt	99.69%
Processing Transfer Values (TV's)	10 working days from the date of notification	99.29%
Refund of Contributions	10 working days from the request date	100%
Estimates of Benefit Entitlements	10 working days from date of request	99.77%
Pension benefits	10 working days from the receipt of all relevant information	99.94%
Deferred Benefits	10 working days from notification of leaving	98.92%

Key procedure volumes

The volumes of the key procedures performed by the Pensions administration unit have increased, compared to the previous year.

Procedure	2018/19	2019/20	2020/21
Processing New Starters	3,646	4,065	2,235
Processing Transfer Values	306	333	563
Refund of Contributions	399	440	508
Estimates of Benefit Entitlements	2,181	2,297	4,702
Pension benefits	1,533	1,480	1,807
Deferred Benefits	2,083	1,759	3,808
Deaths	536	499	514
Divorces	139	141	133
General Enquiries	1,571	1,348	1,420
Total	12,394	12,362	15,690

Actuarial Valuation of the Fund

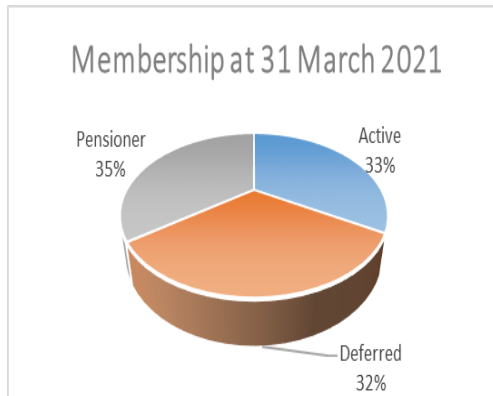
Every three years the Fund is required to appoint a suitably qualified actuary to assess solvency and to measure the level of assets compared to liabilities. This process is known as a valuation and the most recent one, carried out by the actuarial firm Aon Hewitt Ltd valued the Fund as at 31 March 2019. The principal conclusions of this valuation were:

- ◆ The ongoing funding level of the Fund on 31 March 2019 was 115% (2016 – 100%).
- ◆ The surplus of assets compared to the past service liabilities was £527.3 million (2016 – surplus of assets compared to past service liabilities £11.1 m).
- ◆ The average cost of accruing benefits payable by the employers, including administration expenses and lump sum death in service benefits, is 17.2% of pensionable pay (2016 – 15.7%).
- ◆ Employers will pay revised levels of contributions that will take in to account their specific circumstances and having regard to the principles set out in the funding strategy statement. Some employers will pay lower contributions to take into account distribution of some of the surplus in the Fund. The total aggregate Employer contribution rates to the Fund are anticipated to be 14.0% of Pay plus £0.66m (2020/2021), 14.1% of Pay plus £0.70m (2021/2022) and 14.2% of Pay plus £0.75m (2022/2023).

Membership

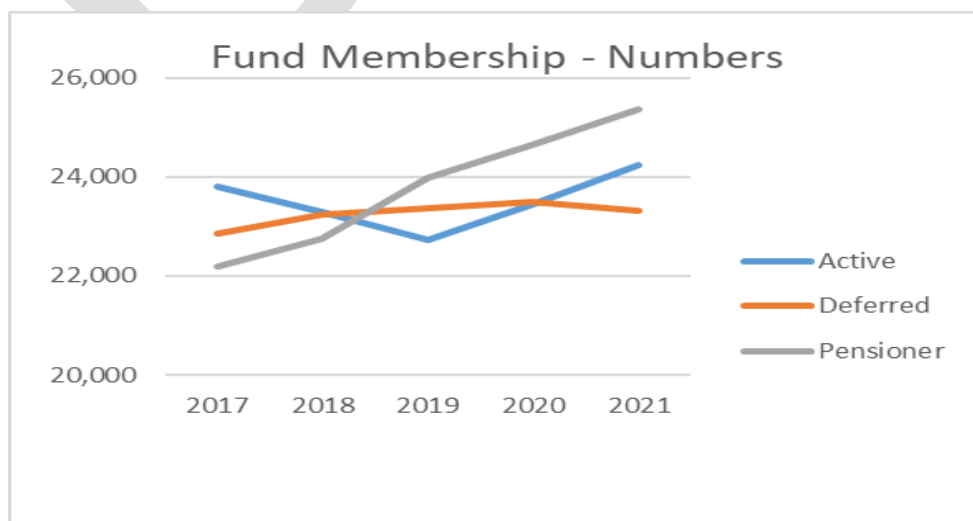
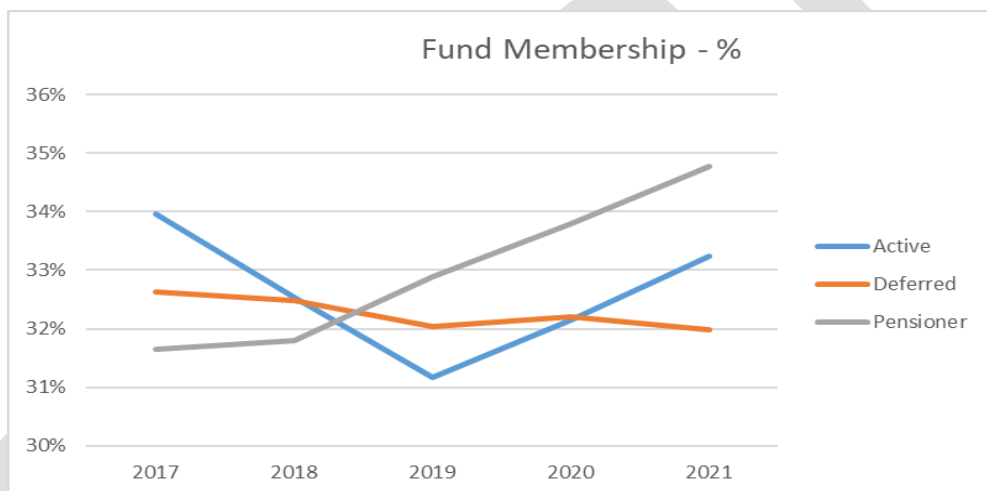
In 2020/21 financial year the total membership of the Fund increased by 1,349 to the current total of 72,926.

The number of pensioners continues to increase but proportionately the Fund membership remains broadly split between the three categories of member.



Membership Numbers

	2017	2018	2019	2020	2021
Active	23,791	23,295	22,724	23,438	24,238
Deferred	22,861	23,243	23,361	23,488	23,322
Pensioner	22,177	22,757	23,983	24,651	25,366
Total	68,829	69,295	70,068	71,577	72,926



Summary of Membership Changes

	Active Members	Deferred Members	Pensioners		Total
			Members	Dependants	
At 1 April 2020	23,438	23,488	21,538	3,113	71,577
Adjustments	187	73	104	8	372
New Members	2,743	730	1,304	308	5,085
Change in Status	(558)	(777)	(177)	0	(1,512)
Leavers	(1,572)	(192)	(613)	(219)	(2,596)
At 31 March 2021	24,238	23,322	22,156	3,210	72,926
% of Total at 1 April 2020	32.7%	32.8%	30.1%	4.4%	100.0%
% of Total at 31 March 2021	33.2%	32.0%	30.4%	4.4%	100.0%

During the year we had 9 new employers and 21 left the fund which means as at year end there were 148 employers in the Fund. The new employers were as follows: 3 were scheduled employers and 6 were admitted bodies. The majority of the leavers were schools merging into their trust as one and not exits from the fund. Details of the employers and their contribution rates are set out in the Actuary's Statement at the end of this Section.

A full list of participating employers and their membership numbers is as follows:

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
GUIBOROUGH TOWN COUNCIL	6	1	4	0	11
SALTBURN AND MARSKE PC	3	2	1	0	6
LOFTUS TOWN COUNCIL	3	0	1	0	4
TEESSIDE UNIVERSITY	1,309	839	588	89	2,825
HARTLEPOOL COLLEGE OF FE	185	200	125	13	523
Longlands College of FE	1	2	2	0	5
HARTLEPOOL 6TH FORM COLLEGE	31	33	16	4	84
THE NORTHERN SCHOOL OF ART	110	83	57	11	261
CLEVELAND FIRE+RESCUE SERVICE	139	88	88	9	324
CLEVELAND POLICE	1	233	230	25	489
REDCAR AND CLEVELAND COLLEGE	22	114	64	4	204
FUTURE REGENEREN OF GRANGETOWN	1	2	3	0	6
MIDDLESBROUGH COLLEGE	466	356	164	13	999
UNITY CITY ACADEMY	65	79	25	3	172
EMMANUEL SCHOOLS FOUNDATION	87	57	37	1	182
TRANSIT STAGECOACH	2	4	140	21	167
HARTLEPOOL B.C.	2,642	2,957	1,978	246	7,823
REDCAR AND CLEVELAND BC	2,402	3,673	2,857	306	9,238

MIDDLESBROUGH COUNCIL	3,474	4,343	3,223	333	11,373
STOCKTON BOROUGH COUNCIL	4,128	5,139	3,854	434	13,555
CIC ELDERLY PERSONS HOMES	3	20	62	1	86
One Awards Ltd (formerly OCN)	13	18	15	2	48
TRISTAR HOMES LTD	158	134	149	18	459
Beyond Housing	244	234	249	31	758
LIBERATA UK LTD	19	33	68	10	130
HOUSING HARTLEPOOL	119	98	131	10	358
TEES ACTIVE LTD	80	85	47	4	216
ERIMUS HOUSING LTD	72	75	242	16	405
MACMILLAN ACADEMY	2	60	29	4	95
INGLEBY BARWICK TOWN COUNCIL	2	0	0	0	2
BEAMISH MUSEUM LIMITED	89	49	29	2	169
Stockton Riverside College	378	185	75	4	642
THIRTEEN GROUP (FABRICK HSG)	75	23	52	7	157
Business and Enterprise Ltd	1	25	21	3	50
Care Quality Commission	294	136	386	13	829
FREEBROUGH ACADEMY	3	15	8	0	26
NORTH SHORE ACADEMY	60	72	11	2	145
THORNABY ACADEMY	1	20	15	2	38
SKELTON AND BROTTON PC	3	0	1	0	4
Billingham Town Council	4	5	0	0	9
Chandlers Ridge Academy	1	3	2	0	6
Nunthorpe Academy Limited	91	27	14	0	132
Ormesby School	1	11	10	0	22
KTS Academy	106	17	10	1	134
All Saints Academy	37	16	3	1	57
NORTH ORMESBY PRIMARY ACADEMY	24	5	3	0	32
CRIME COMMISSIONER CLEVELAND	32	27	28	5	92
CHIEF CONSTABLE FOR CLEVELAND	877	110	62	1	1,050
Fleet Factors (RCBC)	1	0	1	0	2
THE 1590 TRUST	236	54	23	2	315
KGB Cleaning and Supp Serv Ltd	1	1	0	0	2
SLM Community Leis Char Trust	37	11	17	0	65
SLM Food and Beverage Ltd	1	1	0	0	2
SLM Fitness and Health Limited	7	5	0	0	12
Dyke House Academy	74	43	11	0	128
Caldicotes Primary Academy	15	7	2	0	24
One IT Solutions Ltd	15	3	2	0	20
Tascor Services Ltd û PFI	2	0	1	0	3
Hardwick Green Primary Academy	28	5	1	0	34
Extol MAT	57	12	2	0	71

Eden Academy Trust Limited	79	21	2	1	103
Catcote Academy	116	47	15	0	178
Horizons Specialist Academy Tr	236	61	17	6	320
St Michael's Catholic Academy	3	13	9	0	25
Fredrick Natrass Primary Acad	24	13	5	0	42
Oak Tree Primary Academy	45	21	11	9	86
Outwood Academy Acklam	82	13	12	1	108
Skelton Primary School	50	12	6	0	68
St Bede's Catholic Academy	3	22	2	4	31
Mellors Catering Services Ltd	11	4	8	2	25
Sunnyside Academy	58	39	9	1	107
Rose Wood Academy	41	13	4	0	58
Viewley Hill Academy Trust	28	9	1	2	40
Hemlington Hall Academy	48	6	2	0	56
Norton Primary Academy	32	27	8	2	69
Yarm Primary School	36	12	3	0	51
Grangefield Academy	53	30	10	0	93
Lockwood Parish Council	1	0	0	0	1
Diocese of Middlesbrough Trust	1	0	0	0	1
Easterside Academy	55	6	1	0	62
Green Lane Primary Academy	51	13	10	0	74
Kader Academy	25	6	2	0	33
Normanby Primary School	55	18	2	8	83
Nunthorpe Primary Academy	34	14	1	0	49
Ingleby Manor Free School	39	7	0	0	46
Hillsview Academy	2	19	7	0	28
Creative Management Serv Ltd	5	11	7	0	23
Harrow Gate Primary Academy	38	9	5	0	52
Ian Ramsey CoE Academy	63	15	16	0	94
Ash Trees Academy	83	32	12	0	127
Mellors Catering - CENTRAL	5	0	0	1	6
Outwood Academy Bydales	37	9	7	0	53
Our Lady and St Bede Academy	17	18	13	1	49
Mellors Catering Ltd - Eston	3	0	0	0	3
Manor Community Academy	66	30	25	1	122
Mellors Catering - Dormanstown	2	0	0	0	2
KGB Cleaning Ltd û LJS	4	0	0	0	4
Our Lady - St Patrick Primary	1	2	6	2	11
Wynyard C o E Primary School	23	2	0	0	25
Outwood Academy - Ormesby	66	21	5	0	92
Sacred Heart SCV Academy	2	6	5	0	13
Tees Valley Education Trust	97	17	5	0	119

Enquire Learning Trust Central	14	2	1	0	17
St Hildas Catholic Academy Tr	1	38	27	1	67
Tees Valley Combined Authority	127	22	10	0	159
SLM Charitable Trust (MBC)	59	20	5	0	84
SLM Food and Beverage Ltd MBC	5	4	0	0	9
SLM Fitness and Health (MBC)	5	3	0	0	8
TeesValley Collaborative Trust	131	35	3	0	169
River Tees Multi Academy Trust	38	3	2	0	43
St Thomas of Canterbury MAT	6	15	5	1	27
ONsite Building Trust	3	0	0	0	3
NMRN Operations	5	0	1	0	6
Hartlepool Care Services Ltd	3	0	0	0	3
Vision Academy Learning Trust	381	42	14	0	437
Jesmond Gardens Primary School	1	11	0	0	12
ONE IT SERVICES LTD - PORTER	1	0	0	0	1
Teesside Learning Trust	1	0	0	0	1
Ormesby Primary School	27	8	2	0	37
Zetland Primary School	39	2	2	0	43
Outwood Academy Bishopsgarth	66	16	3	0	85
Tees Valley CAPT	1	0	0	0	1
Our Children 1st Academy Trust	57	8	3	0	68
Rye Hills Academy	52	16	7	0	75
St MarkÆs Academy	50	8	4	0	62
Pentland Academy	44	7	2	0	53
Caterlink û RCBC	14	2	1	0	17
Caterlink û St Oswalds	6	0	0	0	6
Outwood Academy Redcar	43	5	1	0	49
Riverdale Primary School	19	7	2	0	28
Holy Trinity Primary School	21	3	1	0	25
St Aidans Primary School	19	2	1	0	22
Egglescliffe Primary School	15	5	0	0	20
South Tees Development Corp	20	1	0	0	21
Galileo Multi Academy Trust	355	49	23	0	427
Compass Contract Services Ltd	23	4	0	3	30
Endeavour Academies Trust	139	14	8	0	161
Legacy Learning Trust	155	5	3	0	163
Care and Custody Health Ltd	3	1	0	0	4
Nicholas Postgate CA Trust	801	86	42	0	929
St MaryÆs CE Primary School	10	4	0	0	14
Our Lady of Most Holy Rosary	5	3	1	0	9
St Josephs Catholic Primary	4	2	4	0	10
James Cook Learning Trust	83	6	5	0	94

Overfields Primary School	25	3	3	0	31
Prince Regent Street Trust	77	3	4	0	84
Teesville Primary School.	32	7	2	0	41
Northern Lights Learning Trust	13	0	1	0	14
Churchill's (Outwood Grange)	15	0	0	0	15
Churchill's Collaborative	7	1	1	0	9
XPS Administration Ltd	11	0	2	0	13
Steel River Academy Trust	132	0	4	0	136
Badger Hill Academy	9	6	4	0	19
Whitecliffe Academy	17	1	3	0	21
Freebrough Academy	34	17	8	0	59
Outwood Academy Normanby	34	3	0	0	37
Thornaby C of E Primary	39	5	1	0	45
St Francis of Assisi	33	2	1	0	36
Mitie Cleveland Fire	2	0	0	0	2
Mellors NPCAT	36	1	4	0	41
Mellors Ironstone	7	0	1	0	8
Bulloughs Cleaning Services	10	0	0	0	10
Veritau Tees Valley	4	0	0	0	4
Hutchinsons Catering	6	0	0	0	6
Carmel Education Trust	440	11	10	0	461
Thornaby Town Council	1	0	0	0	1
Ad Astra Academy Trust	278	13	4	0	295
Mbro and Stockton Mind	3	0	0	0	3
Falcon Education Academies Tru	28	7	4	0	39
Outwood Riverside	3	0	0	0	3
Redcar and Eston CIC	7	0	0	0	7
Compass BFW	6	0	0	0	6
Compass Group Manor	13	0	0	0	13
Mellors Riverdale	3	0	1	0	4
Mellors Skelton	1	0	0	0	1
Employers No Active Members		2315	6423	1513	10251
	24,238	23,322	22,156	3,210	72,926

Internal Dispute Resolution Procedure

In the first instance the member should contact the Teesside Pension Fund at the address shown at the end of the Annual Report. We will send a detailed guide explaining the Internal Dispute Resolution Procedure (IDRP) and how the appeal process will be handled. Any appeal must, ordinarily, be made within six months of receipt of the notification of the decision which is being disputed.

The initial review (stage 1) of each case is conducted by a person nominated by the body who made the decision (the 'adjudicator'). Where an appeal concerns the employer's decision, the adjudicator is an individual nominated by that employer, if the appeal is about the calculation of benefits, it will be reviewed by the adjudicator for the Teesside Pension Fund.

If, after the initial review, the member is still dissatisfied with the decision, they can apply via the second stage of the process to have decision reconsidered. This application must be made within six months of the receiving the decision of the initial review. At the second stage, if the appeal concerns an employer decision, it is reviewed by the Teesside Pension Fund. If the appeal concerns the administrator, then an independent third party pension specialist is appointed.

If the member is still not satisfied following the second stage decision, an appeal can be made to the Pensions Ombudsman.

Details of IDRP cases processed in the year

The vast majority of cases that reach the appeal stage continue to be where members have approached employers and former employers for the early release of benefits – often on grounds of ill health.

Cases started in year	5
Cases resolved in year	4 Ongoing/Ombudsmen
Cases resolved in year	1 Cases Upheld

Head of Pensions Governance and Investments' Report

During the year, the Fund benefitted from its overweight equity position relative to its long term strategic asset allocation, as equities bounced back strongly from a significant fall towards the end of the last financial year, in February and March 2020. Governments reacted to the global pandemic by introducing restrictions on movement and social contact in an effort to protect the vulnerable and inhibit the spread of the virus. These restrictions had inevitable negative economic consequences, as large parts of economies were unable to function effectively and many individuals effectively became economically inactive. Governments in many developed economies injected significant amounts of capital into financial systems to keep them working effectively and to stimulate those economies, as well as directing financial support to individuals and companies that were forced into inactivity. This financial stimulus boosted equity markets, further suppressed bond yields and also led to concerns about future inflation. Inflation, which has been low across many developed economies for many years, is now a source of concern partly because spending, which has been deferred during the pandemic, may drive prices higher but also because governments are heavily indebted and so incentivised to tolerate higher inflation which will reduce that debt burden.

The Bank of England is suggesting that domestic inflation will be a temporary blip, however any longer term systemic increase will have implications for the Fund. The Fund's liabilities – the pensions it pays, as well as the deferred benefits awaiting payment and the career average pensions that active scheme members build up each year, all increase in line with inflation. This makes it important that the Fund's investment assets are also able to increase as inflation grows. Some assets (such as some infrastructure investments) deliver income or capital growth that is explicitly linked to inflation. Others (such as equities and property) have a more complex interaction with inflation. This is an area that the Fund and its advisers are closely monitoring.

During the year the Fund's advisers expressed increasing concerns that equity valuations were increasingly high and that a correction could be due. The Fund's previous attempts to rebalance its investments to be closer to its strategic asset allocation had been hampered by a combination of:

- the slow rate at which 'alternatives' fund managers working in asset classes such as private equity and infrastructure were investing money allocated to them
- the Fund's advisers consistent view that bonds were overpriced, so money should not be allocated to them currently
- the strong growth in equity valuations throughout the year.

Towards the end of the year, the Fund agreed to a revised strategic asset allocation setting out a slightly higher long-term target for equity allocation, together with an interim target for the end of March 2021. This approach should ensure the Fund is less exposed to the volatility caused by a high equity allocation.

During the year the Fund's UK equities, along with a proportion of its overseas equities, continued to be managed by Border to Coast. Border to Coast has continued to achieve its long-term objective of outperforming the benchmarks in its equity funds by 1% a year.

Most of the Fund's overseas assets remained invested passively during the year and consequently their value closely tracked the value of global markets. However, towards the end of the year the process began of moving most of the passively managed overseas equities across to be actively managed by Border to Coast. The Fund typically favours active management and it was always planned that these assets would transfer to Border to Coast at around this time.

At the start of the year, the Fund's directly held UK property portfolio was subject to a "material uncertainty" qualification in relation to its valuation – meaning the property valuer was not able to value the portfolio with their normal level of confidence. This was primarily a consequence of the swift and sudden reduction in commercial property transactions at the start of the pandemic which led to uncertainty over values. By the middle of the year this uncertainty qualification had been lifted and it is pleasing to report that by the end of the year the property portfolio had retained over 99.5% of its value over the year, partly as a consequence of the Fund's property asset mix - comparatively low exposure to the 'difficult' retail and office sectors and higher exposure to industrial, retail warehouse and supermarkets.

During the year the Fund carried out a number of transactions including:

- The Fund commenced a transfer of £1.3 billion of overseas assets from State Street Global Advisors (passively managed) to Border to Coast's active, internally-managed Overseas Developed Markets Fund. As at 31 March 2021 £670 million had been transferred, with the remainder transferring over the following two months.
- As part of a process to move the Fund's equity holdings closer to the strategic benchmark, and in acknowledgement of the strong rise in US equity values £50 million of US equities were sold during the year, with the proceeds held as cash.
- A number of investments were made throughout the year into private equity, infrastructure and other alternatives. These payments were made as the investment managers we had previously committed to invest with identified and purchased suitable assets. This included private equity and infrastructure investments through Border to Coast.
- Although no property transactions were carried out during the year, the Fund continues to look to increase its allocation to property as and when suitable assets become available.

The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level with the aim of the Fund to be 100% funded. The results of the latest valuation of the Fund, as at 31 March 2019, were published in March 2020 and these showed the funding level at 115%. This is a significant increase in the previous funding level of 100% and was largely due to increases in the value of the assets since the last valuation. Revised contribution rates were put in place for the scheme employers to take effect from April 2020 and many employers saw a reduction to their contribution rate to allow for some distribution of surplus.

The next valuation is due as at 31 March 2022 with results affecting employer contribution rates from April 2023.

The value of the Teesside Fund at 31 March 2020 was £4.553 billion, an increase of approximately £847 million on the year. The Fund is invested in a wide range of assets. This meets the requirement to have diversification of investments in a fund, so that too great a concentration of investments in one asset class does not expose the Fund to risk of underperformance should that particular asset class perform badly.

The percentage amount invested in each asset class is shown below:

	Teesside Pension Fund at 31/03/2020	Teesside Pension Fund at 31/03/2021	Teesside Pension Fund Benchmark	Investment Strategy Statement Max	Investment Strategy Statement Min
UK Equities	27.67%	28.39%	22%	80%	40%
Overseas Equities	43.99%	48.08%	28%		
Alternatives	5.87%	8.53%	15%	20%	10%
Property	8.91%	7.50%	15%	20%	10%
Bonds	0.00%	0.00%	18%	40%	2%
Cash	13.56%	7.50%	2%		
	100.00%	100.00%	100%		

The largest 10 holdings (excluding property and cash), which make up 79.11% of the value of the portfolio as at 31 March 2021 are:

Security Description	% of Total Investments	Market value £'000
BORDER TO COAST UK L E-AAGBP	28.39%	1,292,616
BORDER TO COAST OS DEV M-AA GBP	20.94%	953,478
SSGA MPF N AMERICAN EQUITY SUB-FUND	10.27%	467,716
SSGA MPF PAC BASIN EX-JAPAN INDEX	9.92%	451,648
SSGA MPF EUROPE EX UK SUB-FUND	4.56%	207,819
SSGA MPF JAPAN EQUITY INDEX	2.38%	108,266
JP MORGAN IIF UK LP	0.81%	36,719
STANDARD LIFE INVESTMENTS EUROPEAN PROPERTY GROWTH	0.80%	36,403
BORDER TO COAST PRIVATE EQUITY SERIES 1A	0.54%	24,546
DARWIN LEISURE PRO UNITS CLS 'C'	0.50%	22,769
	79.11%	3,601,980

INVESTMENT MANAGERS / INVESTMENTS

As at 31 March 2021 the market value of the fund was allocated to the following investment managers / investments:

Manager / Investment	Asset class	Market Value £'000	% of Fund
State Street Global Advisors	Overseas Equities	1,235,449	27.14%
Border to Coast Pensions Partnership	UK Equities	1,292,616	28.39%
	Overseas Equities	953,478	20.94%
	Alternatives	47,494	1.04%
Internal Team	Cash	341,439	7.50%
	Overseas Equities	9	0.00%
	UK Equities	82	0.00%
CBRE - Direct Property Portfolio	Property and Property Debt	277,200	6.09%
Darwin Leisure	Alternatives	71,528	1.57%
JP Morgan IIF UK LP	Alternatives	36,719	0.81%
Standard Life Aberdeen	Property and Property Debt	36,403	0.80%
Gresham House	Alternatives	18,331	0.40%
Innisfree	Alternatives	18,357	0.40%
Legal & General	Property and Property Debt	5,937	0.13%
Royal London	Property and Property Debt	9,832	0.22%
Access Capital Partners	Alternatives	43,817	0.94%
Foresight Group	Alternatives	1,693	0.04%
Hermes	Property and Property Debt	8,003	0.18%
CCLA Investment Management Limited	Property and Property Debt	4,017	0.09%
Threadneedle	Property and Property Debt	3,520	0.08%
Hearthstone	Alternatives	8,498	0.19%
LGT Capital Partners	Alternatives	33,592	0.74%
Unigestion SA	Alternatives	9,809	0.21%
Pantheon Ventures (UK)	Alternatives	16,771	0.37%
Blackrock Fund Managers Ltd	Alternatives	14,020	0.31%
Capital Dynamics	Alternatives	32,598	0.72%
Ancala	Alternatives	9,946	0.22%
Nimrod Capital PLC	Alternatives	1,600	0.04%
The Model T Finance Company	Alternatives	20,000	0.44%
Total		£4,552,759	100.00%

PERFORMANCE

Fund performance is measured by Portfolio Evaluation Limited, a leading provider of performance measuring services to the public and private sector. The return the Fund achieves is one of the factors which the Fund Actuary takes into account when fixing the employer's contribution rate. Any increase in the contribution rate would mean less money to pay for other services. The benefits of scheme members of the Local Government Pension Scheme are related to their salary and length of service, not the value of the Fund.

As Pension Fund investment is a long-term business, it is appropriate that longer-term measures of performance are viewed as more important than short-term measures. It has become standard practice to report the performance of the Fund over 1, 3, 5 and 10 years and to compare performance with the Fund's benchmark – the return that would be expected based on the mix of assets the Fund is invested in.

In the year 2020/2021 the Fund achieved a return of 26.1% compared to our benchmark return of 23.6%.

In the three-year period to 2020/2021 the Fund achieved a return of 7.8% per annum compared to our benchmark return of 6.7%.

In the five-year period to 2020/2021 the Fund achieved a return of 9.9% per annum compared to our benchmark return of 8.8%.

In the ten-year period to 2020/2021 the Fund achieved a return of 7.4% per annum compared to our benchmark of 8.0%.

Further detail of the performance of each asset class the Fund holds is shown below:

Asset class	Performance measurement period					
	One Year			Three Years		
	Fund return	Benchmark return	Excess	Fund return	Benchmark return	Excess
UK Equities	26.3%	26.7%	-0.4%	5.5%	3.2%	2.3%
Overseas Equities	37.8%	40.4%	-2.6%	11.6%	11.4%	0.2%
Property	8.1%	2.7%	5.4%	3.9%	2.8%	1.1%
Alternatives	6.9%	4.7%	2.2%	4.8%	4.8%	0.0%
Cash	2.2%	0.0%	2.2%	0.9%	0.4%	0.5%
Total Fund	26.1%	23.6%	2.5%	7.8%	6.7%	1.1%

Asset class	Performance measurement period					
	Five Years			Ten Years		
	Fund return	Benchmark return	Excess	Fund return	Benchmark return	Excess
UK Equities	7.8%	6.3%	1.5%	6.4%	6.0%	0.4%
Overseas Equities	29.7%	28.8%	1.1%	24.5%	23.8%	1.3%
Property	5.6%	4.6%	1.0%	6.4%	7.5%	-1.1%
Alternatives	6.3%	5.0%	1.3%	2.1%	5.8%	-3.7%
Cash	0.7%	0.3%	0.4%	0.6%	0.3%	0.3%
Total Fund	9.9%	8.8%	1.1%	7.4%	8.0%	-0.7%

The benchmarks used for each asset class and for the total Fund are as follows:

Asset Class	Benchmark
UK Equities	FTSE All Share Index
Overseas Equities	30% S&P 500 Index 30% FTSE Dev Asia Pacific Ex Japan Index 27.5% EuroStoxx 600 Ex UK Index 12.5% Topix 500 Index
Property	IPD Property Index (GBP)
Alternatives	Actuary rate of return: +4.7%
Cash	LIBID 7 day
Total Fund Benchmark	30% FTSE All Share Index 12% S&P 500 Index 11% EuroStoxx 600 Ex UK Index 12% FTSE Dev Asia Pacific Ex Japan Index 5% Topix 500 Index 7% FTSE All Stock Gilt Index 4% FTSE Index Linked > 5 Years Index 2% UK RPI Index 10% IPD Property Index 2% LIBID 7 Day 5% Actuary rate of return +4.7%

Ordinarily, the key to good performance is to get the big asset allocation decisions right. The weightings between equities and bonds, in particular, will go a long way to determining performance. The Teesside Fund continues to be under-represented in bonds when compared to our customised benchmark and other Funds. Central Bank policies and their programmes of quantitative easing have helped bonds performance over past years, continuing a “bull-run” in bond prices lasting over two decades.

The Teesside Fund continues to invest for long term returns in order to remain fully funded and continue to meet its future liabilities. The Fund continues to promote the view that the best way for the Fund to achieve the level of returns required to meet the liabilities of the Fund is to invest in growth assets over protection assets.

The Fund's position regarding risk monitoring and risk control is set out in the Investment Strategy Statement, which can be viewed on-line at www.teespen.org.uk. This is principally concerned with the three forms of risk:

- that associated with security of the Fund's assets,
- that associated with loss of value relating to those assets, and
- that associated with the ability of those assets to provide the required rates of return.

As some of the Fund is managed on an in-house basis, appropriate measures are in place to manage investment risk and the Director of Finance determines the limits on delegation to individual managers.

INVESTMENT POOLING

In the July 2015 Budget the Chancellor announced the Government's intention to work with the LGPS administering authorities to ensure that investments were pooled while maintaining overall investment performance. The criteria for developing proposals were set in November 2015:

- Asset pools achieve the benefits of scale (£25 billion as a minimum).
- Strong governance and decision making.
- Reduced cost and excellent value for money, with savings made across the LGPS.
- Improved capacity to invest in infrastructure.

The Teesside Pension Fund made the decision to work with eleven other administering authorities as part of the Border to Coast Pensions Partnership ("Border to Coast"). All of the administering authorities in Border to Coast formally approved arrangements for setting up Border to Coast before the end of the 2016/17 financial year. It represents a major collaboration between the funds with the aim of giving access to new investments and providing resilience. The twelve LGPS funds that initially formed Border to Coast were: Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, Northumberland, South Yorkshire, Surrey, Teesside, Tyne & Wear and Warwickshire. The Northumberland fund is no longer a separate entity following its (long-planned) merger with the Tyne & Wear fund which took effect from April 2020.

During 2017/18 Border to Coast Pension Partnership Limited was established and registered as a company limited by shares, with each of the twelve administering authorities as equal shareholders. Border to Coast formed a new Board, recruited several key management and operational staff, acquired office space in Leeds and developed many of the other arrangements required to operate as an investment management company.

During 2018/19 the transfer of investment assets to Border to Coast began – all the Fund's UK equities were transferred to Border to Coast to manage and further investments during the year were made to Border to Coast's overseas equity fund.

During 2019/20 work was completed to allow Border to Coast to provide access to private markets investments (such as private equity and infrastructure) and the Fund has begun making investments through Border to Coast in these areas and has made significant commitments to make similar investments in coming years. Over time it is expected that investing in private markets via Border to Coast will, through the advantages of economies of scale, be possible at a significant saving to the costs the Fund incurs investing in these areas as an individual entity.

Although savings are expected over the medium to long term, there are costs associated with setting up and running Border to Coast and transferring assets to be managed by the new company. During 2019/20, the Fund incurred costs of £1.6 million setting up, transferring assets to, and funding the ongoing management of assets by Border to Coast. During 2020/21, the Fund paid £1.642 million in investment management fees to Border to Coast.

By the end of 2020/21 Border to Coast had 100 employees and was managing £21.7 billion of assets within ten different sub-funds, and in addition had commitments of £5 billion to its alternative 'private markets' assets programme.

As part of the governance arrangements for Border to Coast and its partner funds, a Joint Committee comprising of the Chairs of each Pension Committee has an oversight role over the arrangements of Border to Coast.

SHAREHOLDER GOVERNANCE

Since the 1980s the policies of the Fund have promoted the view that it is not sufficient to simply hold shares in companies in which it invests. As a responsible shareholder the Fund has sought to influence those companies on a range of issues through dialogue and by voting at AGMs in order to promote shareholder value.

All Local Authority Pension Funds are required to produce an Investment Strategy Statement (ISS) setting out the Fund's position on a range of issues, including the need to state to what extent, if any, environmental, social and governance (ESG) considerations are taken into account in the fund's investment policy and the formulation of a policy on the exercise of voting rights attached to share ownership.

The Fund's ISS can be viewed on the Fund's website www.teespen.org.uk. The ISS has been amended to take into account the recommendations of the Myners Report on Institutional Investment.

The Fund's Investment Strategy Statement states that:

“As a responsible investor, the Teesside Pension Fund wishes to promote corporate social responsibility, good practice and improved company performance amongst all companies in which it invests. The Fund monitors investee companies to ensure they meet standards of best practice in relation to their key stakeholders. The Fund considers that the pursuit of such standards aligns the interests of Fund members and beneficiaries with those of society as a whole. In furtherance of this policy, the Fund will support standards of best practice on disclosure and management of corporate social responsibility issues by companies and will pursue constructive shareholder engagement with companies on these issues, consistent with the Fund's fiduciary responsibilities.

Responsible investment aims to incorporate ESG factors into investment decisions to better manage risks and generate long term returns, as part of the Fund's fiduciary duty. As a result, ESG factors are incorporated into the investment process and the Fund takes non-financial considerations, including climate change risks and opportunities, into account when making investments, and engages with companies in which we invest to ensure that they are minimising the risks and maximising the opportunities presented by non-financial considerations, including climate change and climate policy. The Fund has not excluded any investments on purely non-financial considerations and will continue to invest in accordance with the Regulations in this regard. However, the overriding consideration for any investment is whether it

generates an acceptable risk-adjusted return for the Fund, meeting the Fund's fiduciary duty.

It is considered that the Pensions Committee represents the views of the Fund membership and that the views of the Local Pension Board will be taken into account as part of their review of this document.

The Fund has adopted the Institutional Shareholders' Committee Statement of Principles and members will agree and periodically review its implementation.

In accordance with this policy, the Fund will seek where necessary through its own efforts and in alliances with other investors to pursue these goals. To this end the Fund is an active member of the Local Authority Pension Fund Forum."

In order to pursue a policy of positive engagement, the Fund is an active member of the Local Authority Pension Fund Forum, (whose website is www.lapfforum.org) which has 80 Local Authority funds as members. Five of the eight LGPS asset pools including Border to Coast are also members of the Forum.

The Forum works by concentrating on a number of key long-term campaigns, covering corporate governance and corporate responsibility issues, as well as being able to mobilise support for campaigns relating to individual companies. The Forum produces a quarterly Research and Engagement report which highlights latest engagement news.

Going forward, much of this engagement work will be carried out on the Fund's behalf by Border to Coast. Border to Coast has worked with its partner funds to develop jointly agreed Corporate Governance & Voting Guidelines and a Responsible Investment Policy. These can be found on Border to Coast's website: <https://www.bordertocoast.org.uk/sustainability/>

Financial Statements

INDEX

	Pages
1 Statement of Responsibilities for the Financial Statements	44
2 Auditor's Report	45
3 Fund Account and Net Assets Statement	46
4 Notes to the Financial Statements	47- 68

Statement of Responsibilities for the Financial Statements – Teesside Pension Fund

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.

0

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 2021 and of its income and expenditure for that year.

Ian Wright

Director of Finance

Middlesbrough Council

**INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF MIDDLESBROUGH
COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS**

Draft

Fund Accounts and Net Asset Statements

Fund Accounts for the year ended 31st March 2021

2019/20 £000			2020/21 £000
	Contributions and Benefits		
	Dealings with members, employers and others directly involved in the Fund		
(99,421)	Contributions	6	(95,393)
(8,546)	Transfers in from other pension funds	8	(3,061)
(3,985)	Other income	9	(5,577)
(111,952)	Total Income from Members		(104,031)
146,259	Benefits payable	7	149,785
13,683	Payments to and on account of leavers	10	8,158
159,942	Total Expenditure to Members		157,943
47,990	Net (additions) / withdrawals from dealings with members		53,912
7,455	Management expenses	11,20	7,521
55,445	Net (additions) / withdrawals from dealings with members, employers and others directly involved in the Fund		61,433
	Returns on investment		
(40,980)	Investment income	12	(13,741)
368,157	Profits and losses on disposal of investments and changes in market value of investments	13	(901,667)
327,177	Net returns on investments		(915,408)
382,622	Net (increase) / decrease in the net assets available for benefits during the year		(853,975)
4,088,095	Net assets of the scheme as at 1st April		3,705,473
3,705,473	Net assets of the scheme as at 31st March		4,559,448
2019/20	Net Assets Statement as at 31st March		2020/21
3,713,228	Investments Assets	13	4,562,717
9,294	Current Assets	16	12,032
(17,049)	Current liabilities	17	(15,301)
3,705,473	Net assets of the scheme at 31st March		4,559,448

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 2021/22 and beyond as part of its going concern assessment. This included consideration of the following:

- The Fund had assets of c. £4.55 billion as at 31 March 2021. £3.82 billion (84%) of this is held in assets which are considered to be liquid and which could be converted to cash if required (including £0.34 billion actually held as cash).
- The Fund has estimated that in 2021/22 it will pay out approximately £175 million in benefits and other outgoings in the coming twelve months and is forecasting contribution income in the region of £85 million. This shortfall in contribution income verses benefits and other expenditure of £90 million will be met partly from other regular investment income, which is estimated to be £20 million in 2021/22 with the remaining £70 million being taken from the Fund's cash balance, which was £341 million at the 31 March 2021.

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 Fund's transactions for the 2020/21 financial year and its position as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public 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 when it is received and is accrued at year end, 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 investment properties) 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 2020. 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 2020 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 2020. 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 2020.

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 2021 due to the impact of Covid-19.
- IFRS 17 requires entities to identify portfolios of insurance contracts, which comprise contracts that are subject to similar risks and are managed together.
- IAS 19 Employee Benefits will require the remeasurement of the net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact

4. Critical Judgements, Sensitivities and Accounting Estimates

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities 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 unquoted private equities at 31 March 2021 was £149,793,736 (£33,836,477 at 31st March 2020).

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	The effects on the net pension liability of changes in individual assumptions can be measured for example, a 0.1% per annum increase in the discount factor assumption could decrease liability by around £103.658 million.

	actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	
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 £4,211 billion 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 Royal Institute of Chartered Surveyors' Valuation Standards (9th edition).	
Freehold and leasehold property: COVID 19 - material valuation uncertainty	Cushman & Wakefield has stated that their valuations as at 31 March 2021 have been reported on the basis of 'material valuation uncertainty' and consequently, less certainty and a higher degree of caution should be attached to their valuations that would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, they have recommend that the valuation of the directly held properties is kept under frequent review, as it is each quarter. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. The statement is a disclosure, not a disclaimer. It is used in order to be clear and transparent with all parties that – in the extraordinary circumstances that applied at the valuation date – less certainty can be attached to the valuation than would otherwise be the case.	The effect of variations in the factors supporting the valuation would be an increase or decrease (8.69%) in the value of directly held property £24.1 million, on a fair basis of £277.2 million.

6. Contributions Receivable

		2019/20	2020/21
		£000	£000
Employers	Normal	(68,491)	(63,910)
	Additional Contributions	(12)	(13)
	Deficit Recovery Contributions	(1,004)	(1,055)
Members	Normal	(29,914)	(30,415)
	Total	(99,421)	(95,393)
Analysis of Total Contributions		2019/20	2020/21
		£000	£000
Administering Authority – Middlesbrough Council		(14,925)	(13,451)
Scheduled Bodies		(71,009)	(68,071)
Admitted Bodies		(13,487)	(13,871)
Total		(99,421)	(95,393)

7. Benefits Payable

		2019/20	2020/21
		£000	£000
Pensions		119,302	123,640
Commutations and lump sum retirement benefits		24,257	22,947
Lump sum death benefits		2,700	3,198
Total		146,259	149,785
Analysis of Total Benefits			
Administering Authority – Middlesbrough Council		24,275	24,159
Scheduled Bodies		87,288	91,840
Admitted Bodies		34,696	33,787
Total		146,259	149,785

8. Transfers in from Other Pension Funds

		2019/20	2020/21
		£000	£000
Individual transfers in from other schemes		(8,546)	(3,061)
Total		(8,546)	(3,061)

9. Other Income

		2019/20	2020/21
		£000	£000
Capital Costs of Early Retirements		(3,982)	(4,311)
Other Income		(3)	(1,266)
Total		(3,985)	(5,577)

10. Payment to and on Account of Leavers

	2019/20	2020/21
	£000	£000
Refunds to members leaving service	309	205
Payments for members joining state scheme	95	159
Individual transfers to other schemes	13,279	7,794
Total	13,683	8,158

11. Management Expenses

	2019/20	2020/21
	£000	£000
Administrative costs	2,185	1,938
Investment management expenses	1,480	4,957
Oversight and governance costs	3,768	588
Total	7,433	7,483

Investment Management Expenses

	2019/20	2020/21
	£000	£000
Management fees	840	3,664
Custody fees	14	23
Transaction costs	120	719
Loans & Investment support service charges	506	551
Total	1,480	4,957

12. Investment Income

	2019/20	2020/21
	£000	£000
Income from equities	(1,511)	0
Income from pooled investment vehicles	(19,253)	511
Net rents from properties (see note below)	(15,682)	(12,584)
Interest on cash deposits	(4,534)	(1,668)
Total	(40,980)	(13,741)
	2020/21	2020/21
	£000	£000
Rental Income and Property Expenses		
Gross Rental income	(15,870)	(13,563)
Property Expenses / (Income)	188	979
Net Rents from Properties	(15,682)	(12,584)

13. Investment Assets

2020/21	Value at 1 April 2020	Purchases at Cost	Sale Proceeds £000	Change in Market Value £000	Value at 31 March 2021 £000
Equities	89	0	0	1	90
Pooled Investment Vehicles	2,868,327	876,896	(765,047)	889,814	3,869,990
Pooled Property Investments	51,134	190	(386)	13,102	64,040
Properties	278,450	0	0	(1,250)	277,200
	3,198,000	877,086	(765,433)	901,667	4,211,320
Cash Deposits	501,295				349,550
Other Investment Balances	13,933				1,847
Net Investment assets	3,713,228				4,562,717

2019/20	Value at 1 April 2019	Purchases at Cost	Sale Proceeds £000	Change in Market Value £000	Value at 31 March 2020 £000
Equities	31,495	0	(32,613)	1,207	89
Pooled Investment Vehicles	3,158,652	166,206	(115,303)	(341,228)	2,868,327
Pooled Property Investments	50,121	13,344	(6,445)	(5,886)	51,134
Properties	300,700	0	0	(22,250)	278,450
	3,540,968	179,550	(154,361)	(368,157)	3,198,000
Cash Deposits	527,454				501,295
Other Investment Balances	14,807				13,933
Net Investment assets	4,083,229				3,713,228

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 £136,402,035 and unrealised gain was £765,265,080. Prior year-realised profit was £22,068,647 and unrealised loss was £390,225,586.

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 incurred during the year amounted to £719,226 (2019/2020 £119,666). 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 fund is mainly in-house managed with the only exception being the direct property portfolio managed by CBRE Limited.

- For 2020/2021 the value at 31 March 2021 of the direct property portfolio was: £277,200,000
- For 2019/20 the value at 31 March 2020 of the direct property portfolio was : £278,450,000

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

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

Security	Market Value 31 March 2020 £'000	% of net assets of the scheme	Market Value 31 March 2021	% of net assets of the scheme £'000
Border to Coast PE Overseas Dev Mkts	194,064	5.23%	953,478	22.64%
Border to Coast PE UK Listed Equity	1,023,645	27.60%	1,292,616	30.69%
SSGA MPF Pacific Basin Ex-Japan Index	302,041	8.14%	451,648	10.72%
SSGA MPF Japan Equity Index	228,691	6.17%	0	0.00%
SSGA MPF North America Equity Index Sub Fund	558,226	15.05%	467,716	11.11%
SSGA MPF Euro Ex UK Equity Index Sub Fund	344,340	9.29%	0	0.00%

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 Committee.

Asset Class / Security	Market Value 31 March 2020 £'000	% of asset class	Market Value 31 March 2021 £'000	% of asset class
UK Equities				
Border to Coast UK L E-AA GBP	1,023,645	99.99%	1,292,616	99.99%
Oversea Equities				
Border to Coast OS DEV M-AA GBP	194,064	11.92%	953,478	43.56%

Asset Class / Security	Market Value 31 March 2020	% of asset class	Market Value 31 March 2021	% of asset class
SSGA MPF Pacific Basin ex-Japan Index	302,041	18.56%	451,648	20.63%
SSGA MPF Japan Equity Index	228,691	14.05%	0	0%
SSGA MPF North America Equity Index Sub Fund	558,226	34.30%	467,716	21.37%
SSGA MPF Euro Ex UK Equity Index Sub Fund	344,340	21.16%	207,819	9.49%
Alternatives – Private Equities				
Crown Co Investment Opp II PLC	17,081	33.55%	17,658	11.79%
Pantheon Global Co-Investment Opportunities IV	12,581	24.71%	12,276	8.20%
Border to Coast Private Equity Series 1A	9,192	18.05%	24,546	16.39%
Crown Growth Global Opportunities III	7,275	14.29%	11,278	7.53%
Unigestion Secondary V	0	0.00%	9,560	6.44%
Crown Global Opportunities VII	0	0.00%	9,660	6.45%
Blackrock Private Opportunities Fund IV	0	0.00%	9,229	6.16%
Capital Dynamics Global Secondaries V	0	0.00%	10,402	6.94%
The Model T Finance Company	0	0.00%	20,000	13.35%
Alternatives – Infrastructure				
ACIF Infrastructure	13,665	14.62%	18,647	12.71%
Innisfree PFI Continuation Fund	9,949	10.64%	9,729	6.63%
Innisfree PFI Secondary Fund 2	8,473	9.06%	8,628	5.88%
Border to Coast Infrastructure Series 1A	12,450	13.32%	17,918	12.21%
Capital Dynamics Clean Energy & Infrastructure VIII	5,223	5.59%	8,365	5.70%
JP Morgan IIF UK I LP	20,162	21.57%	36,719	25.03%
Ancala Infrastructure Fund II	6,082	6.51%	9,946	6.78%
Gresham House BSI Infrastructure LP	13,036	13.94%	12,525	8.54%
Alternatives – Other Alternatives				
Amedeo Air Four Plus Ltd	3,900	5.35%	0	0.00%
Darwin Leisure Development Fund – Class D	16,787	23.03%	17,400	18.93%
Darwin Leisure Prop Units - Class C	22,108	30.33%	22,769	24.77%
Darwin Bereavement Services Fund - Class B	15,164	20.80%	16,070	17.48%
Hearthstone Residential Fund 1	7,704	10.57%	8,498	9.24%
Gresham House BSI Housing Fund LP	7,221	9.91%	5,806	6.32%
Direct Property				
Doncaster (Omega Boulevard)	24,350	8.74%	30,350	10.95%
Exeter (The Meridian Centre)	18,000	6.46%	13,900	5.01%
Birmingham (Bromford Central)	17,350	6.23%	18,150	6.55%
Gateshead (Team Valley Trading Estate)	16,950	6.09%	20,500	7.40%
Rugby (Valley Park)	15,500	5.57%	17,250	6.22%
Cheltenham (Fosse Way)	14,250	5.12%	15,175	5.47%
Lutterworth (Magna Park)	0	0.00%	15,700	5.66%
Property Unit Trusts				
Standard Life Investments European Property Growth Fund	22,459	43.92%	36,403	56.84%
Royal London Property Investment	10,684	20.89%	9,832	15.35%

Asset Class / Security	Market Value 31 March 2020	% of asset class	Market Value 31 March 2021	% of asset class
LAMIT - Local Authorities Property Fund	4,151	8.12%	4,017	6.27%
Hermes Property	4,452	8.71%	4,330	6.76%
Threadneedle Property	3,602	7.04%	3,520	5.50%
Legal and General Managed Property Fund	5,787	11.32%	5,937	9.28%

Geographical Analysis of Investments

	31/03/2020		31/03/2021	
	£000	%	£000	%
United Kingdom	1,443,038	45%	1,755,016	42%
United States	721,216	22%	1,029,673	24%
Asia Pacific Ex Japan	360,260	11%	737,691	17%
Europe	425,381	14%	485,317	12%
Japan	248,097	8%	203,614	5%
Others	8	0%	9	0%
Total	3,198,000	100.00%	4,211,320	100.00%

Equities

	31/03/2020	31/03/2021
	£000	£000
UK quoted	81	81
Overseas quoted	8	9
Total	89	90

Pooled Investment Vehicles and Properties

	31/03/2020	31/03/2021
	£000	£000
UK Equity	1,023,638	1,292,616
Pooled Property investment Vehicle	51,134	64,040
Private Equity	50,918	149,794
Infrastructure	93,487	146,725
Other Alternatives	72,891	91,928
UK Unit and Investment Trusts Total	1,292,068	1,745,103
Overseas Equities	1,627,393	2,188,927
Overseas Unit and Investment Trusts Total	1,627,393	2,188,927
Total	2,919,461	3,934,030

UK Properties

	31/03/2020	31/03/2021
	£000	£000
Freehold	215,275	215,275
Leasehold	63,175	61,475
Total	278,450	277,200

The properties were valued on the basis of Material Valuation Uncertainty at 31 March 2021 by Cushman and Wakefield LLP acting as an External Valuer. The valuer's opinion of the Market Value of the Fund's interests in the properties has been reported (as per VPS 3 and VPGA 10 of the RICS Red Book Global). The current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Cash Deposits

	As at 31/03/20	As at 31/03/21
	£000	£000
Sterling Cash deposits	501,295	349,550

Other investment balances

	As at 31/03/20	As at 31/03/21
	£000	£000
Cash deposits with custodian	13,147	1,470
Outstanding dividend entitlements	41	0
Interest due on cash deposits	745	377
Total	13,933	1,847

Outstanding Commitments

As at 31 March 2021, the Fund had the following outstanding commitments.

	Initial Commitment	Capital Payments made	Outstanding commitments at 31 March 2020
	GBP	GBP	GBP
Infrastructure			
Border to Coast Infrastructure Series 1A	100,000,000	25,993,784	74,006,216
Border to Coast Infrastructure Series 1B	50,000,000	5,043,886	44,956,114
Capital Dynamics Clean Energy Infrastructure Fund VIII	20,000,000	9,100,754	10,899,246
Capital Dynamics Clean Energy Infrastructure Fund VIII - Co Investment	10,000,000	4,550,377	5,449,623
Gresham House	20,000,000	12,599,002	7,400,998
Innisfree PFI Continuation Fund	10,000,000	9,708,498	291,502
Innisfree PFI Secondary Fund 2	10,000,000	8,360,796	1,639,204
Total GBP	220,000,000	75,357,097	144,642,903
	EUR	EUR	EUR
Access Capital Infrastructure Fund	23,000,000	20,677,000	2,323,000
Access Capital Infrastructure Fund II	20,000,000	7,860,000	12,140,000
Access Capital Infrastructure Fund II (Fund 2)	22,000,000	2,100,000	19,900,000
Ancala Infrastructure Fund II	23,000,000	12,106,917	10,893,083

Foresight Energy Infrastructure	17,000,000	3,697,048	13,302,952
Total EUR	105,000,000	46,440,966	58,559,034
	USD	USD	USD
Blackrock Global Energy & Power Infrastructure Fund III	25,000,000	9,003,141	15,996,859
Blackrock Global Renewable Power III	25,000,000	3,144,238	21,855,762
Total USD	50,000,000	12,147,379	37,852,621
Other Alternatives			
	GBP	GBP	GBP
Bridges Evergreen TPF Housing Co-Investment LP	5,000,000	360,633	4,639,367
Gresham House, British Strategic Investment Housing Fund LP	20,000,000	6,740,693	13,259,307
Hearthstone Residential Fund 1	10,000,000	9,645,955	354,045
Total GBP	35,000,000	16,747,281	18,252,719
Pantheon Senior Debt Secondaries II	25,000,000	8,774,390	16,225,610
Total USD	25,000,000	8,774,390	16,225,610
Private Equity			
	GBP	GBP	GBP
Border to Coast Private Equity Series 1A	100,000,000	27,175,743	72,824,257
Border to Coast Private Equity Series 1B	50,000,000	728,104	49,271,896
Capital Dynamics LGPS Collective for Pools	10,000,000	3,100,000	6,900,000
The Model T Finance Company	19,999,950	19,999,950	0
Hermes Innovation Fund	15,000,000	5,073,397	9,926,603
Total GBP	194,999,950	56,077,194	138,922,756
	EUR	EUR	EUR
Access Capital Fund VIII Growth Buy-Out Europe	30,000,000	5,130,000	24,870,000
Access Capital Co-Investment Fund Buy-Out Europe II	22,000,000	6,750,000	15,250,000
Capital Dynamics Mid-Market Direct V	20,000,000	7,600,000	12,400,000
Crown Growth Global Opportunities III	30,000,000	13,350,000	16,650,000
Unigestion Direct II	25,000,000	2,525,542	22,474,458
Unigestion Secondary V	50,000,000	11,000,000	39,000,000
Total EUR	177,000,000	46,355,542	130,644,458
	USD	USD	USD
Blackrock Private Opportunities Fund IV	25,000,000	12,181,751	12,818,249
Capital Dynamics Global Secondaries V	22,000,000	10,120,000	11,880,000
Crown Co-Investment Opportunities II	30,000,000	20,805,000	9,195,000
Crown Global Opportunities VII	40,000,000	12,280,000	27,720,000
Crown Secondaries Special Opportunities II	25,000,000	5,875,000	19,125,000
Pantheon Global Co Investment Opportunities IV	30,000,000	20,770,000	9,230,000
Total USD	172,000,000	82,031,751	89,968,249

14. Financial Instruments

Net Gains and Losses on Financial Instruments

	2019/20	2020/21
Financial Assets	£000	£000
Fair Value through profit and loss account	368,157	(901,667)

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 31/3/20			As at 31/3/21		
Financial Assets	£000	£000	£000	£000	£000	£000
Equities	89			90		
Pooled Investments	2,868,327			3,869,990		
Pooled Property	51,134			64,040		
Cash		501,295			349,550	
Other investment balances		13,933			1,847	
Sundry debtors and prepayments		9,294			12,032	
Total	2,919,550	524,522	0	3,934,120	363,429	0
Financial Liabilities						
Loans and receivables						
Creditors			(17,049)			(15,301)
			(17,049)			(15,301)
Net Financial Assets of the Fund	2,919,550	524,522	(17,049)	3,934,120	363,429	(15,301)

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 as at 31st March annually. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

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 2021	£000	£000	£000	£000
Financial assets at fair value through profit and loss account	90	2,465,168	1,468,862	3,934,120
Non-financial assets through profit and loss account	0	0	277,200	277,200
Loans and receivables	363,429	0	0	363,429
Financial Liabilities at amortised cost	(15,301)	0	0	(15,301)
Total Financial Assets	348,218	2,465,168	1,746,062	4,559,448
Value as at 31 March 2020	£000	£000	£000	£000
Financial assets at fair value through profit and loss account	89	1,357,271	1,562,190	2,919,550
Non-financial assets through profit and loss account	0	0	278,450	278,450
Loans and receivables	524,522	0	0	524,522
Financial Liabilities at amortised cost	(17,049)	0	0	(17,049)
Total Financial Assets	507,562	1,357,271	1,840,640	3,705,473

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 at 31 March 2020.

Valuation of Financial Instrument Carried at Fair Value – 31 March 2021

	Assessed valuation range (+/-)	Value at 31 March 2021	Value on increase	Value on decrease
		£000	£000	£000
Pooled Investments - Overseas Equity	13.46%	1,235,449	1,401,741	1,069,158
Pooled Investments – Private Equity	17.27%	149,794	175,664	123,925
Pooled Investments - Infrastructure	17.27%	35,473	41,599	29,347
Pooled Investments – Other Alternatives	17.27%	5,806	6,809	4,803
Pooled Investments – Property	8.69%	42,340	46,019	38,661
Total		1,468,862	1,671,832	1,265,894

Valuation of Financial Instrument Carried at Fair Value – 31 March 2020

	Assessed valuation range (+/-)	Value at 31 March 2020	Value on increase	Value on decrease
		£000	£000	£000
Pooled Investments - Overseas Equity	11.03%	1,433,322	1,591,418	1,275,227
Pooled Investments – Private Equity	6.92%	33,836	36,178	31,495
Pooled Investments - Infrastructure	6.92%	59,565	63,687	55,443
Pooled Investments – Other Alternatives	6.92%	7,221	7,721	6,721
Pooled Investments – Property	8.01%	28,246	30,509	25,984
Total		1,562,190	1,729,513	1,394,870

Reconciliation of Fair Value Measurements within level 3 during 2020/21

Period 2020/21	Market Value 1 April 2020	Transfer between levels	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Pooled Investments – Overseas Equity	1,433,322	0	0	(745,023)	405,904	141,246	1,235,449
Pooled Investments – Private Equity	33,836	0	108,082	(6,850)	14,726	0	149,794
Pooled Investments – Infrastructure	59,565	(59,322)	22,195	(3,554)	16,589	0	34,473
Pooled Investments – Other Alternatives	7,221	0	1,686	(2,166)	(935)	0	5,806
Pooled Investments – Property	28,246	0	13,534	(386)	946	0	42,340
Total	1,562,190	(59,322)	145,497	(757,979)	437,230	141,246	1,468,862

Reconciliation of Fair Value Measurements within level 3 during 2019/20

Period 2019/20	Market Value 1 April 2019	Transfer between levels	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value 31 March 2020
	£000	£000	£000	£000	£000	£000	£000

Pooled Investments – UK Equity	6,740	0	0	(6,870)	0	130	0
Pooled Investments – Overseas Equity	1,614,037	0	0	(75,000)	(105,175)	0	1,433,862
Pooled Investments – Private Equity	0	0	41,853	(5,871)	(2,146)	0	33,836
Pooled Investments – Infrastructure	42,753	0	63,654	(11,399)	(35,443)	0	59,565
Pooled Investments – Other Alternatives	7,221	0	0	0	0	0	7,221
Pooled Investments -	26,927	0	0	(533)	1,852	0	28,246
Total	1,697,678	0	105,507	(99,673)	(140,912)	130	1,562,730

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 pensions 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 as a result 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 2018/2019 reporting period.

2020/21 Price Risk Asset Type	Region	Value at 31/03/2021 £000	Change %	Value on Increase £000	Value on Decrease £000
Equities	UK	81	16.07%	94	68
	Non UK	9	13.46%	10	8
	Total	90		104	76
Managed and Unitised Funds	UK	1,477,735	16.07%	1,715,207	1,240,263
	Non UK	2,456,295	13.46%	2,786,912	2,125,678
	Total	3,934,030		4,502,119	3,365,941
Total		3,934,120		4,502,224	3,366,016

2019/20 Price Risk Asset Type	Region	Value at 31/03/2020 £000	Change %	Value on Increase £000	Value on Decrease £000
Equities	UK	81	15.71%	94	68
	Non UK	8	11.03%	9	7
	Total	89		103	75
Managed and Unitised Funds	UK	1,164,506	15.71%	1,347,450	981,562
	Non UK	1,754,955	11.03%	1,948,527	1,561,383
	Total	2,919,461		3,295,977	2,542,945
Total		2,919,550		3,296,080	2,543,020

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 bonds and cash. The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2021 is set out below:

Asset Type at 31 March	2020	2021
	£000	£000
Cash and cash equivalents	501,295	349,550
Cash balances	13,933	1,847
Total	515,228	351,397

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 2021	£000	£000	£000
Cash and cash equivalents	349,550	874	(874)
Cash balances	1,847	5	(5)
Total	351,397	878	(878)

	£000	£000	£000
Carrying value at 31 March 2020			
Cash and cash equivalents	501,295	1,253	(1,253)
Cash balances	13,933	35	(35)
Total	515,228	1,288	(1,288)

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 Panel is informed quarterly of the Fund's currency exposure.

The following tables summarise the fund's currency exposure as at 31 March 2020 and as at 31 March 2021, showing the sensitivity analysis of foreign exchange movements.

Currency Risk 31 March 2021	Value £000	Change %	Value on Increase £000	Value on Decrease £000
Australian Dollar	9	8.60%	10	8
Euro	485,317	5.80%	513,465	457,169
Japanese Yen	203,613	9.30%	222,549	184,677
US Dollar	1,029,673	8.60%	1,118,225	941,121

Asia Pacific ex Japan basket	737,691	8.60%	801,132	674,250
Total	2,456,303		2,655,381	2,257,225

Currency Risk 31 March 2020	Value £000	Change %	Value on Increase £000	Value on Decrease £000
Australian Dollar	8	10.90%	9	7
Euro	425,381	7.75%	458,348	392,414
Japanese Yen	248,097	12.25%	278,489	217,705
US Dollar	721,216	10.08%	793,915	648,517
Asia Pacific ex Japan basket	360,260	10.90%	399,528	320,992
Total	1,754,962		1,930,289	1,579,635

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 2021. The LGPS Regulations require that a risk assessment of any new transferee admitted 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 admitted employers, 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. With the exception of investments in private equity, infrastructure partnerships and other alternatives there are no commitments to contribute further capital to any of the existing fund investments. When private equity, infrastructure partnership and other alternatives

capital calls are received, payments are made from cash or, if there are insufficient cash funds 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 2019 using the 'Projected Unit Method' which produced the following results;

	31/03/2016	31/03/2019
	£million	£million
Net Liabilities	3,122	3,561
Assets	3,133	4,088
Surplus	11	527
Funding Level	100%	115%

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2021 were:

Funding Assumptions

CPI increases	2.7% per annum
Salary increases	3.7% per annum
Pension increases	2.7% per annum
Discount rate	2.1% per annum

Life expectancy from age of 65 (years) assumptions

Mortality Assumptions:	Years
Longevity at 65 for current pensioners:	
Men	21.90
Women	23.60
Longevity at 65 for future pensioners :	
Men	23.30
Women	25.30

16. Current Assets

Receivables		31/03/2020	31/03/2021
		£000	£000
Other receivables		1,218	2,740
Sundry debtors		615	1,183
Contributions due in respect of	Employers	5,127	4,123
	Members	2,050	3,180
Capital cost of Early Retirements		181	0
Cash balances		103	806

Total		9,294	12,032
Analysed by:			
Other local authorities		4,501	3,918
Other entities and individuals		4,690	7,308
Add cash balances		103	806
Total		9,294	12,032

Scheduled Bodies have the option to pay the capital cost of Early Retirements over five years.

17. Current liabilities

Amounts due within one year	31/03/2020	31/03/2021
	£000	£000
Rents received in advance	(1,291)	(2,042)
Accrued expenses	(14,791)	(12,361)
Other payables	(967)	(898)
Total	(17,049)	(15,301)
Analysed by:		
Other local authorities	(380)	(1,120)
Public Corp & Trading Funds	(14,488)	(1,058)
Other entities and individuals	(2,181)	(13,123)
Total	(17,049)	(15,301)

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

	31/03/2020	31/03/2021
	£000	£000
With Profits and Deposit Accounts	4,626	
Unit Linked Accounts	3,268	
Total	7,894	

The total value of AVC contributions paid to Prudential during the year was £tbc (2019/20 £1,572,649).

19. Related Party Transactions

The Fund is administered by Middlesbrough Council. During the reporting period, the council incurred costs of £1,120,000 (2019/20: £1,016,000) 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 £8.1 million over the period (2019/20 - £11.0 million).

20. External Audit Costs

	2019/20	2020/21
	£000	£000
Payable in respect of external audit	22	38

21. Senior Employees' Remuneration

	2019/20	2020/21
	£000	£000
Key Management Personnel		
Short Term Benefits	64	66
Post Employments Benefits	10	10
Total	74	76

Draft

Teesside Pension Fund

Statement of the Actuary for the year ended 31 March 2021

The Compliance Statement

Local Government Pension Scheme Regulations

Middlesbrough Council administers the Teesside Pension Fund in accordance with:

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

The Local Government Pension Scheme Regulations 2013 (as amended); and

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

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

http://www.teespen.org.uk/documents/index.php?name=GOVERNANCE_2

Full details of the changes to the scheme, along with updated scheme guides, are on our website at 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 and published in February 2019 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:

<http://www.teespen.org.uk/documents/index.php?name=ISS>

The Funding Strategy Statement

The Local Government Pension Scheme (Amendment) 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 can be seen at

<http://www.teespen.org.uk/documents/index.php?name=FSS>

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:

http://www.teespen.org.uk/documents/index.php?name=GOVERNANCE_2

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:

http://www.teespen.org.uk/documents/index.php?name=COMMUNICATION_FORM

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 %
2012	5.2%
2013	2.2%
2014	2.7%
2015	1.2%
2016	0.0%
2017	1.0%
2018	3.0%
2019	2.4%
2020	1.7%
2021	0.5%

Contacts and further information

Contacts	
Pensions Unit <i>For General and Benefit Entitlement enquiries</i>	XPS Pensions Unit Teesside Pension Fund PO Box 340 Middlesbrough TS1 2XP Telephone: (01642) 030696 E Mail: pensionsunit@xpsgroup.com
Pensions Manager	Graeme Hall Telephone: (01642) 030643 E Mail: graeme.hall@xpsgroup.com
Head of Pensions Governance and Investments	Nick Orton Telephone: (01642) 729040 E Mail: Nick_Orton@middlesbrough.gov.uk
Teesside Pension Fund Website	www.teespen.org.uk
Employers Website	www.employers.teespen.org.uk
Border to Coast Website	www.bordertocoast.org.uk
Further Information	
For more information on this report please contact:	Claire Wilson Senior Accounting Officer – Central Services & Pensions Telephone: (01642) 728587 E Mail: Claire_Wilson@Middlesbrough.gov.uk
Further copies of this report can be obtained from:	XPS Pensions Unit Teesside Pension Fund PO Box 340 Middlesbrough TS1 2XP Telephone: (01642) 030693 E Mail: pensionsunit@xpsgroup.com
A copy of this report, and those for previous years, is available on our web site at www.teespen.org.uk	