

Teesside Pension Fund

Annual Report and Accounts
for the year ended

31 March 2014

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Report of those charged with Governance

Chairman's Introduction

During the last twelve months, the equity markets were again volatile but ended the year positively, with some at all time highs. Investors' previous concerns over euro zone no longer weighed on equity markets with a strong recovery over the year. Over 2013/14, it was the turn of the Chair of the Federal Reserve to inject volatility to the market with a suggestion of "tapering" a reduction the amount of quantitative easing. This created notable instability in the Far East and Emerging Markets. The market stabilised towards the end of the financial year as recognition developed that withdrawal of stimulus could be accommodated with growth expectations.

The financial performance of the Fund for the year to 31 March 2014 was positive. The Fund's value rose to over £3 billion for the first time, ending at £3.049 billion. The rise was due to UK, European equity markets and investment income.

The membership of the Fund continues to increase, with total membership at the year end now standing at 66,526, an increase of 2,030 over last year. The number of active members has decreased by 174 (0.7%), previous year was increase of 52 (0.2%) . The numbers of pensioners increased by 798 (4.0%), previous year was increase of 461 (2.4%) and the number of deferred members has increased by 1,406 (6.8%), previous year was an increase of 1,021 (5.2%).

Where a member retires early there is a cost to the Fund arising from the fact that Contributions are no longer being received for the member, and a Pension is drawn earlier than the Actuary had assumed. 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 employers Contribution Rate, which was once the case.

In this financial year the Fund received over £4.8 million from these early retirement recharges, up on last year figure of £4.3 million, an 12% increase on last year.

The Fund is managed internally, which means that Fund management fees are low. This can be clearly demonstrated by the key measure of performance collected by the Department for Communities and Local Government, which compares investment fund management costs across all Councils. These are expressed as £ per scheme member (psm). The results for 2013/14 show that the Teesside Fund had investment management costs of £16.81 psm based on the March 2014 membership of 66,526.

During this financial year, the Fund Actuary, AON Hewitt, carried out a full actuarial valuation of the Fund. The purpose of this was 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 most other 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 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 this valuation the actuary was able to declare a funding level of 100%. This allowed many of the employers in the Fund to decrease the amount of their contribution for the next three years, releasing money for front-line services. The next valuation is due to be carried out in March 2016.

Nature of the Scheme

The Teesside Pension Fund (the Fund) is part of the Local Government Pension Scheme. From April 2008 the scheme was governed by new regulations, as follows;

- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007;
- The Local Government Pension Scheme (Administration) Regulations 2008; and
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008.

These regulations replaced the Local Government Pension Scheme Regulations 1997 (as amended).

Full details of the changes to the Scheme, along with updated scheme guides, are on our website at: www.teespen.org.uk.

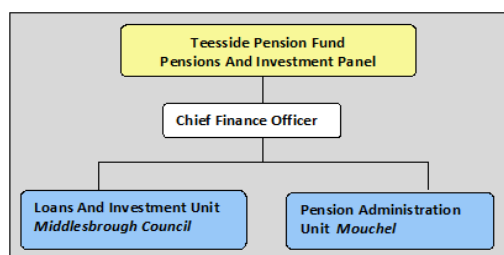
The Regulations specify the pensions and other benefits payable and fix the rates of member contributions. Employer contributions are set every three years by the Fund's Actuary. The purpose of the Fund is to provide retirement benefits for local authority employees in the Teesside area and other bodies 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 surplus funds, after payment of benefits, are invested by an Investment Panel. The Panel comprises elected members of Middlesbrough Council, representatives of the other unitary authorities, the Trade Unions and the Fund's Investment Advisers.

Investments are regulated by the Trustees Act 1961, and the Local Government Act 1972, as amended by Local Government Pension Regulations.

Management of the Fund

The Fund is administered by **Middlesbrough Council** via **the Teesside Pension Fund Pensions and Investment Panel** which has plenary powers to make decisions without reference to the Council. This panel 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 **Chief Finance Officer** of Middlesbrough Council who is responsible for implementing the strategies and policies set by the Pensions and Investment Panel. Supporting him is a team of staff split into two units. **The Pensions Administration Unit** is responsible for the calculation and payment of pension benefits and for looking after employer interests in the Fund. **The Loans and Investment Unit** manages the investment of the Fund in conjunction with the advice of the Fund's external Investment Advisers.

The Teesside Pension Fund Pensions and Investment Panel

Panel membership and meeting attendance during the year 2013/14

Members	With voting rights	12 Jun	18 Sep	11 Dec	12 Mar
Chair	Councillor SE Bloundele	√	√	√	√
Vice Chair	Councillor J Rostron	√	√	√	√
Middlesbrough Council	Councillor R Brady	√		√	√
	Councillor J Brunton		√	√	
	Councillor J Budd	√	√	√	√
	Councillor JG Cole	√		√	
	Councillor J Hobson	√	√		√
	Councillor BA Hubbard				
	Councillor M Hudson				
	Councillor N Hussain	√	√	√	√
	Councillor S Khan				√
	Councillor G Purvis		√	√	√
	Councillor P Sharrocks				
	Councillor N Walker				
Redcar & Cleveland BC	Councillor V Jeffries	√		√	√
Stockton BC	Councillor R Gibson	√			
Hartlepool BC	Councillor P Jackson			√	
Other Employers	Mr P Fleck		√		
	Without voting rights				
Trades Unions	Unison, GMB and ACTS				

The current Panel consists of representatives from all the district councils in the former Cleveland County area as well as representatives from the Trade Unions. The Panel held 4 quarterly meetings during the year.

The size and political make-up of the Panel 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 & Investment Panel

Terms of Reference

1. For Members of the Council to act as Trustees of the Fund.
2. To have delegated powers to manage the investments of the Fund within the requirements of the Local Government Pension Scheme Regulation as amended from time to time.
3. To manage the Fund in accordance with the Management Agreement:
 - (i) to ensure that the Fund complies with the Local Government Pension Scheme Regulations 1997 (as amended), the Inland Revenue requirements for Pension Funds and any other relevant statutory provision.
 - (ii) The selection, appointment and dismissal of investment managers, scheme administrators, independent advisors and ad hoc advisors.
 - (iii) The formulation of investment strategy and risks strategy for the Fund under its stewardship, after receiving advice from its independent advisors and the Loans and Investment Manager.
 - (iv) Setting investments targets and monitoring the investment performance and financial control of the Funds' assets and commissioning the preparation of actuarial valuations and accounts.
 - (v) Ensuring that value for money is achieved from all the specialists supplying services to the Fund through a competitive and qualitative selection process and through budgetary control.
 - (vi) Commissioning any actuarial valuation and taking appropriate action in the light thereof.
 - (vii) Receiving and agreeing the annual report and accounts.
 - (viii) Ensuring effective communication with scheme members and pensioners.
 - (ix) Receiving and dealing with general complaints from scheme members and pensioners.
 - (x) To determine the exercise of the discretions allowed to the administering authority, as laid down in the Local Government Pension Scheme Regulations 1997.
 - (xii) Any other responsibilities delegated to it by the Authority.
 - (xii) To submit an annual report to Council.

Fund Administrators and Advisors

Administration

Director of Resources	Mr Paul Slocombe
Head of Investments	Mr. Paul Campbell
Pensions Administration Manager	Mr Mike Hopwood
Solicitor to the Fund	Mr Bryn Roberts

Advisors to the Fund

Actuary	Aon Hewitt Limited
Solicitors	Nabarro LLP & Freeth Cartwright LLP
Auditor	Deloitte LLP
Investment Advisors	Mr Peter Moon Vacancy
Property Managers	CBRE
Custodian	BNP Paribas Securities Services
AVC Providers	Prudential Assurance, Phoenix Life
Bankers	The Co-Operative Bank Plc

The Pensions Landscape

Following recommendations made by the Public Service Pension Commission, headed by Lord Hutton, the Government is to reform the Local Government Pension Scheme (LGPS), along with other public service schemes.

All of the major public sector schemes will face change from April 2015. However, due to its unique 'funded' status amongst these schemes, the LGPS will change from April 2014. This early application of reform means that LGPS members do not face contribution increases ahead of April 2015 which the other schemes are imposing.

The new scheme is in place from 1st April 2014.

- The LGPS will become a Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor (the current scheme is a final salary scheme).
- The scheme accrual rate will be 1/49th (the 2008 scheme is 1/60th).
- There will be no normal scheme pension age, instead each member's Normal Pension Age (NPA) would be their State Pension Age, with a minimum of age 65 (the 2008 scheme has an NPA of 65).
- Average member contributions to the scheme will be 6.5% (same as the 2008 scheme) with the rate determined on actual pay (the 2008 scheme determines part-time contribution rates on full time equivalent pay). While there is no change to

average member contributions, the lowest paid pays the same or less and the highest paid pays higher contributions on a more progressive scale after tax relief.

- There is a facility for members considering opting out of the scheme to instead elect to pay half contributions for half the pension. This is known as the 50/50 option (the 2008 scheme has no such option).
- Members' benefits for service prior to 1st April are protected, including remaining 'Rule of 85' protection. Protected past service continues to be based on final salary and age 65 NPA

Scheme specific changes

Only minor technical changes being implemented in 2013/14

Promoting Scheme Membership

The number of scheme members continues to grow, and we expect to start seeing an increase to the Fund's active member profile as a result of the Governments Auto Enrolment programme. This requires employers to automatically enrol employees from specific staging dates. Hopefully, this boost of new members will assist in keeping the employer contribution rates low, stable and affordable.

Often it is not until a member starts contributing to the scheme do they realise how tax relief and reduced national insurance contributions bring down the actual cost of membership quite significantly.

We have again been active in the promotion of the scheme membership, not only administering the current benefit structure but also trying to manage expectations of the new LGPS which will be effective from 1 April 2014.

It is natural for people to assume that the scheme will be made worse after a government review but this is not necessarily the case. The vast majority of scheme members will not be negatively impacted due to the changes, both in terms of the level of contributions they pay and the level of benefits they receive.

Attendance at induction, pension awareness and pre retirement sessions for employees are excellent ways to get the message across and we are seeing a rise in the popularity of these.

Redundancy continues to be prevalent across the membership of the fund due to the overriding budget restraints many employers are having to deal with and the Unit works with employers and employees to help manage the pensions side of this, ensuring everyone knows the impact these employment decisions can have on both the Employer and Employee.

Risk management

The Statement of Investment Principles 2013 sets out the approach of the Fund in identifying, mitigating and managing risk.

There are three forms of risk:

- 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, BNP Paribas, 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, Freeth Cartwright. 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 by diversifying into a number of asset classes, a range of countries and a range of companies. The Local Government Pension Scheme (LGPS) Regulations 1986 imposed certain limits on the proportion of the value of the Fund which could be invested in different types of investment. The LGPS (Management and Investment of Funds) Regulations 1998, revised in 2004, 2009 and 2013, sets out these limits, subject to certain conditions being met. The Investment Panel on 11 March 2004 decided that advantage should not be taken of the increased flexibility provided by the changes.

c) Investment Risk

One of the Trustees' 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 Trustees set 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 under-perform.

For the Fund to significantly out-perform its benchmark it needs to have an asset mix which is different from that of its benchmark. The more out-performance is required the greater the differences will need to be. In other words out-performance 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 Teesside Pension Fund, as at 31 March 2014, has an asset mix, which varies significantly from that of the average fund, as measured by WM Company.

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

	Fund %	Average %
UK Equities	39	24
Overseas Equities	42	33
Bonds	6	17
Property	6	8
Cash	5	3
Alternatives	2	7
Global Pooled	0	5
Other Pooled Assets	0	3
Total	100	100

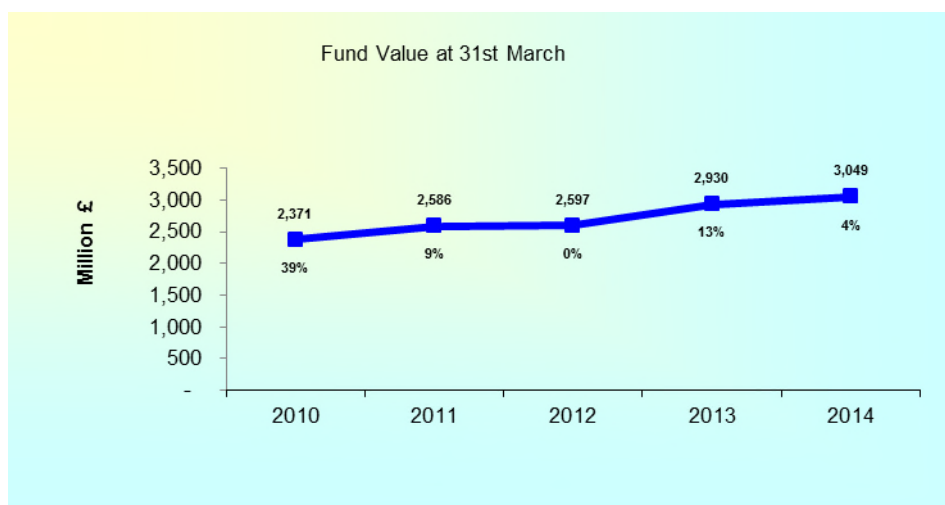
The result of holding an asset mix, which differs significantly from that of the average, is that investment performance returns can be volatile compared with those achieved by the average fund. This could result in periods of underperformance.

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 Funds Financial Statements show that the net assets of the Scheme have increased by 4 % compared to the previous year and by 79 % over the last 5 years from the 2009 value of £ 1,701 million.



Finance Performance Report

	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000
Fund Value at the start of the year	1,700,866	2,371,622	2,586,495	2,596,664	2,929,601
Income	183,435	183,264	184,988	182,219	210,051
Expenditure	(107,385)	(114,705)	(109,841)	(113,604)	(119,663)
Change in Market Value of Investments	594,706	146,314	(64,978)	264,322	29,238
Increase in Fund during the year	670,756	214,873	10,169	332,937	119,626
Fund Value at the end of the year	2,371,622	2,586,495	2,596,664	2,929,601	3,049,227
Change in Fund Value %	39%	9%	0%	13%	4%

Financial Highlights

	£000	£000	£000	£000	£000
Pensions Paid	65,268	70,532	77,256	83,943	89,648
Administration Costs *	1,454	1,479	1,531	1,565	1,590
Investment Management Costs	1,191	1,253	1,222	1,367	1,118

Membership

	2010	2011	2012	2013	2014
	No	No	No	No	No
Active	24,831	24,341	23,856	23,908	23,734
Deferred	17,320	18,609	19,717	20,738	22,144
Pensioner	17,438	18,438	19,389	19,850	20,648
Total	59,589	61,388	62,962	64,496	66,526

Fund Averages

	£	£	£	£	£
Fund value per member	39,800	42,134	41,242	45,423	45,835
Average Pension Paid	3,743	3,825	3,985	4,229	4,342
Administration Cost per member	24	24	24	24	24
Investment Management cost per member	20	20	19	21	17

* Excluding Actuarial , Legal and Audit Costs

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.

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 2013/14

Fund Account	Notes	2013/14 £ ' 000	2012/13 £ ' 000	Change
Contributions and Other Income				
Employers Normal and Deficit recovery	1	62,882	62,546	1%
Employers Special	2	550	0	100%
Employees Normal	3	25,418	25,663	-1%
Transfers in	4	31,070	9,649	222%
Capital Costs of Early Retirements	5	4,864	4,336	12%
Other Income		1,222	125	878%
Total Income		126,006	102,319	23%
Benefits and Other Expenditure				
Benefits	6	89,648	83,943	7%
Benefits - Basic Lump Sum	7	18,683	17,678	6%
Benefits - Lump Sums on Death		2,786	2,800	-1%
Individual Transfers to other Schemes	8	5,683	6,074	-6%
Administrative Expenses	9	1,730	1,713	1%
Other Expenditure		15	29	-48%
Total Expenditure		118,545	112,237	6%
Return on Investments				
Dividends	10	76,146	72,567	5%
Rents	11	7,035	6,204	13%
Interest	12	864	1,129	-23%
Profit on Sale of Investments		47,504	102,433	-54%
Unrealised (loss)/gain on Revaluation		(18,266)	161,889	-111%
Investment Management Expenses		(1,118)	(1,367)	-18%
Total Return on Investments		112,165	342,855	-67%
Net Increase in the Fund in the Year		119,626	332,937	-64%

Explanation of variances (k= £'000)

1 Employers Normal Contributions - £'000

2013/14	2012/13	
62,882	62,546	Increase of 1%

Pensionable pay of the 7 largest employers decreased in the year by 3%. This has been offset by additional deficit recovery contributions by a number of employers, resulting in an overall increase of 1%.

2 Employers Special Contributions - £'000

2013/14	2012/13	
550	0	Increase of 100%

Ofsted made a special one off contribution of £550k related to 2013/14, as a result of the 2013 valuation.

3 Employees Normal Contributions - £'000

2013/14	2012/13	
25,418	25,663	Fall of 1%

Follows the same pattern as Employers Contributions

4 Transfers In - £'000

2013/14	2012/13	
31,070	9,649	Increase of 222%

In 2013/14, 118 transfers were received into the Scheme at an average value of £ 28k, compared to 105 transfers at an average value of £91k in 2012/13. There was an additional large bulk transfer in accrual made regarding Durham Tees Valley Probation (£27.8 mill).

5 Capital Cost of Early Retirements - £'000

2013/14	2012/13	
4,864	4,336	Increase of 12%

The number of early retirements has increased compared to the previous year and the average cost per retirement has increased correspondingly.

	Number	Total Cost	Average
2013/14	229	£4,863,641	£21,239
2012/13	215	£4,335,756	£20,166

The number of early retirements has increased and the overall average value has increased because there were some high earners who retired from Hartlepool Council and Stockton BC in 2013/14.

The retirements from the Councils processed by the year end were as follows:

	Number	Total Cost	Average
Hartlepool BC	21	£550,190	£26,200
Middlesbrough BC	66	£1,426,123	£21,608
Stockton BC	58	£1,649,328	£28,437
Redcar & Cleveland BC	36	£660,847	£18,357
Total	181	£4,286,488	£23,682

6 Benefits - £'000

2013/14	2012/13	
89,648	83,943	Increase of 7%

Total cost has increased by 7% which in part is accounted for by the 2.2% Pensions Increase. 935 new pensioners retired in the year (2012/13 993) to whom pensions of £4.0 million were paid (2012/13 £3.6 million).

7 Benefits - Basic Lump Sum - £'000

2013/14	2012/13	
18,683	17,678	Increase of 6%

There has been an increase in the value of Lump Sums paid by 6% to 1021 (2012/13 970).

8 Individual Transfers to Other Schemes - £'000

2013/14	2012/13	
5,683	6,074	Fall of 6%

Transfers out can vary markedly year on year depending on both numbers and the type of people transferring.

2013/14 is lower in value than the previous year, although there is only a slight decrease in numbers to 98 (2012/13 - 99). The average value has decreased to £57,987 (2012/13 - £61,358).

	Number	Total Cost	Average
2013/14	98	£5,682,749	£57,987
2012/13	99	£6,074,466	£61,358

9 Administrative Expenses - £'000

2013/14	2012/13	
1,730	1,713	Increase of 1%

There has been an increase of 1% in the year in line with average rate of inflation for the year.

10 Dividend Income - £'000

2013/14	2012/13	
76,146	72,567	Increase of 5%

Overall Dividend Income has risen by c £3.6 million (12/13 £3 million) which is due to increased income from equity investments offset against a reduction in pooled investments and fixed interest securities. Income from index linked securities rose very slightly.

11 Rent - £'000

2013/14	2012/13	
7,035	6,204	Increase of 13%

The Fund owns 36 properties on which the net income earned has increased by £831k in the year. The rise in rental income is mainly as a result of upward rent reviews, reduction in incentives for tenants when the introductory period has expired and an improvement in leasing properties in the commercial housing market.

12 Interest - £'000

2013/14	2012/13	
864	1,129	Fall of 23%

A higher level of average cash on deposit in 2013/14 and the decreasing interest rate produced a lower return of interest compared to the previous year.

13 Investments - £'000

2013/14	2012/13	
2,856,505	2,764,437	Increase of 3%

There has been an increase in Investment values reflect the improving position in the World's Equity markets during 2013/14. The Fund has approximately 80% of its assets invested in equities.

14 Cash - £'000

2013/14	2012/13	
135,697	132,735	Increase of 2%

The increase in investment cash balances is due to a higher level of funds placed on short term deposit. At the year end £132.2 million was on short term deposit compared to £129.3 million at 31/03/2013.

Cashflow Statements for the year ended 31 March 2014

£000

Cashflow from Operating Activities

Cash received for Contributions	88,840
Cash received for Early Retirements	3,676
Cash Received from Transfers In	3,269
Cash Received from Investments	85,032
Cash Received from Sales of Investments	47,504
Cash from Other Income	1,222

Total Cash Received

229,543

Cash paid for Benefits	111,117
Cash paid for Transfers Out	5,698
Cash paid for Administration Expenses	1,804
Cash paid for Investment Management Expenses	1,118

Total Cash Paid

119,737

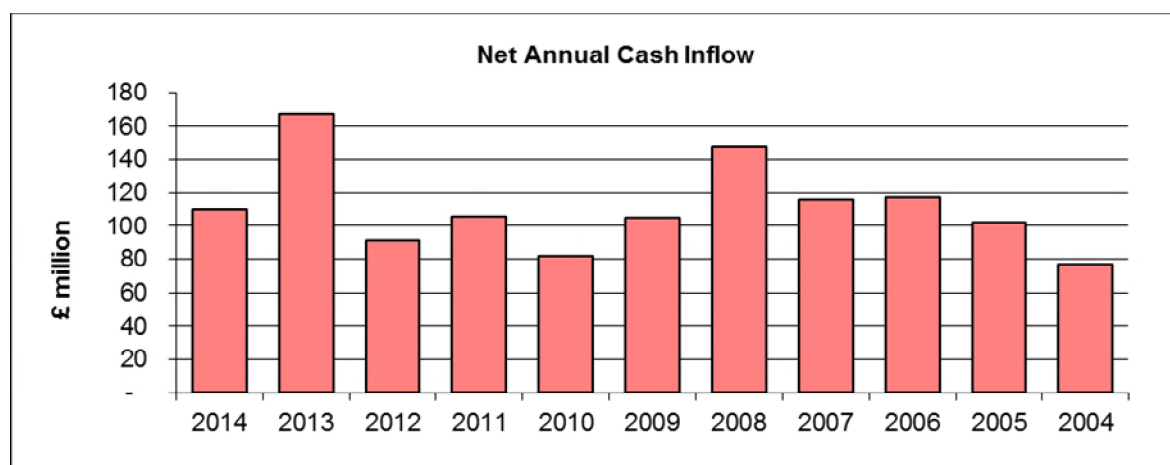
Net Cash Inflow from Operating Activities

109,806

Application of Cash

Net Purchase of Investments	110,333
Reduction in Cash with Custodian	62
Increase in Cash on Deposit	2,900
Reduction in Cash at Bank	(3,413)
Increase in Other Debtor Balances	157
Increases in Other Creditor Balances	(233)

109,806



The net annual cashflow 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 Funding Strategy Statement sets out the Investment Strategy of the Fund. 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 2014 the actual assets compared to the benchmark as follows;

	Fund Assets % 31.03.2014	Benchmark %	Fund Assets % 31.03.2013
UK Equities	39	35	38
Overseas Equities	42	35	41
Bonds	6	15	8
Property	6	10	5
Cash	5	5	5
Alternatives	2	0	3

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

Amounts due to the Fund from Employers

	2013/14 £ ' 000	2012/13 £ ' 000
Current Assets		
Contributions in Respect of Employers	5,067	5,036
Contributions in Respect of Members	2,038	2,059
Amounts due in respect of early retirements	2,428	2,245
Debtors due over 1 year		
Amounts due in respect of early retirements	935	1,918
	10,468	11,258

The Contributions due are in respect of March 2014 and were received in April 2014

Early Retirement costs

Scheduled Bodies have the option to spread early retirement costs over 5 years. The debts due over 1 year are the amounts which are receivable from 2015/16 onwards.

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	<u>1,163</u>
Number received late	<u>9</u>

Details of late receipts

Fleet Factors

Six payments were received late. April and May payment was received on 1st July. June payment was received on 16 August, August was received on 9 October, September was received on 19 November and November was received on 16 January 2014. Due to the late payments last year and this year, contact was made with the Managing Director who has solved the problem as we have had no late payments since to date.

4 Children

Two payments were received late. April payment was received on 25 June. May payment was received on 24 July. The reason for the late payments was due to new payroll staff.

Loftus Town Council

One payment was received late. The March payment was received on 2 May. The reason for the late payment was due to staff on sick leave.

Because the incidence of late payment of contributions is so low the Fund has not exercised its option to levy interest on overdue contributions.

Analysis of Contribution rates and amounts received 2013-14

		2013/14	
	Employers Rate % *	Employees £ 000's	Employers £ 000's
<u>4Children</u>	15.00	4	9
<u>All Saints Academy</u>	15.40	19	48
<u>Beamish Museum Ltd</u>	15.90	130	334
<u>Billingham Town Council</u>	18.20	4	11
<u>Business and Enterprise NE</u>	17.40	7	18
<u>Brambles Academy</u>	15.40	13	33
<u>Caldicotes Primary Academy</u>	15.40	9	23
<u>Capita Managed IT Solutions</u>	15.10	8	18
<u>Care Quality Commission</u>	15.80	1,635	3,643
<u>Carrillion</u>	16.30	14	38
<u>Catcote Academy</u>	16.00	44	120
<u>Chander's Ridge Academy</u>	15.40	10	24
<u>Cleveland College of Art & Design</u>	15.00	81	198
<u>Cleveland Fire Brigade</u>	15.70	212	513
<u>Cleveland Fire Support Network</u>	15.70	2	6
<u>Cleveland Police</u>	14.30	612	1,335
<u>Coast and Country Housing</u>	15.50	606	1,441
<u>Community Integrated Care</u>	20.00	3	12
<u>Conyers School</u>	15.40	64	153
<u>Dimensions</u>	20.60	0	1
<u>Dormanstown Primary Academy</u>	17.00	12	35
<u>Durham Tees Valley Airport Limited</u>	21.20	87	270
<u>Durham Tees Valley Probation Trust</u>	19.20	890	2,584
<u>Dyke House Academy</u>	16.00	62	161
<u>Ecocleen Services Ltd</u>	15.00	0	0
<u>Erimus</u>	18.50	302	870
<u>Eston Park Academy</u>	17.00	38	107
<u>Extol Academy (Eldon)</u>	16.00	14	38
<u>Fabrick Housing Group Ltd</u>	16.70	93	230
<u>Five Rivers</u>	16.70	10	28
<u>Fleet Factors Ltd</u>	15.00	1	3
<u>Fleet Factors RCBC</u>	15.00	1	4
<u>Forward Swindon Ltd 1</u>	18.70	16	27
<u>Frederick Natrass Primary Academy</u>	15.40	10	25
<u>Freebrough Academy</u>	14.70	48	116
<u>Future Regeneration of Grangetown</u>	17.60	2	5
<u>Gillbrook Academy</u>	17.00	18	51
<u>Grangefield Academy</u>	15.40	12	30
<u>Guisbrough Town Council</u>	18.20	4	12
<u>Hardwick Green Primary Academy</u>	15.40	9	23
<u>Hartlepool 6th Form College</u>	15.00	36	77
<u>Hartlepool BC</u>	14.90	2,908	7,401

<u>Hartlepool College of FE</u>	15.00	162	388
<u>Hemlington Hall Academy</u>	15.40	4	10
<u>Horizons Specialist Academy</u>			
<u>Trust</u>	15.40	82	205
<u>Housing Hartlpool</u>	15.80	429	1,031
<u>Ingleby Barwick Town Council</u>	18.20	2	6
<u>KGB Cleaning & Support Services</u>			
<u>Ltd</u>	15.00	1	4
<u>Kings Academy</u>	14.70	64	150
<u>KTS Academy</u>	17.00	42	120
<u>Liberata UK Ltd</u>	0	48	0
<u>Loftus Town Council</u>	18.20	1	4
<u>Macmillan Academy</u>	14.70	76	180
<u>McAlpine Government Services</u>			
<u>Ltd</u>	20.00	24	72
<u>Mellors Catering Services Ltd</u>	15.00	1	3
<u>Middlesbrough College</u>	15.00	343	831
<u>Middlesbrough Council</u>	15.40	3,848	9,402
<u>Mouchel</u>	15.40	340	819
<u>Nextiraone Ltd (Stockton)</u>	20.10	1	2
<u>North Ormesby Primary Academy</u>	15.40	11	28
<u>North Shore Academy</u>	16.20	40	104
<u>Norton Primary Academy</u>	15.40	6	16
<u>Nunthorpe Academy</u>	17.00	72	196
<u>Oak Tree Primary Academy</u>	15.40	15	39
<u>Oakfields Community College</u>	15.40	6	16
<u>OCS</u>	15.70	1	2
<u>Ofsted</u>	24.00	2	6
<u>Open College Network (Trocn)</u>	16.70	36	92
<u>Ormesby School</u>	15.40	58	148
<u>Outwood Academy Acklam</u>	15.40	30	75
<u>Pennyman Primary</u>	15.40	33	85
<u>Prior Pursglove College</u>	15.00	65	157
<u>Redcar Academy</u>	17.00	38	104
<u>Redcar & Cleveland College</u>	15.00	74	179
<u>Redcar & Cleveland BC</u>	15.10	3,214	8,929
<u>Reliance Secure Task</u>			
<u>Management</u>	15.80	0	0
<u>RM Education Ltd.</u>	14.50	1	3
<u>Rose Wood Academy</u>	15.40	4	11
<u>Rstm (Custody Services)</u>	15.80	2	5
<u>Rstm (Estates)</u>	14.30	4	9
<u>Saltburn Marske & New Marske</u>			
<u>Parish Council</u>	18.20	2	6
<u>Skelton and Brotton Parish</u>			
<u>Council</u>	18.20	2	5
<u>Skelton Primary School</u>	17.00	12	34
<u>SLM Community Leisure</u>			
<u>Charitable Trust</u>	15.00	49	122
<u>SLM Fitness & Health Ltd</u>	15.00	8	19
<u>SLM Food & Beverage Ltd</u>	15.00	2	5
<u>St Bede's Catholic Academy</u>	15.40	5	13
<u>St Gregory's RC Academy</u>	15.40	15	37

<u>St Michael's Catholic Academy</u>	15.40	15	40
<u>Stagecoach Transit</u>	21.10	27	89
<u>Steria Ltd</u>	14.30	603	1,332
<u>Stockton 6th Form College</u>	15.00	23	57
<u>Stockton BC</u>	14.90	4,970	12,098
<u>Stockton Riverside College</u>	15.00	148	354
<u>Stranton Academy (Owton Manor)</u>	16.00	11	29
<u>Stranton Academy (Stranton)</u>	16.00	13	35
<u>Sunnyside Academy</u>	15.40	9	24
<u>Tascor Services Ltd - Custody</u>	15.80	19	45
<u>Tascor Services Ltd - PFI</u>	15.80	3	7
<u>Taylor Shaw – Holy Rosary</u>	15.00	1	1
<u>Taylor Shaw – Riverdale</u>	15.00	1	2
<u>Taylor Shaw – St Peters</u>	15.00	1	3
<u>Taylor Shaw Ltd</u>	15.00	0	1
<u>Tees Active</u>	14.70	138	322
<u>Teesside University</u>	15.10	1,597	3,581
<u>The Big Life Company Ltd</u>	15.00	4	11
<u>Thornaby Academy</u>	14.80	36	88
<u>Tristar Homes Ltd</u>	13.40	431	890
<u>Open College Network (Trocn)</u>	16.70	34	87
<u>Unity City Academy</u>	14.70	55	131
<u>Viewley Hill Academy Trust</u>	15.40	3	9
<u>Wolseley UK Ltd</u>	18.50	3	10
<u>Yarm Primary School</u>	15.40	4	9
<u>Yarm Town Council</u>	18.20	2	5

* Net rate of contribution payable by each employing Organisation for the period 1 April 2013 to 31 March 2014 under regulation 79 of the LGPS Regulations 1997.

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 pensions administration unit aim to perform 97.5% of the procedures within each target timescale. The table below highlights the performance of the administration unit against the key procedure targets.

Procedure	Target 2013/14	Achieved within timescale
Processing New Starters	20 days from receipt	100%
Processing Transfer Values (TV's)	10 working days from the date of notification	100%
Refund of Contributions	10 working days from the request date	100%
Estimates of Benefit Entitlements	10 working days from date of request	100%
Pension benefits	10 working days from the receipt of all relevant information	100%
Deferred Benefits	10 working days from notification of leaving	100%

Key procedure volumes

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

Procedure	2013/14	2012/13
Processing New Starters	2,178	2,270
Processing Transfer Values (TV's)	817	631
Refund of Contributions	34	51
Estimates of Benefit Entitlements	2,122	2,278
Pension benefits	1,926	1,253
Deferred Benefits	2,416	2,026
Deaths	675	480
Divorces	134	124
General Enquiries	1,611	1,235
Total	11,913	10,348

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 2013. The principal conclusions of this valuation were:

- ◆ The ongoing funding level of the Fund on 31 March 2013 was 101% (2010 – 99%).
- ◆ The surplus of assets compared to the past service liabilities was £37.0 million (2010 – deficit of assets compared to past service liabilities £17.6 m).
- ◆ The modest improvement in the funding level was due to the following factors:
 - Higher than anticipated returns on Fund assets
 - Increases in pay being lower than expected
 - Contributions being paid by employers towards the shortfall identified at the 2010 valuation, and
 - Allowance for the asset transfer from the Durham Pension Fund in relation to the transfer of staff to the Durham and Tees Valley Probation Trust.

which was slightly offset by the following factors:

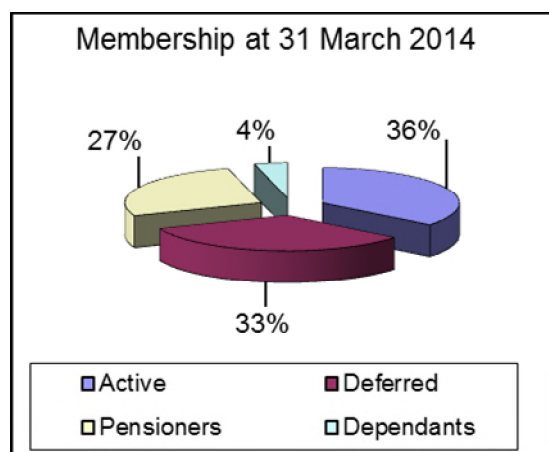
- Changes in the financial assumptions used, mainly from a reduction in the future assumed returns, partially offset by a reduction in the assumption made for pay and pension increases, and the removal of the smoothing adjustment that was adopted in the 2010 valuation, and
- Changes to the demographic assumptions adopted, in particular the mortality assumptions and allowance for future longevity improvements.
- ◆ The average cost of accruing benefits payable by the employers, including administration expenses and lump sum death in service benefits, is 14.4% of pensionable pay.
- ◆ 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. The total aggregate Employer contribution rates to the Fund are anticipated to be 14.6% of Pay plus £1.94m (2014/15), 14.5% of Pay plus £1.93m (2015/16) and 14.5% of Pay plus £1.80m (2016/17).

In accordance with the provisions of the Regulations the next triennial valuation of the Fund is due to be carried out as at 31 March 2016.

Membership

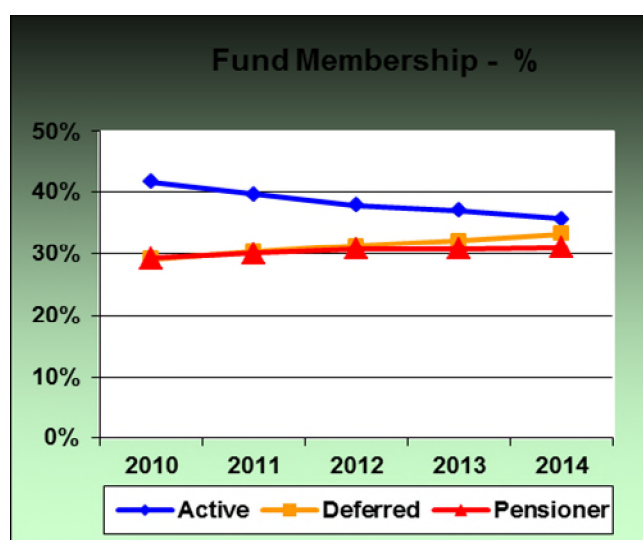
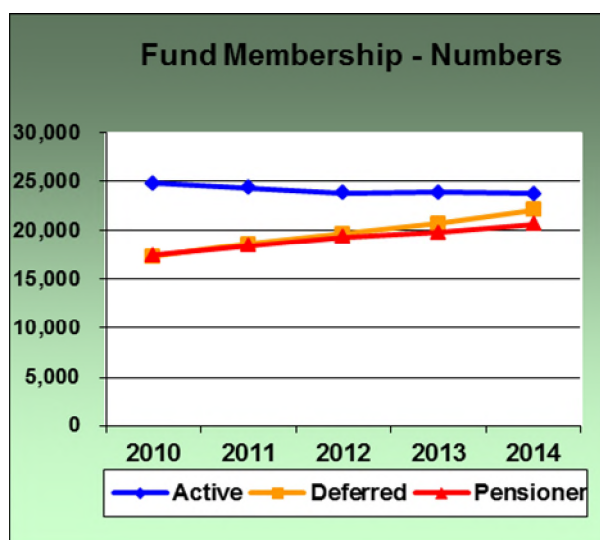
In the 2013/14 financial year the total membership of the Fund has increased by 2,030 to the current total of 66,526.

The number of deferred members of the scheme has risen by 28% in the last 5 years and now forms 33% of the total membership.



Membership Numbers

	2010	2011	2012	2013	2014
Active	24,831	24,341	23,856	23,908	23,734
Deferred	17,320	18,609	19,717	20,738	22,144
Pensioner	17,438	18,438	19,389	19,850	20,648
Total	59,589	61,388	62,962	64,496	66,526



Summary of Membership Changes

	Active Members	Deferred Members	Pensioners Members	Dependants	Total
At 01/04/2013	23,908	20,738	17,416	2,434	64,496
Adjustments	(425)	379	112	190	256
New Members	2,374	10	1	125	2,510
Change in Status	(2,050)	1,116	934	0	0
Leavers	(73)	(99)	(435)	(129)	(736)
At 31/03/2014	23,734	22,144	18,028	2,620	66,526
% of Total at 01/04/13	37.1%	32.1%	27.0%	3.8%	100.00%
% of Total at 31/03/14	35.7%	33.3%	27.1%	3.9%	100.00%

During the year, 28 employers joined the scheme as admitted bodies and 3 employers ceased to have Active members. At the year end, 31 March 2014, the Fund had 108 employers with active members.

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

Membership by Employer at 31 March 2014

Employer	Active Members.	Deferred Members.	Pensioners - Members.	Pensioners - Dependents.	2013/14 Total	2012/13 Total
Stockton BC	5,238	5,238	3,095	417	13,988	14,057
Middlesbrough BC	3,984	4,518	2,832	387	11,721	11,274
Redcar & Cleveland BC	4,010	3,569	2,559	307	10,445	10,078
Hartlepool BC	3,027	2,739	1,662	265	7,693	7,604
Cleveland CC	2	910	3,943	805	5,660	5,831
University of Teesside	1019	800	393	61	2,273	2,145
CSCI	1	514	488	28	1,031	1,031
Cleveland Police Authority	1	294	216	11	522	530
Care Quality Commission	586	105	125	2	818	822
Durham Tees Valley Probation Trust	524	106	93	8	731	692
Coast & Country Housing	427	206	149	7	789	686
Mouchel	257	146	217	12	632	631
Middlesbrough College	398	307	119	13	837	708
Steria	374	33	58	2	467	470
Tristar Homes	277	114	70	10	471	453
Erimus Housing	206	83	122	7	418	408
Stockton Riverside College	153	169	67	6	395	372
Hartlepool College of FE	190	172	67	12	441	409
Housing Hartlepool	242	75	58	3	378	349
Beamish	98	119	87	11	315	299
Cleveland Probation	2	112	110	12	236	244
Durham and Tees Valley Airport	37	77	94	28	236	236
Cleveland Fire Authority	129	74	54	3	260	246
Cleveland College of Art & Design	88	88	45	5	226	223
Tees Active Ltd	132	75	24	1	232	218
Tees Valley Leisure	23	96	17	3	139	202
Redcar & Cleveland College	91	98	53	3	245	203
Transit Stagecoach	20	17	136	11	184	183
Unity City Academy	64	71	14	2	151	151
Liberata	38	50	49	5	142	142
MacMillan Academy	104	54	14	1	173	146
Business & Enterprise NE	2	53	27	1	83	85
Kings Academy	67	39	15	1	122	118
Prior Pursglove College	54	30	23	1	108	105
CIC	6	36	52	0	94	94
North Shore Academy	40	47	4	0	91	83
Oakfield Community College	19	35	6	0	60	96
Fabrick Housing	47	8	8	3	66	69
Hartlepool 6th Form	31	21	10	1	63	64
Freebrough Academy	46	10	3	0	59	57
Thornaby Academy	46	21	8	1	76	62
Carillion Integrated Solutions	24	13	7	1	45	45
Open College Network	18	15	7	4	44	42
Stockton 6th Form	24	12	10	0	46	44
RSTM Custody Services	0	17	2	1	20	34
Five Rivers	7	10	2	0	19	20
Carillion Government Services	12	3	3	0	18	18
Learning and Skills Council	6	5	4	0	15	15
Vale Contract Services	0	0	0	0	0	1
OCS	2	2	6	0	10	10
Guisborough Town Council	4	1	4	0	9	10

Membership by Employer at 31 March 2014

Ofsted	1	24	17	1	43	43
RM Education Ltd	2	8	1	0	11	11
Taylor Shaw Ltd	0	4	0	0	4	6
Forward Swindon	4	0	0	0	4	5
Saltburn & Marske PC	2	2	1	0	5	5
Reliance Secure Task management	0	1	1	0	2	5
Future Reperation of Grangetown	1	4	1	0	6	6
Loftus Town Council	3	0	1	0	4	4
Billingham Town Council	3	0	0	0	3	2
Skelton & Brotton Parish Council	3	1	0	0	4	3
Yarm Town Council	1	0	0	0	1	1
Ingleby Barwick Town Council	1	0	0	0	1	1
Cleveland Fire Support Network	1	0	0	0	1	1
Dimensions UK Ltd	0	1	0	0	1	1
Fleet Factors Ltd	1	0	0	0	1	1
CMSL Ryehills Catering	3	1	1	0	5	5
Northgate Managed Services Ltd	6	0	0	0	6	4
Wolseley UK Ltd	2	2	0	0	4	4
The Big Life Company Ltd	9	0	0	0	9	10
4Children	3	0	0	0	3	3
Eston Park Academy	29	3	0	0	32	30
Brambles Academy	17	1	0	0	18	13
Pennyman Primary	39	0	0	0	39	35
Chandlers Ridge Academy	15	2	0	0	17	17
Nunthorpe Academy	68	10	0	0	78	12
Ormesby School	49	4	2	0	55	56
KTS Academy	48	2	2	0	52	51
Gillbrook Academy	20	2	0	0	22	21
North Ormesby Primary Academy	15	3	0	0	18	17
Redcar Academy	31	1	3	0	35	32
Crime Commissioner for Cleveland	352	18	8	0	378	365
Conyers School	72	14	4	0	90	80
All Saints Academy	27	2	0	0	29	0
St Gregory's Catholic Academy	32	5	0	0	37	0
KGB Cleaning & Supp Servs Ltd	6	1	0	0	7	0
SLM Community Leis Char Trust	51	0	1	0	52	0
SLM Food & Beverage Ltd	2	0	0	0	2	0
SLM Fitness & Health Ltd	5	0	0	0	5	0
Dyke House Academy	54	0	0	0	54	0
Caldicotes Primary Academy	16	0	0	0	16	0
Tascor Services Ltd - PFI	3	0	0	0	3	0
Tascor Services Ltd - Custody	12	1	1	0	14	0
Hardwick Green Primary Academy	14	2	0	0	16	0
Ecocleen Services Ltd	1	0	0	0	1	0
Extol Ac Trust (Eldon Grove)	25	0	0	0	25	0
Stranton Academy Trust (Stranton)	24	4	0	0	28	0
Stranton Academy Trust (Owton)	11	0	0	0	11	0
Catcote Academy	97	2	0	0	99	0
Horizons Specialist Academy Trust	145	2	1	0	148	0
St Michael's Catholic Academy	34	1	0	0	35	0
Fredrick Natrass Primary Academy	23	2	0	0	25	0
Oak Tree Primary Academy	51	3	0	0	54	0
Outwood Academy Acklam	39	0	0	0	39	0
Dormanstown Primary Academy	26	1	0	0	27	0

Membership by Employer at 31 March 2014

St Bede's Catholic Academy	23	2	0	0	25	0
Mellors Catering Services Ltd	5	0	0	0	5	0
Sunnyside Academy	2	4	0	0	6	0
Viewley Hill Academy Trust	1	0	0	0	1	0
Norton Primary Academy	1	0	0	0	1	0
Grangefield Academy	3	0	0	0	3	0
Know How North East	1	0	0	0	1	0
Fleet Factors RCBC	2	0	0	0	2	0
Inactive Employers	0	597	752	157	1,506	1,531
	23,734	22,144	18,028	2,620	66,526	64,496

Internal Dispute Resolution Procedure

In the first instance the member should contact the Teesside Pension Fund at the address shown on page 79. We will send a detailed guide explaining the Internal Dispute Resolution Procedure (IDRP) and how the complaint will be handled. Any complaint must be made within six months of receipt of the notification of the decision which has prompted it.

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

If, after the initial review, the member is still dissatisfied with the decision, they can apply to the second stage of the process to have the complaint reconsidered. The application must be made within six months of receiving the decision of the initial review. At the second stage if the complaint concerns an employer decision it is reviewed by a person nominated by the Teesside Pension Fund. If the complaint concerns the administrator an independent 3rd 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. However, advice must first have been sought from the Pensions Advisory Service before the Ombudsman will consider the case.

Details of IDRP cases processed in the year

Cases started in year	15
Cases resolved in year	2 Cases upheld
	13 Cases dismissed

HEAD OF INVESTMENTS' REPORT

Looking back over previous reports, each one for the last six years at least have all started explaining the year was volatile or challenging. On the face of it, this year looks more settled with the FTSE All-World Index rising 6.8%. However, again this equity market increase masks another volatile year centred around Central Bank policies.

At this point last year, it was all praise for the President of the European Central Bank for steadying markets and leading a recovery in peripheral Europe. European markets continued their strong performance over 2013/14 and outperformed other markets.

Both the UK and US equity markets performed well over the financial year too. Both also saw a change of central bank leader during the year. However, it was statements from the out-going Chair of the US Federal Reserve that caused volatility early on in the year.

In last year's report, I brought up the paradox of investors comforted by the Federal Reserve's quantitative easing (QE) programme, which was originally set up to improve the underlying economy. As the economy improved, and the Chair talked about reducing the size of QE stimulus, which in turn reduced investor confidence.

This volatility was particularly pronounced in Far Eastern markets and the Teesside Fund used this as a buying opportunity. Whereas Western equity markets recovered to finish the year at year-long highs, the Far Eastern markets did not recover.

The UK economy improved with higher positive GDP growth. This reflected well in the equity market, with the FTSE All-Share Index returning 11% for the year. The underlying strong economy and the whiff of a rate rise also strengthened the GB Pound. During 2012/13, the Pound had weakened against major currencies, however, over this financial year, 2013/14, it strengthened 9% against the US Dollar and 17% against the Japanese Yen. This weakness eroded the local currency gains from equity and bond markets either denominated by or pegged to these currencies.

UK Bonds posted only their third year of negative results in the last twenty, giving up some of the strong results from the recent past. Index-linked also produced a small negative for the year.

Alternatives is an asset class that has featured much in the recent past, and again was in focus this year with some LGPS Funds procuring together for infrastructure assets. The Teesside Fund's alternative portfolio is a very small part of the whole Fund and contains some infrastructure, commodities and other assets that are considered to be uncorrelated to equity and bond markets and over the long term will produce an absolute return. On average, this asset class had a poor year in comparison to previous ones, particularly last financial year.

Property, on the other hand, performed well with a return of 11%. This was led by increasing demand for London property assets, mainly from foreign investors looking to benefit from a strengthening Pound.

Over the past few years, the impact of austerity in the UK has had an effect on the Local Government Pension Scheme (LGPS) as a whole, and the Teesside Pension Fund specifically. Over the past five years, total contributions received from employees and employers have reduced by £11 million. Contrast this to an increase over the same period of £21 million in benefit payments to pensioners.

The new LGPS introduced this financial year should see an average employee contributions rise of approximately 3%, according to the Department of Communities and Local Government, after introducing higher employee contribution rates for higher paid

staff. This should be sufficient to cover the immediate pressure from inflation for 2014/15. Over the longer term, the change in the basis of pension from final salary to career average will also see an improvement to long term cash flows.

Every three years the Fund actuary carries out a full actuarial valuation of the Fund. The purpose of this is to calculate how much the 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 most other Public Sector schemes the LGPS is a funded scheme, i.e. there is a pool of investments which produces income to meet a significant part of the liabilities.

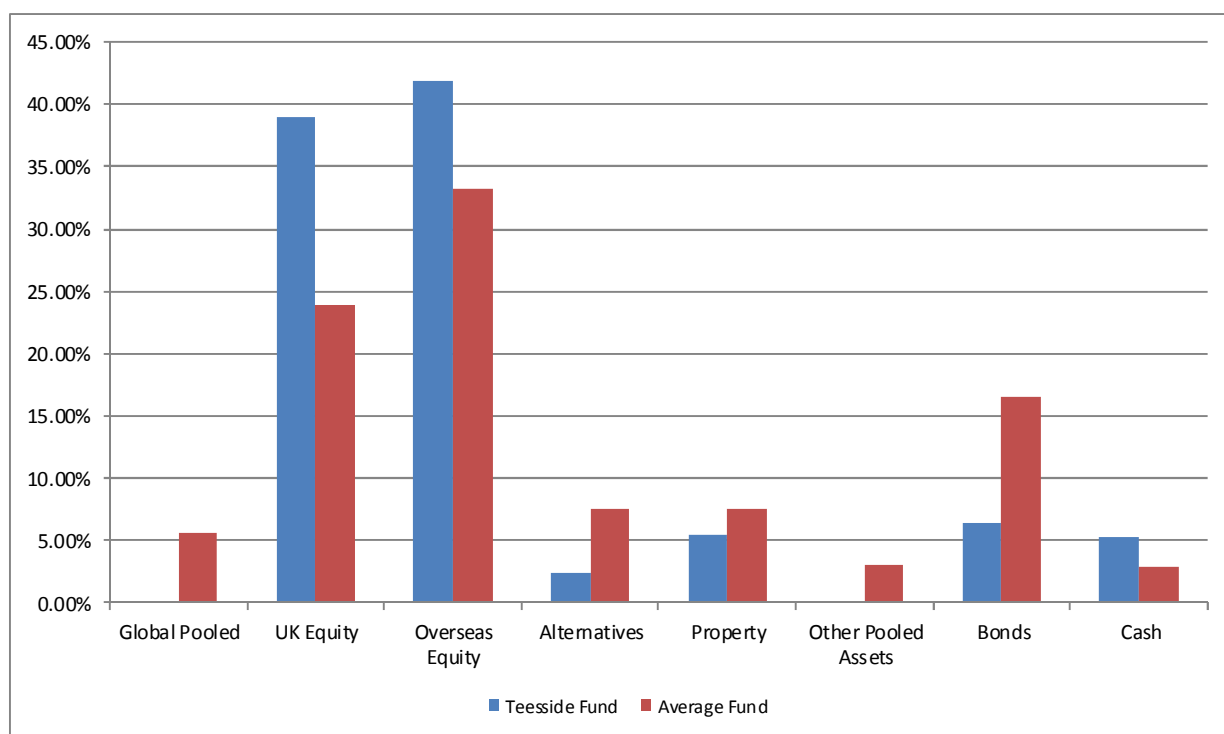
The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level. The aim of the Fund is to be 100% funded. At the March 2013 valuation the actuary was able to declare a funding level of 101%. This allowed many of the employers in the Fund to decrease the amount of their contribution for the next three years, releasing money for front-line services. The next valuation is due to be carried out using data as at 31 March 2016.

The value of the Teesside Fund at 31 March 2013 was £3.049 billion, an increase of £120 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. Comparison of the percentage of the Fund invested in the different categories of investments with the average of other funds shows that the Fund has a greater proportion held in Growth Assets, such as equities and less in Protection Assets, such as bonds.

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

	Average Fund	Teesside Fund	TPF Benchmark	SIP Max	SIP Min
Global Pooled	5.60%	0.00%	0.00%	0.00%	0.00%
UK Equity	23.90%	38.93%	35.00%	90.00%	50.00%
Overseas Equity	33.20%	41.82%	35.00%		
Alternatives	7.50%	2.34%	3.00%	10.00%	0.00%
Property	7.50%	5.35%	10.00%	15.00%	5.00%
Other Pooled Assets	3.00%	0.00%	0.00%	0.00%	0.00%
Bonds	16.50%	6.39%	15.00%	25.00%	5.00%
Cash	2.80%	5.17%	2.00%	15.00%	0.00%

The Fund's asset mix % may vary from the statutory accounts due to internal classification differences.



The largest 20 holdings, which make up 22.75% of the value of the portfolio as at 31 March 2014 are:

Stock Name	% of Fund	Amount Owned
HSBC HLDGS	2.13%	£ 60,740,000.00
BP	1.73%	£ 49,320,000.00
ROYAL DUTCH SHELL A SHARES	1.61%	£ 46,011,000.00
GLAXOSMITHKLINE	1.60%	£ 45,741,250.00
FIDELITY EUROPEAN FUND (GBP)	1.34%	£ 38,286,744.90
VODAFONE GROUP	1.26%	£ 36,040,908.29
SSGA MPF PAC BASIN EX-JAPAN INDEX	1.23%	£ 35,226,369.22
BRITISH AMERICAN TOBACCO	1.23%	£ 35,211,663.70
ROYAL DUTCH SHELL B SHARES	1.15%	£ 32,767,000.00
LIONTRUST UK SMALLER CO-I	1.08%	£ 30,887,748.69
ASTRAZENECA	1.04%	£ 29,651,400.00
DIAGEO PLC	0.94%	£ 26,977,250.00
RIO TINTO	0.93%	£ 26,696,000.00
BHP BILLITON PLC	0.87%	£ 24,894,000.00
UBS GBL ASSET LIFE SMALLER COMP EQUITY TRACKER B	0.86%	£ 24,520,203.76
TESCO	0.82%	£ 23,336,600.00
INVESCO PERPETUAL UK SMALLER CO. EQUITY FD	0.79%	£ 22,606,756.83
BG GROUP	0.74%	£ 21,223,000.00

SAMSUNG ELECTRONIC CO LTD	0.71%	£ 20,417,893.03
BARCLAYS	0.69%	£ 19,839,000.00
	22.75%	£ 650,394,788.42

PERFORMANCE

Fund performance is measured by the WM Company, the leading provider of performance measuring services to the public and private sector. Once the Fund's return over a given period has been calculated it is possible to compare that return with returns from other funds. Although, as a member of the Local Government Pension Scheme, members' benefits are related to their salary and length of service, not the value of the Fund. 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.

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 and 10 years and to compare performance with other Local Authority Funds. In addition, the Fund participates in a WM survey which compares performance against private sector schemes and also against a customised benchmark. All of these are reported to the Teesside Pension Fund and Investment Panel.

For the purposes of this report the Local Authority survey is used. In the year 2013/14, 85 Local Authority funds were included in the WM Local Authority Pension Fund Service. The aggregate value of these funds was approximately £175.4 billion.

In the year 2013/14 the Fund achieved a return of 3.7% compared to our benchmark return of 6.4%. This return was also below average and placed Teesside in the 92nd percentile of all Local Authority funds.

In the three-year period 2011/12 to 2013/14 the Fund achieved a return of 5.6% per annum compared to our benchmark return of 7.5%. This return was also below average and placed Teesside in the 96th percentile of all Local Authority funds.

In the ten-year period 2004/05 to 2013/14 the Fund achieved a return of 8.4% per annum compared to our benchmark of 7.8%. This return was above average and placed Teesside in the 13th percentile of all Local Authority funds.

Ordinarily, the key to good performance is to get the big decisions right. The weightings between equities and bonds, in particular, will go a long way to determining performance. This was certainly the case three years ago where bonds outperformed equities, where the Teesside Fund is under-represented in bonds.

The Fund's position of being overweight in growth assets, such as equities and underweight in protection assets, such as bonds should have benefitted the Fund's performance relative to other funds, since equity markets ended this financial year strongly, with bonds performance more muted. However, while equity markets in the UK, Europe and US performed strongly, Japan and Far East markets did not. Over the past few years, it is these Far Eastern markets where the Fund has concentrated a great deal of its investments, with over 20% of the Fund now invested here, as at 31 March 2014.

The other area which has negatively affected the Fund is the movement in currency markets. The Pound strengthened by 9% against the US Dollar over and 17% against the Japanese Yen 2013/14. Again, over the past few years the Fund has invested more in

overseas equity markets, particularly Far Eastern markets which are pegged to the US Dollar.

The Teesside Fund continues to invest for long term returns in order to remain fully funded and continue to meet its future liabilities. The long term performance numbers for the Fund are still encouraging. The annualised return on assets for the last ten and twenty years, 8.4% and 7.8% respectively, are well ahead of the Fund's actuarial requirement. The Fund's investment advisors continue 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.

The Fund is managed internally, although some use is made of pooled investment vehicles to gain exposure to specialist areas. One benefit of this approach is that internal management fees are low. This is clearly demonstrated by another key measure of performance which looks at the cost of managing the Fund. The Department for Communities and Local Government publishes information collected from all local authorities in England and Wales comparing fund investment management costs. These are expressed as £ per scheme member (psm). In other words the total cost (including salaries, accommodation, custodian and other fees) is divided by the total number of members of the scheme, both contributors and beneficiaries.

The result for 2012/13 show that the Fund had investment management costs of £21.19 psm. The average for all Local Authorities in 2011/12 was £87.24 psm. Had the Fund incurred the average psm costs this would have represented, based on the March 2013 membership of 64,496, extra costs of £4.25 million. For 2013/14, the investment management cost was £1.12 million or £16.81 psm, based on membership of 66,526. Comparison figures with other Local Authorities are not available at the time of writing this report.

The Fund's position regarding risk monitoring and risk control is set out in the Statement of Investment Principles, 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 the Fund is largely managed on an in-house basis, appropriate measures are in place to manage investment risk and the Chief Finance Officer also determines the limits on delegation to individual managers.

SHAREHOLDER GOVERNANCE

Since the 1980's 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 AGM's in order to promote shareholder value.

The Fund's policy is to vote at all AGM's and EGM's for UK listed companies where the Fund is a shareholder. An Annual Report on Shareholder Governance is presented to the Investment Panel. This sets out how votes have been cast.

All Local Authority Pension Funds are required to produce a Statement of Investment Principles setting out the Fund's position on a range of issues, including the need to state to what extent, if any, social, environmental and ethical 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 Statement can be viewed on the Fund's website www.teespen.org.uk. The Statement has been amended to take into account the recommendations of the Myners Report on Institutional Investment.

The Fund's Statement of Investment Principles 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 will therefore monitor investee companies to ensure that 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 those issues consistent with the Fund's fiduciary responsibilities.

The Fund will explicitly consider climate change risks and opportunities in the investment process and engage with companies in which we invest to ensure that they are minimising the risks and maximising the opportunities presented by climate change and climate policy.

In accordance with this policy, the Fund will seek where necessary through its own efforts and in alliances with other investors to pursue those 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) a grouping of Local Authority funds with investments valued over £100 billion. 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.

An expanded work plan of campaigns has recently been agreed to cover:

➤ **Reliable Accounts**

Following progress made in 2012 and 2013 which has included an update of the Banks Post Mortem in November 2013, it is recommended that LAPFF focuses on the governance of standard setting including that of the Financial Reporting Council. Engagement should focus on policy-makers and regulators on the issue of how financial accounting regulations are set. “True and fair view” has been actively misrepresented for a number of years. Engagement will also continue with the banks in view of the solvency responsibilities that are incumbent in the true and fair view but are excluded under IFRS. Continued co-operation with the existing alliance of investors is recommended. Where specific instances arise of concerns with company accounts, this will be flagged up to members. The Forum may also consider evaluating the impact of IFRS on pension fund accounting. Additionally on audit, LAPFF will consider putting formal questions to companies on their audits and where satisfactory answers are not forthcoming, attending the AGM to question the board and/or auditors.

➤ **Holdings Based Engagement**

Recognising the increasing global spread of member investments, LAPFF has analysed the Forum's top holdings in the UK, US, Europe, Asia, Australia and Japan and will initiate engagement with companies that the Forum has not previously engaged with in order to build positive relationships and develop market awareness of LAPFF's approach as an investor group. Engagement will be on environmental, social or governance issues identified specific to each company but in the context of best practice for that market or sector.

In the UK, the Forum will maintain regular engagement with the most widely held companies by members including attending a number of company annual meetings. Topics for discussion will include succession planning, board structure, effectiveness and diversity. In relation to the latter, LAPFF will work with other investors from the 30% club investor group to promote gender diversity.

➤ **Executive Pay**

LAPFF's 'Expectations on Executive Pay' document aims to reframe the debate on executive remuneration proposing alternative remuneration strategies to better align with long-term, sustainable returns. The Forum will continue engaging with leading companies on remuneration to seek feedback on specific aspects of the paper. LAPFF will seek meetings with mainstream asset managers to solicit their views as well as seeking alliances with likeminded asset owners on approaches to pay and voting for 2014.

LAPFF will formulate a 'watch list' of companies that had high pay votes in 2013 or where there are expected to be concerns and initiate engagement with a selection. Where there is no satisfactory change or commitment to change, LAPFF will consider issuing a voting alert.

➤ **Energy, Carbon and Environmental Risk Management**

LAPFF's engagement with high carbon-emitting companies in the utilities, oil and gas and extractive sectors will be progressed and leveraged through collaborative engagement. The Forum is a member of the 'Aiming for A' investor initiative and the carbon action group coordinated by the Carbon Disclosure Project, which encourages companies to implement robust carbon management systems. Having co-signed letters to the 50 largest global energy and power companies on carbon asset risk in light of the emerging stranded assets debate, the Forum will focus its direct engagement with UK companies.

LAPFF will also address the policy dimension of carbon management, via its membership of the Investor Network on Climate Risk and with active UK investors. Reflecting ongoing member fund concern, engagement will continue with UK companies involved in 'fracking' activities, informed by collaborative engagement with US and other global companies.

➤ **Employment Standards and Practices**

LAPFF's experience in engaging on employment standards and human rights issues will continue. The Forum will progress engagement with construction companies on blacklisting.

➤ **People and Investment Value**

The 'People and Investment Value' guide and associated project aims to help companies change and improve the way they create sustainable value using non-monetary approaches to attract, retain and motivate staff. The Guide provides questions designed to enable interested pension fund trustees and fund managers to distinguish between companies with compelling employee value propositions and those with weak ones; to engage with companies on this basis, and to provide a platform for encouraging companies to better operating and stock price performance through better human capital management.

In future it is anticipated that PIRC will use its governance ratings tools to prioritise companies for engagement. These are most likely to be current leaders in the field of People and Investment Value and those likely to be laggards. At this stage, it is recommended that all engagements should be considered as part of the Forum's learning by doing approach, with its model for engagement on this subject to revision and refinement over time.

PIRC will also continue to look for companies within its network of contacts which may be open to discussions on People and Investment Value in which the Forum can 'test' the validity of its Guide, and how and where it can improve its understanding of this subject.

LAPFF Membership as at 31 March 2014

Avon Pension Fund
Barking and Dagenham LB
Bedfordshire Pension Fund
Camden LB
Cheshire Pension Fund
City of London Corporation
Clwyd Pension Fund
Croydon LB
Cumbria Pension Scheme
Derbyshire CC
Devon CC
Dorset County Pension Fund
Dyfed Pension Fund
Ealing LB
East Riding of Yorkshire Council
East Sussex Pension Fund
Enfield
Falkirk Council
Greater Gwent Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney LB
Hampshire Pension Fund
Haringey LB
Harrow LB
Hounslow LB
Islington LB
Lambeth LB
Lancashire County Pension Fund
Lewisham LB
Lincolnshire CC

London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Newham LB
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire CC Pension Fund
Northamptonshire CC
Northern Ireland Local Government Officers Superannuation Committee
(NILGOSC)
Nottinghamshire CC
Rhondda Cynon Taf
Royal Borough of Greenwich Pension Fund
Shropshire Council
Somerset CC
Sheffield City Region Combined Authority
South Yorkshire Pensions Authority
Southwark LB
Staffordshire Pension Fund
Surrey CC
Teesside Pension Fund
Tower Hamlets LB
Tyne and Wear Pension Fund
Waltham Forest LB
Wandsworth LB
Warwickshire Pension Fund
West Midlands ITA Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Wiltshire CC
Worcestershire CC

Financial Statements

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

We have examined the pension fund financial statements for the year ended 31 March 2014, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 22.

This report is made solely to the members of Middlesbrough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Chief Finance Officer Responsibilities, the Chief Finance Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Middlesbrough Council, and its compliance with applicable law and the CIPFA.LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We also read the other information contained in the pension fund annual report as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Middlesbrough Council for the year ended 31 March 2014 and except for the matters comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts (30 September 2014) and the date of this statement.

Opinion on other matters

The annual report for the financial year for which the statements are prepared does not contain information on which we can form a view.

Matters on which we report by exception

We report to you if, in our opinion, the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance.

In my opinion, the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance because it has not been published in full in the annual report.



Christopher D Powell FCA (Engagement Lead)
For and on behalf of Deloitte LLP
Appointed Auditor
Leeds

27 November 2014

Statement of Responsibilities for the Financial Statements

The Authority's Responsibilities

The Authority is required:

- ◆ To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer.
- ◆ To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- ◆ To approve the statements of accounts.

The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the authority's statement of accounts for the Pension Fund which, in terms of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the code") is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2014.

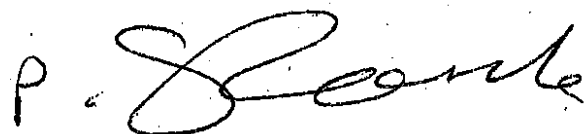
In preparing this statement of accounts, the Chief Finance Officer has:

- ◆ Selected suitable accounting policies and then applied them consistently;
- ◆ Made judgements and estimates that are reasonable and prudent; and
- ◆ Complied with the code.

The Chief Finance Officer has also:

- ◆ Kept proper accounting records, which were up to date; and
- ◆ Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these accounts give a true and fair view of the financial position of Teesside Pension Fund as at 31 March 2014 and its income and expenditure for the year then ended.



Paul Slocombe
Chief Finance Officer
Middlesbrough Council

Dated this 24th day of November 2014

Fund Accounts for the year ended 31st March 2014

2012 / 2013 £000		Note	2013 / 2014 £000
	Contributions and Benefits		
88,209	Contributions	6	88,850
9,649	Transfers in	7	31,070
4,461	Other income	8	6,086
102,319			126,006
104,421	Benefits	9	111,117
6,103	Leavers	10	5,698
1,713	Administrative expenses	11	1,730
112,237			118,545
(9,918)	Net additions/(withdrawals) from dealings with members		7461
	Returns on investment		
79,900	Investment income	12	84,045
264,322	Change in market value of investments	13	29,238
(1,367)	Investment management expenses	14	(1,118)
342,855	Net returns on investments		112,165
332,937	Net increase in the Fund during the year		119,626
2,596,664	Net assets of the scheme as at 1st April		2,929,601
2,929,601	Net assets of the scheme as at 31st March		3,049,227

Net Assets Statement as at 31st March 2014

2012 / 2013 £000			2012 / 2013 £000
2,916,341	Investments Assets	13	3,010,484
13,904	Current Assets	15	40,629
1,918	Receivables due over 1 year	16	935
(2,562)	Current liabilities	17	(2,821)
2,929,601	Net assets of the scheme at 31st March		3,049,227

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the Administering Authority. The obligations to pay pensions and benefits that fall due after the end of the scheme year is shown in Note 19 to the accounts and the Actuarial statement included in the Annual report and these accounts should be read in conjunction with it.

The notes on pages **44 to 68** form part of these Financial Statements.

Notes to the Financial Statements

1 Basis of preparation

The financial statements have been prepared in accordance with the Local Government Pension Scheme Regulations 2008 (as amended) and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 having regard to the Statement of Recommended Practice: Financial Reports on Pensions Schemes (revised May 2007).

2 Accounting policies

Basis on which Receivables and Payables are included in the Accounts

The accruals concept has been observed in the preparation of the accounts with the following exception. Transfer values payable and receivable are accounted for on an accruals basis once liability is accepted.

Valuation of Investments

Investments have been included in the Net Assets Statement at their market value as at 31 March 2014 as provided by the Fund's custodians. Quoted UK securities are valued at the bid price based on the quotations in the Stock Exchange Daily Official List. Overseas quoted securities are similarly valued at bid price from overseas stock exchanges, translated at closing rates of exchange.

Pooled investment vehicles are valued at closing bid price 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.

Other 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.

The acquisition costs of investments are accounted for as part of the cost of investments.

Property is valued annually by a qualified valuer in accordance with the "Royal Institute of Chartered Surveyors" valuation standards.

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.

Foreign exchange

Assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the Fund year end date.

Custody and Security of Investments

Most investments are held in nominee name by the Fund's Global Custodian, 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 of action or inaction by the Custodian or its Sub Custodians. This is supported by limited insurance cover procured by the Custodian.

Disposal of Investments

Profits and losses on the disposal of investments are realised when the transactions are legally complete.

Dividends

Dividends from quoted securities are accounted for when they become ex-dividend.

Interest on Cash Balances

All surplus cash balances of the Fund are invested externally, interest being credited to the Fund.

Pension Liabilities

The accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the notes relating to the most recent actuarial valuation.

Rental Income

Rental income is accounted for on an accruals basis.

Contributions

Contributions are accounted for in the period in which they fall due. Normal contributions received during the year have been paid in accordance with the rates and adjustments certificate.

Benefits

Benefits are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.

Administrative Expenses

The administrative expenses of the Fund are incurred by the Administering Authority and are recharged to the Pension Fund periodically during the year. Expenses for Actuarial, Audit and Legal fees are paid directly by the Fund.

Contingent Liabilities

The Pension Fund has no contingent liabilities.

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.

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

IAS32 , "Financial Instruments: offsetting financial assets and liabilities" will be adopted in 2014/15

The change in accounting policy will be required for accounting periods ending after 1 April 2014. Officers are still to determine the impact that these changes may have on the financial statements of the Pension fund.

4. Critical Judgements, Sensitivities and Accounting Estimates **Unquoted private equity investments**

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 2014 was £144,050 (£247,617 at 31 March 2013).

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 19. 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 council 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 actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured e.g. a 0.1% pa increase in the discount factor could decrease the liability by c£67.35 million.
Debtors	At 31 March 2014, the fund had a balance of sundry debtors excluding the group transfer of £5.5 million	There is no history of uncollectable debtors
Private Equity	Private Equity 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.	The total private equity investments in the financial statements are £144,050. There is a risk that this investment may be under or overstated in the accounts.

6. Contributions

		2012 / 13 £000	2013 / 14 £000
Employers	Normal	62,546	60,506
	Additional Contributions	0	550
	Deficit Recovery Contributions	0	2,376
Members	Normal	25,663	25,418
Total		88,209	88,850

The actuarial valuation at 31st March 2013 calculated that the Fund was 101% funded.

Analysis of Total Contributions

	2012 / 13 £000	2013 / 14 £000
Administering Authority	13,594	13,254
Scheduled Bodies	58,529	57,819
Admitted Bodies	16,086	17,777
Total	88,209	88,850

7. Transfers in

	2012 / 13 £000	2013 / 14 £000
Individual transfer in from other schemes	9,649	31,070

A Transfer in amount of £27.8 mill has been accrued in respect of Durham Probation Trust. The actual cash amount was received in August 2014.

8. Other income

	2012 / 13 £000	2013 / 14 £000
Capital Costs of Early Retirements	4,336	4,864
Other income	125	1,222
Total	4,461	6,086

9. Benefits

	2012 / 13 £000	2013 / 14 £000
Pensions	83,943	89,648
Commutations and lump sum retirement benefits	17,678	18,683
Lump sum death benefits	2,800	2,786
Total	104,421	111,117

Analysis of Total Benefits

	2012 / 13 £000	2013 / 14 £000
Administering Authority	24,445	26,025
Scheduled Bodies	62,807	66,836
Admitted Bodies	17,169	18,256
Total	104,421	111,117

10. Leavers

	2012 / 13 £000	2013 / 14 £000
Refunds to members leaving service	1	13
Payments for members joining state scheme	28	2
Individual transfers to other schemes	6,074	5,683
Total	6,103	5,698

11. Administrative Expenses

	2012 / 13 £000	2013 / 14 £000
Administration and processing	1,565	1,590
Actuarial Fees	83	111
Audit Fee	65	29
Total	1,713	1,730

12. Investment Income

	2012 / 13 £000	2013 / 14 £000
Income from fixed interest securities	5,454	4,784
Dividends from equities	60,678	65,943
Income from Index-Linked Securities	1,545	1,590
Income from pooled investment vehicles	4,890	3,829
Net rents from properties (see note below)	6,204	7,035
Interest on cash deposits	1,129	864
Total	79,900	84,045

Rental Income and Property Expenses	2012/ 13 £000	2013 / 14 £000
Gross Rental income	7,197	7,590
Property Expenses	(993)	(555)
Net Rents from Properties	6,204	7,035

13. Investment Assets

	Value at 31 March 2013 £000	Purchases at Cost £000	Sale Proceeds £000	Change in Market Value £000	Value at 31 March 2014 £000
Fixed interest securities	145,290	58,035	(68,464)	(14,255)	120,606
Equities	2,113,960	274,458	(170,099)	(32,100)	2,186,219
Index-linked securities	80,045	7,674	(10,014)	(5,962)	71,743
Pooled Investment Vehicles	315,897	12,608	(54,641)	81,088	354,952
Properties	109,245	13,400	(127)	467	122,985
	2,764,437	366,175	(303,345)	29,238	2,856,505
Cash Deposits	129,300				132,200
Other Investment Balances	22,604				21,779
	2,916,341				3,010,484

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 £47,504,000 and unrealised loss was £18,266,000.

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 £1,694,520 (2013 – £1,303,987). 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.

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 2013/14 the value at 31 March 2014 of the direct property portfolio	
was	£122,985,000
For 2012/13 the value at 31 March 2013 of the direct property portfolio	
was	£109,224,950

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

The Fund does not have any single investment over 5% of the net assets of the scheme. The following investments represent more than 5% of any class or type of security.

Asset Class / Security	Market Value 31 March 2013	% of asset class	Market Value 31 March 2014	% of asset class
	£'000		£'000	
UK Fixed Interest				
BAT INTL FINANCE 7.25% MTN 12/03/24 GBP	3,504	6.93%	3,301	6.94%
DEUTSCHE TELEKOM INT FIN 5.625% 07/2013	2,607	5.16%	-	-
GAZ CAPITAL SA 6.58% MTN 31/10/13 GBP	2,562	5.06%	-	-
TESCO 5% MTN 24/03/23 GBP50000	2,555	5.05%	-	-
TREASURY 1.75% 07/09/22 GBP0.01	3,205	6.34%	-	-
TREASURY 5% 07/03/2025 GBP100	2,529	5.00%	-	-
HSBC BANK FRN16/05/2016	-	-	3,007	6.32%
NATIONAL GRID 6.125% 15/04/2014	-	-	3,062	6.43%
TREASURY 1.75% 07/09/22 GBP0.01	-	-	3,006	6.32%
UK Index-Linked				
Network Rail Infra 1.375% IDX/LKD 22/11/37 GBP	4,928	7.71%		
UK(Govt of) 1.125% I/L STK 22/11/37 GBP100	3,350	5.24%		
UK(Govt of) 1.25% IDX-LKD 22/11/27 GBP	5,265	8.24%		
UK(Govt of) 2% I/L STK 26/01/35 GBP0.01	6,332	9.91%		
UK(Govt of) 2.5% I/L STK 17/07/24 GBP	2,800	4.38%		
UK(Govt of) 4.125% I/L STK 22/07/30 GBP	6,819	10.67%		
UK(Govt of)1.25% I/L STK 22/11/2032	6,650	10.41%		
UK(Govt of)1.25% I/L STK 22/11/2027	5,265	8.24%		
NATL GRID GAS PLC 4.1875%IDX LKD BDS 14/12/2022	-	-	3,008	5.23%

NETWORK RAIL INFRA 1.375% IDX/LKD 22/11/37 GBP	-	-	4,799	8.34%
TREASURY 1.125% I/L 22/11/37 GBP	-	-	3,190	5.55%
TREASURY 1.25% I/L 22/11/2032	-	-	6,190	10.76%
TREASURY 1.25% I/L 22/11/27 GBP	-	-	4,837	8.41%
TREASURY 2% I/L 26/01/35 GBP0.01	-	-	5,938	10.33%
TREASURY 4.125% I/L 22/07/30 GBP	-	-	6,251	10.87%
UK Equities				
HSBC HLDGS ORD USD0.50(UK REG)	68,572	6.13%	60,740	5.18%
VODAFONE GROUP ORD USD0.11428571	56,409	5.07%	-	-
Property				
Direct - Birmingham (Bromford Central)	10,250	6.94%	9,900	6.14%
Direct - Dorchester (Dorchester Retail Park)	7,100	4.81%	-	-
Direct - Loughton (Langston Road)	7,250	4.91%	-	-
Direct - Reading (26/28 Broad Street)	7,950	5.39%	-	-
Direct - Stow-on-the-Wold (Fosse Way)	12,450	8.43%	13,525	8.39%
Royal London Property Investment	8,225	5.57%	8,899	5.52%
Standard Life Investments European Property Growth Fund	14,506	9.83%	13,656	8.47%
Alternatives				
Close Fd Mgmt Beacon Investment	6,879	7.92%	-	-
Darwin Leisure Prop Units Cls 'C'	10,423	12.00%	13,145	18.68%
GS Intl Infrastructure Partners	6,074	6.99%		
Innisfree PFI Continuation Fund	8,450	9.73%	9,526	13.54%
INNISFREE PFI SECONDARY FUND 2	4,567	5.26%	5,930	8.43%

MFC Powershares DB Agriculture Fund	8,526	9.81%	-	-
MFC United States Oil Fund LPUnits	16,017	18.43%	-	-
Thames River Water and Agriculture Absolute Return Fund	6,211	7.16%	-	-
ETFS Metal Security Physical Gold	7,183	8.27%	6,766	9.62%
AXAFRAMLINGTON BIOTECH FUND R AC	-	-	4,116	5.85%
F&C WATER & AGRICULTURE EQUITY LONG/SHORT FUND	-	-	6,335	9.00%
NIMROD SEA ASSETS LTD	-	-	4,544	6.46%
POWERSHARES DB MULTI SECTOR COMMODITY AGRICULTURE FUND	-	-	8,496	12.08%
UNITED STATES OIL FUND LP UNITS	-	-	8,224	11.69%

Geographical Analysis of Investments

	2012 / 13		2013 / 14	
	£000	%	£000	%
United Kingdom	1,396,715	52%	1,600,010	56%
United States	279,496	10%	263,364	9%
Hong Kong	153,216	6%	105,667	4%
Japan	147,803	5%	153,666	5%
Australia	110,265	4%	129,782	5%
Germany	68,116	2%	86,979	3%
Switzerland	66,169	2%	68,248	2%
Republic of Korea	63,116	2%	83,807	3%
Singapore	59,770	2%	52,586	2%
France	55,114	2%	71,403	2%
Taiwan	-	0%	63,649	2%
Others	364,657	13%	177,344	7%
Total	2,764,437	100.00%	2,856,505	100.00%

Fixed Interest Securities

	2012 / 13 £000	2013 / 14 £000
UK public sector quoted	50,573	47,590
Overseas public sector quoted	94,717	73,016
Total	145,290	120,606

Equities

	2012 / 13 £000	2013 / 14 £000
UK quoted	1,078,631	1,080,435
Overseas quoted	1,035,329	1,105,784
Total	2,113,960	2,186,219

Index-linked securities

	2012 / 13 £000	2013 / 14 £000
UK quoted	63,654	57,508
Overseas quoted	16,391	14,235
Total	80,045	71,743

Pooled Investment Vehicles

	2012 / 13 £000	2013 / 14 £000
Unit and Investment trusts	134,008	200,830
Overseas	181,889	154,122
Total	315,897	354,952

UK Properties

	2012 / 13 £000	2013 / 14 £000
Freehold	75,820	87,385
Leasehold	33,425	35,600
Total	109,245	122,985

The properties were valued on the basis of Market Value as at 31 March 2014 by Cushman and Wakefield LLP acting as an External Valuer, in accordance with the RICS Valuation - Professional Standards. The valuer's opinion of the Market Value of the Fund's interests in the properties was primarily derived from analysis of recent market transactions concluded at arm's-length.

Cash Deposits

	2012 / 13 £000	2013 / 14 £000
Sterling Cash deposits	129,300	132,200

Other investment balances

	2012 / 13 £000	2013 / 14 £000
Cash deposits with custodian	3,435	3,497
Outstanding dividend entitlements	18,939	18,239
Interest due on cash deposits	230	43
Total	22,604	21,779

Outstanding Commitments

As at 31 March 2014, the Fund had outstanding commitments to five investments.

	Initial Commitment £000	Capital Payments made £000	Outstanding Commitment as at 31 March 2014 £000
Capital NE No1 Ltd Partnership	750	750	0
Granville Northern Private Equity Fund	3,000	2,499	501
Innisfree PFI Continuation Fund	10,000	9,708	292
Innisfree PFI Secondary Fund 2	10,000	6,024	3,976
Teesside Private Equity Fund	1,960	1,415	545
Total	25,710	20,396	5,314

14. Investment management expenses

	2012 / 13 £000	2013 / 14 £000
Administration, management and custody	1,367	1,118

The investments of the Fund are wholly managed by the Loans and Investments Unit of Middlesbrough Council, in accordance with the Statement of Investment Principles.

15. Current assets

Receivables		2012 / 13 £000	2013 / 14 £000
Other receivables		2,394	4,565
Other receivables – Group transfer debtor		0	27,800
System receivables		764	921
Contributions due in respect of	Employers	5,036	5,067
	Members	2,059	2,038
Cash balances		3,651	238
Total		13,904	40,629

Analysis of Receivables		2012 / 13 £000	2013 / 14 £000
Central government bodies		-	-
Other local authorities		6,800	8,351
NHS bodies		-	-
Public corporations and trading funds		-	-
Other entities and individuals		3,453	32,040
Sub-total		10,253	40,391
Add cash balances		3,651	238
Total		13,904	40,629

16. Receivables due over 1 year

	2012 / 13 £000	2013 / 14 £000
Capital cost of early retirements	1,918	935

Analysis of receivables due over 1 year		2012 / 13 £000	2013 / 14 £000
Central government bodies		-	-
Other local authorities		1,918	935
NHS bodies		-	-
Public corporations and trading funds		-	-
Other entities and individuals		-	-
Total		1,918	935

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

17. Current liabilities

	2012 / 13 £000	2013 / 14 £000
Rents received in advance	947	1,047
Accrued expenses	1,015	941
Other payables	600	833
Total	2,562	2,821

	2012 / 13 £000	2013 / 14 £000
Analysis of Creditors		
Central government bodies	-	-
Other local authorities	1,100	941
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	1,462	1,880
Total	2,562	2,821

18. Related Party Transactions

The Fund is administered by Middlesbrough Council which is a related party as defined by International Accounting Standard 24 (IAS 24) 'Related Party Disclosures'. IAS 24 requires disclosure of information on related party transactions.

In its position as Administering Authority Middlesbrough Council has recharged scheme administration services to the Fund as follows;

	2012 / 13 £000	2013 / 14 £000
Support Service Recharges payable for the year and outstanding at the year end	166	322

In addition Middlesbrough Council had a £260 million, 10 year partnership with Mouchel Business Services for the provision of business, finance, IT, HR and other support services which commenced 1st June 2001. The partnership was subsequently extended for a further 5 years to 31 May 2016.

19. 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 2013 using the 'Projected Unit Method' which produced the following results;

	£ million
Net Liabilities	2,919
Assets	2,956
Surplus	37
Funding Level	101.27%

IAS19/26 Disclosure

Following the introduction of International Financial Reporting Standards (IFRS) the Fund is now required, under International Accounting Standard (IAS)26 “Accounting and Reporting by Retirement Benefit Plans” (January 1987), to disclose the actuarial present value of promised retirement benefits. The calculation of this disclosed amount must be determined in accordance with IAS19 “Employee Benefits” (February 1998).

An IAS26/19 valuation was carried out for the Fund as at 31 March 2014 by Aon Hewitt with the following results;

	£ million
Net Liabilities	3,698
Assets	3,065
Deficit	633

These figures are presented for the purposes of IAS19 only. They are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2014 were:	
RPI increases	3.4% per annum
CPI increases	2.4% per annum
Salary increases	3.9% per annum
Pension increases	2.4% per annum
Discount rate	4.3% per annum

The assumed life expectancy from age of 65 (years)	
Longevity at 65 for current pensioners:	
Men	22.90
Women	25.40
Longevity at 65 for future pensioners :	
Men	25.10
Women	27.70

20. 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 and Phoenix Life PLC. These contributions are not part of the Pension Fund and are not reflected in the Fund's accounts in accordance with regulation 5c of the Pension Scheme (Management and Investment of Funds) Regulations 1998. The value of AVC investments are as follows:

Prudential AVC balances

	2012/13 £000	2013/14 £000
With Profits and Deposit Accounts	3,630	3894
Unit Linked Accounts	1,723	1,685
Total	5,353	5,579

The total value of AVC contributions paid to Prudential during the year was £1,099,030.

The value of investments at, and contributions paid to, Phoenix Life were not available from the provider at the time this document was prepared.

21. Financial Instruments

Net Gains and Losses on Financial Instruments

Financial Assets	2012/13 £000	2013/14 £000
Fair Value through profit and loss	264,322	29,238
	264,322	29,238

Fair Value of Financial Instruments

Fair Value through profit and loss	Fair Value	Carrying Value	Fair Value	Carrying Value
	31 March 2013		31 March 2014	
	£000	£000	£000	£000
Fixed Interest Securities	145,290	145,290	120,606	120,606
Equities	2,113,960	2,113,960	2,186,219	2,186,219
Index-linked securities	80,045	80,045	71,743	71,743
Pooled Investments	315,897	315,897	354,952	354,952
Properties	109,245	109,245	122,985	122,985
	2,764,437	2,764,437	2,856,505	2,856,505
Loans and receivables	152,754	151,904	154,149	153,979
	2,917,191	2,916,341	3,010,654	3,010,484

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.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

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 fund of 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. Cashflow 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 instrument carried at fair value

Value as at 31st March 2014	Quoted Market Price Level 1 £000	Using Observable inputs Level 2 £000	With significant unobservable Level 3 £000
Financial assets at fair value through profit and loss account	2,647,501	122,985	86,019
Loans and receivables	154,149	-	-
Total Financial Assets	2,801,650	122,985	86,019

Value as at 31st March 2013	Quoted Market Price Level 1 £000	Using Observable inputs Level 2 £000	With significant unobservable Level 3 £000
Financial assets at fair value through profit and loss account	2,561,177	109,245	94,015
Loans and receivables	152,754	-	-
Total Financial Assets	2,713,931	109,245	94,015

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 cashflows.

Responsibility for the fund's risk management strategy rests with the Teesside Pension Fund and Investment Panel. The Funding Strategy Statement and the Statement of Investment Principles 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 council 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 Investment Panel.

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 Statement of Investment Principles.

Other Price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the W M Company (performance monitoring company), the Fund has determined that the following movements in market price risk are reasonably possible for the 2013/14 reporting period.

2013 / 14 Price Risk		Value	Change	Value on Increase	Value on Decrease
Asset Type	Region	£000	%	£000	£000
Equities	UK	1,080,435	12.07%	1,210,844	950,026
	OVERSEAS	1,105,784	12.38%	1,242,680	968,888
Equities Total		2,186,219		2,453,524	1,918,914

Fixed Interest Securities	UK	47,590	5.00%	49,970	45,211
	OVERSEAS	73,016	7.14%	78,229	67,803
Fixed Interest Securities Total		120,606		128,199	113,013
Index Linked	UK	57,508	7.59%	61,873	53,143
	OVERSEAS	14,235	7.14%	15,251	13,219
Index Linked Total		71,743		77,124	66,362
Managed and Unitised Funds	UK	200,830	12.07%	225,070	176,590
	OVERSEAS	154,122	12.38%	173,202	135,042
Managed and Unitised Funds Total		354,952		398,272	311,632
Property	UK	122,985	1.25%	124,522	121,448
Property Total		122,985		124,522	121,448
Grand Total		2,856,505		3,181,641	2,531,369

2012 / 13 Price Risk		Value	Change	Value on Increase	Value on Decrease
Asset Type	Region	£000	%	£000	£000
Equities	UK	1,078,631	12.9%	1,217,774	939,488
	OVERSEAS	1,035,329	13.3%	1,173,028	897,630
Equities Total		2,113,960		2,390,802	1,837,118
Fixed Interest Securities	UK	50,573	4.5%	52,849	48,297
	OVERSEAS	94,717	6.9%	101,252	88,182
Fixed Interest Securities Total		145,290		154,101	136,479
Index Linked	UK	63,654	7.0%	68,110	59,198
	OVERSEAS	16,391	6.9%	17,522	15,260
Index Linked Total		80,045		85,632	74,458
Managed and Unitised Funds	UK	134,008	12.9%	151,295	116,721
	OVERSEAS	181,889	13.3%	206,080	157,698
Managed and Unitised Funds Total		315,897		357,375	274,419

Property	UK	109,245	1.4%	110,774	107,716
Property Total		109,245		110,774	107,716
Grand Total		2,764,437		3,098,685	2,430,189

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 2014 and 31 March 2013 is set out below.

Asset Type	As at 31 March 2013 £000	As at 31 March 2014 £000
Cash and cash equivalents	129,300	132,200
Cash balances	22,604	21,779
Fixed interest securities	145,290	120,606
Total	297,194	274,585

Interest rate risk

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 BPS change in interest rates.

Asset Type	Carrying amount as at 31 March 2014 £000	Change in year in the net assets available to pay benefits	
		+ 25 BPS £000	- 25 BPS £000
Cash and cash equivalents	132,200	331	(331)
Cash balances	21,779	54	(54)
Fixed interest securities	120,606	302	(302)
Total	274,585	686	(686)

Asset Type	Carrying amount as at 31 March 2013	Change in year in the net assets available to pay benefits	
		+ 25 BPS £000s	- 25 BPS £000s
Cash and cash equivalents	129,300	323	(323)
Cash balances	22,604	57	(57)
Fixed interest securities	145,290	363	(363)
Total	297,194	743	(743)

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 Investment Panel are informed quarterly of the Fund's currency exposure.

The following tables summarise the fund's currency exposure as at 31 March 2014 and as at 31 March 2013, showing the sensitivity analysis of foreign exchange movements.

Currency Risk (by currency)	2013 / 14			
	Value	Change	Value on Increase	Value on Decrease
Currency	£000s	%	£000s	£000s
Australian Dollar	128,564	9.80%	141,163	115,965
Canadian Dollar	10,045	6.04%	10,652	9,438
Chinese Yuan	6,182	5.21%	6,504	5,859
Danish Krone	17,635	6.26%	18,739	16,531
EURO	197,768	6.31%	210,247	185,289
Hong Kong Dollar	105,667	7.98%	114,099	97,234
Indian Rupee	4,907	10.84%	5,438	4,375
Japanese Yen	153,666	11.54%	171,399	135,933
South Korean Won	83,807	6.56%	89,305	78,309
Malaysian Ringet	2,345	7.02%	2,510	2,181
Norwegian Krone	30,725	8.79%	33,426	28,024
New Zealand Dollar	3,570	10.04%	3,928	3,211
Swedish Krona	34,059	7.03%	36,453	31,665
Singapore Dollar	52,586	5.71%	55,589	49,583
Swiss Franc	69,277	7.42%	74,417	64,136
Taiwan Dollar	63,649	5.63%	67,232	60,065
Thai Baht	60	7.41%	64	55
US Dollar	289,436	8.07%	312,793	266,078

Asia Pacific ex Japan Basket	35,226	6.11%	37,379	33,074
Emerging Basket	34,074	6.37%	36,245	31,904
Europe Basket	49,116	4.08%	51,120	47,112
Europe ex UK Basket	13,656	6.01%	14,477	12,836
Global Basket	11,867	5.21%	12,486	11,252
Total	1,397,887	7.7%	1,505,665	1,290,109

Currency Risk (by currency)	2012 / 13			
Currency	Value	Change	Value on Increase	Value on Decrease
	£000s	%	£000s	£000s
Australian Dollar	110,265	10.0%	121,292	99,239
Canadian Dollar	14,190	5.6%	14,985	13,395
Danish Krone	13,684	7.7%	14,738	12,630
EURO	187,131	7.8%	201,727	172,535
Hong Kong Dollar	153,216	8.5%	166,239	140,193
Indian Rupee	9,795	9.3%	10,706	8,884
Indonesian Rupiah	1,130	7.1%	1,210	1,050
Japanese Yen	147,803	11.8%	165,244	130,362
Malaysian Ringet	4,486	6.4%	4,773	4,199
New Zealand Dollar	2,071	9.5%	2,268	1,874
Norwegian Krone	37,890	9.0%	41,300	34,480
Singapore Dollar	59,770	5.8%	63,237	56,303
South Korean Won	63,116	7.6%	67,913	58,319
Swedish Krona	32,679	8.1%	35,326	30,032
Swiss Franc	66,169	9.4%	72,389	59,949
Taiwan Dollar	36,090	7.2%	38,688	33,492
Thai Baht	93	7.9%	100	86
US Dollar	279,496	8.7%	303,812	255,180
Global Basket	16,673	5.3%	17,557	15,789
Europe ex UK Basket	50,508	7.2%	54,145	46,871
Asia Pacific ex Japan Basket	37,706	6.3%	40,081	35,331
Emerging Basket	43,760	6.4%	46,561	40,959
Total	1,367,721	8.5%	1,484,290	1,251,152

Following analysis of historical data in consultation with the WM Company (performance monitoring company), the council 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 is considered as part of the investment decisions made by the Investment Managers as part of their portfolio construction.

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 31 March 2014. 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 and infrastructure partnerships, there are no commitments to contribute further capital to any of the existing Fund investments. When private equity and infrastructure partnership capital calls are received, payments are made from cash or, if there are insufficient cash funds available, other assets are realised.

22. Events after the Balance Sheet Date

There has been a group transfer out of £75.1 million to Legal and General Assurance on behalf of The Greater Manchester Pension Fund in October 2014. £27.8 million of this transfer out refers to the group transfer into Teesside Pension Fund from Durham Pension Fund, in relation to the Durham and Tees Valley Probation Trust.

Teesside Pension Fund

Statement of the Actuary for the year ended 31 March 2014

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Teesside Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £2,956.3M) covering 101% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 is:
 - 14.4% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

Less

- 0.9% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 11 years from 1 April 2014.
3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
 4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.
 5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate	5.4% p.a.
Rate of pay increases	3.9% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were

signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2016.

8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, Middlesbrough Borough Council, the Administering Authority of the Fund, in respect of this Statement.

9. The report on the actuarial valuation as at 31 March 2013 is available on the Fund's website at the following address:
http://www.teespen.org.uk/documents/content/pdf/Valuation/Valuation_2013.pdf

Aon Hewitt Limited

29 May 2014

The Compliance Statement

Changes to the Local Government Pension Scheme Regulations

From April 2008 the Fund was governed by the following regulations;

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007

The Local Government Pension Scheme (Administration) Regulations 2008, and

The Local Government Pension Scheme (Transitional Provisions) Regulations 2008

The new regulations have made significant changes to the scheme. Full details of the changes to the scheme, along with updated scheme guides, are on our website at www.teespen.org.uk.

Statement of Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds)(Amendment) Regulations 1999 require that Local Government Pension Scheme's administering authorities prepare, publish and maintain Statements of Investment Principles (SIP). The current version of the Teesside Pension Fund SIP was approved in September 2013 and contains statements on;

1. Investment responsibilities
2. The Myners Principles
3. Types of investments to be held
4. The balance between different types of investment
5. Risk
6. Investment Objective
7. The realisation of investments
8. Fund Investment Strategy: Ethical, Social and Environmental Perspective
9. Shareholder Governance
10. Performance Measurement
11. Compliance and Monitoring

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

The Funding Strategy Statement

The Local Government Pension Scheme (Amendment) Regulations 2004 established the requirement for 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;

1. The purpose of the Statement
2. The aim and purpose of the Fund

3. The responsibilities of the key parties
4. The solvency of the Fund
5. The identification of risks to the Fund
6. The links to the Statement of Investment Principles
7. Future Monitoring

The latest Funding Strategy Statement was approved by the Pensions Panel and was effective from March 2014, and can be seen at <http://www.teespen.org.uk/documents/index.php?name=FSS>

Governance Policy

Under the Local Government Pension Scheme (amendment) (No.2) Regulations 2005 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, has drawn up a Governance Policy which sets out the procedures for the governance of the Fund, with the main areas covered being:

1. Frequency of meetings
2. Structure of the meetings
3. Membership
4. Principles of governance

The current policy document can be viewed at <http://www.teespen.org.uk/documents/index.php?name=GOVERNANCE>

Communications Policy

The Teesside Pension Fund actively seeks to communicate 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 you 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

Myners Investment Principles : Compliance Statement

The LGPS (Management & Investment of Funds) Regulations require that Funds comply with the Myners Investment Principles or explain non-compliance.

The Fund's position is:

Principle 1: Effective decision-making.

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.

Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

☺ **Full Compliance**

Principle 2: Clear Objectives

Trustees should set out an overall investment objective for the Fund that takes account of the scheme's liabilities, the strength of the sponsor covenant, as well as the attitude to risk of both the trustees and the scheme sponsor, and clearly communicate these to advisors and investment managers.

☺ **Full Compliance**

Principle 3: Risks and Liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of the Fund's liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

☺ **Full Compliance**

Principle 4: Performance assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisors. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

☺ **Full Compliance**

Principle 5: Responsible ownership

Trustees should adopt, or ensure that their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities.

☺ **Full Compliance**

Principle 6: Transparency and Reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to scheme members in the form they consider most appropriate.

😊 **Full Compliance**

Summary of LGPS Benefits

Local Government Pension Scheme in England and Wales
Key features pre/post 1 April 2008


		Service to 31/03/2008	Service from 01/04/2008																											
1	Type of Scheme	Final salary	Final salary																											
2.	Relationship with S2P	Contracted-out	Contracted-out																											
3.	Employees Covered	All	All																											
4.	Normal Retiring Age (NRA)	65 With Rule of 85 protected for service to 31/3/08, for members before 1/10/06	65 Rule of 85 goes for future service from 1/4/08, subject to transitional protections. Transitional protections: DOB < 1/4/56: Rule of 85 stays for service up to 1/4/16 DOB 1/4/56 – 31/03/60: Those who satisfy Rule of 85 before 1/4/2020 will be subject to lower reductions on early retirement (sliding scale by date of satisfying Rule of 85).																											
5.	Pensionable Pay (PP)	Normal salary plus any other payments or benefits specified as pensionable in member's contract of employment	Normal salary plus any other payments or benefits specified as pensionable in member's contract of employment																											
6.	Averaging period for Determining Final Pensionable Pay (FPP)	Generally PP in last year. Better of prior 2 years used if higher	Best year's PP in last 3 Or on reduction in responsibility members may elect for 'revalued' average of best 3 consecutive years salary in the last 10 years (to each 3 ^{1/3}) of service if better.																											
7	Members Contributions	6% 5% manual workers in scheme < 31/03/98	<table><tr><th colspan="3">Tiered contributions from 01/04/2010</th></tr><tr><th>Band</th><th>Range £</th><th>Contribution Rate</th></tr><tr><td>1</td><td>0 – 12,600</td><td>5.5%</td></tr><tr><td>2</td><td>12,601 – 14,700</td><td>5.8%</td></tr><tr><td>3</td><td>14,701 – 18,900</td><td>5.9%</td></tr><tr><td>4</td><td>18,901 – 31,500</td><td>6.5%</td></tr><tr><td>5</td><td>31,501 – 42,000</td><td>6.8%</td></tr><tr><td>6</td><td>42,001 – 78,700</td><td>7.2%</td></tr><tr><td>7</td><td>> 78,700</td><td>7.5%</td></tr></table> New entrants are placed in a band based on their pensionable pay. They then pay the contribution rate indicated on the whole of their pensionable pay. Members can change band on a material change in terms and conditions of employment. Bands to increase annually with CPI. Transitional protection for members originally paying 5% - contributions were 5.25% in 2008/9, 5.5% in 2009/10, 6.5% in 2010/11 (or the value from the table above if lower)	Tiered contributions from 01/04/2010			Band	Range £	Contribution Rate	1	0 – 12,600	5.5%	2	12,601 – 14,700	5.8%	3	14,701 – 18,900	5.9%	4	18,901 – 31,500	6.5%	5	31,501 – 42,000	6.8%	6	42,001 – 78,700	7.2%	7	> 78,700	7.5%
Tiered contributions from 01/04/2010																														
Band	Range £	Contribution Rate																												
1	0 – 12,600	5.5%																												
2	12,601 – 14,700	5.8%																												
3	14,701 – 18,900	5.9%																												
4	18,901 – 31,500	6.5%																												
5	31,501 – 42,000	6.8%																												
6	42,001 – 78,700	7.2%																												
7	> 78,700	7.5%																												

8	Normal Retirement Pension to Member Lump Sum	$\frac{1}{80}$ $\frac{3}{80}$ Plus increased lump sum by commutation £12:£1	$\frac{1}{60}$ By commutation: Single factor £12:£1
	Dependant's Pension (as defined in 15)	$\frac{1}{160}$ No service maximum	$\frac{1}{160}$ No service maximum
9	Pension Increases	RPI	CPI
10.	Ill Health Retirement	Single tier Permanently unable to do own/comparable job Unreduced pension Service enhanced 2 to 5 – accrued 5 to 10 – service doubled 10 to 13 $\frac{1}{3}$ - Service enhanced to 20 years over 13 $\frac{1}{3}$ - additional 6 $\frac{2}{3}$ Subject in all cases to maximum enhancement of potential service to 65	3 tier. Payable after 3 months to a member who is permanently incapable of doing their own job and who has a reduced likelihood of obtaining gainful employment. 3 rd - unable to undertake gainful employment on cessation, but likely to do so within 3 years: Unreduced, no enhancement, payable for lesser of 3 years or until return to gainful employment (subject to review after 18 months if still receiving benefit) 2 nd - unable to undertake gainful employment on cessation, and unlikely to do so within 3 years but likely to do so before NRA: Unreduced, service enhanced by 25% of prospective service to NRA with transitional protection of old entitlements for members over 45 at 1/04/2008. 1 st - unable to undertake any employment and no reasonable prospect of obtaining gainful employment before NRA: Unreduced, service enhanced by full prospective service up to the age of 65. (part timers get proportionate enhancements) Transitional protection of old entitlements for all retirements before 1/10/08.
11.	Dependant's Pension on Death in Service (payable to dependants as defined in 15 below)	If service > 3 months 50% x ill health pension. Otherwise $\frac{1}{160}$ x accrued service	$\frac{1}{160}$ x full prospective service
12.	"Spouse's" Short Term Pension Death in Service Death after Retirement	3 months x salary (6 months if dependent children) 3 months x member's pension (6 months if dependent children) Short-term children's pensions in addition. (no longer applies)	None from 1/4/08
13.	Lump Sum Death Benefits Death in Service Death after Retirement	2 x PP 5 year guarantee less pension already received (for death before age 75)	3 x FPP 10 year guarantee less pension already received (for death before age 75)

14.	Children's Pensions	25% x Notional pension for maximum of 2 children	If dependant pension payable 1 child - 50% x dependant's pensions
		Orphans 33% x Notional pension * per child for maximum of 2 children	>1 child - (100% x dependant's / N° children) to each child If no dependant pension payable
		* For death in service the notional pension is the ill health pension or a pension based on the lesser of 10 years and full service to 65 where this is higher. For deaths after leaving or retirement % generally based on member's entitlement at death	1 child - $\frac{2}{3}$ % x dependant's pensions >1 child - ($1\frac{1}{3}$ x dependant's / N° children) to each child NB for DIS full prospective service taken into account in calculating dependant's pension
15.	'Dependants' provision	Widow(er)s Registered civil partners some limits on post retirement espousment	Widow(er)s Registered civil partners Nominated cohabiting partners - declaration signed by both parties - financial dependence or interdependence - cohabiting as husband/wife or civil partners for over 2 years - free to marry or enter civil partnership (some limits on service counted for dependants other than widows)
16.	Cessation on remarriage or co-habitation	No if the member was in active service on or after 1/4/98. Yes if the member left or retired before this date.	No
17	Withdrawal Benefits on Leaving At least 3 months Total Reckonable Service Preserved Benefits	$\frac{1}{80}$ payable from NRA + $\frac{3}{80}$ LS + $\frac{1}{160}$ dependant's benefit	$\frac{1}{60}$ payable from NRA (LS by commutation) + $\frac{1}{160}$ dependant's benefit
	Increases before Retirement Death before Retirement Transfer Value Children's pensions Ill health pension Less than 3 months Total Reckonable Service	RPI Pension: $\frac{1}{160} + \frac{3}{80}$ LS Yes Yes Yes Refund of contributions or transfer value	RPI Dependant's pension: $\frac{1}{160}$ service + 5 x pension LS Yes Yes Yes Refund of contributions or transfer value

18.	Refunds to Unmarried Members at Retirement	No	No
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Note: This summary is for information only and should not be relied upon as a definitive description of scheme benefits. Before any actions are taken on the basis of the summary, reference should first be made to the scheme regulations which will prevail if the two differ.



Source : GOVERNMENT ACTUARY'S DEPARTMENT

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. All pensions are subject to the increase with the exception of those pensions awarded on redundancy where the member is under the age of 55 years. These pensions are subject to 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 %
2002	1.7%
2003	1.7%
2004	2.8%
2005	3.1%
2006	2.7%
2007	3.6%
2008	3.9%
2009	5.0%
2010	0.0%
2011	3.1%
2012	5.2 %
2013	2.2%

Contacts and further information

Contacts	
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A copy of this report, and those for previous years, is available on our web site at www.teespen.org.uk	