

Teesside Pension Fund

Annual Report and Accounts
for the year ended

31st March 2016

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Report of those charged with Governance

Chairman's Introduction

Over the past few years, there has been increasing scrutiny over the Local Government Pension Scheme (LGPS). The Hymans Robertson report of 2013 was followed up after this year's General Election with a number of key speeches from the Chancellor of the Exchequer. Each LGPS fund was asked to group themselves with partners to a scale of £25 billion or greater and for the partnership to present initial proposals for pooling assets and managing them on behalf of the fund from April 2018 onwards. After consideration, the Teesside Pension Fund decided to partner with the Borders to Coast Pension Partnership, a group of thirteen funds from across the country and a total size of £36 billion.

In the markets, the last twelve months has seen a mixed bag of performance across equity, bond and property markets. Equity markets were volatile again, with negative news flow out of China over falling growth rates, devaluation of their currency and monetary stimulus, which finally settled markets down at lower levels than the start of the year. The other issue concerning investors, and inevitably causing volatility, was the timing of a quarter point US rate increase. It appears that everyone knew their rates would rise for the most of 2015, but it only happened late in the year. When converted to GB pounds, most markets fell over the year with the exception of the US the Far East fell furthest out of the major markets by a considerable margin.

Bond markets ended the year relatively flat. This is probably inevitable given some Governments started to issue bonds with negative interest last year; there cannot be much more upside afterwards. UK property markets continued to perform, particularly in London, an attractive market to foreign investors.

A big financial story from last year was the rapid demise of the oil price. The price of Brent Crude fell from over \$100 a barrel to \$55 at 31 March 2015. Volatility continued over 2015/2016 too, with the oil price ending up \$40 a barrel.

The overall financial performance of the Fund for the year to 31 March 2016 was slightly negative. The Fund's value fell to £3.1 billion, a decrease over the year of approximately £100 million.

The membership of the Fund continues to increase, with total membership at the year-end now standing at 69,775, an increase of 1,721 over last year. The number of active members has increased by 520 (2.3%) over the year, and decreased by 3.2% over the past five years. The number of pensioners increased by 558 (2.7%) over the year, and increased by 11.5% over the past five years. The number of deferred members increased last year by 643 (2.6%), and increased by 27% over the past five years.

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 £2.2 million from these early retirement recharges, down on last year figure of £5.5 million, a 60% decrease on last year.

Every three years the Fund actuary, AON Hewitt, carries out a full actuarial valuation of the Fund. The purpose of this is to calculate how much employers in the scheme need to contribute going forward to ensure that the Fund's liabilities, the pensions due to current and future pensioners, will be covered. Unlike 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 the last 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 2015 the scheme is governed by:

- The Local Government Pension Scheme Regulations 2013 (as amended); and
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

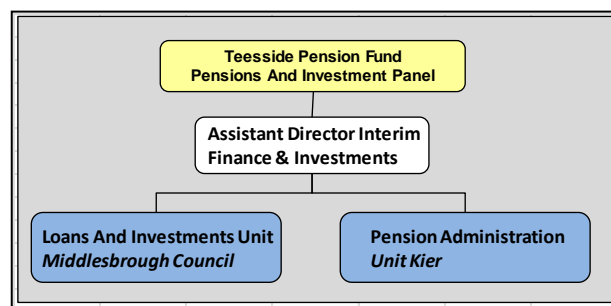
These regulations replaced the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008. Full details of the changes to the Scheme, along with updated scheme guides, are on our website at: www.teespen.org.uk.

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 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.

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 Assistant Director Interim Finance & Investments 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 Advisors.

The Teesside Pension Fund Pensions and Investment Panel

Panel membership and meeting attendance during the year 2015/2016

Members	With voting rights	17 Jun	16 Sep	9 Dec	9 Mar
Chair	Councillor SE Bloundele	✓	✓	✓	✓
Vice Chair	Councillor J Rostron		✓	✓	✓
Middlesbrough Council	Councillor B Brady	✓		✓	✓
	Councillor JG Cole			✓	✓
	Councillor DP Coupe	✓	✓	✓	✓
	Councillor J Culley	✓	✓	✓	
	Councillor N Hussain				
	Councillor D McCabe	✓		✓	
	Councillor G Purvis		✓	✓	✓
	Councillor J Rathmell	✓			✓
	Councillor A Shan	✓	✓		
Redcar & Cleveland Borough Council	Councillor N Bendelow			✓	
Stockton Borough Council	Councillor J Beall	✓	✓	✓	
Hartlepool Borough Council	Councillor J Lindridge	✓	✓	✓	✓
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.

Teesside Pension Board

The Public Service Pensions Act 2013 set out changes to the governance arrangements for all public sector pension schemes. The Teesside Pension Fund and Investment Panel is still the main decision making committee for the Fund, whereas the Teesside Pension Board assists Middlesbrough Borough Council, as the Administering Authority, to:

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

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

- a) Three Employer representatives; and
- b) Three Scheme Member representatives.

Fund Administrators and Advisors

Administration

Chief Finance Officer	Mr. Mark D Taylor
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
Auditors	Ernst & Young LLP
Investment Advisors	Mr Peter Moon & Mr Fred Green
Property Managers	CBRE
Custodian	BNP Paribas Securities Services
AVC Providers	Prudential Assurance, Phoenix Life
Bankers	The NatWest Bank Plc

The Pensions Landscape

All of the major public sector schemes will face change from April 2015, with new public sector schemes established and operated in accordance with the Public Service Pensions Act 2013. However, due to its unique 'funded' status amongst these schemes, the LGPS changed a year earlier, avoiding increases to contribution rates ahead of April 2015 which the other schemes imposed. More detail on how the current LGPS compares to the earlier (2008) Scheme is contained in the "Summary of LGPS benefits" section.

Government changes to the wider pensions' landscape are also introduced from April 2015, promoting "Freedom and choice" whereby people will have greater flexibility in how and when they access their pension savings. These changes announced will largely impact upon defined contribution schemes and, due to the nature of the LGPS, should not have major impact upon the scheme or its operation.

The overall limits on tax relief available for pension saving have reduced further, with the annual allowance figure now set at £40,000 and the lifetime allowance reducing to £1 million from April 2016. The lifetime allowance limit is only breached by a very small proportion of LGPS membership, but the reduction to the annual allowance will mean that more members could face a potential tax charge in the future.

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

Scheme specific changes

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

From 1 April 2014:

- The LGPS became a Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor (the previous scheme was a final salary scheme).
- The scheme accrual rate is $1/49^{\text{th}}$, where the previous scheme was $1/60^{\text{th}}$.
- There is no fixed scheme pension age, instead each member's Normal Pension Age (NPA) is their State Pension Age, with a minimum of 65 (the former scheme had a fixed pension age of 65).
- Average member contributions to the scheme remain at 6.5% with the rate determined on actual pay (previously, part-time contribution rates were based 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 (earlier schemes had no such option).
- Members' benefits for service prior to 1 April 2014 are protected, including remaining 'Rule of 85' protection. Protected past service continues to be based on final salary and age 65 NPA.

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

Promoting Scheme Membership

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

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

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

With digital methods being discussed more and more, we will inevitably have to look at expanding our online offering to cater for the digital generation. Clearly, we cannot forget about those who are unable or who are not minded to embrace technology which will be one of our challenges in the coming years.

We have updated our communications to members which will hopefully keep things fresh for them. The same basic format has been retained as we felt this was important, but there has been a shift in our approach to writing the material – the feedback has been very good.

Risk management

The Statement of Investment Principles 2015 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.

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 2016, 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	36	20
Overseas Equities	48	40*
Bonds	3	16
Property	7	9
Cash	4	3
Alternatives	2	12**
Total	100	100

* includes Global Equity Investments Funds (incl. UK)

** includes Pooled Multi-Asset Funds

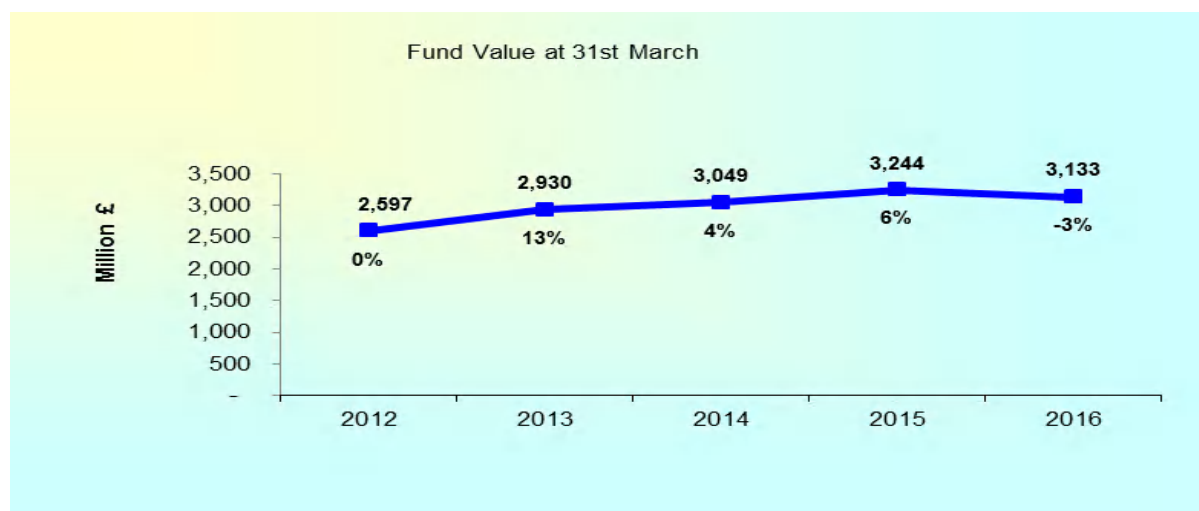
The result of holding an asset mix, which differs significantly from that of the average, is that investment performance returns can be volatile compared with those achieved by the average fund. This could result in periods of underperformance.

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 shows that the Scheme net asset value has decreased by 3%, compared to the previous year. Over the last 5 years, from 2011 value of £2,586 million, the value of the fund net assets has increased by 21%.



Finance Performance Report

	2011/12	2012/13	Re-stated 2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
Fund Value at the start of the year	2,586,495	2,596,664	2,929,601	3,049,227	3,243,794
Income	184,988	182,219	210,051	186,072	184,985
Expenditure	(109,841)	(113,604)	(121,358)	(206,109)	(131,993)
Change in Market Value of Investments	(64,978)	264,322	30,933	214,604	(163,668)
Increase in Fund during the year	10,169	332,937	119,626	194,567	(110,676)
Fund Value at the end of the year	2,596,664	2,929,601	3,049,227	3,243,794	3,133,118
Change in Fund Value %	0%	13%	4%	6%	-3%

Financial Highlights

	£000	£000	£000	£000	£000
Pensions Paid	77,256	83,943	89,648	94,860	98,348
Administration Costs *	1,531	1,565	1,579	1,599	1,558
Investment Management Costs	1,222	1,367	2,717	2,779	3,418
Oversight and Governance Costs			247	230	177

Membership

	2012	2013	2014	2015	2016
	No	No	No	No	No
Active	23,856	23,908	23,734	22,566	23,086
Deferred	19,717	20,738	22,144	24,429	25,072
Pensioner	19,389	19,850	20,648	21,059	21,617
Total	62,962	64,496	66,526	68,054	69,775

Fund Averages

	£	£	£	£	£
Fund value per member	41,242	45,423	45,835	47,665	44,903
Average Pension Paid	3,985	4,229	4,342	4,504	4,550
Total Investment management expenses cost per member	0	0	68	68	74
Administration Cost per member	24	24	24	23	22
Investment Management cost per member	19	21	41	41	49

* Excluding Actuarial , Legal and Audit costs

Note

Administration costs, Investment management costs, oversight and Governance costs have changed since prior year due to change in the management cost presentation as required by CIPFA guidance.

Analytical review of the financial year

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

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

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

Summary of Analytical Review 2015/16

Fund Account	Notes	2015/16 £ ' 000	2014/15 £ ' 000	Change
Contributions and Other Income				
Employers Normal and Deficit recovery	1	59,349	58,984	1%
Employers Additional	2	16	48	-67%
Employees Normal	3	25,691	25,488	1%
Transfers in	4	2,285	5,243	-56%
Capital Costs of Early Retirements	5	2,199	5,528	-60%
Other Income		1,133	1,228	-8%
Total Income		90,673	96,519	-6%
Benefits and Other Expenditure				
Benefits	6	98,348	94,860	4%
Benefits - Basic Lump Sum	7	19,364	23,701	-18%
Benefits - Lump Sums on Death		2,075	2,185	-5%
Individual & Bulk Transfers to other Schemes	8	6,758	80,635	-92%
Administrative Expenses	9	1,558	1,599	-3%
Investment Management Expenses	10	3,418	2,779	23%
Oversight and Governance Costs	11	177	230	-23%
Other Expenditure	12	295	120	146%
Total Expenditure		131,993	206,109	-36%
Return on Investments				
Dividends	13	84,672	79,701	6%
Rents	14	8,999	9,317	-3%
Interest	15	641	535	20%
Profit on Sale of Investments		109,112	62,088	76%
Unrealised (loss)/gain on Revaluation		(272,780)	152,516	-279%
Total Return on Investments		(69,356)	304,157	-123%
Net Increase in the Fund in the Year		(110,676)	194,567	-157%

Note

The analytical review of Administration expenses, Investment management expenses and oversight and Governance costs shows changes in the presentation of those costs as required by CIPFA guidance.

Explanation of variances (k= £'000)

	2015/16	2014/15	
1 Employers Normal Contributions & Deficit contributions - £'000	59,349	58,984	Increase of 1%

There has been a slight increase in employers' normal contributions of 1% in the year, which is mainly as a result of the 11 largest employers' pensionable pay.

	2015/16	2014/15	
2 Employers Additional Contributions - £'000	16	48	Fall of 67%

In 2015/16 there were a number of employers which paid additional contributions for example for authorised leave and maternity, this has fallen though in comparison to the previous year.

	2015/16	2014/15	
3 Employees Normal Contributions - £'000	25,691	25,488	Increase of 1%

Active membership has increased by 2.3% in 2015/16 with total employee contributions remaining constant, mainly resulting from the new scheme changes. The automatic enrolment process and the ability for employees to pay 50% contributions has had a positive effect in the year.

	2015/16	2014/15	
4 Transfers In - £'000	2,285	5,243	Fall of 56%

In 2015/16 118 transfers were received into the scheme at an average value of £19.3k, compared to 96 transfers at an average value of £ 54.5k in 2014/15

	2015/16	2014/15	
5 Capital Cost of Early Retirements - £'000	2,199	5,528	Fall of 60%

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

	Number	Total Cost	Average
Hartlepool Borough Council	13	£301,949	£23,227
Middlesbrough Council	32	£1,119,839	£34,995
Stockton Borough Council	21	£358,062	£17,051
Redcar & Cleveland Borough Council	11	£278,599	£25,327
Total	77	£2,058,449	£26,733

	2015/16	2014/15	
6 Benefits - £'000	98,348	94,860	Increase of 4%

Total cost has increased by 4% which in part is accounted for by the 1.2% Pensions Increase. There were 908 new pensioners retired in the year (2014/15, 868) to whom pensions of £2.8 million were paid (2014/15 £5.2 million).

7 Benefits - Basic Lump Sum - £'000

2015/16	2014/15	
19,364	23,701	Fall of 18%

There has been a decrease in the value of Lump Sums paid by 18% in the year with the number of recipients decreasing to 940 (2014/15 1049).

8**Individual Transfers to Other Schemes - £'000**

2015/16	2014/15	
6,758	80,635	Fall of 92%

Transfers out can vary markedly year on year depending on both numbers and the type of people transferring. For 2015/2016, the individual transfers' out value was £6,758k., a marked reduction from the previous year. In 2014/15, £75.1 million related to the group transfer out of Durham Tees Valley Probation to Greater Manchester Pension Fund. The number of transfers out was 133 in 2015/2016 (2014/2015 85).

	Number	Total Cost	Average
2015/16	133	£6,758,153	£50,813
2014/15	85	£5,485,357	£64,534

9 Administrative Expenses - £'000

2015/16	2014/15	
1,558	1,599	Fall of 3%

There has been a slight decrease of 3% in the year with 2015/16 and 2014/15 figures are stated according to the CIPFA guidance on accounting for management expenses.

10 'Investment Management Expenses - £'000

2015/16	2014/15	
3,418	2,779	Increase of 23%

There has been a significant increase in investment management expenses in 2015/16 due to an increase in transaction costs and increase in investment management support service charges. Both 2015/16 and 2014/15 figures include transaction costs that were previously included in the cost of assets, as per the new CIPFA guidance on accounting for management expenses.

11 Oversight and Governance Costs - £'000

2015/16	2014/15	
177	230	Fall of 23%

There has been a significant decrease fall of 23% in the year. This was due to lower actuarial expenses and lower overall transaction costs. Both 2015/16 and 2014/15 figures are including costs as designated by the new CIPFA guidance on accounting for management expenses.

12 Other Expenditure - £'000

2015/16	2014/15	
295	120	Increase of 146%

There has been a significant increase in other expenditure in the year as a result of increased refunds to leaving members.

13 Dividend Income - £'000	2015/16	2014/15	Increase of 6%
	84,672	79,701	

Overall Dividend Income has risen by £4.9 million (14/15 £3.6 million) which is due to increased income from equity and pooled investment vehicles offset against a reduction in income from fixed interest securities and index linked securities.

14 Rent - £'000	2015/16	2014/15	Fall of 3%
	8,999	9,317	

The Fund owns 24 properties on which the net income earned has decreased by £318k in the year. The fall in rental income is mainly as a result of rent reviews, rent reductions for some properties to continue to secure future leasing arrangements.

15 Interest - £'000	2015/16	2014/15	Increase of 20%
	641	535	

A higher level of average cash on deposit in 2015/2016 and a low interest rate, similar to the previous year, produced a higher return of interest compared to the previous year

16 Investments - £'000	2015/16	2014/15	Fall of 5%
	2,989,756	3,132,186	

There has been a decrease in the size of Investment values reflecting the decline in the World's investment markets during 2015/16, particularly in equities where the Fund has approximately 80% of its assets invested, and the increase in cash held.

17 Cash - £'000	2015/16	2014/15	Increase of 35%
	109,290	81,158	

The increase in investment cash balances is due to a higher level of funds placed on short term deposit. At the year-end £104.9 million was on short term deposit compared to £73.8 million at 31/03/2015.

Cash flow Statements for the year ended 31 March 2016

£000

Cash flow from Operating Activities

Cash received for Contributions	85,079
Cash received for Early Retirements	1,848
Cash Received from Transfers In	2,285
Cash Received from Investments	92,232
Cash Received from Sales of Investments	109,111
Cash from Other Income	1,133

Total Cash Received

291,688

Cash paid for Benefits	119,787
Cash paid for Transfers Out	7,053
Cash paid for Management Expenses	7,086

Total Cash Paid

133,926

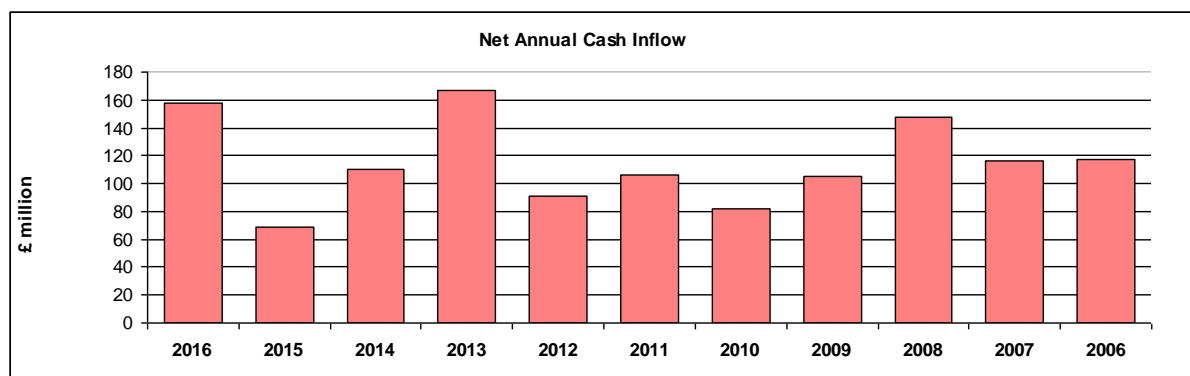
Net Cash Inflow from Operating Activities

157,762

Application of Cash

Net Purchase of Investments	130,349
Decrease in Cash with Custodian	(2,973)
Increase in Cash on Deposit	31,105
Decrease in Cash at Bank	(181)
Decrease in Other Debtor Balances	(310)
Increase in Other Creditor Balances	(228)

157,762



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

Asset Allocation Strategy

The 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 2016 the actual assets compared to the benchmark as follows;

	Fund Assets % 31.03.2016	Benchmark %	Fund Assets % 31.03.2015
UK Equities	36	30	37
Overseas Equities	48	40	47
Bonds & Cash	7	15	8
Property	7	10	6
Alternatives	2	5	2

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

Amounts due to the Fund from Employers

	2015/16 £ ' 000	2014/15 £ ' 000
Current Assets		
Contributions in Respect of Employers	4,812	4,851
Contributions in Respect of Members	2,095	2,079
Amounts due in respect of early retirements	752	2,229
Debtors due over 1 year		
Amounts due in respect of early retirements	60	299
	<u>7,719</u>	<u>9,458</u>

The Contributions due are in respect of March 2016 and were received in April 2016.

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 2016/2017 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>1,619</u>
Number received late	<u>7</u>

Details of late receipts

Fleet Factors

Three payments were received late. April 2015 was paid on 22/05/2015. June 2015 was paid on 20/07/2015 and August 2015 was paid on 22/09/2015.

SLM

Four payments were late. May 2015 was paid on 25th June 2015, September 2015 was paid on 20th October 2015, January 2016 was paid on 23rd February 2016 and March 2016 was paid on 22nd April 2016.

No explanations were provided for the late payments.

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 2015/16

	Employer Rate %	Employees £000	Employers £000
4Children	13.40%	2	7
All Saints Academy	14.60%	22	55
Ash Trees Academy	14.60%	48	123
Beamish Museum Ltd	13.30%	150	304
Billingham Town Council	14.10%	4	10
Brambles Academy	14.60%	5	16
Business and Enterprise North East Ltd	9.70%	9	66
Caldicotes Primary Academy	14.60%	7	17
Capita Managed IT Solutions Ltd	13.00%	11	23
Care Quality Commission	17.00%	1,588	3,546
Carillion AM Ltd	19.10%	22	64
Carillion J M Ltd	16.60%	14	41
Catcote Academy	14.60%	82	200
Chandlers Ridge Academy	14.60%	11	28
Cleveland College of Art and Design	13.60%	93	201
Cleveland Fire Authority	14.00%	198	452
Cleveland Fire Support Network	14.00%	3	5
Coast and Country Housing	16.40%	665	1,632
Community Integrated Care	22.00%	3	11
Conyers School	14.60%	65	152
Creative Management Services Ltd	15.10%	8	23
Diocese of Middlesbrough Trustee	25.60%	8	20
Dormanstown Primary Academy	14.60%	7	19
Durham Tees Valley Airport Limited	21.20%	83	242
Dyke House Academy	14.60%	84	202
Easterside Academy	14.60%	23	59
English Martyrs Educational Trust	14.60%	60	147
Enquire Learning Trust (Central)	14.60%	7	15
Erimus Housing	17.90%	278	757
Eskdale Academy	14.60%	17	42
Extol Academy Trust (Eldon Grove)	14.60%	19	48
Fabrick Housing Group	15.30%	101	203
Fleet Factors Ltd	20.40%	1	4
Fleet Factors RCBC	20.50%	2	5
Forward Swindon Ltd	19.20%	36	37
Frederick Nattrass Primary Academy	14.60%	18	47
Freebrough Academy	14.60%	48	116
Future Regeneration of Grangetown	18.30%	2	5
Grangefield Academy	14.60%	42	102
Green Lane Primary Academy	14.60%	29	75
Guisborough Town Council	14.10%	4	10
Hardwick Green Primary Academy	14.60%	12	31

Harrow Gate Primary Academy	14.60%	29	75
Hartlepool Borough Council	14.20%	2,941	6,503
Hartlepool College of Further Education	13.60%	161	361
Hartlepool Sixth Form College	13.60%	57	83
Hemlington Hall Academy	14.60%	17	44
Hillsview Academy	14.60%	42	105
Horizons Specialist Academy Trust	14.60%	137	333
Housing Hartlepool Ltd	14.80%	385	875
Ian Ramsey Church of England Academy	14.60%	45	107
Ingleby Barwick Town Council	14.10%	2	5
Ingleby Manor Free School & Sixth Form	14.60%	9	21
Kader Academy	14.60%	12	31
KGB Cleaning Ltd - LJS	15.10%	1	4
KGB Cleaning and Support Services Ltd	15.00%	1	2
Kings Academy	14.60%	76	188
KTS Academy	14.60%	45	113
Liberata UK Ltd	0.00%	45	0
Lockwood Parish Council	14.10%	1	2
Loftus Town Council	14.10%	1	3
Macmillan Academy	14.60%	78	183
Manor Community Academy	14.60%	71	175
Mellors Catering Services Ltd (Central)	15.10%	14	37
Mellors Catering Ltd (Dormanstown)	15.10%	1	3
Mellors Catering Services Ltd (Normanby)	15.00%	3	8
Middlesbrough College	13.60%	441	962
Middlesbrough Council	14.40%	3,991	9,281
Mouchel	14.40%	192	400
Normanby Primary School	14.60%	24	76
North Ormesby Primary Academy	14.60%	14	37
North Shore Academy	14.60%	42	101
Norton Primary Academy	14.60%	26	66
Nunthorpe Academy	14.60%	80	186
Nunthorpe Primary Academy	14.60%	11	29
Oak Tree Academy	14.60%	26	66
OCS Limited	14.90%	1	2
Ofsted	26.70%	0	32
One Awards Limited	13.60%	48	103
One IT Services and Solutions Ltd	14.20%	40	87
Ormesby School	14.60%	23	55
Our Lady & St Bede Catholic Academy	14.60%	51	129
Our Lady of Light Catholic Academy Trust – Christ the King	14.60%	8	20
Our Lady of Light Catholic Academy Trust - St Patrick's Catholic College	14.60%	17	42
Our Lady of Light Catholic Academy Trust - St Patrick's Primary	14.60%	11	29

Our Lady of Light Catholic Academy Trust - St Therese of Lisieux	14.60%	6	16
Outwood Academy Acklam	14.60%	47	119
Outwood Academy Bydales	14.60%	23	59
Outwood Academy Ormesby	14.60%	31	74
Pennyman Primary Academy	14.60%	12	29
Police & Crime Commissioner for Cleveland	12.60%	68	101
Prior Pursglove College	13.60%	55	123
Redcar Academy	14.60%	31	74
Redcar and Cleveland Borough Council	15.10%	3,076	7,992
Redcar and Cleveland College	13.60%	84	185
Rose Wood Academy	14.60%	20	52
Sacred Heart Secondary Catholic Voluntary Academy	14.60%	14	35
Saint Benedicts Primary Catholic Voluntary Academy	14.60%	8	21
Saltburn Marske & New Marske Parish Council	14.10%	3	7
Skelton and Brotton Parish Council	14.10%	3	6
Skelton Primary School	14.60%	30	71
SLM Community Leisure Charitable Trust	16.60%	47	130
SLM Fitness and Health Ltd	16.60%	5	13
SLM Food and Beverage Ltd	16.60%	3	7
Sopra Steria Ltd	12.60%	564	43
St Bede's Catholic Academy	14.60%	17	32
St Bedes Primary Catholic Voluntary Academy	14.60%	14	25
St Gabriel's Catholic Voluntary Primary Academy	14.60%	10	44
St Gregory's Catholic Academy	14.60%	18	210
St Hilda's Catholic Academy Trust	14.60%	85	30
St Josephs Primary Catholic Voluntary Academy	14.60%	12	35
St Margaret Clitherow's Catholic Voluntary Primary Academy	14.60%	13	31
St Mary's Catholic Voluntary Primary Academy	14.60%	12	69
St Michael's Catholic Academy	14.60%	28	27
St Paulinus Primary Catholic Voluntary Academy	14.60%	11	79
St Peter's Catholic Voluntary Academy of Maths and Computing	14.60%	34	221
Stagecoach Transit	25.20%	15	1,096
Stockton Borough Council	14.30%	4,824	10,767
Stockton Riverside College	13.60%	183	390
Stockton Sixth Form College	13.60%	17	38
Stranton Academy Trust (Stranton)	14.60%	26	64
Sunnyside Academy	14.60%	43	108
Tascor Services Ltd - Custody	16.40%	16	40
Tascor Services Ltd - PFI	16.40%	3	7
Taylor Shaw - Holy Rosary	15.00%	1	3
Taylor Shaw - Riverdale	15.00%	1	4
Taylor Shaw - St Peters	15.00%	1	3
Tees Active Limited	13.10%	133	278
Tees Valley Education Trust	14.60%	39	94

Teesside University	13.30%	1,717	3,614
The Big Life Company Ltd	14.50%	3	9
The Chief Constable for Cleveland	12.60%	558	1,040
Thornaby Academy	14.60%	38	86
Tristar Homes Limited	14.80%	433	1,238
Unity City Academy	14.60%	52	127
Viewley Hill Academy Trust	14.60%	14	37
West Park Primary School	14.60%	14	38
West View Primary School and Sports Academy	14.60%	38	95
Wolseley UK Ltd	22.00%	2	60
Wynyard Church of England Primary School	14.60%	1	3
Yarm Primary School	14.60%	22	55

Note: net rate of contribution payable by each employing Organisation for the period 1 April 2015 to 31 March 2016 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 pension 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 2015/16	Achieved within timescale
Processing New Starters	20 days from receipt	100%
Processing Transfer Values (TV's)	10 working days from the date of notification	99.62%
Refund of Contributions	10 working days from the request date	98.89%
Estimates of Benefit Entitlements	10 working days from date of request	99.87%
Pension benefits	10 working days from the receipt of all relevant information	98.95%
Deferred Benefits	10 working days from notification of leaving	99.4%

Key procedure volumes

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

Procedure	2015/16	2014/15
Processing New Starters	2,743	2,759
Processing Transfer Values (TV's)	267	157
Refund of Contributions	361	220
Estimates of Benefit Entitlements	2,334	2,432
Pension benefits	2,589	2,024
Deferred Benefits	1,661	1,700
Deaths	475	521
Divorces	138	119
General Enquiries	1,168	1,143
Total	11,736	11,075

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:

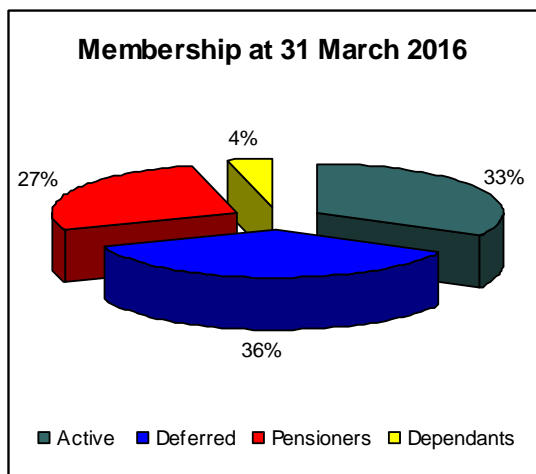
- ◆ The ongoing funding level of the Fund on 31 March 2013 was 101% (2010 – 99%).
- ◆ The surplus of assets compared to the past service liabilities was £37.0 million (2010 – deficit of assets compared to past service liabilities £17.6 m).
- ◆ The modest improvement in the funding level was due to the 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 (2014/2015), 14.5% of Pay plus £1.93m (2015/2016) and 14.5% of Pay plus £1.80m (2016/2017).

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

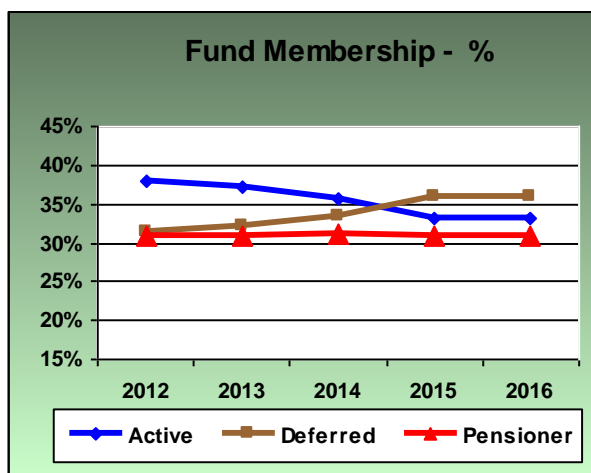
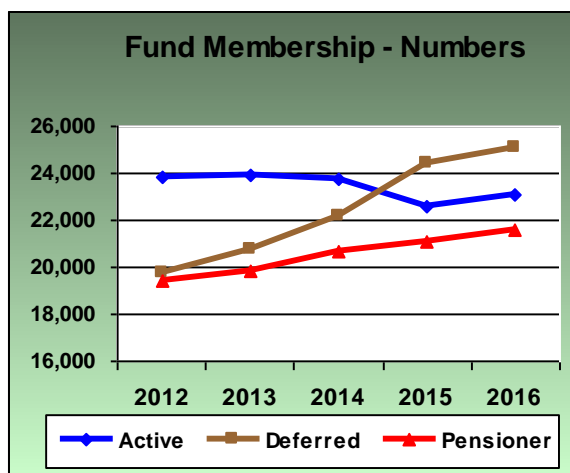
In the 2015/2016 financial year the total membership of the Fund has increased by 1,721 to the current total of 69,775..

The number of deferred members of the scheme has risen by 27% in the last 5 years and now forms 36% of the total membership.



Membership Numbers

	2012	2013	2014	2015	2016
Active	23,856	23,908	23,734	22,566	23,086
Deferred	19,717	20,738	22,144	24,429	25,072
Pensioner	19,389	19,850	20,648	21,059	21,617
Total	62,962	64,496	66,526	68,054	69,775



Summary of Membership Changes

	Active Members	Deferred Members	Pensioners Members	Dependants	Total
At 1 st April 2015	22,566	24,429	18,376	2,683	68,054
Adjustments	(44)	37	118	32	143
New Members	2,593	5	0	195	2,793
Change in Status	(1,645)	767	879	0	1
Leavers	(384)	(166)	(506)	(160)	(1,216)
At 31st March 2016	23,086	25,072	18,867	2,750	69,775
% of Total at 1 st April 2015	33.2%	35.9%	27.0%	3.9%	100.00%
% of Total at 31st March 2016	33.2%	35.9%	27.0%	3.9%	100.00%

During the year, 18 employers joined the scheme as scheduled bodies and 3 employers joined as admitted bodies. Also, 1 scheduled and 3 admitted employers ceased to have active members in the scheme. At the year-end 31 March 2016, the Fund had 150 employers with active members.

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

Membership by Employer at 31 March 2016						
Current Employers	Active Members	Deferred Members	Pensioners - Members	Pensioners - Dependants	2015/16 Total	2014/15 Total
Stockton Borough Council	4,826	5,893	2,943	294	13,956	14,449
Middlesbrough Council	4,002	4,743	2,541	222	11,508	11,874
Redcar & Cleveland Borough Council	2,775	4,166	2,266	216	9,423	10,079
Hartlepool Borough Council	2,824	3,112	1,568	150	7,654	8,001
Cleveland County Council	2	773	3,645	755	5,175	5,427
University of Teesside	1,033	887	459	70	2,449	2,379
CSCI	1	444	419	23	887	1,025
Cleveland Police Authority	1	278	217	16	512	519
Care Quality Commission	498	139	192	4	833	826
Durham Tees Valley Probation Trust	511	106	0	0	617	617
Coast & Country Housing	366	222	170	11	769	778
Mouchel	3	94	154	4	255	629
Middlesbrough College	463	342	112	8	925	923
Sopra Steria Ltd	354	50	69	1	474	480
Tristar Homes Limited	233	125	103	12	473	474
Erimus Housing	176	85	148	7	416	418
Stockton Riverside College	176	193	76	5	450	412
Hartlepool College of Further Education	209	219	83	14	525	484
Housing Hartlepool Ltd	199	91	86	9	385	382

Beamish Museum Ltd	127	52	13	1	193	315
Cleveland Probation	2	112	0	0	114	114
Durham and Tees Valley Airport Limited	32	46	32	0	110	229
Cleveland Fire Authority	127	85	69	5	286	266
Cleveland College of Art and Design	100	85	52	6	243	239
Tees Active Ltd	110	93	26	2	231	233
Tees Valley Leisure	16	92	18	4	130	132
Redcar & Cleveland College	105	126	58	3	292	271
Stagecoach Transit	12	17	141	18	188	183
Unity City Academy	62	89	21	2	174	157
Liberata UK Ltd	27	56	51	6	140	141
MacMillan Academy	96	67	24	1	188	175
Business and Enterprise North East Ltd	2	28	21	1	52	83
Kings Academy	81	50	17	1	149	146
Prior Pursglove College	47	45	26	0	118	107
Community Integrated Care	4	33	55	2	94	94
North Shore Academy	65	54	5	1	125	107
Oakfield Community College	15	36	8	0	59	59
Fabrick Housing Group	39	11	14	4	68	65
Hartlepool Sixth Form College	35	23	12	1	71	71
Freebrough Academy	45	15	6	0	66	60
Thornaby Academy	38	26	13	1	78	78
Carillion Integrated Solutions	20	13	10	1	44	45
One Awards Limited (formerly OCN)	23	16	9	4	52	47
Stockton Sixth Form College	20	19	15	0	54	50
Carillion Government Services	10	3	5	0	18	18
Learning and Skills Council	4	7	4	0	15	15
OCS Limited	1	3	5	0	9	10
Guisborough Town Council	4	2	4	0	10	11
Forward Swindon Ltd	3	1	0	0	4	4
Saltburn, Marske & New Marske Parish Council	3	2	1	0	6	6
Future Regeneration of Grangetown	1	4	1	0	6	6
Loftus Town Council	3	0	1	0	4	4

Billingham Town Council	2	2	0	0	4	4
Skelton and Brotton Parish Council	3	1	0	0	4	4
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
Fleet Factors Ltd	1	0	0	0	1	1
CMSL Ryehills Catering	5	2	1	0	8	7
Capita Managed IT Solutions Ltd	6	1	0	0	7	6
Wolseley UK Ltd	1	2	1	0	4	4
The Big Life Company Ltd	6	2	1	0	9	9
4Children	2	1	0	0	3	3
Eston Park Academy	7	7	6	0	20	39
Brambles Academy	15	4	0	0	19	19
Pennyman Primary Academy	33	9	5	0	47	46
Chandlers Ridge Academy	19	3	1	0	23	23
Nunthorpe Academy	65	20	7	0	92	87
Ormesby School	43	16	8	0	67	62
KTS Academy	41	11	2	0	54	54
North Ormesby Primary Academy	21	4	1	0	26	20
Redcar Academy	26	10	7	0	43	41
Police & Crime Commissioner for Cleveland	39	22	21	4	86	71
Conyers School	71	23	9	0	103	109
All Saints Academy	25	10	2	0	37	33
St Gregory's Catholic Academy	32	13	4	6	55	49
KGB Cleaning and Support Services Ltd	5	1	0	0	6	7
SLM Community Leisure Charitable Trust	46	4	3	0	53	53
SLM Food and Beverage Ltd	2	0	0	0	2	2
SLM Fitness and Health Ltd	3	3	0	0	6	7
Dyke House Academy	109	6	2	0	117	100
Caldicotes Primary Academy	13	4	0	0	17	16

Tascor Services Ltd – PFI	3	0	0	0	3	3
Tascor Services Ltd – Custody	11	2	1	0	14	14
Hardwick Green Primary Academy	15	2	1	0	18	18
Ecocleen Services Ltd	1	0	0	0	1	1
Extol Academy Trust (Eldon Grove)	31	6	0	0	37	31
Stranton Academy Trust (Stranton)	52	8	0	0	60	42
Eskdale Academy	11	0	2	0	13	13
Catcote Academy	113	21	6	0	140	131
Horizons Specialist Academy Trust	156	22	4	0	182	169
St Michael's Catholic Academy	34	8	2	0	44	36
Fredrick Nattrass Primary Academy	38	2	1	0	41	31
Oak Tree Academy	58	4	1	0	63	60
Outwood Academy Acklam	36	5	2	0	43	42
Dormanstown Primary Academy	28	1	2	0	31	31
St Bede's Catholic Academy	32	10	0	0	42	33
Mellors Catering Services Ltd (Central)	75	2	1	0	78	76
Sunnyside Academy	63	14	2	0	79	69
Viewley Hill Academy Trust	22	2	1	0	25	22
Norton Primary Academy	41	9	1	0	51	47
Grangefield Academy	47	12	5	0	64	64
Teesside Development Corporation	1	7	8	1	17	17
Fleet Factors (RCBC)	2	0	0	0	2	2
Chief Constable for Cleveland	311	32	8	0	351	323
One IT Solutions and Solutions Ltd	20	0	0	0	20	18
Skelton Primary School	48	17	0	0	65	63
Rose Wood Academy	38	7	0	0	45	44
Hemlington Hall Academy	26	5	1	0	32	27
Yarm Primary School	41	7	1	0	49	48

Lockwood Parish Council	1	0	0	0	1	2
Diocese of Middlesbrough Trust	1	0	0	0	1	1
English Martyrs Educational Trust	114	4	3	0	121	103
Easterside Academy	41	4	0	0	45	34
St Margarets Clitherow's Catholic Voluntary Primary Academy	27	4	0	0	31	23
St Gabriels Catholic Voluntary Primary Academy	22	6	2	0	30	28
St Mary's Catholic Voluntary Primary Academy	19	1	0	0	20	15
St Peter's Catholic Academy of Maths and Computing	35	4	1	0	40	36
Green Lane Primary Academy	51	4	0	0	55	45
Kader Academy	23	3	0	0	26	21
Normanby Primary School	42	6	0	0	48	42
Nunthorpe Primary Academy	28	6	0	0	34	26
Creative Management Services Ltd	26	4	0	0	30	31
Harrow Gate Primary Academy	43	3	0	0	46	6
Ian Ramsey Church of England Academy	74	2	1	0	77	2
Ash Trees Academy	67	5	2	0	74	2
St Joseph's Primary Catholic Voluntary Academy	30	0	0	0	30	1
St Paulinus Primary Catholic Voluntary Academy	21	0	1	0	22	0
West View Primary School and Sports Academy	57	2	0	0	59	3
Outwood Academy Bydales	30	3	0	0	33	8
Taylor Shaw – Holy Rosary	1	0	0	0	1	0
Ingleby Manor Free School & Sixth Form	3	0	0	0	3	0
Hills view Academy	41	1	1	0	43	0
St Bede's Primary Catholic Voluntary Academy	15	0	0	0	15	0
West Park Primary School	30	1	0	0	31	0
Our Lady & St Bede Catholic Academy	75	4	3	0	82	0

Manor Community Academy	90	5	0	0	95	0
KGB Cleaning Ltd - SSFC	1	0	0	0	1	0
Saint Benedict's Primary Catholic Voluntary Academy	1	1	0	0	2	0
Our Lady of Light Catholic Academy Trust – Christ the King	3	0	0	0	3	0
Our Lady of Light Catholic Academy Trust – St Patrick's College	3	0	0	0	3	0
Our Lady of Light Catholic Academy Trust – St Patrick's Primary	2	0	0	0	2	0
Our Lady of Light Catholic Academy Trust - St Therese of Lisieux	1	0	0	0	1	0
Wynyard Church of England Primary School	3	0	0	0	3	0
Outwood Academy - Ormesby	2	0	0	0	2	0
Sacred Heart Secondary Catholic Voluntary Academy	1	0	0	0	1	0
Enquire Learning Trust (Central)	3	0	0	0	3	0
Kier Business Services Ltd	93	2	0	0	95	0
St Hilda's Catholic Academy Trust	15	4	1	0	20	0
Kier (Pension unit)	22	0	0	0	22	0
Inactive employers	0	1,334	2,733	854	4,921	1,554
	23,086	25,072	18,867	2,750	69,775	68,054

Internal Dispute Resolution Procedure

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

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

If, after the initial review, the member is still dissatisfied with the decision, they can apply via the second stage of the process to have decision reconsidered. This application must be made within six months of the receiving the decision of the initial review. At the second stage, if the appeal concerns an employer decision, it is

reviewed by the Teesside Pension Fund. If the appeal concerns the administrator, then an independent third party pension specialist is appointed. If the member is still not satisfied following the second stage decision, an appeal can be made to the Pensions Ombudsman. 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	14
Cases resolved in year	3 Cases Upheld
Cases resolved in year	11 Cases Dismissed

HEAD OF INVESTMENTS' REPORT

Over the past year, markets saw mixed returns over the year, with small positive returns in most bond asset classes, with UK corporate bonds being the exception, and negative returns in most equity markets, the US being the exception.

Equity markets were volatile again, with negative news flow out of China over falling growth rates, devaluation of their currency and monetary stimulus, which finally settled markets down at lower levels than the start of the year. The other issue concerning investors, and inevitably causing volatility, was the timing of a quarter point US rate increase. It appears that everyone knew their rates would rise for the most of 2015, but it only happened late in the year. When converted to GB pounds, most markets fell over the year with the exception of the US the Far East fell furthest out of the major markets by a considerable margin.

Bond markets ended the year relatively flat. This is probably inevitable given some Governments started to issue bonds with negative interest last year; there cannot be much more upside afterwards.

A big financial story from last year was the rapid demise of the oil price. The price of Brent Crude fell from over \$100 a barrel to \$55 at 31 March 2015. Volatility continued over 2015/2016 too, with the oil price ending up \$40 a barrel.

Property is an asset class the Fund has expanded its investment in the year. The Fund has a strategy to build up the direct portfolio over time to increase the proportion of the Fund invested in this asset class to nearer 10%. Property, as an asset class performed well last year, returning 11%.

Alternative investments are an asset class that has featured much in the past, with particular press attention to infrastructure assets. Alternatives cover a number of different strategies, the main ones being private equity, hedge funds, infrastructure, and commodities. 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. Private equity investments performed strongly over this financial year, an area in which the Teesside Fund does not hold investments.

The Public Service Pensions Act 2013 set out changes to the governance arrangements for all public sector pension schemes. The Teesside Pension Fund and Investment Panel is still the main decision making committee for the Fund, however, Middlesbrough Council now also has in place the Teesside Pension Board. The purpose of the Pension Board is to assist Middlesbrough Council, as the Administering Authority, to:

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

Every three years the Fund actuary carries out a full actuarial valuation of the Fund. The purpose of this is to calculate how much employers in the scheme need to contribute going forward to ensure that the Fund's liabilities, the pensions due to current and future pensioners, will be covered. Unlike 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 effects of this valuation came into force from 1 April 2014 with the next valuation carried out using data as at 31 March 2016.

As we pass this date, we live in a world of small numbers, whether in terms of GDP growth, inflation, interest rates or bond yields. A consequence of government and central bank policies and for bond yields, continuous demand from banks and insurers providing sufficient capitalisation to support their balance sheets, economies have avoided a hard landing over the past years. However, from a pension funds perspective, these small numbers will result in lower discount rates than before, increasing pressure on funds' deficits. We await the results of the actuarial valuation and its consequences in this world of small numbers.

The actuarial valuation gave the Fund a chance to re-evaluate its current asset allocation position through an Asset/Liability Study. This was completed with a revised customised benchmark put in place from 1 January 2015 (see table below). The customised benchmark is designed to meet the Fund's long term requirements.

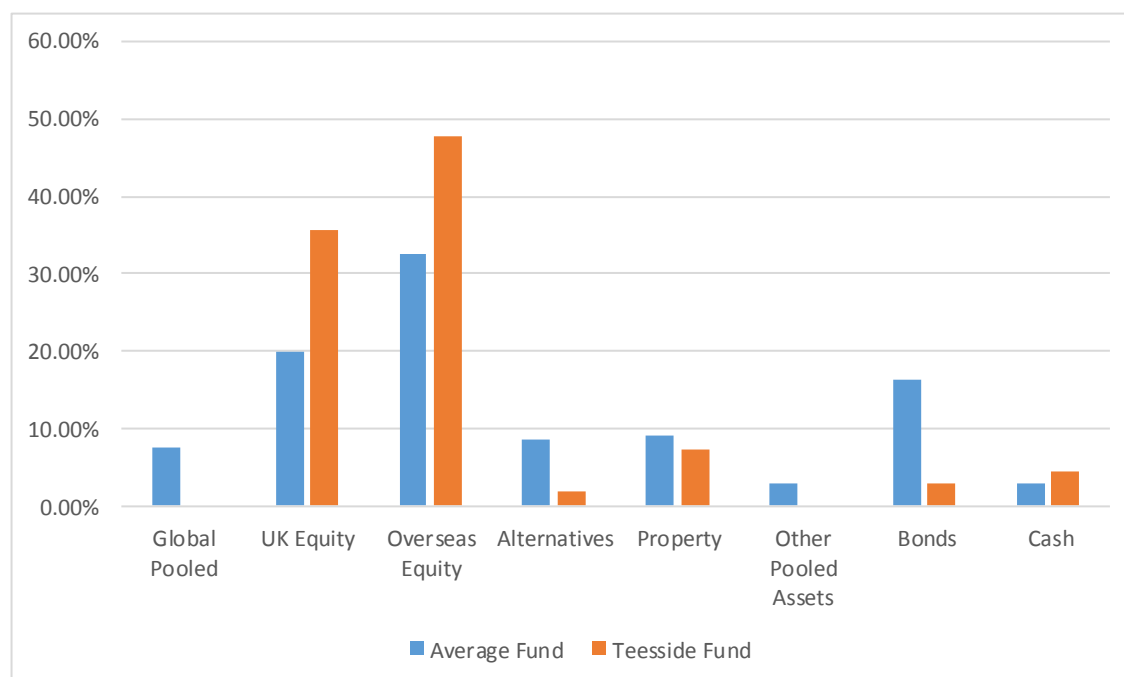
The value of the Teesside Fund at 31 March 2016 was £3.130 billion, a decrease of approx. £110 million on the year. The Fund is invested in a wide range of assets. This meets the requirement to have diversification of investments in a fund, so that too great a concentration of investments in one asset 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	7.60%	0.00%	0.00%	0.00%	0.00%
UK Equity	20.00%	35.55%	30.00%	90.00%	50.00%
Overseas Equity	32.50%	47.85%	40.00%		
Alternatives	8.70%	1.96%	5.00%	10.00%	0.00%
Property	9.10%	7.18%	10.00%	15.00%	5.00%
Other Pooled Assets	2.80%	0.00%	0.00%	0.00%	0.00%

Bonds	16.40%	2.96%	13.00%	40.00%	2.00%
Cash	2.90%	4.50%	2.00%		
	100.00%	100.00%	100.00%		

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



The largest 20 holdings, which make up 19.22% of the value of the portfolio as at 31 March 2016 is:

Security Name	%	Amount Owned
HSBC HLDGS ORD USD0.50(UK REG)	1.55%	£ 48,379,850.00
BP ORD USD0.25	1.43%	£ 44,621,480.80
BRITISH AMERICAN TOBACCO ORD GBP0.25	1.41%	£ 43,967,500.00
FIDELITY EUROPEAN FUND GBP	1.31%	£ 40,925,393.39
GLAXOSMITHKLINE ORD GBP0.25	1.25%	£ 38,802,500.00
VODAFONE GROUP SHS	1.16%	£ 36,188,181.01
ROYAL DUTCH SHELL A SHS EUR0.07 (UK LIST)GBP	1.05%	£ 32,804,690.48
CHINA MOBILE LTD HKD0.10	0.98%	£ 30,436,521.17
ASTRAZENECA ORD USD0.25	0.97%	£ 30,244,375.00
ROYAL DUTCH SHELL B ORD EUR0.07	0.94%	£ 29,386,030.00
SAMSUNG ELECTRONIC CO LTD KRW5000	0.90%	£ 27,916,065.66
DIAGEO ORD PLC	0.86%	£ 26,804,250.00
INVESCO PERPETUAL UK SMALLER CO. EQUITY FD	0.81%	£ 25,263,018.64
LIONTRUST UK SMALLER CO-I	0.72%	£ 22,348,518.86
BT GROUP ORD GBP0.05	0.71%	£ 22,025,000.00
IMPERIAL BRANDS PLC	0.67%	£ 20,860,200.00

PRUDENTIAL GBP0.05	0.66%	£	20,477,258.63
NATIONAL GRID ORD GBP0.113953	0.63%	£	19,738,000.00
RECKITT BENCKISER GRP ORD GBP0.10	0.62%	£	19,180,500.00
UBS GBL ASSET LIFE SMALLER COMP EQUITY TRACKER B	0.59%	£	18,483,260.18
	19.22%	£	598,852,593.82

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. The return the Fund achieves is one of the factors which the Fund Actuary takes into account when fixing the employer's contribution rate. Any increase in the contribution rate would mean less money to pay for other services. The benefits of scheme members of the Local Government Pension Scheme are related to their salary and length of service, not the value of the Fund.

As Pension Fund investment is a long-term business, it is appropriate that longer-term measures of performance are viewed as more important than short-term measures. It has become standard practice to report the performance of the Fund over 1, 3 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 2015/2016, 88 Local Authority funds were included in the WM Local Authority Pension Fund Service. The aggregate value of these funds was approximately £207 billion.

In the year 2015/2016 the Fund achieved a return of -2.3% compared to our benchmark return of 0.2%. This return was also below average and placed Teesside in the 94th percentile of all Local Authority funds.

In the three-year period to 2015/2016 the Fund achieved a return of 3.7% per annum compared to our benchmark return of 6.6%. This return was also below average and placed Teesside in the 98th percentile of all Local Authority funds.

In the ten-year period to 2015/2016 the Fund achieved a return of 5.5% per annum compared to our benchmark of 5.9%. This return was above average and placed Teesside in the 73rd 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. The Teesside Fund continues to be under-represented in bonds when compared to other Funds. Central Bank policies and their programmes of quantitative easing has continued to help bonds performance again this year, continuing a "bull-run" in bond prices lasting over two decades. Only UK Corporate Bonds performed negatively, with positive performance from UK Gilts, Index –Linked Bonds and Overseas Bonds.

The Fund's position of being overweight in growth assets, such as equities, and underweight in protection assets, is beginning to have a detrimental effect on the performance relative to other funds. Equity markets ended this financial year negatively with US Equities the only positive performer. However, the Teesside Fund continues to invest for long term returns in order to remain fully funded and continue to meet its future liabilities. The Fund'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 over protection assets.

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.

The Forum's current activities have recently been agreed to cover the following six areas:

➤ **Engagement**

The Forum has been building its reach on engagement and will increase this reach to other investor coalitions to support international engagement and cooperation.

The Forum will respond to member requests to address emerging topics and critical governance responsibility issues. It will respond to these investment concerns at companies widely held by the Forum's members.

The Forum will also maintain up to date holdings data of members' global investments to develop and maintain engagement relationships with the most widely held companies in each market. Engagement will be on governance, environmental and social issues identified in the context of available best practice for the market or sector.

➤ **Positioning the Forum**

The Forum will raise its profile, enhance its impact in the “corridors of power”, and convey its own policy agenda more clearly amongst asset owners. Forum

members will attend the mainstream party conferences to highlight the concerns of the LGPS.

In order to keep abreast with current investor initiatives the Forum will participate in appropriate networks and attend relevant events. Training will also be provided to mentor and coach Forum members and help individuals to develop knowledge and expertise in particular sectors and provide examples of best practice for funds.

The Forum will also broaden its agenda on investment governance to include insights on investment management arrangements, cost reductions and scheme governance. Governmental and other consultation papers will continue to be monitored and responded to, including those across global markets where relevant to Forum member holdings.

➤ **Promoting Good Governance**

The Forum continues to believe that companies should be held accountable for providing a true and fair view of their financial position and for maintaining their audited accounts in line with this legal requirement. The Forum will build on its case for reform in conjunction with the partners in the IFRS coalition.

The Forum will pursue its analysis on appropriate reforms of the governance of accounting standard setting including that of the Financial Reporting Council. With mergers and acquisitions, the Forum will review the approach of asset managers as compared with the position of asset owners to develop the work. In its tax transparency work, the Forum will initially seek disclosure from FTSE100 companies on existing tax practices. A major policy paper on capital market reforms focussing on shareholder rights and investment governance issues will be published during the year. The Forum will also pursue face-to-face meetings with policy makers and regulators and advocate for reform of relevant regulatory and standard setting bodies.

➤ **Responsible Investment**

The Forum aims to enhance long term investor understanding of risks embedded in fund portfolios associated with the range of potential policy responses to climate change. For executive remuneration, the Forum will further develop an approach to executive remuneration and the 'employee value proposition' that has 'buy-in' from both companies and investors. Also, the Forum will engage companies on labour standards and human rights advocating for improved transparency on management of social risks.

Engagement with high carbon-emitting companies in the utilities, oil and gas and extractive sectors will be accelerated by promoting shareholder resolutions filed by member funds and other institutional investors. The Forum will encourage the highest level of support for these member promoted resolutions as well as continue engagement with other high emitting companies. The Forum will advocate for governmental climate policy that provides reliability and predictability to decrease investment uncertainty for investors. Reflecting

ongoing member fund interest, engagement will continue with companies involved in 'fracking' activities in the UK, informed by collaborative engagement with US and other global companies.

➤ **Communications and Website**

The Forum will seek to innovate communications, and pursue opportunities to maximise its public profile and advocacy on selected matters. Technical support will be provided for Forum activities including provision of information via the website which will be developed in line with member needs and requests.

Strategic opportunities to position the Forum's 'investor voice' will be taken where appropriate. Voting alerts will continue to be issued in areas of Forum specialism and engagement and a review will be undertaken on their usage. The Forum will keep members regularly informed via a range of publications, bulletins and online media as well as building the Forum's profile through placed articles, press releases and facilitating responses to media enquiries.

In order to enhance the Forum's external profile and participation of member funds in the Forum's engagement programme, the website will be upgraded to improve content management, functionality, user experience and ability to integrate content sharing across new media and generate additional traffic to the website. Support will be provided over a range of Forum activities including all technical support at Business Meetings, seminars and conferences; maintenance of the 'universe manager' for holdings analysis as well as the Forum's online presence.

➤ **Member Services**

The Forum will review the current structure and services and provide potential options for the future for the executive and members to consider. The Forum will continue to provide implementation support for members on responsible investment practices and governance concerns.

Quarterly business meetings will continue to provide an opportunity for all members to come together to discuss current engagement and debate and shape new proposals, guided by executive committee review at quarterly meetings and an annual strategy meeting. Members receive updates on activity over the previous quarter as well as the chance to hear from the executive members on specific company engagements and/or external speakers on a variety of investment topics related to governance or corporate responsibility concerns.

LAPFF Membership as at 31 March 2016:

Avon Pension Fund	Lincolnshire CC
Barking and Dagenham LB	London Pension Fund Authority
Bedfordshire Pension Fund	Lothian Pension Fund
Cambridgeshire Pension Fund	Merseyside Pension Fund
Camden LB	Newham LB
Cardiff and Vale of Glamorgan Pension Fund	Norfolk Pension Fund
Cheshire Pension Fund	North East Scotland Pension Fund
City and County of Swansea Pension Fund	North Yorkshire CC Pension Fund
City of London Corporation	Northamptonshire CC
Clwyd Pension Fund	Northern Ireland Local Government Officers Superannuation Committee (NILGOSC)
Croydon LB	Nottinghamshire CC
Cumbria Pension Scheme	Powys County Council Pension Fund
Derbyshire CC	Redbridge LB
Devon CC	Rhondda Cynon Taf
Dorset County Pension Fund	Shropshire Council
Dyfed Pension Fund	Somerset CC
Ealing LB	Sheffield City Region Combined Authority
East Riding of Yorkshire Council	South Yorkshire Pensions Authority
East Sussex Pension Fund	Southwark LB
Enfield LB	Staffordshire Pension Fund
Environment Agency Pension Fund	Strathclyde Pension Fund
Falkirk Council	Suffolk County Council Pension Fund
Gloucestershire Pension Fund	Surrey CC
Greater Gwent Fund	Sutton LB
Greater Manchester Pension Fund	Teesside Pension Fund
Greenwich Pension Fund RB	Tower Hamlets LB
Gwynedd Pension Fund	Tyne and Wear Pension Fund
Hackney LB	Waltham Forest LB
Haringey LB	Wandsworth LB
Harrow LB	Warwickshire Pension Fund
Hertfordshire County Council Pension Fund	West Midlands ITA Pension Fund
Hounslow LB	West Midlands Pension Fund
Islington LB	West Yorkshire Pension Fund
Lambeth LB	Wiltshire CC
Lancashire County Pension Fund	Worcestershire CC
Lewisham LB	

Teesside Pension Fund

Statement of Accounts

For the year ended

31 March 2016

Introduction

The Teesside Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS). The fund is administered by Middlesbrough Council and the Council is the reporting entity for the Fund

The day to day administration of the fund and the operation of the management arrangements and investment portfolio is the responsibility of the Chief Finance Officer (section 151 Officer) of the Council.

The Trustees of the Fund consist of representatives of the employers of the fund (specifically Councillors of the Local Authority employers, (voting) and Trade Union Representatives (non voting) and are not controlled by Middlesbrough Council. The Trustees operate as the Fund's Pensions and Investment Panel to set investment strategy and recommend investment decisions.

An independent Pensions Board exists and operates as a scrutiny panel to ensure the Pensions and Investments Panel acts within the statutory and regulatory framework.

Operation

The Fund is operated as a funded, defined benefit occupational pension scheme which provides for the payment of benefits to former employees of the Teesside local authorities and of those bodies admitted to the Fund; referred to as members. The benefits due to members include retirement pensions, widows pensions, death grants, and lump sums.

The Fund is financed by contributions from members, employers and the income from the Fund's investment portfolio of some £3 billion. The funding policy aims to ensure that the assets held by the scheme are adequate to meet the future liabilities (members' pensions) of the Fund allowing for future changes to pensions and pay.

Financial Statements

The Fund's statement of accounts provide information on the financial position, membership, investment performance and risks associated with the Fund. They show the results of the Trustees stewardship in managing the resources entrusted to it and provide information on the income and expenditure of the Fund and the investments it controls.

While membership rose in 2016, the Fund continued to pay more in benefits than it received in contributions as more members are drawing pensions. Management costs of the Fund rose during the year resulting in a net withdrawal of funds of £41.3million (2015 £109.6million; this includes a significant group transfer out of funds regarding the Durham Probation Trust and Tees Valley Probation £75.1 million).

During the year the overall value of the Fund fell from £3.2billion to £3.1 billion mainly due to a change in the market value of its investments of a decrease of £164million (2014/15 an increase of £215million).

Membership

Membership of the LGPS is voluntary and employees, including non-teaching staff, are free to choose whether to join the scheme, remain in the scheme or make their own arrangements. Teaching staff have access to their own defined benefit scheme the details of which are provided in the Councils financial statements.

The following tables summarise the membership of the scheme over recent years showing a fall in active members and increasing members who have deferred rights or are drawing pensions.

Membership of the Fund	2012	2013	2014	2015	2016
Active	23,856	23,908	23,734	22,566	23,086
Deferred	19,717	20,738	22,144	24,429	25,072
Pensioner	19,389	19,850	20,648	21,059	21,617
Total	62,962	64,496	66,526	68,054	69,775

Summary of Changes in Membership	Active Members	Deferred Members	Pensioners Members	Dependants	Total
At 1st April 2015	22,566	24,429	18,376	2,683	68,054
Adjustments	(44)	37	118	32	143
New Members	2,593	5	0	195	2,793
Change in Status	(1,645)	767	879	0	1
Leavers	(384)	(166)	(506)	(160)	(1,216)
At 31st March 2016	23,086	25,072	18,867	2,750	69,775
% of Total Membership	33.2%	35.9%	27.0%	3.9%	100.0%

During the year, 18 employers joined the scheme as scheduled bodies, and 3 employers joined as admitted bodies. Also, 1 scheduled and 3 admitted employers ceased to have active members in the scheme. At the year end the Fund had 150 employers with active members. Details of the employers and their contribution rates are set out at the end of this Section.

Statement of Responsibilities

Middlesbrough Council Responsibilities

The Council is required to

- Make arrangements for the proper administration of the financial affairs of the Teesside Pension Fund (the Fund) through an independent Board of Trustees and relevant sub-committees;
- Secure that one of its officers has the responsibility for the administration of those affairs, namely the Chief financial Officer (section 151 Officer) of the Council;
- Manage the Fund to secure economic, efficient and effective use of resources and to safeguard its assets, and approve the Fund's Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the chartered Institute of Public Finance and Accountancy 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

In preparing the Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonably prudent;
- complied with the Code;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Statement of Accounts

I confirm that the Teesside Pension Fund Statement of Accounts from page 48 to 68 gives a true and fair view of the financial position of the Fund at 31 March 2016 and of its income and expenditure for the year then ended.

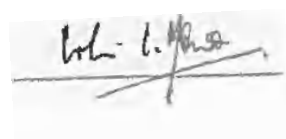


29 September 2016

Mark Taylor, Interim Chief Finance Officer (section 151 Officer)

Approval of the Statement of Accounts

In accordance with the Accounts and Audit (England) regulations 2011, I confirm that the Teesside Pension Fund Statement of Accounts was approved by the Pension Board



29 September 2016

Colin Monson, Chair of the Teesside Pension Fund Board

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 2016, which comprise the;

- Fund Account
- Net Assets Statement; and
- Related notes 1 to 20

This report is made solely to the members of Middlesbrough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of The Chief Financial Officer's Responsibilities set out on page 44, 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 2015/16.

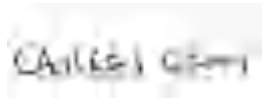
We also read the other information contained in the pension fund annual report and consider the implications of our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only:

- Report of Those Charged with Governance
- Membership
- Head of Investments' Report
- Actuary's Statement
- The Compliance statement
- Summary of LGPS Benefits
- Contacts and further information

We conducted our work in accordance with guidance issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion 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 2016 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.



Caren Gray (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Newcastle upon Tyne
29 September 2016

Pension Fund Account

Fund Accounts for the year ended 31st March 2016

2014/2015			2015/2016
£000	Contributions and Benefits	Note	£000
84,520	Contributions	6	85,056
5,243	Transfers in	7	2,285
6,756	Other income	8	3,332
96,519	Total Income from Members		90,673
(120,746)	Benefits	9	(119,787)
(80,755)	Leavers	10	(7,053)
(201,501)	Total Expenditure to Members		(126,840)
(4,608)	Management expenses	11	(5,153)
(109,590)	Net withdrawals from dealings with members		(41,320)
	Returns on investment		
89,553	Investment income	12	94,312
214,604	Change in market value of investments	13	(163,668)
304,157	Net returns on investments		(69,356)
194,567	Net decrease in the Fund during the year		(110,676)
3,049,227	Net assets of the Fund as at 1st April		3,243,794
3,243,794	Net assets of the Fund as at 31st March		3,133,118
2015/2016	Net Assets Statement as at 31st March		2015/2016
£000			£000
3,232,586	Investments Assets	13	3,120,363
15,817	Current Assets	14	15,893
299	Receivables due over 1 year	15	60
(4,908)	Current liabilities	16	(3,198)
3,243,794	Net assets of the Fund at 31 st March		3,133,118

The notes on the following pages form part of the Financial Statements.

Notes to the Pension Fund Accounts

1 Basis of Preparation

The financial statements have been prepared in accordance with the Local Government Pension Scheme Regulations 2014 (as amended) and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2015/2016.

2 Accounting Policies

Basis on which Receivables, Payables, Income and Expenditure 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 31st March 2016 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 an independent qualified valuer in accordance with the "Royal Institute of Chartered Surveyors" valuation standards.

Financial Instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes financial assets and liabilities such as trade receivables and trade payables.

IFRS 13 Fair value Measurement

This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The fund complies currently complies with this standard.

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, the BNP Paribas Securities Services. Exceptions to this are directly owned properties, money markets cash deposits and specified unquoted investments, which would be registered in the name of the administering authority.

Where the Custodian does not provide a custody service in their own right, they utilise third party Sub Custodians, who are appointed by the Custodian.

The agreement between the Fund and the Custodian provides for certain indemnities where there has been loss as a result or action or inaction by the Custodian or its Sub Custodians. This is supported by limited insurance cover procured by the Custodian.

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 and deficit 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.

There are no accounting standards that have been issued but not yet adopted.

4 Critical Judgements, Sensitivities and Accounting Estimates

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of conservative value. The value of unquoted private equities at 31 March 2016 was £42,586 (£79,610 at 31 March 2015).

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 18. 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 for example a 0.1% per annum increase in the discount factor assumption could decrease liability by around £71.24 million.
Debtors	At 31 March 2016, the fund had a balance of sundry debtors of £8.8 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 £42,586. There is a risk that this investment may be under or overstated in the accounts. The remaining items with unobservable market values amount to £54,497,171 and are relating to infrastructure, real estate, and pooled equity vehicles.

6. Contributions

		2014/15	2015/16
		£000	£000
Employers	Normal	57,125	57,747
	Additional Contributions	48	16
	Deficit Recovery Contributions	1,859	1,602
Members	Normal	25,488	25,691
	Total	84,520	85,056
	Analysis of Total Contributions	2014/15	2015/16
		£000	£000
	Administering Authority	12,345	13,272
	Scheduled Bodies	54,037	54,925
	Admitted Bodies	18,138	16,859
	Total	84,520	85,056

7. Transfers In

	2014/15	2015/16
	£000	£000
Individual transfers in from other schemes	5,243	2,285

8. Other Income

	2014/15	2015/16
	£000	£000
Capital Costs of Early Retirements	5,528	2,199
Other Income	1,228	1,133
Total	6,756	3,332

9. Benefits

	2014/15	2015/16
	£000	£000
Pensions	94,860	98,348
Commutations and lump sum retirement benefits	23,701	19,364
Lump sum death benefits	2,185	2,075
Total	120,746	119,787
Analysis of Total Benefits		
Administering Authority	27,884	25,163
Scheduled Bodies	68,540	70,243
Admitted Bodies	24,322	24,381
Total	120,746	119,787

10. Leavers

	2014/15	2015/16
	£000	£000
Refunds to members leaving service	101	177
Payments for members joining state scheme	19	118
Individual transfers to other schemes	80,635	6,758
Total	80,755	7,053

In 2014/15 a transfer out of £75.1 million was paid to Tameside Pension Fund (part of the Greater Manchester Pension Fund) in respect of a group transfer for Durham Probation £27.8 million, and Tees Valley Probation £47.3 million.

11. Management Expenses

	2014/15	2015/16
	£000	£000
Administrative costs	1,599	1,558
Investment management expenses	2,779	3,418
Oversight and governance costs	230	177
Total	4,608	5,153

12. Investment Income

	2014/15	2015/16
	£000	£000
Income from fixed interest securities	3,718	2,498
Dividends from equities	71,323	77,916
Income from Index-Linked Securities	1,388	473
Income from pooled investment vehicles	3,053	3,689
Other Investment Income	219	96
Net rents from properties (see note below)	9,317	8,999
Interest on cash deposits	535	641
Total	89,553	94,312
Rental Income and Property Expenses		
Gross Rental income	9,652	9,255
Property Expenses	(335)	(256)
Net Rents from Properties	9,317	8,999

13. Investment Assets

	Value at 31 March 2015	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2016
	£000	£000	£000	£000	£000
Fixed interest securities	89,366	10,664	(28,002)	(1,472)	70,556
Equities	2,430,944	386,142	(260,195)	(159,787)	2,397,104
Index-linked securities	73,464	0	(50,444)	(1,116)	21,904
Pooled Investment Vehicles	368,782	18,303	(64,924)	(6,419)	315,742
Properties	169,630	25,890	(16,196)	5,126	184,450
	3,132,186	440,999	(419,761)	(163,668)	2,989,756
Cash Deposits	73,803				104,908
Other Investment Balances	26,597				25,699
	3,232,586				3,120,363

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 £109,112,233 and unrealised loss was £272,780,233.

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 £2,068,647 (2014/2015 £1,730,084). In addition to the transaction costs disclosed here, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect

costs is not separately provided to the Fund. For accounting purposes the transaction costs have been re-allocated to expenses.

	Re-stated Value at 31 March 2014	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2015
	£000	£000	£000	£000	£000
Fixed interest securities	108,005	22,027	(43,389)	2,723	89,366
Equities	2,164,694	283,471	(197,207)	179,986	2,430,944
Index-linked securities	84,345	0	(18,439)	7,558	73,464
Pooled Investment Vehicles	376,476	11,791	(33,312)	13,827	368,782
Properties	122,985	41,335	(5,200)	10,510	169,630
	2,856,505	358,624	(297,547)	214,604	3,132,186
Cash Deposits	132,200				73,803
Other Investment Balances	21,779				26,597
	3,010,484				3,232,586

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 2015/2016 the value at 31 March 2016 of the direct property portfolio was:£184,450,000
- For 2014/2015 the value at 31 March 2015 of the direct property portfolio was:£169,630,000

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. The asset classes used for this note are not the CIPFA classifications, but those represented in the Fund's valuation by its Custodian and reported to the Teesside Pension Fund and Investment Panel.

Asset Class / Security	Market Value 31 March 2015 £'000	% of asset class	Market Value 31 March 2016 £'000	% of asset class
UK Fixed Interest				
BAT INTL FINANCE 7.25% MTN 12/03/24 GBP	3,541	7.00%	3,424	6.55%
HSBC BANK FRN 16/05/2016	3,009	5.94%	3,001	5.74%
NEXT PLC 5.875%-06-12/10/2016	3,211	6.34%	2,045	3.91%
TREASURY 1.75% 07/09/22 GBP0.01	3,285	6.49%	3,352	6.42%
TREASURY 4.25% 07/09/39 GBP0.01	2,745	5.42%	2,731	5.23%
TREASURY 5% 07/03/2025 GBP100	2,535	5.01%	2,530	4.84%
UK Index-Linked				
NAT GRID GAS PLC 4.1875%/IDX LKD BDS 14/12/2022	3,046	5.52%	1,498	9.20%
TESCO 1.982%-IDX/LKD 24/03/36 GBP	2,343	4.24%	2,272	13.95%

TREASURY 2.5% I/L 17/07/24 GBP	2,685	4.86%	2,657	16.31%
TREASURY 1.25% I/L 22/11/27 GBP	5,347	9.69%	0	0.00%
TREASURY 4.125% I/L 22/07/30 GBP	6,838	12.39%	0	0.00%
TREASURY 1.25% I/L 22/11/2032	3,345	6.06%	0	0.00%
TREASURY 2% I/L 26/01/35 GBP0.01	6,872	12.45%	3,532	21.68%
TREASURY 1.125% I/L 22/11/37 GBP	3,817	6.91%	0	0.00%
TREASURY 0.125% I/L 22/03/44 GBP	3,499	6.34%	3,539	21.73%
TREASURY 0.125% I/L 22/11/55 GBP	2,739	4.96%	2,790	17.13%
Overseas Bonds				
ALTRIA GROUP INC 4.25% DUE 08-09-2042	3,039	5.33%	3,247	13.57%
ANGLO AMERICAN CAPITAL 9.375% GTD 04/19 USD REGS	2,513	4.41%	2,177	9.10%
AUST & NZ BANK 5.25% 14-13/03/2019	1,566	2.75%	1,524	6.37%
AUSTRALIA (CMNWLTH) 6% BDS 15/02/2017 AUD 1000	2,551	4.47%	2,545	10.64%
AUSTRALIA (CMNWLTH) 4% IDX LKD 20/08/20 AUD 1000	3,026	5.31%	0	0.00%
CANADA (GOVT OF) 1.5% 01/06/23	1,310	2.30%	1,335	5.58%
CANADA (GOVT OF) 4.25% RRB 1/L 01/12/21 CAD1000	2,110	3.70%	2,047	8.56%
DAIMLER 3% 10/07/2018	1,754	3.08%	1,737	7.26%
DIAGEO CAPITAL 3.875% 29/04/2043	1,343	2.36%	1,403	5.87%
IMPERIAL TOBACO FINANCE 2.05% 11/02/2018	2,029	3.56%	2,094	8.75%
NEW ZEALAND I/L 2% 20/09/25 NZD	1,868	3.28%	1,760	7.36%

Asset Class / Security	Market Value 31 March 2015	% of asset class	Market Value 31 March 2016	% of asset class
REYNOLDS AMERICA 8.125% 15-01/05/2040	0	0	2,245	9.39%
SWEDEN (KINGDOM OF) 4% 1/L 1/12/2020 SEK 3102	1,708	3.00%	1,808	7.56%
US TREASURY TIPS 3.375 04/15/2032	3,263	5.72%	0	0
Property				
Direct - Stow-on-the-Wold (Fosse Way)	13,850	6.64%	13,850	6.16%
Direct - Birmingham (Bromford Central)	13,500	6.47%	13,600	6.05%
Direct - Cirencester (Retail Park)	13,850	6.64%	13,800	6.14%
Direct - Lutterworth (Magna Park)	11,410	5.47%	12,050	5.36%
Direct - Ipswich (Interchange Retail Park)	0	0	15,000	6.67%
Standard Life Investments European Property Growth Fund	12,017	5.76%	13,662	6.08%
Alternatives				
Amedeo Air Four Plus Ltd	0	0.00%	5,000	8.14%
Darwin Leisure Prop Units FDS Cls 'C'	14,481	24.28%	15,900	25.88%
ETFS Metal Security Physical Gold	6,979	11.70%	7,472	12.16%
Innisfree PFI Continuation Fund	9,506	15.94%	9,487	15.44%
INNISFREE PFI SECONDARY FUND 2	6,784	11.37%	6,811	11.08%
NIMROD SEA ASSETS LTD	5,204	8.72%	2,192	3.57%
POWERSHARES DB MULTI SECTOR COMMODITY AGRICULTURE FUND	7,453	12.50%	7,159	11.65%
UNITED STATES OIL FUND LP UNITS	7,534	12.63%	5,737	9.34%

Geographical Analysis of Investments

	2014/15		2015/16	
	£000	%	£000	%
United Kingdom	1,639,198	52%	1,524,081	51%
United States	366,891	12%	433,401	14%
Hong Kong	150,108	5%	143,895	5%
Japan	193,728	6%	174,641	6%
Australia	129,416	4%	111,170	4%
Germany	85,222	3%	75,157	3%
Switzerland	80,222	3%	71,525	2%
Republic of Korea	97,670	3%	96,558	3%
Singapore	50,863	2%	49,343	2%
France	68,414	2%	73,788	2%
Taiwan	79,098	3%	68,790	2%
Others	191,356	5%	167,407	6%
Total	3,132,186	100%	2,989,756	100%

Fixed Interest Securities

		2014/15	2015/16
		£000	£000
	UK Public Sector	15,519	15,631
	UK Corporate	35,097	36,617
	Overseas Public Sector	9,957	3,880
	Overseas Corporate	28,793	14,428
	Total	89,366	70,556

Equities

		2014/15	2015/16
		£000	£000
	UK quoted	1,069,296	1,004,761
	Overseas quoted	1,361,648	1,392,343
	Total	2,430,944	2,397,104

Index-linked securities

		2014/15	2015/16
		£000	£000
	UK quoted	55,204	16,289
	Overseas quoted	18,260	5,615
	Total	73,464	21,904

Pooled Investment Vehicles

		2014/15	2015/16
		£000	£000
UK	Unit and Investment Trusts	201,691	197,196
Overseas	Unit and Investment Trusts	167,091	118,546
	Total	368,782	315,742

UK Properties

		2014/15	2015/16
		£000	£000
	Freehold	134,555	139,800
	Leasehold	35,075	44,650
	Total	169,630	184,450

The properties were valued on the basis of Market Value as at 31 March 2016 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

		2014/15	2015/16
		£000	£000
	Sterling Cash deposits	73,803	104,908

Other investment balances

		2014/15	2015/16
		£000	£000
	Cash deposits with custodian	7,355	4,382
	Outstanding dividend entitlements	19,189	21,291
	Interest due on cash deposits	53	26
	Total	26,597	25,699

Outstanding Commitments

As at 31 March 2016, the Fund had outstanding commitments to three investments:

	Vintage Year	Initial commitment	Capital payments made	Outstanding commitment as at 31 March 2016
		£	£	£
Capital North East No. 1 Limited Partnership	2002	750,000	750,000	0
Innisfree PFI Continuation Fund	2006	10,000,000	9,708,498	291,502
Innisfree PFI Secondary Fund 2	2012	10,000,000	8,898,424	1,101,576
Total		20,750,000	19,356,922	1,393,078

14. Current assets

Receivables		2014/15	2015/16
		£000	£000
Other receivables		7,844	8,434
Sundry debtors		685	375

Contributions due in respect of	Employers	4,851	4,812
	Members	2,079	2,095
Cash balances		358	177
	Total	15,817	15,893
Analysed by:			
Other local authorities		7,385	5,910
Other entities and individuals		8,074	9,806
Add cash balances		358	177
	Total	15,817	15,893

15. Receivables due over 1 year

		2014/15	2015/16
		£000	£000
Capital cost of early retirements		299	60
Analysed by:			
Other local authorities		299	60

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

16. Current liabilities

Amounts due within one year		2014/15	2015/16
		£000	£000
Rents received in advance		700	695
Accrued expenses		3,509	1,576
Other payables		699	927
	Total	4,908	3,198
Analysed by:			
Other local authorities		2,451	989
Other entities and individuals		2,457	2,209
	Total	4,908	3,198

17. 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:

	2014/15	2015/16
	£000	£000
Support Service Recharges payable for the year and outstanding at the year end	315	133

Middlesbrough Council had a £260 million, 10 year partnership with Kier Business Services for the provision of business, finance, IT, HR, Pensions and other support

services which commenced 1st June 2001. This was extended for a further 4 years, and has recently has been extended for a further 7 years, and expires in 2022.

One of the investment adviser to the Teesside Pension Fund is Mr Fred Green who is an ex-employee of the Council, a member of the Teesside Pension Fund and is in receipt of benefits. His costs to the fund in 2015/2016 were £9,388 (2014/15 £9,392).

18. 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;

	2015/16
	£million
Net Liabilities Assessment	2,919
Asset Valuation	2,956
Surplus	37
Funding Level	101%

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 31st March 2016 by Aon Hewitt with the following results;

	2015/16
	£million
Net Liabilities Assessment	3,961
Asset Valuation	3,130
Deficit	(831)
Funding Level	79%

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 pension legislation.

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2016 were:

Funding Assumptions

RPI increases	2.9% per annum
CPI increases	1.8% per annum
Salary increases	3.3% per annum
Pension increases	1.8% per annum
Discount rate	3.5% per annum

Life expectancy from age of 65 (years) assumptions

Mortality Assumptions:	
Longevity at 65 for current pensioners:	Years
Men	23.10
Women	25.60
Longevity at 65 for future pensioners :	
Men	25.30
Women	28.00

19. 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 4 (2)b of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

The value of AVC investments, are as follows:

Prudential AVC balances

	2014/15	2015/16
	£000	£000
With Profits and Deposit Accounts	3,649	3,885
Unit Linked Accounts	2,153	2,482
Total	5,802	6,367

The total value of AVC contributions paid to Prudential during the year was £1,370,207.

20. Financial Instruments

Net Gains and Losses on Financial Instruments

	2014/15	2015/16
	£000	£000
Financial Assets		
Fair Value through profit and loss account	214,604	(163,668)

Fair Value of Financial Instruments

Fair Value through profit and loss	Fair Value	Carrying Value	Fair Value	Carrying Value
	2015	2015	2016	2016
	£000	£000	£000	£000

Fixed Interest Securities	89,366	89,366	70,556	70,556
Equities	2,430,944	2,430,944	2,397,104	2,397,104
Index-linked securities	73,464	73,464	21,904	21,904
Pooled Investments	368,782	368,782	315,742	315,742
Properties	169,630	169,630	184,450	184,450
	3,132,186	3,132,186	2,989,756	2,989,756
Loans and receivables	100,732	100,400	130,615	130,607
Total	3,232,918	3,232,586	3,120,371	3,120,363

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where fair values are derived from unadjusted **quoted prices in active markets** for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on **observable market data**.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge 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. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Teesside Pension Fund has no investments in hedge funds.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Valuation of financial instrument carried at fair value

	Level 1	Level 2	Level 3
Value as at 31st March 2016	£000	£000	£000
Financial assets at fair value through profit and loss account	2,750,514	184,450	54,540
Loans and receivables	130,615	0	0
Total Financial Assets	2,881,129	184,450	54,540

Value as at 31st March 2015			
Financial assets at fair value through profit and loss account	2,870,881	169,630	91,675
Loans and receivables	100,732	0	0
Total Financial Assets	2,971,613	169,630	91,675

Nature and extent of exposure to risk arising from financial instruments

Risk and risk Management

The fund's primary long term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

Responsibility for the fund's risk management strategy rests with the Teesside Pension Fund 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 fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The fund manages these risks in three ways:

1. The actuarial valuation of the Fund which is carried out every three years and resets the employer contribution rates
2. The asset liability study which is carried out every three years or more frequently if required considers alternative asset allocations for the Fund and the long term impact on employer contribution rates.
3. Quarterly monitoring of the performance of the Fund against selected benchmarks, and annual performance reports to the 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 2015/2016 reporting period.

2015/16 Price Risk Asset Type		Value £000	Change %	Value on Increase £000	Value on Decrease £000
	Region				
Equities	UK	1,004,761	10.59%	1,111,165	898,357
	Non -UK	1,392,343	10.19%	1,534,223	1,250,463
	Total	2,397,104		2,645,388	2,148,820
Fixed Interest Securities	UK	52,248	5.85%	55,305	49,191
	Non -UK	18,308	8.37%	19,840	16,776
	Total	70,556		75,145	65,967
Index Linked	UK	16,289	8.07%	17,604	14,974
	Non -UK	5,615	8.37%	6,085	5,145
	Total	21,904		23,689	20,129
Managed and Unitised Funds	UK	197,196	10.59%	218,079	176,313
	Non -UK	118,546	10.19%	130,626	106,466
	Total	315,742		348,705	282,779
Property	UK	184,450	1.00%	186,295	182,606
Total		2,989,756		3,279,222	2,700,291

2014/15 Price Risk Asset Type		Value	Change	Value on Increase	Value on Decrease
	Region	£000	%	£000	£000
Equities	UK	1,069,296	10.20%	1,178,364	960,228
	Non -UK	1,361,648	9.49%	1,490,868	1,232,428
Equities Total	Total	2,430,944		2,669,232	2,192,655
Fixed Interest Securities	UK	50,616	6.17%	53,739	47,493
	Non -UK	38,750	7.49%	41,652	35,848
	Total	89,366		95,391	83,341
Index Linked	UK	55,205	8.30%	59,787	50,623
	Non -UK	18,259	7.49%	19,627	16,891
	Total	73,464		79,414	67,514
Managed and Unitised Funds	UK	201,690	10.20%	222,262	181,118
2014/15 Price Risk Asset Type	Region	Value	Change	Value on Increase	Value on Decrease
	Non -UK	167,092	9.49%	182,949	151,235
	Total	368,782		405,211	332,353
Property	UK	169,630	1.53%	172,225	167,035
Total		3,132,186		3,421,473	2,842,898

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 2016 and 31 March 2015 is set out below

Asset Type at 31 March	2015	2016
	£000	£000
Cash and cash equivalents	73,803	104,908
Cash balances	26,597	25,699
Fixed interest securities	89,366	70,556
Total	189,766	201,163

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 basis points (BPS) change in interest rates.

Asset Type		+25 BPS	-25 BPS
Carrying value at 31 March 2016	£000s	£000s	£000s
Cash and cash equivalents	104,908	262	(262)
Cash balances	25,699	64	(64)
Fixed interest securities	70,556	176	(176)

Total	201,163	502	(502)
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Carrying value at 31 March 2015			
Cash and cash equivalents	73,803	185	(185)
Cash balances	26,597	66	(66)
Fixed interest securities	89,366	223	(223)
	189,766	474	(474)

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 is informed quarterly of the Fund's currency exposure.

The following tables summarise the fund's currency exposure as at 31 March 2016 and as at 31 March 2015, showing the sensitivity analysis of foreign exchange movements.

Currency Risk by Currency at 31 March 2016	Value £000	Change %	Value on Increase	Value on Decrease
Australian Dollar	111,170	9.26%	121,464	100,876
Canadian Dollar	3,382	7.89%	3,649	3,115
Danish Krone	18,871	6.83%	20,160	17,582
EURO	206,213	6.77%	220,174	192,252
Hong Kong Dollar	143,895	7.67%	154,932	132,858
Indian Rupee	5,860	10.28%	6,462	5,258
Japanese Yen	174,641	11.68%	195,039	154,243
South Korean Won	96,558	7.22%	103,529	89,587
Malaysian Ringet	1,548	10.24%	1,707	1,389
Norwegian Krone	13,788	9.40%	15,084	12,492
New Zealand Dollar	6,926	11.02%	7,689	6,163
Swedish Krona	31,876	7.65%	34,315	29,437
Singapore Dollar	49,343	6.17%	52,387	46,299
Swiss Franc	71,525	9.95%	78,642	64,408
Taiwan Dollar	68,790	6.59%	73,323	64,257
US Dollar	444,708	7.78%	479,306	410,110
Asia Pacific ex Japan basket	14,820	6.52%	15,786	13,854
Emerging Basket	27,888	6.79%	29,782	25,994
Europe Basket	54,190	4.39%	56,569	51,811
Europe ex UK Basket	13,662	6.46%	14,545	12,779
Total	1,559,654		1,684,544	1,434,764

Currency Risk by Currency at 31 March 2015	Value £000	Change %	Value on Increase	Value on Decrease
Australian Dollar	129,416	8.87%	140,895	117,936
Canadian Dollar	6,910	6.65%	7,370	6,451

Chinese Yuan	1,082	7.91%	1,167	996
Danish Krone	22,074	6.19%	23,440	20,708
EURO	212,437	6.15%	225,502	199,372
Hong Kong Dollar	150,108	7.74%	161,726	138,490
Indian Rupee	6,918	10.78%	7,664	6,172
Japanese Yen	193,729	11.02%	215,077	172,380
South Korean Won	97,670	6.62%	104,136	91,204
Malaysian Ringet	2,046	7.31%	2,196	1,897
Norwegian Krone	22,065	8.64%	23,971	20,159
New Zealand Dollar	6,671	9.20%	7,285	6,058
Swedish Krona	34,472	7.30%	36,989	31,956
Singapore Dollar	50,863	5.89%	53,859	47,867
Swiss Franc	80,222	9.34%	87,714	72,729
Thailand Baht	69	8.08%	74	63
Taiwan Dollar	79,098	6.62%	84,335	73,862
US Dollar	379,288	7.78%	408,797	349,780
Asia Pacific ex Japan	38,944	6.44%	41,452	36,436
Emerging Basket	26,454	6.80%	28,252	24,655
Europe Basket	53,817	3.78%	55,851	51,783
Europe ex UK Basket	12,017	5.66%	12,697	11,337
Total	1,606,370		1,730,449	1,482,291

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 2015. 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.

21. Events after the Balance Sheet Date

There were no adjusting events after the end of the reporting period which would impact on the accounts.

Teesside Pension Fund

Statement of the Actuary for the year ended 31 March 2016

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 in respect of service prior to the valuation date 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 was:
 - 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 in force at the time. The approach adopted, and the recovery period used for each employer, is 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 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

The actuarial valuation of the Fund as at 31 March 2016 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.

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

May 2016

The Compliance Statement

Local Government Pension Scheme Regulations

Middlesbrough Council administers the Teesside Pension Fund in accordance with:

The Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (amendment) (Governance) Regulations 2015 and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

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 2009 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 March 2015 and contains statements on:

- Investment responsibilities sets out the key responsibilities of the Teesside Pension Fund & Investment Panel, key officers of the Fund, the Fund's Custodian and the Independent Investment Advisors.
- The level of compliance with the Myners Principles
- The types of investments held, in terms of equities, bonds, property, unit trusts, etc.
- The maximum and minimum amount allowable in each asset class and any discretion by the administering authority to increase the limits on various types of investment.
- Risk, including the ways in which risks are to be measured and managed.
- The expected returns on investments, as set out in the Fund's Funding Strategy Statement.
- The realisation of investments and liquidity of the Fund's assets.
- The Fund's position as a responsible investor and its promotion of ethical, social and environmental best practice.
- The exercise of the rights (including voting rights) attaching to investments, if there is such a policy.
- The Fund's commitment to measure and report investment performance.
- The extent to which the administering authority complies with guidance given by DCLG (in relation to the Investment Principles), and to the extent the authority does not comply, the reasons for not complying.

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 2013 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:

- The purpose of the Statement;
 - Establishes a clear and transparent strategy which identifies how employers' pension liabilities are best met going forward.
 - Supports the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
 - Take a prudent longer term view of funding liabilities.
- The purpose of the Fund i.e. to receive contributions and make pensioner payments.
- The identification of key risks to the Fund, and the control mechanisms in place to mitigate these risks.
- Links to the Fund's investment strategy, linking to the Fund's Statement of Investment Principles.
- The key responsibilities of the administering authority, scheme employers and the Fund's Actuary are also set out.

The latest Funding Strategy Statement was approved by the Pensions Panel and was effective from March 2015 and can be seen at:

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

Governance Policy

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a Governance Policy which sets out the procedures for the governance of the Fund. In summary, the policy sets out that the administering authority delegates its functions under the above Regulations to the Kier Business Services (previously Mouchel Business services) and administrator and the Teesside Pension Fund & Investment Panel to act in a similar manner to a Board of Trustees.

The policy also sets out the:

- Terms of reference of the Teesside Pension Fund and Investment Panel;
- Frequency of meetings (minimum of 4 times a year);
- Structure of meetings;
- Membership; and
- Principles of governance

The current policy document can be viewed at:

http://www.teespen.org.uk/documents/content/2010/governance/PDF/Governance%20Compliance%20Policy%20May%2009%20_updated_.pdf

Communications Policy

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a statement(s) of policy concerning communications with members and Scheme employers.

The Teesside Pension Fund actively communicates with all 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 their financial planning.

We also provide newsletters twice a year to all active and pensioner members. This allows us to inform participants of any scheme changes which may be made.

A Communications Policy Statement has been drawn up in order to ensure that the Fund offers clear communication to stakeholders of the Local Government Pension Scheme.

The latest policy statement can be seen at:

<http://www.teespen.org.uk/documents/content/2010/201008%20Communication%20Strategy%20Teesside%20Pension%20Fund.pdf>

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 and comparison to previous scheme

	LGPS 2014	LGPS 2008																																				
Basis of Pension	Career Average Revalued Earnings (CARE)	Final Salary																																				
Accrual Rate	1/49th	1/60th																																				
Revaluation Rate	Consumer Prices Index (CPI)	Based on Final Salary																																				
Pensionable Pay	Pay including non-contractual overtime and additional hours	Pay excluding non-contractual overtime and non-pensionable additional hours																																				
Employee Contribution Rates	2016/17 Member Contribution Table	Member Contribution Table																																				
	<table><tr><th>Pay Bands</th><th>Contribution Rates</th></tr><tr><td>Up to £13,600</td><td>5.5%</td></tr><tr><td>£13,601 - £21,200</td><td>5.8%</td></tr><tr><td>£21,201 - £34,400</td><td>6.5%</td></tr><tr><td>£34,401 - £43,500</td><td>6.8%</td></tr><tr><td>£43,501 - £60,700</td><td>8.5%</td></tr><tr><td>£60,701 - £86,000</td><td>9.9%</td></tr><tr><td>£86,001 - £101,200</td><td>10.5%</td></tr><tr><td>£101,201 - £151,800</td><td>11.4%</td></tr><tr><td>Over £151,800</td><td>12.5%</td></tr></table>	Pay Bands	Contribution Rates	Up to £13,600	5.5%	£13,601 - £21,200	5.8%	£21,201 - £34,400	6.5%	£34,401 - £43,500	6.8%	£43,501 - £60,700	8.5%	£60,701 - £86,000	9.9%	£86,001 - £101,200	10.5%	£101,201 - £151,800	11.4%	Over £151,800	12.5%	<table><tr><th>Pay Bands</th><th>Contribution Rates</th></tr><tr><td>Up to £13,700</td><td>5.5%</td></tr><tr><td>£13,701 - £16,100</td><td>5.8%</td></tr><tr><td>£16,101 - £20,800</td><td>5.9%</td></tr><tr><td>£20,801 - £34,700</td><td>6.5%</td></tr><tr><td>£34,701 - £46,500</td><td>6.8%</td></tr><tr><td>£46,501 - £87,100</td><td>7.2%</td></tr><tr><td>Over £87,100</td><td>7.5%</td></tr></table>	Pay Bands	Contribution Rates	Up to £13,700	5.5%	£13,701 - £16,100	5.8%	£16,101 - £20,800	5.9%	£20,801 - £34,700	6.5%	£34,701 - £46,500	6.8%	£46,501 - £87,100	7.2%	Over £87,100	7.5%
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£34,701 - £46,500	6.8%																																					
£46,501 - £87,100	7.2%																																					
Over £87,100	7.5%																																					
Contribution Flexibility	Yes, members can pay 50% contributions for 50% of the pension benefit	No																																				
Normal Pension	Equal to the individual member's State	65																																				

Age	Pension Age	
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160th accrual based on Tier 1 ill health pension enhancement	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 - Immediate payment with service enhanced to Normal Pension Age Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age Tier 3 - Temporary payment of pension for up to 3 years	Tier 1 - Immediate payment with service enhanced to Normal Pension Age (65) Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age (65) Tier 3 - Temporary payment of pension for up to 3 years
Indexation of Pension in Payment	CPI	CPI (RPI for pre-2011 increases)
Vesting Period	2 years	3 months

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 %
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 %
2014	2.7%
2015	1.2%

Contacts and further information

Contacts	
Pensions Unit <i>For General and Benefit Entitlement enquiries</i>	Kier Pensions Unit Teesside Pension Fund PO Box 340 Middlesbrough TS1 2XP Telephone: (01642) 727777 E Mail: pensionsunit@kier.co.uk
Pensions Manager	Mike Hopwood Telephone: (01642) 727778 E Mail: mike.hopwood@kier.co.uk
Head of Investments	Paul Campbell Telephone: (01642) 729024 E Mail: paul_campbell@middlesbrough.gov.uk
Teesside Pension Fund Web Site	www.teespen.org.uk
Employers Web Site	www.employers.teespen.org.uk
Further Information	
For more information on this report please contact:	Jan Oliver Pensions Accountant Telephone: (01642) 729617 E Mail: jan_oliver@middlesbrough.gov.uk
Further copies of this report can be obtained from:	Kier Pensions Unit Teesside Pension Fund PO Box 340 Middlesbrough TS1 2XP Telephone: (01642) 727777 E Mail: pensionsunit@kier.co.uk
A copy of this report, and those for previous years, is available on our web site at www.teespen.org.uk	