TYNE AND WEAR PENSION FUND

Annual Report and Accounts 2019/20

Administered by South Tyneside Council

CONTENTS

KEY MEMBERS AND OFFICERS OF THE FUND

THE MEMBERS OF PENSIONS COMMITTEE

South Tyneside Council

Councillor E. Leask (Chair)
Councillor A. Walsh (Vice Chair)
Councillor W. Flynn
Councillor J. Foreman
Councillor D. Purvis
Councillor A. Hetherington
Councillor G.Thompson
Councillor R. Porthouse

Gateshead Council

Councillor B. Goldsworthy
(substitute – Councillor G. Haley)

Newcastle City Council

Councillor J. McCarty
(substitute – Councillor G. Bell)

North Tyneside Council

Councillor A. McMullen
(substitute – Councillor W. Samuel)

Sunderland City Council

Councillor J. Heron
(substitute – Councillor A. Lawson)

Trade Union Representatives

L. Brown – Unison
J. Kelly – Unite
P. Moore – Unison

Employers' Representatives

C. Wallace – Gentoo
P. Goddard – Stagecoach
A. Munro – Northumbria University

MEMBERS OF THE LOCAL PENSION BOARD

Employer Representatives

J. Woodlingfield (Chair) – Newcastle College Group
M. Brodie – North East Regional Employers' Organisation (NEREO)
Councillor P. Hay – South Tyneside Council
P. Smith – TT2

Trade Union Representatives

N. Wirz (Vice Chair) – Unison
J. Pearson – GMB
C. Sharkey – Unison
T. Hunter - GMB

Members of the Pensions Committee and the Local Pension Board can be contacted through the Pensions Helpline by emailing **pensions@twpf.info**

SENIOR OFFICERS

Corporate Director Business and Resources (Section 151 Officer)

S. Reid
(email Stuart.Reid@southtyneside.gov.uk)

Head of Pensions

I. Bainbridge
(email Ian.Bainbridge@southtyneside.gov.uk)

Principal Pensions Manager

H. Chambers
(email Heather.Chambers@southtyneside.gov.uk)

Principal Investment Manager

T. Morrison
(email Tom.Morrison@southtyneside.gov.uk)

Acting Head of Legal Services

J. Rumney
(email John.Rumney@southtyneside.gov.uk)

Corporate Assurance Manager

P. Hunter
(email Peter.Hunter@southtyneside.gov.uk)

ADMINISTRATORS OF THE FUND

The Fund is administered by the in-house Pensions Administration Team.

ADVISORS

Actuary

Aon Solutions UK Ltd – J. Teasdale

Investment Advisor

Hymans Robertson – P. Potter

The advisors to the Fund can be contacted through the Pensions Helpline by emailing **pensions@twpf.info**

BANK

Lloyds Bank

CUSTODIAN

Northern Trust

EXTERNAL AUDIT

Ernst & Young LLP – H. Rohimun (Associate Partner)

POOL OPERATOR

Border to Coast Pensions Partnership

INVESTMENT MANAGERS

INDEXATION

Legal and General Investment Management

EQUITIES

UK Equity

Border to Coast Pensions Partnership

Global Equity

Border to Coast Pensions Partnership

Japanese Equity

Lazard Asset Management

Asian ex Japanese Equity

TT International

Emerging Market Equity

JP Morgan Asset Management

BONDS

Janus Henderson Global Investors
Border to Coast Pensions Partnership

PROPERTY

UK Property

Aberdeen Standard Investments

UK Residential Property

Aberdeen Standard Investments
Hearthstone

Global Property

Partners Group

PRIVATE EQUITY

Capital International
Coller Capital
HarbourVest Partners
Lexington Partners
Pantheon Ventures
Partners Group
Border to Coast Pensions Partnership

PRIVATE DEBT

HPS Investment Partners
Pemberton
Border to Coast Pensions Partnership
Pantheon Ventures

INFRASTRUCTURE

AMP Capital
Infracapital
Partners Group
Pantheon Ventures
Border to Coast Pensions Partnership

ADDITIONAL VOLUNTARY CONTRIBUTIONS

Prudential Assurance Company
Utmost Life and Pensions Limited

REVIEW OF THE YEAR

We are delighted to present the 2019/20 Annual Report and Accounts for the Tyne and Wear Pension Fund. The report summarises the main issues affecting the Fund and the Local Government Pension Scheme (LGPS) over the last year.

The Fund has been working closely with Northumberland County Council Pension Fund for a number of years and in early 2018 the funds came together to introduce a shared pensions administration service. This successful collaboration proved to be the catalyst for even greater integration and following a robust due diligence process during 2019 and into early 2020, a decision was taken to merge the Northumberland County Council Pensions Fund into the Tyne and Wear Pension Fund.

For the merger to become effective a change in the LGPS Regulations 2013 was required. On 20th March 2020 the Government launched a formal consultation which lasted 6 weeks. On 3rd June, The Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020, came into force with the effective date of the merger backdated to 1st April 2020.

This has been a significant task and a considerable amount of work has been undertaken to ensure that the member records, the funding strategy and investment strategy are fully integrated and appropriate for the newly combined Fund.

As noted in this and previous annual reports, the administering authority of the Fund is the joint owner of a Financial Conduct Authority (FCA) regulated investment management company called Border to Coast Pensions Partnership Limited. This company was created in response to the Governments initiative on investment pooling. The company itself was created in 2017 and assets started to transfer from the funds during 2018.

At the year end the Fund had assets under management at Border to Coast valued at £2,499 million, which is around 29% of the Fund. Further assets are expected to move during 2020/21.

During March 2020, governance and service arrangements of the Fund had to be adapted to meet the challenges of lockdown measures put in to combat the Covid-19 pandemic. In late March the special meeting of Pensions Committee and a meeting of the Local Pension Board were cancelled. Some decisions were taken under delegated powers until virtual meetings commenced in June 2020.

During the Covid-19 pandemic the safety and wellbeing of the staff has been of upmost importance. Whilst home working was introduced it has been necessary to maintain a small presence in the office. It is pleasing to note that to date we have been able to operate a full service to members of the Fund.

2019/20 was a valuation year for the Fund, and normally this would be the main focus of any review of the year. The valuation is based on the position as at 31st March 2019 and is undertaken every three years. This establishes the overall funding level for the Fund and sets the contribution rates for employers for the next three years. As usual, the valuation brought many challenges with regard to the funding strategy, workload, data quality and communications with employers.

The contributions paid by employers in the 2019/20 year were set as part of the previous valuation, as at March 2016. The reported funding level at that time was 85% based on the assumptions agreed with the actuary. This was a slight improvement from the figure of 81% at the 2013 valuation. The average future service rate was 18.3% of pay, and the contribution to address the deficit was 6.9% of pay, leading to a total average contribution of 25.2% of pay.

The triennial valuation of the Fund as at 31st March 2019 has set contribution rates for the three years from 1st April 2020. The ongoing funding position has improved on the back of good investment returns to 106%. The low risk funding level based on gilt yields was 68%, which was higher than the figure of 54% at the 2016 valuation.

As noted above, the contributions payable for the next three years have been set as part of the 2019 valuation. The average future service rate being set at 19.1% of pensionable pay, against 18.3% at the 2016 valuation. Amortisation of surpluses over 20 years decreased the contribution rate by 0.6%. In addition, an allowance of 1.2% was added to the contribution rate to account for a legal case called "McCloud", which sought to remove an issue around age discrimination in the LGPS. This all led to a total average contribution rate of 19.7%, against 25.2% at the 2016 valuation.

At the same time as undertaking the triennial valuation, the Fund has also reviewed its investment strategy. In particular, consideration was given to de-risking the strategy to lock in some of the investment gains over recent years.

An Asset Liability Modelling (ALM) exercise was carried out in 2019 using the liability data from the 2019 valuation. The review resulted in a 15% reduction in return seeking growth assets (quoted equities) with a corresponding 10% increase in return seeking income assets (property, infrastructure, private debt and multi asset credit) and a 5% increase in protection assets (corporate bonds and cash).

When fully implemented, the asset allocation will be 40.5% in equities, 22.0% in bonds, 13.0% in property, 7.5% in private equity, 6.0% in private debt, 5.0% in infrastructure, 5.0% in multi asset credit and 1.0% in cash. Significant moves to implement these changes were made before the year end.

For the first ten months of the year market returns had generally been positive, despite some volatility during periods of uncertainty regarding Brexit. However, it all changed in late February, with the global outbreak of Covid-19. With concerns over future economic activity, equities fell dramatically. In this environment it was only the safest assets, primarily government and high quality corporate bonds that proved resilient over the final quarter of the year. It was only after governments and central banks launched monetary and budgetary programmes to protect economies, companies and employees that some calm did return to markets.

The Fund's diversified investment strategy provided some protection against these extreme market conditions. The Fund's total return in 2019/20 was -3.4%, which was 0.4% below its benchmark return of -3.0%.

Inflation as measured by the Consumer Prices Index, which has risen in importance as a measure for the Scheme, was up by 1.5% over the year. Average Earnings increased by 3.1%.

Whilst the Fund underperformed its performance benchmark in 2019/20, it should be noted that the Fund had outperformed in each of the previous five years. On the back of this the Fund's five year return is 6.0% per annum, which is ahead of the benchmark return of 5.3% per annum. The ten year return is 7.1% per annum, which is also ahead of the benchmark return for this period of 6.7% per annum. Both the relative and absolute level of returns is positive.

There has been a tremendous effort by everybody involved in the Fund over the past year. As ever, there has been a significant amount of change and everybody has risen to the challenge that this brings. Therefore, we would like to thank the Pensions Committee, the Local Pension Board and the staff involved with the Fund for all their considerable work during the year and in the delivery of services to the members and employers.

Councillor Anne Walsh
Vice Chair of Pensions Committee

Ian Bainbridge
Head of Pensions

LEGAL FRAMEWORK

INTRODUCTION

The Tyne and Wear Pension Fund is part of the Local Government Pension Scheme (the Scheme) and is administered by South Tyneside Council. The Ministry of Housing, Communities and Local Government (MHCLG) sets out the framework for the Scheme in regulations that apply in England and Wales.

SCHEME REGULATIONS

The rules of the Scheme are contained in the following sets of regulations.

The Local Government Pension Scheme Regulations 2013 (as amended) describe how rights accrue and how benefits are calculated with effect from 1st April 2014. The regulations also contain the administrative provisions for the Scheme.

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) set out how membership accrued prior to 1st April 2014 counts. These regulations also remove the ability of Councillors in England and Wales to continue their participation in the LGPS.

The main provisions of the Scheme are:

- Tiered employee contribution rates.
- A Career Average Re-valued Earnings pension based on 1/49th of salary for each year of pensionable service.
- A "50:50" arrangement allowing members to opt to pay 50% of their standard contribution rate. Where this is exercised the member will accrue pension based on 1/98th of salary for each year of pensionable service.
- A Normal Retirement Age of the member's State Pension Age for the release of unreduced benefits.
- A three level ill health retirement package, payable from any age.
    - 100% enhancement of benefits for total incapacity.
    - 25% enhancement where there is a prospect of return to gainful employment after three years but before Normal Retirement Age.
    - No enhancement where there is a prospect of return to gainful employment within three years. This level of ill health pension ceases on re-employment or after three years in payment.
- The earliest age that the member may choose to release their pension is 55. If the member chooses to access before Normal Pension Age then their pension will be subject to reduction.
- Immediate payment of retirement benefits on grounds of redundancy or business efficiency if the member has attained age 55.
- Phased retirement arrangements that enable members under specified circumstances to draw down some or all of their accrued pension rights from the Scheme while still continuing to work.
- An option to commute pension to lump sum, at the rate of one pound of annual pension for twelve pounds of lump sum, up to a maximum tax free lump sum of 25% of capital value of accrued benefit rights at date of retirement.
- Pensions indexed in line with the Consumer Prices Index.
- Pensions must come into payment before the 75th birthday.
- Survivor benefits for life, payable to spouses, civil partners and dependant partners (opposite and same sex) at a 1/160th accrual rate.
- Survivor benefits payable to children.
- A death-in-service tax-free lump sum of three times assumed pensionable pay.
- A post-retirement lump sum death benefit where death occurs before age 75 of up to a maximum of ten years pension.
- Transfer values to other pension arrangements or index-linked deferred benefits for early leavers.
- A refund of contributions where no other benefit is due.
- Facilities for paying additional voluntary contributions to provide benefits.

AMENDMENT LGPS REGULATIONS

The LGPS (Amendment) Regulations 2019 came into force on 31 December 2019. Changes to the LGPS were as follows:

Changes to survivor benefits for same opposite sex civil partners.

They amend the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 by introducing survivor benefits payable under the earlier regulations for opposite-sex civil partnerships. A person who is the surviving opposite-sex civil partner of a deceased member will be provided with a survivor pension calculated on the basis that the survivor is a widow or widower, depending on their gender.

MANAGEMENT AND GOVERNANCE

The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 amended the Local Government Pension Scheme Regulations 2013 and contain additional provisions covering governance of the new Scheme.

The additional provisions provided for the setting up of, and making appointments to, Local Pension Boards and the Scheme Advisory Board.

Under the Public Service Pensions Act 2013, the MHCLG continue to be responsible for policy and the making of regulations. There is a Local Government Pension Scheme Advisory Board which advises MHCLG on regulatory changes it considers being appropriate.

At individual Fund level, each Fund continues to be administered by its designated administering authority. Each Fund must also have a Local Pension Board that is tasked with assisting the administering authority in securing compliance with regulations, other legislation and the requirements of the Pensions Regulator. Local Pension Boards must have equal representation of employer representatives and member representatives, who must not be officers or councillors of the administering authority responsible for the discharge of local government pension functions. The Fund has a Local Pension Board.

The Regulations also include an employer cost cap. The Secretary of State is required, if valuation reports indicate that costs have varied by more than the margin allowed for in the Regulations, to make changes to the Scheme to bring costs back to the defined level.

The Local Government Pension Scheme Advisory Board is required to monitor the overall costs of the Scheme and the proportion of those costs met by employers and members. The Local Government Pension Scheme Advisory Board is also required to make recommendations to the Secretary of State for changes to the Scheme where costs have varied beyond defined margins.

The results of the cost control process could lead to either, changes in employee contributions which need to be paid into the LGPS as part of Scheme membership, or to changes in the pension benefits eventually payable by the LGPS.

In September 2018 the results of the valuation of public service pension schemes were announced. The initial results for the LGPS showed that the cost of the Scheme had fallen. This led to the Scheme Advisory Board suggesting some proposed changes to contribution rates for the lower paid along with improvements in the benefits package. A consultation on the proposed changes was expected in advance of the HM Treasury mechanism being undertaken.

However, in January 2019 the Government 'paused' the cost cap process following a ruling by the Court of Appeal in December 2018 over two cases (known as 'McCloud') regarding age discrimination and transitional protection arrangements in the judicial and firefighters pension schemes. The Local Government Pension Scheme Advisory Board also put on hold the consultation on proposed changes.

The 'McCloud' case ruling stated that current arrangements in these schemes were unlawful on the grounds of age discrimination. Although relating to judges and firefighters the ruling could have significant implications for all public sector schemes, including the LGPS.

The full impact of McCloud remains unclear. Nonetheless funds were advised to make an allowance for the 'McCloud liabilities' in the 2019 Valuation. TWPF made an allowance for McCloud liabilities by adding a 1.2% loading factor to the future service rate for employers.

MHCLG commenced a consultation on proposals for a remedy in relation to McCloud on 16 July 2020 which is not expected to be implemented before the end of the 2020/21 financial year. It is widely expected that whatever is implemented it will result in a considerable administrative burden for administering authorities.

Also in July 2020, HMT has announced that:

- the pause of the cost control mechanism will be lifted and the cost control element of the 2016 Valuation will be completed; and
- the costs of addressing the discrimination in the McCloud judgment will be classed as "member costs" and included in the cost cap mechanism review.

The inclusion of the projected McCloud liabilities in the cost cap mechanism review will reduce, or possibly even wipe out, the proposed package of benefit improvements that had been due to take place with effect from 1 April 2019.

The unpausing of the cost cap review mechanism relates to the HMT review only, although it is expected that the SAB review will soon follow.

POOLING OF INVESTMENTS

In the July 2015 Budget, the Chancellor announced the Government's intention to work with the LGPS administering authorities to ensure that investments were pooled while maintaining overall investment performance.

After considering a number of options the Fund decided to work with eleven other administering authorities of LGPS pension funds and created the Border to Coast Pension Partnership. This is a major strategic collaboration between the partner funds, with the aim of delivering improved performance as well as cost savings over the medium to long term.

In 2017/18 Border to Coast Pensions Partnership Limited (Border to Coast) was established and registered as a company limited by shares, with each of the twelve administering authorities as equal shareholders. The transfer of investments to Border to Coast commenced in July 2018, when three internally managed funds moved some of their assets to Border to Coast. The Tyne and Wear Pension Fund made its first investment with Border to Coast in November 2018.

As at 31st March 2020, assets to the value of £14 billion have been invested through Border to Coast on behalf of the partner funds. Tyne and Wear has approximately £2.5 billion invested in three sub funds covering, UK equities, global equities and corporate bonds.

Investments have also been made in the private equity and infrastructure programmes through Limited Partnerships structures. A commitment has also been made to a Limited Partnership for Private Debt but no investments have been made by the year-end.

Following the successful merger of Tyne and Wear Pension Fund and Northumberland County Council Pension Fund, the shareholding in Border to Coast has been adjusted to reflect the fact that there are now eleven rather than twelve shareholders, with one vote each. The adjustments to accommodate the changes in share ownership were made in June 2020, after the end of the 2019/20 financial year.

INVESTMENT REGULATIONS

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force on 1st November 2016, replacing the 2009 Regulations. The 2016 Regulations introduced a mixture of new legislative requirements, updates to the 2009 regulations and dropped other requirements altogether. Overall the new regulations are less prescriptive.

These Regulations set out the payments that must be made into and out of the pension fund, restrict powers of borrowing, and require fund money to be in a separate bank account. The Regulations require the administering authority to maintain and publish an Investment Strategy Statement (ISS).

The ISS should describe the Fund's investment strategy and its investments and must cover:

- a requirement to invest money in a wide variety of investments
- an assessment of the suitability of investments held
- the approach to risk
- the approach to pooling investments
- the policy and approach to social, environmental and corporate governance
- the policy on the exercise of rights (including voting rights) attaching to investment

The ISS must also set out the maximum percentage of the Fund that it will invest in particular investments or asset classes.

The 2016 Regulations also introduce new powers for the Secretary of State to make a direction, if satisfied that an administering authority is failing to act in accordance with this guidance. The power of direction can be used to:

- require changes to the investment strategy
- require investment in specific assets or asset classes
- transfer the investment functions to the Secretary of State or a person nominated by the Secretary of State
- require the administering authority to comply with any instructions

This regulation essentially allows the Secretary of State to intervene in whatever manner is deemed necessary to address a perceived problem. The Secretary of State must consult with the administering authority and take due consideration of reports and representations, before any direction can be issued. Although this does appear quite draconian, its use is likely to be a last resort.

GOVERNANCE ARRANGEMENTS

South Tyneside Council is the administering authority of the Local Government Pension Fund for the Tyne and Wear County area.

PENSIONS COMMITTEE

The Council has set up a Pensions Committee (the Committee) to control and resolve all matters relating to the Fund. The Council's Constitution requires the Committee to:

- Prepare, maintain and publish the Governance Compliance Statement.
- Ensure that the Fund complies with the Local Government Pension Scheme Regulations and all other legislation that governs the administration of the Fund.
- Prepare, maintain and publish the Funding Strategy Statement.
- Prepare, maintain and publish the Pensions Administration Strategy.
- Ensure that the Fund is valued as required and receive and consider reports on each valuation.
- Ensure appropriate arrangements are in place for the administration of benefits.
- Set the Admissions Policy.
- Prepare, maintain and publish the Communications Policy Statement.
- Ensure appropriate additional voluntary contributions arrangements are in place.
- Prepare, maintain and publish the Investment Strategy Statement.
- Set the investment objectives and policy and the strategic asset allocation in the light of the Fund's liabilities.
- Select, appoint and dismiss an investment pooling operator to manage the Fund's assets.
- Appoint, dismiss and assess the performance of investment managers and custodians where direct investments are maintained. Where investments are made through the pool operator, this will be done by the operator itself.
- Work with the pool operator to implement the Fund's investment strategy.
- Ensure appropriate participation in the pool operator Joint Committee.
- Monitor the performance and effectiveness of the investment pool operator.
- Prepare, maintain and publish the Corporate Governance Policy.
- Prepare and maintain a Responsible Investment Policy which takes account of the policy of the pool operator.
- Ensure appropriate arrangements for the Local Pension Board are in place and maintain and publish information about the Local Pension Board.
- Provide guidance to the Council as administering authority as to the exercise of its rights as a shareholder in Border to Coast Pensions Partnership.
- Receive and consider reports from the Joint Committee and maintain an effective mechanism for making recommendations to the Joint Committee.
- Identify and manage the risks associated with investment pooling.
- Ensure that appropriate measures are in place to monitor and report on the ongoing costs of investment pooling.

The Council's Constitution has been updated to reflect the Governments initiative on the pooling of investments. The main change is that the Committee will no longer be responsible for appointing, dismissing and monitoring the performance of investment managers. Instead over time this responsibility will pass to the Border to Coast Pensions Partnership, the Fund's chosen pooling operator.

The Committee will however, continue to be responsible for setting the investment strategy and strategic benchmark. It will also be responsible for monitoring the performance of Border to Coast.

The overall governance structure, including the wider responsibilities of the Committee, is set out in the Governance Compliance Statement that the Fund has to prepare, maintain and publish under the Local Government Pension Scheme Regulations 2013. The Statement was last reviewed by the Committee in February 2020 and demonstrates that the Fund is compliant with guidance provided by the Secretary of State for Ministry of Housing Communities and Local Government.

During 2019/20 the Committee had eighteen members. South Tyneside Council nominates eight members and the other four district councils within the County area nominate one member each. The trades unions and the employers collectively nominate three members each, who sit on the Committee in an advisory capacity. Changes to the membership have been made in 2020/21 to allow for the merger with Northumberland County Council Pension Fund.

The Committee meets quarterly to consider pension matters. Additional meetings are called should any matter require an in-depth review.

The Committee has set up an Investment Panel to provide a greater focus on, and scrutiny over, the investment strategy and the performance of the managers. The Panel consists of three members of the Committee, the Investment Advisor, the Head of Pensions and the Principal Investment Manager. It reports its findings to the Committee and makes recommendations on any action that is required.

LOCAL PENSION BOARDS

The Public Service Pensions Act 2013 and the Scheme Regulations require the Council to establish a Local Pension Board to assist the Pensions Committee in ensuring that the Fund complies with legislation relating to its governance and administration, its own rules and any requirements of the Pensions Regulator.

The responsibilities to be discharged by the Local Pension Board include:

- To secure compliance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 and the Local Government Pension Scheme Regulations 2013 (as amended) and any other legislation relating to the governance and administration of the Fund.
- To secure compliance with any requirements imposed by The Pensions Regulator in relation to the Fund.
- To ensure the effective and efficient governance and administration of the Fund, and
- To provide the Pensions Committee with such information as it requires to be satisfied from time to time that none of the members of the Local Pension Board or person to be appointed as a member of the Local Pension Board has a conflict of interest.

The Local Pension Board reports to Pensions Committee. The Board consists of eight voting members, four Member representatives and four Employer representatives.

The Board is required to produce an annual report. A copy of this annual report is available on the Fund's website at **http://www.twpf.info/article/57170/Annual-Reports-for-Local-Pension-Board.**

MANAGEMENT OF CONFLICTS OF INTEREST

Declaration of potential conflicts of interest is a requirement for Committee members, Local Pension Board members and the Fund's officers.

A Register of Interests is maintained for members and officers.

Declaration of interests is the opening agenda item at Committee, Local Pension Board and Investment Panel meetings. Depending on the level of conflict, an individual may be required to take no part in discussions or voting, or may be required to leave the meeting whilst the matter is addressed.

PENSIONS COMMITTEE	VOTING RIGHTS	NO. OF MEETINGS ATTENDED	NO. OF INVESTMENT PANEL MEETINGS ATTENDED	TOTAL HOURS OF TRAINING ATTENDED
Cllr. E. Leask	Y	3 of 6	3 of 4	12.0
Cllr. A. Walsh	Y	6 of 6	3 of 4	74.0
Cllr. W. Flynn	Y	4 of 6	3 of 4	67.0
Cllr. J. Foreman	Y	5 of 6	1 as observer	65.0
Cllr. D. Purvis	Y	6 of 6	N/A	18.0
Cllr. A. Hetherington	Y	3 of 6	N/A	37.5
Cllr. G. Thompson	Y	5 of 6	N/A	46.0
Cllr. R Porthouse	Y	6 of 6	N/A	54.0
Cllr. B. Goldsworthy	Y	6 of 6	1 as observer	38.5
Cllr. G. Haley (substitute)	Y	2 of 6	1 as observer	49.5
Cllr. J. McCarty	Y	2 of 6	N/A	15.0
Cllr. G. Bell (substitute)	Y	2 of 6	N/A	22.5
Cllr. A. McMullen	Y	3 of 6	N/A	45.0
Cllr. W. Samuel (substitute)	Y	1 of 6	N/A	0.0
Cllr. J. Heron	Y	2 of 6	N/A	22.5
Cllr. A. Lawson (substitute)	Y	4 of 6	N/A	46.0
L. Brown (Trade Union Representative)	N	4 of 6	N/A	38.0
J. Kelly (Trade Union Representative)	N	4 of 6	N/A	23.0
P. Moore (Trade Union Representative)	N	5 of 6	N/A	45.0
P. Goddard (Employer Representative)	N	4 of 6	N/A	24.0
A. Munro (Employer Representative)	N	5 of 6	N/A	46.0
C. Wallace (Employer Representative)	N	3 of 6	N/A	33.0

LOCAL PENSION BOARD	VOTING RIGHTS	NO. OF MEETINGS ATTENDED	NO. OF INVESTMENT PANEL MEETINGS ATTENDED	TOTAL HOURS OF TRAINING ATTENDED
J. Woodlingfield	Y	3 of 3	N/A	29.0
N. Wirz	Y	3 of 3	N/A	89.0
Cllr. P. Hay	Y	1 of 3	N/A	45.0
P. Smith	Y	2 of 3	N/A	15.0
M. Brodie	Y	1 of 3	N/A	22.5
C. Sharkey	Y	2 of 3	N/A	22.5
J. Pearson	Y	2 of 3	N/A	45.0
T. Hunter	Y	1 of 3	N/A	38.0

ATTENDANCE AT MEETINGS AND AT TRAINING

Attendance at meetings of the Committee, the Local Pension Board, the Investment Panel and at training is summarised in the table above.

The table also shows which members of the Committee and Local Pension Board had voting rights. In practice, the Committee and Local Pension Board generally operates by consensus, with all members having an equal right to make their views known.

The substitute members on Pensions Committee from the district councils are given full access to meetings and to the training events. They may only vote when the first named member from their council is not attending a Committee meeting.

The members of the Investment Panel and the Chair and Vice Chair of the Local Pension Board are offered additional training opportunities in recognition of the additional governance duties placed upon them.

IMPACT OF COVID-19 ON MEETINGS

In late 2019 an outbreak of a novel coronavirus was first detected in China. During early 2020 it started to spread internationally and the first cases were reported in the UK in late January/early February 2020. On 11th March the World Health Organisation declared a global pandemic.

Lockdown measures in the UK were introduced in March 2020. These lockdown measures had a direct impact on two meetings of the Fund.

The first was a special meeting of Pensions Committee which was called to take a final decision on the 2019 valuation. Whilst the meeting did not take place, the Committee was briefed in writing and a decision taken under delegated powers.

The second was the quarterly meeting of the Local Pension Board. There were no decisions of material significance scheduled for this meeting. The issues on the agenda have all been rescheduled for later consideration.

On 4th April, councils were given the powers to hold meetings and to take decisions remotely. This has led to meetings of the Pensions Committee and the Local Pension Board being held remotely (virtually by Zoom) in June and July 2020, respectively. Future meetings may take place remotely or in person depending on Government guidance in place at the time.

WIDER GOVERNANCE ARRANGEMENTS

The Fund holds annual meetings for the employers and for the trades unions.

The agenda for these meetings includes presentations by the Actuary and the Investment Advisor and covers the actuarial position, the benefits structure and investment performance.

BORDER TO COAST PENSIONS PARTNERSHIP LIMITED

In response to the Government's initiative on the pooling of the LGPS assets, the Fund, along with eleven others has created its own Financial Conduct Authority (FCA) regulated investment management company.

Border to Coast Pensions Partnership Limited was formally established on 31st May 2017 with South Tyneside Council, as administering authority of the Tyne and Wear Pension Fund, agreeing to join and become a shareholder in Border to Coast Limited.

The Administering Authority has to distinguish between its role as a shareholder, in Border to Coast Limited, versus its role as an investor. The two are fundamentally different functions.

Shareholder functions relate to the ownership of the company and are subject to company law and key company documents. The Administering Authority acts through a nominated shareholder representative who will either vote by attendance at shareholder meetings of the company or by signing written resolutions as permitted by company law.

A Joint Committee was established on the 6th June 2017 which has focus on the oversight role, particularly on 'investor' issues (as distinct from shareholder issues). Investor rights relate to the investments with Border to Coast as governed by legal documents for each investment. Each administering authority is represented on the Joint Committee. The first meeting of the Joint Committee took place on the 6th June 2017. In 2018/19 a scheme member representative was appointed to the Joint Committee in an observer capacity.

It has been determined that the Chair of the Pensions Committee, or any other person nominated from time to time, will represent the Fund on both the Joint Committee and in voting at Shareholder Meetings.

The Board of Border to Coast Limited is made up of two Executive Directors, and five Non-Executive Directors, including a Chair. Two of the five Non-Executive Directors are nominated by the twelve funds in Border to Coast through the Joint Committee and are there partly to ensure the local government ethos is maintained.

The Board will be directly accountable to the funds in their roles as both Shareholders in relation to company matters and the Joint Committee for investor matters.

Under the new pooling arrangements the Pensions Committee will remain responsible for setting the funding strategy and the high level investment strategy, e.g. the appropriate asset allocation for the Fund. The main difference will be that the Fund will no longer be appointing and monitoring investment managers directly. Instead the Fund will be monitoring the performance of the investments in the Pool.

The Local Pensions Board will continue in its role in assisting the Pensions Committee in ensuring compliance with regulations and the effective and efficient governance of the Fund.

IMPLICATIONS OF THE MERGER WITH NORTHUMBERLAND COUNTY COUNCIL PENSION FUND ON THE GOVERNANCE ARRANGEMENTS

During 2019/20 a significant amount of due diligence was undertaken on the merger of Northumberland County Council Pension Fund into Tyne and Wear Pension Fund. The decisions to implement merger were all largely undertaken in 2019/20, however the regulations to implement merger did not come into force until 3rd June 2020 and the effective date was then backdated to 1st April 2020.

The merger has required some changes to be made to the governance arrangements for the Fund. This is primarily changes to the constitution to allow for Councillor representatives from Northumberland County Council to join the Pensions Committee.

The merger also has implications for the governance of Border to Coast. With the merger, the number of administering authorities owning Border to Coast have effectively reduced from twelve to eleven and the membership of the Joint Committee also amended accordingly. The actions taken to affect these changes were all taken in early 2020/21.

INFORMATION ON THE FUND

Information on the Fund is held on the Fund's website at www.twpf.info.

The information that is available includes:

- The agenda and minutes for both the Pensions Committee and Local Pension Board meetings.
- The Service Plan, which presents the Fund's aims and objectives over three year rolling periods.
- The Governance Compliance Statement, which sets out the governance arrangements.
- The Actuary's Report on the 2019 valuation and the Funding Strategy Statement.
- The Investment Strategy Statement, concerning the approach to the investment of the Fund.
- The Corporate Governance Policy, which sets out the Fund's approach to environmental, social and governance issues.
- The Communications Policy Statement, which sets out the services we provide to members, prospective members and employers.
- The Pension Administration Strategy, which is designed to assist the Fund and the employers to work effectively together to fulfil their joint responsibilities.
- A wide range of documents that set out the Fund's working arrangements.

THE TRAINING POLICY AND PROGRAMME

The Pensions Committee has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

The Pensions Panel of the Institute has prepared a 'Knowledge and Skills Framework' for persons involved with the Local Government Scheme. Two frameworks have been produced, one for Elected Representatives and Non Executives and another for Pensions Practitioners.

CIPFA has also developed a Local Pension Board Knowledge and Skills Framework, which has been used by the Local Pension Board.

COMMITTEE AND LOCAL PENSION BOARD TRAINING

The Committee has adopted the Pensions Panel Framework for Elected Representatives and Non Executives as the basis of its Training Policy and Programme. This recognises the Institute's Code of Practice and the requirements of the Investment Principles. The Local Pension Board has assessed its requirements against their own CIPFA framework.

The Committee and the Local Pension Board consider training requirements at each of their quarterly meetings and devise a programme that builds on the training previously delivered to address the issues that will arise in coming years. The same training opportunities are available to the Committee and the Local Pension Board.

The programme in 2019/20 was based around two residential training seminars and additional sessions delivered at the quarterly meetings. Border to Coast, the Investment Managers, the Investment Advisor and the Actuary assisted with the delivery of this programme. In addition, Border to Coast delivered an annual conference which was made available to members of the Committee and individual members also identified training events which they elected to attend.

Additional selected training seminars and conferences that were offered by industry wide bodies were attended by the Committee Members that sat on the Investment Panel, and the Chair and Vice Chair of the Local Pension Board. This recognises the higher governance duties placed upon those roles.

New members were invited to attend induction briefing sessions with the Fund's Officers that included an assessment of their individual training needs.

The programme for 2019/20 covered topics such as:

- Service Planning and Budgeting
- Conflicts of interest and Fiduciary Responsibility
- The 2019 valuation
- The Review of the Investment Strategy
- Climate Change
- Investment Pooling – Governance Arrangements
- Management Information
- Pensions Processing
- Investment Beliefs
- The Global Economic Outlook
- Property Investment
- Small Cap Equity Investment
- Multi Asset Credit
- Benchmarking

The training programme for 2020/21 is to cover topics such as:

- Service Planning and the Budget
- Risk Management
- A Review of the Main Asset Classes
- Border to Coast Business Case for Property
- Feedback on the Hymans LGPS National Knowledge Assessment
- Management of Cash Flow with Reduced Contribution Income
- Global Economic Outlook
- The Impact of Covid-19 on Markets and the Fund
- Pensions Administration
- The Impact of McCloud
- The Approach to Exit Valuations
- Benchmarking

OFFICER TRAINING

The Pensions Service participates in the general approach to officer training and development that is provided by South Tyneside Council.

The requirement for pension specific training has been addressed through the adoption of the Pensions Panel Framework for Pensions Practitioners.

Our training initiatives include:

- Career grades, where advancement is geared to an ongoing assessment of knowledge and capability.
- Attendance at a range of seminars and conferences that are offered by industry wide bodies.
- Access to the guidance, circulars and training sessions that are available through the Local Government Employers organisation.
- A "buddy system" is in place to train and support staff who are learning about new areas of work and to provide ongoing support.
- Officers participate in the pension administration software supplier's user groups and technical development groups.
- At least one day a month set aside for training.
- The pension administration software has been developed to include processing guidance notes and links to internal policies, external key documents and websites.
- The use of standard checklists and spreadsheets.

VISION STATEMENT

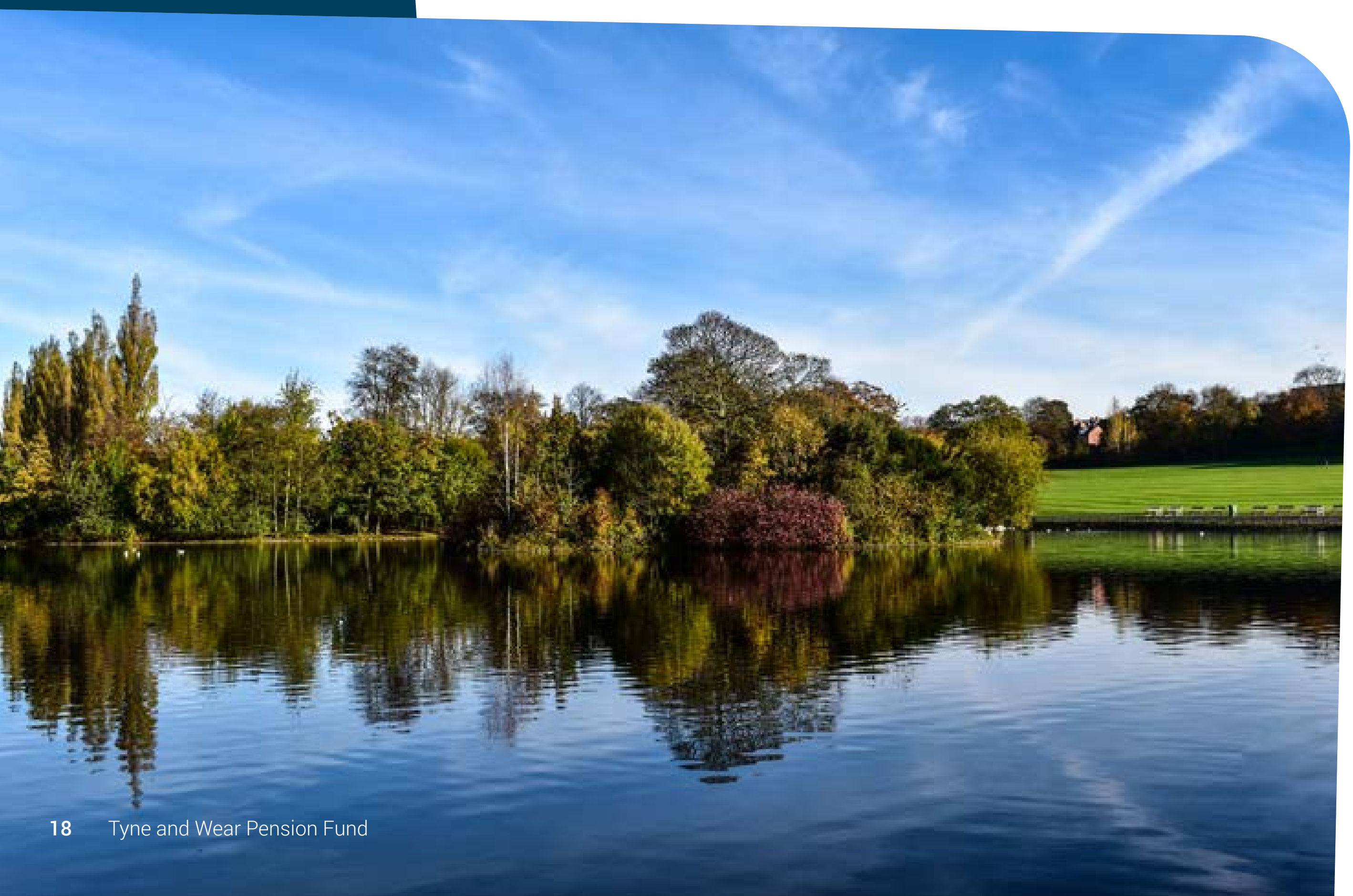
Our goal is to provide an efficient, affordable and attractive pension arrangement that is regarded by employers and members as being an important and valued part of the employment package and to be recognised as being amongst the leading UK pension funds.

WE WILL:

- promote membership of the Fund
- keep contributions as low and as stable as possible through effective management of the Fund
- work with our partners to provide high quality services to employers and members
- make pensions issues understandable to all.

WE WILL KNOW WE ARE SUCCEEDING WHEN:

- we are consistently achieving our investment objective
- there are sufficient assets to meet the liabilities
- we are consistently achieving our standards of service to employers and members.



SERVICE PLAN

The vision and aims of the Fund are set out in our Service Plan.

This is a three year rolling plan that is reviewed annually. It sets out the objectives and actions that we must concentrate on in order to achieve our vision. The Pensions Committee approves the Plan at a special meeting in February of each year.

The Plan can be viewed on the Fund's website.

In 2019/20, we have:

- Completed the triennial valuation of the Fund as at 31st March 2019 and set appropriate contribution rates for employers.
- Reviewed and updated the Funding Strategy as part of the delivery of the 2019 valuation, to ensure that it targets solvency, whilst managing the cost of the Scheme for employers.
- Completed the due diligence on the merger of the Northumberland County Council Pension Fund into Tyne and Wear Pension Fund. The merger regulations came into force on 3rd June 2020 and the effective date was backdated to 1st April 2020.
- Finalised the asset liability modelling and the review of the Investment Strategy and have started to implement changes.
- Continued to invest assets with Border to Coast Pensions Partnership. During the year asset transfers have taken place for global equities and investment grade corporate bonds. Investments have also been made in the private equity and infrastructure programmes. A commitment has also been made to Private Debt programmes but no investments have been made by the year-end.
- Enhanced the approach to environmental, social and governance (ESG) by deciding to invest in a new range of funds with Legal and General that overweights companies with strong credentials in these areas.
- Reduced pensions processing backlogs to levels that existed before the introduction of the 2014 Scheme.
- Delivered benefit statements to active and deferred members and pensioners statements in electronic form and in paper format to those opting to continue to receive them in paper format.
- Further expanded and developed the online services to employers to provide for increased electronic passing of data and processing.
- Continued to develop and enhance the online services for all categories of members to ensure that this becomes an integral part of the service going forward.
- Implemented the new reporting requirements introduced by the Chartered Institute of Public Finance and Accountancy for the Fund's annual report and accounts.

In 2020/21, we will:

- Implement the merger of Northumberland County Council Pension Fund into the Tyne and Wear Pension Fund. This will include the amalgamation of members records, the funding strategy and the investment strategy.
- Keep the Funding Strategy under review to ensure that it continues to target solvency whilst managing the cost of the scheme employers.
- From April 2020, use the Aon Risk Analyzer system to monitor estimated Fund level movements in the funding level and reporting the results to the Pensions Committee and employers.
- Continue to implement the changes to the Investment Strategy as a result of the review undertaken in 2019/20. This will primarily result in increased allocations to private debt and infrastructure and a corresponding reduction in the allocation to quoted equities.
- Invest further assets with Border to Coast where appropriate. The next product being developed for investment by Tyne and Wear is Multi Asset Credit. In addition, further commitments will be made to the private equity, infrastructure and private debt programmes.
- Consider the implications of McCloud on both workload and resources and implement changes as appropriate.
- Undertake a procurement process for the appointment of an Actuary and Investment Advisor.
- Undertake a procurement process for a new pensions administration system.
- Complete and implement a review of the organisational structure of the Pensions Service to ensure that it is fit for purpose going forward.
- Implement and embed a new range of management information.
- Respond to any changes that result from the Scheme Advisory Board Good Governance review.
- Continue to enhance the service offered to employers and members and in particular the approach to electronic communications and service delivery.

THE IMPACT OF COVID-19 ON THE SERVICE PLAN

At the time the service plan was developed and agreed by Committee in early February 2020, Covid-19 was not featured as a significant issue.

This has clearly changed and the delivery of the service at the same time as Covid-19 restrictions is proving extremely challenging and it is one of the main areas of focus at the current time and will continue to be the case for much of the remainder of 2020/21. This may also impact on the delivery of some of the actions noted above for the service plan for the coming year.

RISK MANAGEMENT

INTRODUCTION

The Fund must identify and manage the strategic and operational risks to which it is exposed to. Therefore, our Service Plan includes an objective to embed risk management within all our actions, thereby ensuring that risk is addressed as an inherent part of the management of the Fund.

FUND LEVEL APPROACH AND THE RISK REGISTER

This approach is supported by a Fund level assessment of the major risks to which the Fund is exposed to. This identifies and assesses risks over the areas of:

- Governance
- Assets
- Liabilities and Funding Strategy
- Legal
- Service Delivery
- Reputation.

The impact of each risk is assessed as either:

- Negligible
- Marginal
- Significant
- Substantial.

The likelihood of each risk arising is then assessed as either:

- Improbable
- Possible
- Probable
- Near Certain.

This leads to an assessment of the net impact of each risk, after controls have been applied, as either:

- Minor
- Moderate
- High
- Critical.

The strategy for the management of each risk is set as either:

- Treat
- Tolerate
- Transfer
- Terminate the Activity.

This process is undertaken at least quarterly by the Fund's officers.

THE ROLE OF THE COMMITTEE AND THE LOCAL PENSION BOARD

The Local Pension Board receives the risk register in full each quarter, identifying any risks that are critical and also any changes during the quarter, alongside a commentary on the changing risk environment.

The Committee receives an annual report.

The risk register review immediately before the impact of Covid-19 identified that no risks were assessed as Critical. A further review of the risk register responding to the impact of Covid-19, early into the 2020/21 financial year, added six new risks and increased the rankings of nine risks. One risk which related to the funding level worsening due to investment returns being below the levels assumed in the triennial valuation, was assessed as Critical. Since the quarter end, markets have recovered significantly and, therefore this position is likely to be reversed at the next review of the risk register. A copy of the risk register is available on the Fund's website.

The management of risk is included in the Committee and Board training programme by way of workshops that are moderated by the Fund's internal auditors.

THE ROLE OF INTERNAL AUDIT

The Council's Internal Audit Service carries out a range of audits each year, based on a three year rolling programme that ensures appropriate coverage.

The Risk Register is considered in the preparation of the audit programme. Every audit report is made available to the Committee and the Board and a summary report is considered annually.

In recognition of the specialised nature of the Fund compared to other local authority functions, a private sector partner has been appointed to assist with the more complex audit areas. This role is currently undertaken by Deloitte.

INVESTMENT RISK

There are a number of risks involved in the investment of the Fund. The approach is to monitor and control these risks as far as possible, consistent with earning a satisfactory return on investments.

Further details are contained in the Risk section of the Investment Strategy Statement, which may be viewed on the Fund's website.

The Notes to the Accounts set out the nature and extent of the risks arising from the investments, alongside a sensitivity analysis on returns.

Investment risk is also addressed within the Risk Register, principally within the Assets section.

Assurance over third party operations, such as those of the investment managers and the custodian, is obtained through a review of each organisation's Report on Internal Controls, e.g. the AAF 01/06 and SSAE 16 reports.

The Fund has appointed an external investment advisor to provide appropriate advice. This role is currently undertaken by Hymans Robertson.

The Fund undertakes an asset liability modelling exercise every three years to ensure that the strategic benchmark and investment management structure is appropriate to the liabilities. This exercise examines the financial position, the membership profile, and the nature of the liabilities and analyses the expected ranges of outcomes from differing investment policies. It is undertaken in valuation years, based upon the liability data for the valuation.

This triennial exercise is backed up by desk-top exercises in non valuation years.

The strategy and structure is designed to ensure that the Fund's investments are adequately diversified.

The performance of the Total Fund and each manager and programme is assessed and reported quarterly to the Committee.

Action is taken where performance is unsatisfactory.

FUNDING STRATEGY

The approach to managing the risks inherent in the funding strategy is set out in the Funding Strategy Statement, in particular in the Identification of Risks and Counter Measures section. The document may be viewed on the Fund's website.

These risks are also addressed within the Risk Register, principally within the Liabilities and Funding Strategy section.

PENSIONS ADMINISTRATION

The risks associated with the administration of pensions are addressed within the Risk Register, principally within the Service Delivery and Legal sections.

The Pensions Administration report contained in this document provides further details on our approach.

In addition, the Financial Performance Report contains information on the timely collection of contributions and our approach to the recovery of overpayments.

FINANCIAL PERFORMANCE

INTRODUCTION

The financial control of the Fund is carried out by the Investments Office of the Pensions Service.

This includes:

- the day to day pensions and investment accounting functions
- reconciling the valuation of the investments and monitoring the collection of dividends and interest and the associated cash flows in all currencies
- reconciling the cash flows associated with pension benefits, including the collection of contributions and the payment of pensions
- the preparation and monitoring of the Pensions Service's budget
- the preparation of the final accounts.

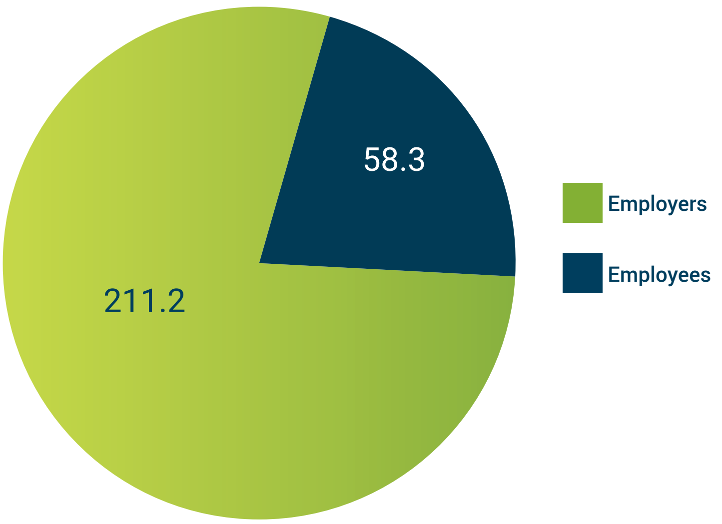
CONTRIBUTIONS AND PENSIONS

In 2019/20, the Fund received £269.5 million (£254.8 million in 2018/19) in pension contributions from employers and employees.

During the year £321.6 million (£303.5 million in 2018/19) of pension benefits were paid to 51,401 pensioner and beneficiary members.

The chart below shows a breakdown of the contribution income:

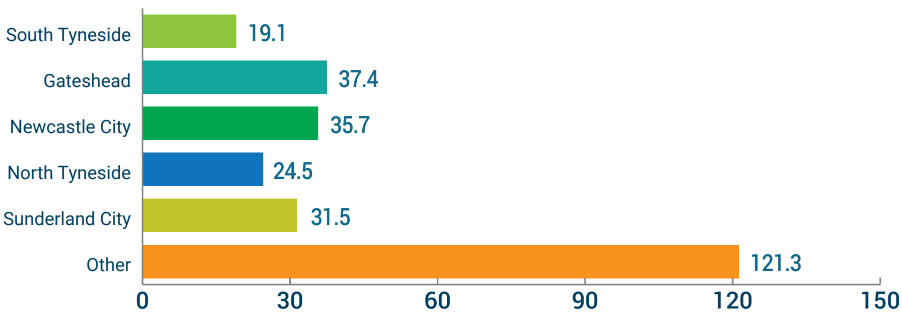
Contribution income 2019/20 £m



Contributions in 2019/20 were derived from total employer payrolls of £895.7 million (£849.7 million 2018/19) which saw employers pay on average a contribution rate of 23.58% (23.47% in 2018/19) and employees at 6.86% (6.51% in 2018/19).

The table below shows the contributions paid by each type of organisation:

Contribution income 2019/20 £millions



CONTRIBUTIONS RECEIVED ON OR BEFORE THE DUE DATE

The Fund requires employers to pay contributions over by the 14th of each month. This assists with the cash flow for the pension payments, which are made on the 16th of the month.

The table below shows the amounts payable each month throughout 2019/20 and the amount collected by the due date:

MONTH	AMOUNT DUE £'000	RECEIVED ON OR BEFORE DUE DATE
Apr-19	43,734	99.98%
May-19	19,791	98.98%
Jun-19	19,341	99.00%
Jul-19	19,467	99.91%
Aug-19	19,726	99.96%
Sep-19	19,519	99.04%
Oct-19	19,551	99.03%
Nov-19	19,644	99.03%
Dec-19	19,562	98.92%
Jan-20	20,194	99.73%
Feb-20	19,710	99.83%
Mar-20	19,915	99.98%

Late payments are monitored and pursued.

The following table shows the late payment history for 2019/20:

NUMBER OF DAYS PAYMENT WAS LATE	NUMBER OF LATE PAYMENTS	PERCENTAGE OF LATE PAYMENTS
Less than 10	45	77.7%
Between 10 and 19	6	10.3%
Between 20 and 29	3	5.2%
Between 30 and 39	2	3.4%
More than 40	2	3.4%
	58	**100%**

The number of late payments is higher than in the previous year, up to 58 (40 in 2018/19) with the majority being less than 10 days late in payment.

Amounts that were outstanding as at 31 March 2020 were paid by the 31 May 2020.

Interest is calculated in all cases but is only charged when the amount exceeds £20. Interest, for late payments during the year, totalling £867 was charged to and paid by employers on seven occasions.

PENSION OVERPAYMENTS

The Fund seeks to identify and recover all cases of pension overpayments. Such overpayments are identified through a number of mechanisms including notification from family members and friends, from the Tell Us Once service, notices in the press and participation in the National Fraud Initiative.

All appropriate action is taken to recover such overpayments, including court action. Amounts are only written off when there is no realistic prospect of recovery.

The table below shows the overpayment position for the last nine years:

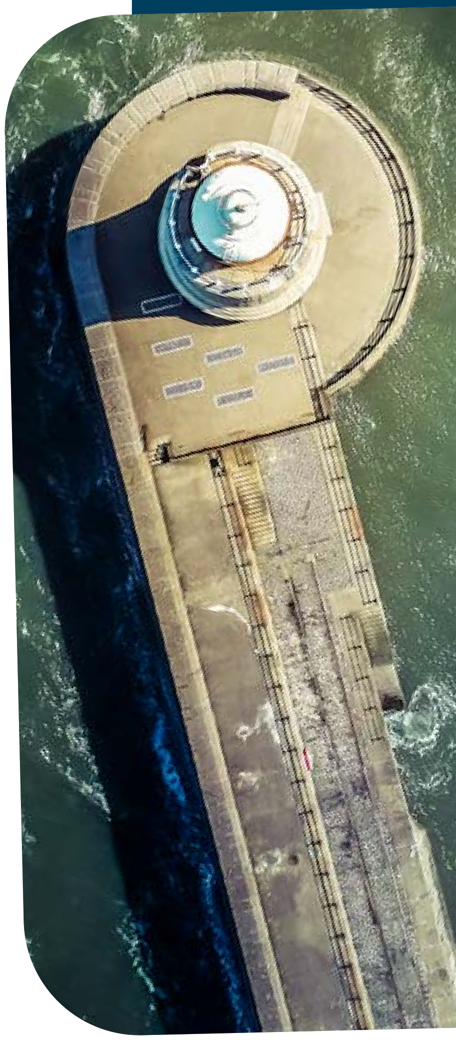
Year	Pension overpaid £	Amount recovered £	Amount written off £	Outstanding at 31st March 2020 £	Percentage outstanding at 31st March 2020
2011/12	75,241	71,368	1,432	2,441	3.2
2012/13	130,371	120,006	3,897	6,468	5.0
2013/14	92,974	82,886	10,011	77	0.1
2014/15	105,196	95,597	6,036	3,563	3.4
2015/16	178,328	170,779	1,560	5,989	3.4
2016/17	139,754	134,242	122	5,390	3.9
2017/18	285,093	244,744	4,076	36,273	12.7
2018/19	160,921	132,951	582	27,388	17.0
2019/20	218,330	146,559	402	71,369	32.7

Included within the above figures are amounts that were identified through the National Fraud Initiative (NFI). A summary of the amounts identified from the three most recent initiative exercises is shown below:

NFI exercise year:	2014 £	2016 £	2018 £
Total value of overpayments identified	105,460	105,558	102,027
Amount recovered to date	100,185	69,173	50,345
Amount written off as unrecoverable	552	1,968	0
Amount Outstanding as at 31st March 2020	4,723	34,417	51,682
No of cases identified	**32**	**37**	**33**

FORECAST v OUTTURN REPORT FOR THE YEAR

Forecasts	Forecast 2019/20 £m	Actual 2019/20 £m	Difference £m
Contributions	(245.006)	(269.516)	(24.510)
Transfers in from Other Pension Funds	(7.022)	(43.457)	(36.435)
Total Contributions	**(252.028)**	**(312.973)**	**(60.945)**
Benefits Payable	298.838	321.632	22.794
Payment in respect of Leavers	11.643	25.296	13.653
Total Costs	**310.482**	**346.928**	**36.447**
Net Reduction/(increase) from dealing with members	**58.454**	**33.955**	**(24.499)**
Management expenses	**66.982**	**55.186**	**(11.796)**
Investment Income	(105.694)	(80.722)	24.972
Non-recoverable Tax	1.096	0.487	(0.609)
Change in Market Value of Investments	(441.847)	268.499	710.346
Net Return on Investment	**(546.445)**	**188.264**	**734.709**
(Increase)/Decrease in Net Assets Available for Benefits during the year	**(421.009)**	**277.405**	**698.414**
Net Assets of The Fund at the Beginning of the Year	**8,707.649**	**8,788.062**	**80.413**
Net Assets of the Fund at the End of the Year	**9,128.658**	**8,510.657**	**(618.001)**



LONGER TERM CASH FLOW FORECASTS

The following table has been prepared in line with the triennial valuation cycle and shows the forecasts for the Fund Account and Net Assets Statement to 2021/22.

The forecasts do not include Northumberland County Council Pension Fund cash flows.

Longer Term Cash Flow Forecasts Forecasts	Forecast 2020/21 £m	Forecast 2021/22 £m	Forecast 2022/23 £m
Contributions	(220.463)	(224.904)	(229.436)
Transfers in from Other Pension Funds	(8.387)	(8.387)	(8.387)
Total Contributions	**(228.850)**	**(233.291)**	**(237.823)**
Benefits Payable	321.173	332.740	344.792
Payment in respect of Leavers	12.775	12.775	12.775
Total Costs	**333.948**	**345.515**	**357.567**
Net Reduction/(Increase) from Dealing with Members	**105.098**	**112.223**	**119.744**
Management Expenses	**71.442**	**72.247**	**75.298**
Investment Income	(97.236)	(102.098)	(102.098)
Non-Recoverable Tax	0.375	0.394	0.394
Change in Market Value of Investments	(141.328)	(132.347)	(124.827)
Net Return on Investments	**(238.189)**	**(234.051)**	**(226.530)**
Decrease/(Increase) in Net Assets Available for Benefits during the Year	**(61.649)**	**(49.581)**	**(31.488)**

The Fund's actual cash flow is monitored on a daily basis and forward projections are prepared to ensure that short term liquidity problems do not arise.

Longer term projections are included in the asset liability modelling work.

PERFORMANCE AGAINST BUDGET IN 2019/20

A comparison of performance against budget for the net operational expenses of the Fund for 2019/20 is shown below:

	2019/20 Total Budget £000	2019/20 Actual £000	2019/20 Variance £000
Employee Costs	2,703	2,583	(120)
Premises Costs	73	73	0
IT Costs	425	240	(185)
Supplies and Services	3,054	1,814	(1,240)
Cost of Democracy	133	101	(32)
Other Costs	213	77	(136)
Investment Management Expenses	96,353	91,560	(4,793)
Total Expenditure	**102,954**	**96,448**	**(6,506)**
Miscellaneous Income	(584)	(524)	60
Net Expenditure	**102,370**	**95,924**	**(6,446)**

Note: Investment management expenses included within the budget include both Tier 1 (direct costs) and Tier 2 (underlying manager costs) while the figure included within Management fees in the table above only include tier 1 costs.

The main variances against the budget are discussed below.

As usual the main area of budget variance was in relation to investment management expenses. Given that it is the largest single budget head, which covers the fees and expenses paid to the external investment managers it was expected that the largest variance would occur in the area. The most significant differences all come from alternatives such as Private Equity, Global Property, Infrastructure, and Private Debt. It is extremely difficult to budget for these costs, especially the element that relates to performance fees.

IT costs were under budget primarily as a result of the deferment of work replacing personal computers and savings achieved on the purchase of new IT servers.

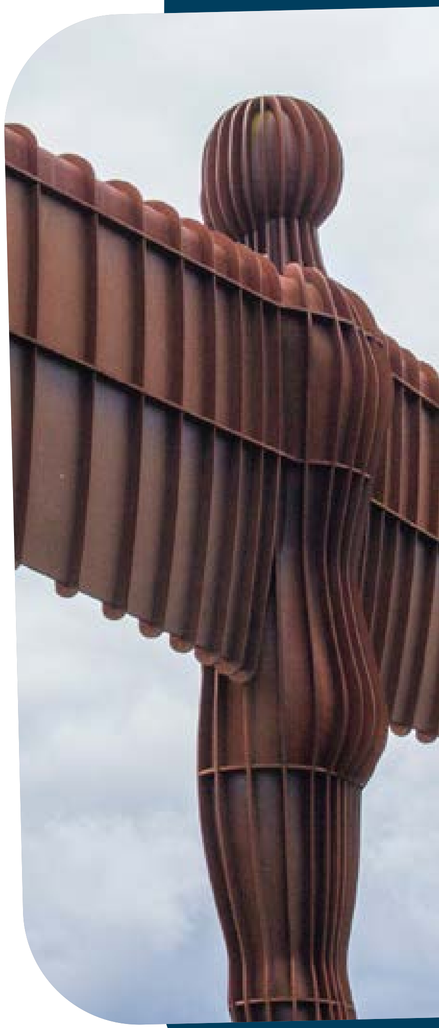
The supplies and services budget is under budget because some of the costs in the budget for Border to Coast operating costs were ultimately charged as an investment management fee rather than an operating cost. In addition there was an underspend on the communications strategy and on other professional fees. This was partly offset by a number of small overspends including performance management fees and travel and subsistence.

Other costs shown in the table are shown as being below budget and this relates to the reclaim of taxes paid by the Fund. The recovery work is continuing to take longer than expected and expenditure and budget has slipped into later years.

The cost of democracy has come in under budget due to a number of areas of savings, including the commissioning of external reviews.

Employee costs were under budget due to vacant posts during the year, the overtime budget not being fully used.

Miscellaneous income was lower than forecast because the actual cost of the shared service arrangement with Northumberland County Council Pension Fund was under budget, which meant that the actual amount recharged was lower than expected.



FUNDING STRATEGY

INTRODUCTION

The Scheme benefits are paid from investment income, employees' contributions and employers' contributions. Employees' contributions have been set by the Regulations, with employers' contributions being adjusted in triennial valuations to ensure that the Fund will have sufficient assets to meet its liabilities.

HISTORY OF THE FUNDING LEVEL

A measure of the financial health of a pension fund is its "funding level", which is the ratio between its assets and liabilities. A pension fund that holds sufficient assets to meet all its projected liabilities would have a funding level of 100%. A fund with a funding level below 100% is described as being in deficit.

In 1992 the Fund moved into a deficit position. To understand the current funding position it is considered important to also understand the background and the decisions taken in the past.

The 1989 valuation revealed a funding level of 118%, with this surplus arising from actual investment returns having greatly exceeded expected returns. This led to the scheduled employers agreeing to take a contribution holiday. This contribution holiday, alongside a government policy change that led to the index-linked element of pensions being charged to pension funds rather than directly to employers, eroded the surplus and led to a funding level of 98% at the 1992 valuation. The contribution holiday was ended and an employers' contribution for the scheduled employers was phased back in.

The 1995 and 1998 valuations both identified funding levels of 87%. The 1998 result was adversely affected by the removal of the tax credit on UK equity dividends at the July 1997 budget.

The 2001 valuation resulted in a funding level of 82%. This reduction was attributable to improvements in longevity and to employer specific factors such as pay awards, restructurings and early retirements. Also, investment market returns were below the levels assumed in the 1998 valuation.

The worldwide bear market in equities between 2000 and 2003 led to a further and significant fall in the funding level.

The 2004 valuation showed that the funding level had fallen to 64%. This fall was largely attributable to investment market returns being below the levels assumed in the 2001 valuation, although a reduction in the discount rates used to calculate liabilities also contributed to the fall.

The 2007 valuation revealed an improvement in the funding level to 79%, which was due to investment market returns exceeding the levels assumed at the 2004 valuation and to a small increase in the discount rate.

However, there was upward pressure on contribution rates from inflation and from improvements in longevity. This led to increased employers' contributions from April 2008.

With regard to the 2010 valuation, the experience had been very poor since the 2007 valuation due to investment markets falling as a result of the global economic climate and a reduction in the long term gilt yields that were used to set the discount rates for the valuation. These factors impacted negatively on the funding position, which had been extremely volatile and had deteriorated significantly. A straight application of the strategy used at the 2007 valuation would have led to significant increases in the contributions for most employers. The Pensions Committee recognised this position and reviewed the assumptions and strategy. In order to prevent some employers' contribution rates rising to unaffordable levels, the Committee adopted a less prudent strategy for employers with a strong covenant by increasing the discount rate used to calculate the liabilities. It was stated that a more prudent strategy would be restored at future valuations. Prudent use was made of guarantees provided by statutory bodies made to assist employers with a poorer covenant.

These measures led to a reported funding level at the 2010 valuation of 79%, the same as at the 2007 valuation. However, the 2010 low risk funding level, based on gilt yields, was 53%. The comparable figure at the 2007 valuation was 63%.

The average future service rate in payment from April 2011 was 15.3% of pay and the contribution to address the deficit was 5.9% of pay, leading to a total average contribution of 21.2% of pay.

The outcome of the 2013 valuation

reported a funding level of 81%, a slight improvement from the figure of 79% at the 2010 valuation. This valuation took into account the introduction of the new Scheme, which commenced on 1st of April 2014. Over the longer term, the new scheme is expected to reduce employers' contributions by approximately 2% of pay.

At the 2013 valuation Aon Hewitt, the Fund Actuary, proposed an alternative approach to deriving the discount rates. This involved setting the discount rates by reference to the forecast return on the assets actually held by the Fund, rather than by reference to the return on gilts. Aon Hewitt's Capital Market Assumptions provide the return assumptions for this approach, which also sets a "Probability of Funding Success", which is the likelihood that the strategy would return the Fund to full funding over the recovery period. The Probability of Funding Success used for the 2013 valuation was 79% and this led to a discount rate for employers with a stronger covenant of 5.15%.

The approach to setting the discount rate at the 2013 valuation was retained for the 2016 valuation. The Probability of Funding Success adopted at the 2016 valuation was 78%, which represents a slight relaxation in the prudence in the funding strategy. This led to a discount rate, for those employers with a stronger covenant, of 4.5%. The rate for employers with orphan liabilities was set at 4.5% for in service liabilities and 2.4% for left service liabilities.

The outcome of the 2016 valuation resulted in the average future service rate being set at 18.3% of pensionable pay, against 16.1% at the 2013 valuation. The contribution to address the deficit over a 20 year period was 6.9% leading to a total average contribution rate of 25.2%, against 23.6% at the 2013 valuation.

THE 2019 VALUATION

The Scheme Regulations required a valuation to be carried out as at 31 March 2019, and new employer contribution rates being set from 1 April 2020.

The approach to setting the discount rate at the 2016 valuation was retained for the 2019 valuation. The Probability of Funding Success adopted at the 2019 valuation was 80%, which represents a slight increase in the prudence in the funding strategy. This led to a discount rate, for those employers with a stronger covenant, of 4.3%. The rate for employers with orphan liabilities was set at 4.3% for in service liabilities and 1.6% for left service liabilities.

The approach to setting deficit recovery periods was changed, with the maximum recovery period allowed being reduced from 20 years at the 2016 valuation to 17 years at this valuation.

The maximum recovery period is only available to those employers with the strongest covenant. Where appropriate the recovery period for an employer is linked to the Average Future Working Life (AFWL) of active members. This is a tightening to the funding strategy. For most transferee admission bodies, the recovery period did not exceed the remainder of the contract period. A number of employers were in surplus. To ensure prudence any surplus they had, was amortised over a period of up to 20 years, resulting in a reduction to their contribution rate.

Employers were formally consulted on the Funding Strategy.

The outcome of the 2019 valuation was a reported funding level of 106%, which is a 21% increase from the previous valuation. The low risk funding level based on gilt yields was 68% against a figure of 54% at the 2016 valuation.

The main factors which improved the funding position are:

- The actual experience of salary and pension increases in the three year period to March 2019 was below those assumed in the 2016 valuation.
- The average investment return achieved in the three year period since the last valuation was above the return assumed in the 2016 valuation.
- The contributions paid by employers towards paying off the deficit disclosed at the 2016 valuation.

The outcome resulted in the average future service rate being set at 19.1% of pensionable pay, against 18.3% at the 2016 valuation. Amortisation of surpluses over 20 years decreased the contribution rate by 0.6%. An allowance has been made for the outcome of the McCloud judgement of 1.2% leading to a total average contribution rate of 19.7%, against 25.2% at the 2016 valuation.

When carrying out a valuation, an actuary must have regard to the desirability of maintaining as nearly constant a common rate, i.e. the total rate, as possible. The Fund Actuary believes that this was achieved at the Total Fund level.

Further information on the valuation is contained in the Statement of the Actuary section of these Report and Accounts, as well as in the Funding Strategy Statement and the Actuary's Valuation Report available on the Fund's website at **www.twpf.info**.

Previous versions of the Funding Strategy Statement are available on request by emailing **pensions@twpf.info**.

Towards the end of the 2019/20 year investment markets fell significantly on the back of concerns over the economic impact of Covid-19 and the lockdown measures being put in place. Whilst this did not result in any changes to the Funding Strategy or the approach adopted by the Actuary, this was recognised as a risk in the valuation and it has been agreed that the position will be monitored on a regular basis.

THE 2022 VALUATION

The next valuation is due as at 31 March 2022, which will lead to new contribution rates from 1 April 2023. In the interim period from the last valuation to the end of March 2022, the Fund has been monitoring the estimated funding level, using a model provided by the Fund's Actuary. The analysis provided to the end of March 2020, showed that the funding level had fallen to below 100%, however projected funding at the end of June 2020 was 106%.

It should also be noted that the 2022 valuation will be the first on the newly merged and enlarged Fund.

STATEMENT OF THE ACTUARY FOR THE YEAR ENDED 31 MARCH 2020

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 Tyne and Wear 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 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

ACTUARIAL POSITION

1 The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £8,788.1M) covering 106% of the liabilities allowing, in the case of pre-1 April 2014 membership for 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 2020 was:

19.1% 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 (the primary rate),

Plus

an allowance of 1.2% of pay for McCloud and cost management – see paragraph 9 below,

Less

0.6% of pensionable pay to remove surplus in excess of a funding level of 105% over an amortisation period of 20 years from 1 April 2020 (which together with the allowance above comprises the secondary rate).

3 In practice, each individual employers' position is assessed separately and contributions are set out in Aon's report dated 27 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Additional contribution amount (£M)
2020	18.6%	£1.4M
2021	18.6%	£1.4M
2022	18.6%	£1.4M

The percentage of pensionable pay figure shown in the table above is lower than the future service (primary) contribution rate as at 31 March 2019 of 19.1% due to the impact of certain employers whose sub-funds are in surplus in excess of 105% of the liabilities paying contributions below the future service rate. Additional monetary contributions are payable for individual employers assessed to have a shortfall despite the overall Fund having a surplus.

4 The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery / amortisation periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.

5 The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Secure scheduled body employers *	4.30% p.a.
Intermediate funding target (Strong Covenant)	4.30% p.a.
Intermediate funding target (Standard Approach)	4.30% p.a.
Ongoing Orphan employers	4.30% p.a.
Discount rate for periods after leaving service	
Secure scheduled body employers *	4.30% p.a.
Intermediate funding target (Strong Covenant)	4.03% p.a.
Intermediate funding target (Standard Approach)	3.76% p.a.
Ongoing Orphan employers	1.60% p.a.
Rate of pay increases	3.60% p.a.
Rate of increase to pension accounts	2.10% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.10% p.a.

**The secure scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body. In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% p.a.*

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6 The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Core Projections Model (CMI2018), assuming a long term annual rate of improvement in mortality rates of 1.5% p.a.

The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.8	24.9
Current active members aged 45 at the valuation date	23.4	26.7

7 The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date, although we comment on changes in market conditions to 31 March 2020 in paragraph 10 below.

8 The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 27 March 2020.

Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9 There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

Increases to GMPs:

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

The results of the 2019 valuation do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021 nor for conversion of GMPs to Scheme benefits. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

Cost Management Process and McCloud judgement:

Initial results from the Scheme Advisory Board cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS is expected in 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.2% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the LGPS changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.

10 Since the valuation date, Fund asset returns have fallen short of the assumed return of 4.30% over the year to 31 March 2020, on its own leading to a reduction in the funding level. In addition, reduced expectations of future asset returns and falls in gilt yields have led to a decrease in the discount rates, further reducing funding levels and increasing the primary rate. The Actuary, in conjunction with the Administering Authority, will monitor the position on a regular basis and the Administering Authority will take action if it believes necessary.

11 This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. 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 does not accept any responsibility or liability to any party other than our client, South Tyneside Council, the Administering Authority of the Fund, in respect of this Statement.

12 The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

http://www.twpf.info/CHttpHandler.ashx?id=43497&p=0

July 2020

MEMBERSHIP OF THE FUND

As at 31st March 2020, there were 266 employers participating in the Fund. This includes the five district councils and a wide range of other organisations that provide a public service within the Tyne and Wear County area.

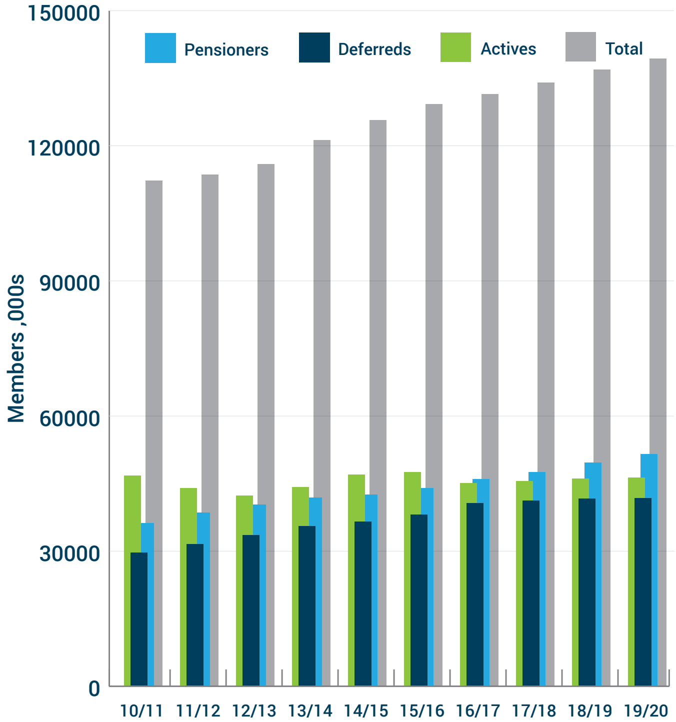
The increase in the number of participating employers over the past ten years is shown in the chart below:

The increase was initially caused by the five councils outsourcing work to contractors that take up admitted body status in the Fund. More recently, the increase has been driven by schools converting to academy status and taking up scheduled body status in the Fund.

The Fund had 139,312 members as at 31st March 2020.

The total membership shown here excludes members who are currently only entitled to a preserved refund but have chosen not to receive this as at the year end. The total of such members as at 31st March 2020 was 4,161 (4,157 as at 31st March 2019).

The chart shows the movement in membership over the past ten years.



Total membership has increased through this period, driven by an increase in all type of members. The rise in active membership over the last three years is attributed to auto enrolment and employers starting to hire again.

New Pensioners

During the year the Fund paid pensions to 2,354 new pensioners. Of these 1,986 were members who retired in advance of the normal retirement age, 279 were members who retired at their normal retirement age and 89 were ill health retirements.

Merger with Northumberland County Council Pension Fund

As part of the merger of Northumberland County Council Pension Fund into Tyne and Wear Pension Fund, 27,000 members and 100 employers were transferred into the merged Fund. As the effective date of transfer was 1st April 2020, they are not reflected in the numbers above, however, they will be included in the numbers reported in next years' Report and Accounts.

TYNE AND WEAR PENSION FUND MEMBERSHIP ANALYSIS

	MEMBERS AS AT 31ST MARCH 2020			CONTRIBUTIONS RECEIVED IN RESPECT OF	
DISTRICT COUNCILS	**ACTIVES**	**DEFERRED**	**PENSIONERS**	**EMPLOYERS £'000**	**EMPLOYEES £'000**
Gateshead Council	5,757	5,750	7,628	30,986	6,483
Newcastle City Council	6,886	6,754	10,035	26,447	9,256
North Tyneside Council	6,191	5,003	6,175	18,276	6,236
South Tyneside Council	4,140	4,327	5,373	14,408	4,728
City Of Sunderland Council	4,068	5,990	8,417	26,549	4,939
SUB TOTALS	**27,042**	**27,824**	**37,628**	**116,666**	**31,642**

SCHEDULE 2 PART 1 EMPLOYERS	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Academy 360	0	28	14	0	0
Acer Learning Trust	29	10	3	70	17
Aim High Academy Trust	84	28	8	152	51
All Saints Academies Trust	34	7	2	98	22
Balmoral Learning Trust	86	25	11	211	49
Barnes Academy Trust	33	12	5	41	16
Barnwell Academy Trust	44	18	5	77	28
Beacon of Light School	11	1	0	19	10
Biddick Academy Trust	49	28	10	230	58
Bright Tribe Trust	0	3	0	6	2
Brighter Academy Trust	59	26	13	247	63
Castle View Enterprise Academy	54	39	4	111	49
City of Sunderland College	459	714	480	1,766	535
Consilium Academies	126	8	6	499	120
Dayspring Trust	65	16	8	171	49
Diamond Hall Infant Academy	32	17	0	51	20
Discover Learning Trust	105	21	15	244	87
Discovery Learning Limited	0	1	1	0	0
Emmanuel Schools Foundation	60	7	1	238	69
Eppleton Academy Primary School	17	9	3	39	8
Extol Academy Trust	33	8	2	100	23
Former North East Regional Airport	0	0	8	0	0
Former Tyne and Wear County Council	0	2	219	0	0
Former Tyne and Wear Residuary Body	0	1	20	0	0
Gateshead College	278	428	211	1,941	510
Gateshead Housing Company	781	244	226	3,561	1,259
Gosforth Federated Academies	359	78	24	531	201
Grasmere Academy	16	11	3	31	9
Grindon Hall Christian School	0	5	2	0	0
Holy Trinity Church of England Academy	15	4	0	40	15
Inspire Multi Academy Trust	103	34	10	215	80
Iris Learning Trust	67	4	3	276	66
Jigsaw Learning Trust	39	11	2	91	28
Joseph Swan Academy	0	35	6	0	0
Kenton Schools Academy Trust	103	96	23	327	125

SCHEDULE 2 PART 1 EMPLOYERS	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Kibblesworth Academy	14	9	8	31	8
Kirkley Hall	0	3	15	0	0
Learning Matters Trust Limited	59	24	13	186	68
Lord Lawson of Beamish Academy	44	29	14	184	53
Monkton Infants School	11	1	1	33	11
Monkton Junior School	12	2	3	27	7
Monkwearmouth College	0	0	4	0	0
NCG	1,219	2,079	778	4,438	1,385
Newcastle East Mixed Academy Trust (NEAT)	262	40	6	815	194
Newcastle Education Action Zone	0	1	2	0	0
North East Learning Trust	24	3	4	72	16
North Tyneside College	0	37	35	0	0
North View Academy Trust	0	4	1	0	0
Northern Lights Learning Trust	21	8	2	38	18
Northumberland Magistrates Courts	0	18	71	0	0
Northumbria Police Authority	0	963	1,387	122	49
Northumbria University	1,321	1,604	1,354	8,631	2,469
Oak Learning Trust	57	10	6	183	42
Our Lady of Mercy Catholic Education Trust	93	8	16	231	54
Police and Crime Commissioner For Northumbria	19	3	1	0	0
Prosper Learning Trust	166	27	6	547	127
Red House Academy	1	14	6	0	0
Redby Primary Academy	0	5	1	0	0
River Tees Multi Academy Trust	16	2	2	103	25
Riverside Primary Academy	31	10	2	74	17
Ryhope Infant School Academy	21	4	5	69	14
Sacred Heart Partnership of Schools	109	42	14	239	86
Smart Multi Academy Trust	204	39	12	639	150
South Tyneside Education Action Zone	0	1	1	0	0
South Tyneside Homes	614	280	343	2,947	1,026
Southmoor Academy	86	34	18	359	89
St Aidan's Education Trust	0	18	19	40	13
St Cuthbert's Catholic High School	36	22	13	86	27
St Jospeh's Catholic Education Trust	0	35	25	13	4
St Mary's Catholic School Trust	57	20	9	85	33
St Thomas More Roman Catholic Academy	49	14	21	358	57
Sunderland Education Action Zone	0	0	1	0	0
The Ascent Academies Trust	129	76	27	311	123
The Cedars Academy Trust	60	20	4	134	51
The Chief Constable For Northumbria	1,889	469	294	7,594	2,919
The Durham, Gateshead, South Tyneside and Sunderland Combined Authority	60	27	80	0	170
The Illuminaire Multi Academy Trust	73	13	6	314	78
The Laidlaw Schools Trust	343	121	48	1,303	312
The Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority	35	0	0	188	58
The Northern Education Trust	189	85	52	755	237
The Northern Saints Catholic Education Trust	102	4	5	472	109
The St Thomas More Partnership of Schools	105	44	15	239	85
The Trinity Catholic Multi Academy Trust	231	22	13	452	155
Trinity Academy Newcastle	70	36	9	243	96
Tyne and Wear Fire & Rescue Service	258	185	288	1,163	432
Tyne Coast Academy Trust	180	22	4	330	136

SCHEDULE 2 PART 1 EMPLOYERS	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Tyne Coast College	315	243	275	1,678	348
Tyne Metropolitan College	0	205	77	0	0
Tynemouth College	0	18	15	0	0
University of Sunderland	912	871	858	7,172	1,658
Valour Multi Academy Trust	62	3	0	129	30
Vision Learning Trust	73	12	7	175	40
Wearmouth Learning Trust	2	31	7	107	26
Wearside College	0	4	6	0	0
West Newcastle Academy	22	14	2	38	15
Whickham School and Sports College	110	46	12	203	77
Whitburn Church of England Academy	52	22	19	131	45
Wise Academies	133	58	24	304	115
Woodard Academies Trust	63	27	9	165	51
Your Homes Newcastle	715	491	426	2,727	1,063
SUB TOTALS	**13,870**	**10,561**	**8,149**	**58,260**	**18,040**

SCHEDULE 2 PART 2 EMPLOYERS	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Birtley Town Council	0	1	5	0	0
Blue Square Trading Limited	0	7	5	21	0
Care And Support Sunderland Limited	0	7	3	0	0
Castle View Community And Fitness Centre Limited	1	6	1	1	0
Illuminaire Business Services Limited	8	3	0	26	9
Learning World	0	6	1	0	0
NEAT Active Limited	33	7	0	46	19
Nexus	983	388	1,333	4,522	1,851
Northumbria University Nursery Limited	8	3	5	22	10
Regent Funeral Services	2	1	0	5	2
Sunderland Care and Support Limited (SCSL)	1,080	177	206	1,976	582
Sunderland Live Limited	0	20	2	0	0
The Intraining Group Limited	0	25	7	0	0
Together for Children	780	105	41	4,009	1,384
University of Sunderland London Campus Limited	5	1	1	188	29
Victims First Northumbria	32	2	0	55	35
Zero Carbon Futures (North) Limited	2	1	0	12	5
SUB TOTALS	**2,934**	**760**	**1,610**	**10,883**	**3,926**

ADMITTED BODIES	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Age Concern Newcastle	0	26	73	0	0
Assessment and Qualification Alliance	0	0	9	0	0
Association of North East Councils	30	45	16	122	63
Azure Business Centres Limited	0	0	2	0	0
Balfour Beatty Living Places Limited	13	1	7	218	37
Baltic Flour Mills Visual Arts Trust	2	5	2	44	9
Bell Decorating Group Limited	0	1	0	0	0
Benton Grange School	0	0	5	0	0
Benwell Young Peoples Development Group	0	3	0	0	0
Brunswick Young Peoples Project	0	3	0	0	0
BT South Tyneside Limited	0	76	100	0	0
Bullough Contract Services Limited	0	1	0	0	0

ADMITTED BODIES	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Bulloughs Cleaning Services	0	0	1	0	0
Byker Community Trust	4	3	0	47	23
Capita Property and Infrastructure Limited	75	42	43	19	125
Carillion (Jarrow School)	0	1	7	0	0
Carillion (Lord Lawson) Academy	0	0	1	0	0
Carillion Integrated Services Limited (NEFRA)	0	0	2	0	0
Carillion Services Limited (SSCS)	0	2	11	8	0
Catholic Care North East	0	9	29	0	0
CBS Outdoor Limited	0	2	0	0	0
Childcare Enterprise Limited	1	14	4	3	1
Churchill Contract Services Limited (Cedars)	4	0	0	10	1
Compass Contract Services (U.K.) Limited (Whickham School)	3	1	1	14	2
Compass Contract Services (U.K.) Limited (Lord Lawson)	2	0	0	6	1
Compass Contract Services Limited (Hilton Primary)	4	2	0	20	2
Compass Contract Services Limited (Red House Academy)	3	1	0	14	2
Compass Contract Services Limited (Thomas Hepburn and Thorp Academies)	4	0	1	35	2
Compass Group UK & Ireland Limited (North Tyneside)	0	0	1	0	0
Dataspire Solutions Limited	0	0	0	11	2
DB Regio Tyne and Wear Limited	0	104	143	0	0
Disability North	1	16	18	53	3
Engie Buildings Limited	8	1	1	59	11
Engie Services Limited (North Tyneside)	186	124	76	355	325
Engie Services Limited (PB)	7	1	3	49	13
Gateshead Law Centre	0	7	7	0	0
Gentoo Group Limited	1,077	838	944	10,563	2,085
Groundwork South Tyneside and Newcastle	1	3	4	53	6
Hebburn Neighbourhood Advice Centre	0	3	1	0	0
Higher Education Funding Council for England	0	1	5	0	0
Information North (North Regional Library System)	0	0	2	0	0
Insitu Cleaning	2	4	4	8	2
International Centre For Life	4	8	11	234	38
Involve North East	2	8	1	25	4
Jarvis Accommodation Services Limited	0	3	3	0	0
Jarvis Workspace Facilities Management Limited	0	1	5	0	0
Kenton Park Sports Centre	0	10	2	0	0
KGB Cleaning and Support Services Limited	0	16	6	0	0
Kier North Tyneside Limited	0	61	161	48	0
Lovell Partnership Limited	2	4	6	12	2
Maxim Facilities Management Limited (Harton Academy)	3	0	0	8	1
Maxim Facilities Management Limited (South Tyneside)	0	0	1	0	0
Mears Limited (Gateshead)	0	9	57	0	0
Mitie Cleaning (North) Limited	0	1	0	0	0
Mitie PFI Limited (Boldon School)	5	2	1	25	4
Mitie PFI Ltd (North Tyneside)	0	0	1	0	0
Morrison Facilities Services Limited 1	0	8	22	0	0
Morrison Facilities Services Limited 2	0	57	66	0	0
Morse	0	12	0	0	0
Museums Libraries And Archives North East	0	14	8	0	0
National Car Parks	0	1	5	0	0

ADMITTED BODIES	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
National Glass Centre	0	1	1	0	0
North East Law Centre	1	11	3	23	2
Newcastle Family Service Unit	0	0	6	0	0
Newcastle Gateshead Initiative Limited	0	1	0	5	2
Newcastle Healthy City Project	0	14	13	0	0
Newcastle International Airport	79	185	445	3,193	254
Newcastle Tenants And Residents Federation (NTRF)	0	1	0	0	0
Newcastle Tenants Federation	0	0	5	0	0
Newcastle Theatre Royal Trust Limited	209	130	63	637	155
Newcastle West End Partnership	0	2	0	0	0
Newcastle Youth Congress	0	1	1	0	0
No Limits Theatre Company	0	1	1	0	0
NORCARE	0	1	1	0	0
Norland Road Community Centre	0	1	0	0	0
North Country Leisure	36	8	9	230	34
North Country Leisure 2	24	10	5	111	32
North East Innovation Centre	0	8	17	0	0
North East Metro Operations Limited	124	85	44	2,502	892
North East Regional Employers Organisation	4	3	6	128	7
North Tyneside City Challenge	0	3	1	0	0
North Tyneside Disability Advice	0	0	1	0	0
Northern Arts Association	0	20	24	0	0
Northern Council For Further Education	1	8	17	0	0
Northern Counties School For The Deaf	0	10	23	0	0
Northern Grid For Learning	0	6	5	0	0
Northumbria Tourist Board	0	11	24	0	0
OCS Group UK Limited (Jarrow)	0	3	0	6	1
OCS Group UK Limited (SSCS)	9	1	0	77	12
One North East	0	0	7	0	0
Orian Solutions Limited (Gateshead)	3	0	0	7	1
Orian Solutions Limited (Newcastle)	2	2	0	6	1
Orian Solutions Ltd (Washingwell Primary)	0	1	1	2	0
Ouseburn Trust	0	1	0	0	0
Parsons Brinkerhoff	0	3	3	0	0
Passenger Transport Company	0	0	80	0	0
Percy Hedley Foundation	16	3	10	166	25
Port of Tyne Authority	0	0	1	0	0
Praxis Service	2	1	4	59	5
Property Management Integrated Services and Employment Company Limited	5	2	0	40	9
Raich Carter Sports Complex	0	43	2	0	0
Remondis JBT Limited	1	0	0	27	4
RM Education	0	2	2	0	0
Robertson Facilities Management (Newcastle Phase 2)	2	0	2	3	2
Robertson Facilities Management Limited	3	1	6	28	5
SSE Contracting Limited	4	6	22	159	10
Scolarest (Newcastle)	4	6	15	22	3
Scolarest PFI (Boldon)	0	0	1	0	0
Search Project	0	0	4	0	0
Simonside Community Centre	0	3	0	0	0

ADMITTED BODIES	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
SLM Community Leisure Charitable Trust	187	92	25	237	79
SLM Fitness and Health Limited	36	23	1	30	9
SLM Food and Beverage Limited	2	1	0	5	2
Sodexo Limited	0	9	2	0	0
South Tyne Football Trust	0	0	1	0	0
South Tyneside Integrated Care Limited	18	2	1	69	19
South Tyneside Victim Support	0	0	2	0	0
St Mary Magdalene and Holy Jesus Trust	2	3	10	57	6
St Mary The Virgin Hospital	0	0	1	0	0
Stagecoach Services Limited	19	57	836	4,473	41
Suez Recycling and Recovery UK Limited (Gateshead)	1	0	0	10	2
Suez Recycling and Recovery UK Limited (Sunderland)	7	0	0	47	10
Sunderland City Training And Enterprise Council	0	21	45	0	0
Sunderland Empire Theatre Trust	0	2	5	0	0
Sunderland Outdoor Activities	0	1	2	0	0
Sunderland People First Co-Operative Community Interest Company	3	1	0	8	5
Sunderland Streetlighting Limited	14	19	36	205	42
Taylor Shaw	0	5	2	0	0
The Human Support Group Limited	4	0	2	31	5
The Ozanam House Probation Hostel Commitee	40	28	16	264	46
Thomas Gaughan Community Association	0	2	0	0	0
TT2 Limited	54	18	50	363	156
Tyne and Wear Archives And Museums Enterprises Limited	8	0	0	43	12
Tyne and Wear Development Company Limited	0	17	12	0	0
Tyne and Wear Development Corporation	0	7	42	0	0
Tyne and Wear Enterprise Trust	0	10	27	0	0
Tyne and Wear Play Association	0	0	1	0	0
Tyne and Wear Small Business Service	0	8	14	0	0
Tyne Waste Limited	0	2	16	0	0
Tyneside Deaf Youth Project	0	2	1	0	0
Tyneside Training and Enterprise Council	0	23	39	0	0
Urban Green	16	0	1	85	24
Valley Citizens Advice Bureau	0	1	1	0	0
Walker Profiles (North East) Limited	0	19	11	0	0
Wallsend Citizens Advice Bureau	0	0	3	0	0
Wallsend Hall Enterprises Limited	0	3	3	0	0
Workshops for the Adult Blind	0	7	52	0	0
SUB TOTALS	**2,383**	**2,537**	**4,014**	**25,421**	**4,678**
GRAND TOTALS	**46,229**	**41,682**	**51,401**	**211,230**	**58,286**

PENSIONS ADMINISTRATION

OUR SHARED SERVICE ARRANGEMENT AND FUND MERGER

In January 2018 the Fund began operating a pensions administration shared service with Northumberland County Council.

The combined operation provided shared administration services to 139,300 members and 266 employers for Tyne and Wear Pension Fund and 27,700 members and 100 employers for Northumberland County Council Pension Fund. Whilst the administration was combined, each Fund retained its own identity and statutory obligations.

The combined resources improved operational efficiencies and made us more resilient for challenges that we may face in the future.

Prior to taking the decision to establish a shared service arrangement consideration was also given to a full merger of both Funds. This would involve combining the investment and fund strategies of both funds making it a larger and more complex project which would increase the risk in relation to the successful implementation of the pensions administration shared service initiative.

Consequently, it was decided to initially only progress with the shared service, so as not to put at risk the service to members and employers. It was agreed that the option of merger would be reconsidered once the shared service had successfully been embedded.

After 12 to18 months of operating the shared service it was considered to be an appropriate time to reconsider the option of merger.

Following a robust due diligence process during 2019 and into early 2020, a final decision to progress with merger was taken by the Tyne and Wear Pensions Committee at its meeting on 4th February 2020 and by the Northumberland County Council Pension Fund Panel on 28th February 2020.

For the merger to become effective a change in the LGPS Regulations 2013 was required. On 20th March the Government launched a formal consultation which lasted 6 weeks. On 3rd June, The Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020, came into force with the effective date of the merger backdated to 1st April 2020.

A significant amount of work has been undertaken to ensure that the member records, the funding strategy and investment strategy are fully integrated and appropriate for the newly combined Fund.

PENSIONS OFFICE STRUCTURE

The Pensions Office is organised into five teams of experienced officers.

The five teams comprise, between them, sixty full time equivalent posts. Administration for both funds is integrated within these teams.

Each employer is allocated to one of three administration teams, which are responsible for maintaining member records and calculating and paying benefits. These teams manage contact with the employers at an individual level. The administration teams collectively have 36 full time equivalent posts.

The Communications Team produces Scheme and Fund specific information for members and employers. It manages contact with members, mainly through the Helpline, newsletters and annual benefit statements. It prepares mailshots and runs meetings for employers. It is also responsible for maintaining the website, **www.twpf.info**. The Communications Team has 14 full time equivalent posts.

The Technical Team manages the data for the actuarial valuations and provides support to the other four teams, with particular regard to IT systems and solutions. The Technical Team has 10 full time equivalent posts.

The Technical and Communications teams work together to deliver the electronic processing and communications.

In order to deal with the high workload and processing backlogs a small number of additional agency staff and temporary staff have been employed. Prior to the impact of Covid-19 being felt, in March 2020, these processing backlogs were under control and consequently, the need for temporary staff was under review.

Following the merger we have commenced a review of the organisational structure to ensure it is fit for purpose for successful delivery of a pensions service and our move to increased electronic processing and service delivery.

The approach to pensions administration is based around two main strategy documents, namely the Pensions Administration Strategy and the Communications Policy Statement. During the shared service arrangement, Tyne and Wear and Northumberland were each required to maintain their own strategy documents however, they were aligned to ensure maximum operational efficiency.

The broad content and purpose of each document is discussed below, followed by an in depth description of the services we provide and the work we have undertaken in 2019/20.

PENSIONS ADMINISTRATION STRATEGY

The Scheme Regulations allow an administering authority to prepare a Pension Administration Strategy. This is a written statement, prepared by the administering authority in consultation with the Fund's employers that sets out the authority's policies in relation to certain administrative matters. It is intended to help employers and the Fund work together more effectively in fulfilling their joint responsibilities in administering the Scheme.

The Fund's Strategy was initially introduced in 2009 and has provided a significant impetus for improving how the Fund and employers work together.

The latest Statement is available on our website at www.twpf.info or **www.twpf.info/CHttpHandler.ashx?id=14069&p=0**.

The Strategy sets out the communications links designed to allow employers and the Fund to work effectively together, including the provision, for each employer, of a designated client manager from within the Fund's senior management structure. Employers, in turn, are required to provide nominated representatives and authorised signatories.

The roles and responsibilities of both the employer and the administering authority are set out. Detailed information is provided on the procedures for making payments to the Fund and for the provision of year end, joiner and leaver data. There is also reference to timescales for processing that have been derived from Disclosure Regulations.

The Strategy contains provisions to deal with unsatisfactory performance by either the employer or the administering authority, including a power to recover fines, charges and additional costs caused by unsatisfactory performance of an employer.

The Strategy also lists the discretions allowed to employers and the administering authority under the Scheme Regulations, together with the policies governing the exercise of those discretions.

The client managers at the Fund that are assigned to each employer use the Strategy to help employers understand their responsibilities and to foster improvements in how they work with the Fund.

Over time, the benefit of the Strategy has been seen through:

- An ongoing improvement in the overall quality of the membership data. This process has over a number of years seen reductions in the resources needed for the annual contributions posting exercise.
- An increase in compliance with the requirements of the Disclosure Regulations.
- A marked improvement in performance from some of our lower performing employers.
- More employers taking a proactive approach to making policy decisions in respect of those matters requiring an employer's discretion.
- The move to electronic processing.

COMMUNICATIONS POLICY STATEMENT

Our vision statement sets out our aim of making pensions issues understandable to all our stakeholders.

Effective communications and easy access to information is very important to us.

The Scheme Regulations allow an administering authority to prepare a Communications Policy Statement.

Our Statement sets out:

- How we communicate with our stakeholders.
- The format, frequency and method of our communications.
- How we promote the Scheme to prospective members and employers.

The Statement is available on our website at **www.twpf.info** or **http://www.twpf.info/CHttpHandler.ashx?id=11983&p=0.**

SERVICES TO MEMBERS

Our long term strategy is to move to electronic processing and communications wherever possible and appropriate. The main services that we provide to our members are summarised below:

- We maintain the records of, and pay pensions to, 51,401 pensioner members of the Fund.
- We maintain the records of 41,682 deferred members of the Fund.
- We maintain the records of, and receive and reconcile contributions for, 46,229 actively contributing members of the Fund.
- We provide annual benefit statements for our active and deferred members. Pensioners receive an annual update and details of any pensions increase. Following a communications exercise with members in 2019 we successfully moved to electronic statements and annual updates for all members via our secure online "mypension" web services. Over 99% of statements were available within the required timescale of 31st August. For the small number of members that did not receive one, this was largely due to a query and we continued to work to resolve them. Members were still able to elect to also receive a paper copy if needed and we provided just under 800 paper statements.
- We allow members to access their personal and contact details, nominate a beneficiary for any grants payments and do their own benefit estimate calculations to plan for their retirement. This is also done through the our "mypension" service. In 2019/20 20,000 estimates calculations were carried out. In February 2020 we upgraded the portal to include enhanced registration functionality and a new look and feel. Further enhancements are planned for 2020/21.
- We also provide a public website that provides information on the Scheme and the Fund and links to other useful websites.
- We run a helpline that allows members who cannot use our mypension service to contact us

by telephone to request leaflets and information, change certain personal and bank details, and track progress of payments and transfers. Calls to the helpline are reducing as members move on line. We handled nearly 43,000 calls in 2019/20.

- We also run a helpline dedicated to help members access and use their mypension accounts. We managed around 10,000 calls to this in 2019/20.
- We welcome personal callers and were visited by around 800 members in 2019/20. An appointment is not necessary. (At time of writing this service is temporarily closed due to the impact of Covid-19). Again numbers are expected to decrease as services move online.
- We work with the Local Government Association to provide a range of booklets that help members to understand the Scheme rules. These are available on our website or on request from our helpline.
- We publish a Members' Annual Report on our website and provide a paper copy on request.
- We provide newsletters to keep members informed of changes to the Scheme.

MAKING PENSIONS ACCESSIBLE TO MEMBERS

We adopt the principles of plain English in our documents.

All information provided by the Fund is available in a range of formats including other languages, large print and Braille. We have access to audio aids and British Sign Language interpretation services.

Members can register to receive information in their required format when they join the Fund.

COMMUNICATING THE SCHEME TO MEMBERS

We participate in working groups set up by the Local Government Association to develop the communication strategy and materials for the Scheme.

We also participate in regional communications groups to share good practice, documents and resources.

In addition to promoting the Fund's website we signpost members to the Scheme's national website at www.lgpsmember.org and have made extensive use of the material and resources available.

SERVICES TO EMPLOYERS

The main services that we provide to employers are summarised below:

- As noted above, we have a Pensions Administration Strategy that sets out the roles and responsibilities of the Fund and the employers.
- We provide employers with secure access to their member records. This allows employers to validate the information held by the Fund, efficiently submit forms for pension processing, ensure greater accuracy of data, raise and respond to queries and carry out pension estimates.
- We also provide bulk data import facilities for high volumes of data.
- We provide an employer's website which includes an online Employers' Guide to the administration of the Fund.
- We provide each employer with a client manager whose role is to ensure efficient processing and communication.
- We offer training courses that aim to educate and inform staff on pension matters and working procedures.
- We hold an Annual General Meeting.
- We send out mailshots to advise all employers of developments.

PROMOTION OF MEMBERSHIP, INCLUDING AUTO ENROLMENT

The employers have a range of responsibilities, under both the Scheme Regulations and the wider Auto Enrolment legislation, in respect of the admission of their employees to the Scheme.

The Fund has worked with employers to ensure they understand their legal responsibilities.

We work with organisations that are required or have opted to participate in the Scheme to ensure that their admission to the Fund is taken forward efficiently and in a timely manner, and that appropriate financial provisions, including guarantees and bonds, are put into place.

In particular, we work with new employers to ensure they understand and are complying with the rules in respect of admission and, where appropriate, the re-admission of their employees into the Scheme.

SYSTEMS

The Pensions Service has used the Civica UPM pension administration system since 2003 and in 2011 we integrated this with the Civica pension payroll system. The UPM system has been upgraded to ensure compliance with the new Scheme.

The Fund has moved to electronic processing for employers with the use of bulk data import and online forms. In September 2017 we removed the use of paper where an electronic method was in place. The use of email, electronic communication and our website is an integral part of the service delivery package. We are committed to developing and improving these approaches going forward.

Through our public website (**www.twpf.info**), members have access to:

- Details on how to contact the Fund.
- Latest news and topical issues.
- Our range of leaflets.
- Pension payment dates and details of pension inflation proofing.
- The Annual Report and Accounts.
- The Fund's main policies, including the Governance Compliance Statement, the Funding Strategy Statement, the Pensions Administration Strategy, the Investment Strategy Statement, the Corporate Governance and Responsible Investment Policy, the Communication Policy Statement and the Service Plan.
- Links to other useful websites.

In addition to the main website, there is a password-protected area for employers. The majority of employers have registered to use this service, which provides access to:

- Pensions Committee Reports (where relevant).
- Latest news and topical issues.
- The Employers' Administration Guide.
- The pension records of their employees.
- Online administration forms for pension processing and estimates.
- The ability to carry out pension estimates and calculations.

We have developed an email alert facility to provide news and latest information to employers. All of our mailshots are now sent out electronically. This facility has greatly improved the efficiency of keeping employers informed and allows them to distribute information within their own organisation.

INTERNAL DISPUTE RESOLUTION PROCEDURES

The Local Government Pension Scheme Regulations provide for a two tier internal dispute resolution procedure (IDRP).

The IDRP provides a mechanism for dealing with complaints from active, deferred or pensioner members of the LGPS about decisions relating to their pension benefits made by either their employer or the Pension Fund.

The first stage of the IDRP involves the member referring the decision that they are disputing to the adjudicator appointed by the organisation who made that decision. In many cases this is the member's own employer who made the decision, but in some cases it is the Pension Fund. Decisions are usually communicated within two months.

If, having received the adjudicator's decision, the member remains dissatisfied then they can appeal the decision to the Pension Fund's Panel of Appointed Persons. The appointed person dealing with the case will reconsider the matter and will let the member know their decision, usually within two months of receiving the member's letter requesting reconsideration.

If members are still not satisfied once the IDRP has been completed then they have the option of referring the matter to the Pensions Ombudsman.

Members can, at any point, contact the Pensions Advisory Service and ask for their assistance and support.

IMPLEMENTATION OF THE 2014 SCHEME

The new Scheme commenced on 1st April 2014.

Regulations for the new LGPS 2014 Scheme were due to be in place by April 2013 but were seriously delayed.

It was not until the publishing, in March 2014, of the LGPS (Transitional Provisions, Savings and Amendments) Regulations 2014, that work could begin on updating pensions administration procedures, including LGPS 2014 specific processes and calculations.

The late release of the LGPS 2014 Regulations and associated guidance severely impacted on systems development work and on processing as initially many cases had to be calculated manually in order to ensure that the new calculation suite accurately calculated member benefits in all possible scenarios.

A material backlog built up from a combination of the late release of the Regulations for the 2014 Scheme and the increased complexity of operating a Career Average Revaluation Scheme. It was not until early March 2020, prior to the recent impact of Covid-19, that this backlog had largely been eradicated.

Whilst processing with a backlog, work was prioritised to ensure that urgently required or high impact processing, for both members and employers, was addressed promptly.

PENSIONS FREEDOM AND CHOICE

The Government has introduced greater flexibility for pension savings in defined contribution schemes. These apply to individuals aged 55 and over and are known as Pensions Freedom and Choice.

Most of the changes do not affect how members can take their benefits from the Scheme. The changes are targeted at defined contribution schemes, such as personal pensions and some company pension schemes. However, there are some indirect changes that will impact on members of the Scheme who are considering transferring their benefits from the Scheme to a defined contribution pension plan.

We have reviewed and amended our processes and communications to ensure that it is in line with guidance, that members are aware of all options available to them and the need to take independent financial advice and the requirements placed on them.

PENSION LIBERATION FRAUD

For a number of years the Fund has been warning members of the risk of Pension Liberation Fraud.

The Pensions Regulator is concerned about the increase in such activity especially during the current Covid-19 crisis, when it felt fraudsters may look to create opportunities. In association with a number of organisations the Regulator runs high profile campaigns to combat fraud.

The Fund has taken a number of actions to reduce the risk of fraud and to comply with the Pensions Regulator's recommendations.

All processing and documentation is regularly reviewed and amended to ensure that members can make fully informed decisions when transferring benefits out of the Fund and links to the above campaigns are included.

TAX ON PENSIONS

When members contribute towards the Scheme they receive tax relief on their contributions and the benefits they build up. In 2006 the Government set limits on annual and lifetime growth. These limits have reduced over time. For 2019/20 the annual allowance was £40,000 (with a tapered allowance for higher earners) and the lifetime allowance was £1.05 million.

Active members are advised of the current limits in their annual benefits statements and provided with guidance notes and useful contacts. Where the annual allowance has been exceeded, members are provided with a pension savings statement to assist with their tax return. In addition, tax limits are checked when benefits are paid.

THE PENSIONS REGULATOR

The Pensions Regulator has responsibility for overseeing the Local Government Pension Scheme and is committed to ensuring that every fund reaches a basic level of compliance against the law and the Regulator's Code of Practice 14 for public sector schemes.

The Regulator expects funds to self-assess their current levels of compliance against both the law and the Regulator's Code of Practice 14. The Fund has carried out these assessments and is comfortable with its level of compliance. The Fund's compliance with the Code was confirmed by an audit review.

COVID-19 PANDEMIC

Following the outbreak of Covid-19, in March the Fund activated its business continuity plan and also put a Covid-19 plan in place. This complied with the guidance issued by the Pensions Regulator which advised that the following three areas should be prioritised and delivered:

- Processing deaths and dependants benefits.
- Payment of pensions.
- Processing retirement benefits.

The Regulator also advised that funds should attempt to comply with all other statutory deadlines.

To date we have continued to process priority areas and deliver services to members and employers. However, we are directing members to our electronic services wherever possible and practical. We provided all pensioners with their P60 and pension increase information in April 2020 and also gathered all the information we need from employers to be able provide our 2020 annual benefit statements. Our 2020 deferred member statements were released in June 2020 and active member statements in August 2020.

A backlog in lower priority work, which was largely eradicated in 2019/20, has started to increase again as a direct result of the Covid-19 situation. At the time of writing it is hoped that we will be able to address these new backlogs during the remainder of the 2020/21 financial year.

DATA QUALITY AND SECURITY

In order to administer the LGPS and calculate and pay benefits we hold a significant amount of data. Various pieces of legislation set out how this should be managed and how we monitor compliance against these.

In respect of quality the Pensions Regulator requires that we measure and report on two types of data:

Common – used to identify members using data such as name, address and national insurance number. In 2019 our score was 99.77%.

Scheme Specific – used to calculate benefit entitlements. In 2019 our score was 97.84%.

A rolling data improvement plan is in place to correct any errors identified and obtain any missing data.

In respect of data security the Fund sits within South Tyneside Council's framework and policies. The Council has stringent measures in place to ensure the security of the network and participates in national and regional groups and initiatives.

Compliance with the General Data Protection Regulations was checked prior to them coming into force in May 2018 and continues to be monitored. An internal audit in 2019 provided substantial assurance.

ADMINISTRATIVE MANAGEMENT PERFORMANCE

INTRODUCTION

In order to demonstrate that we operate a well-run pension service that provides value for money and good quality services to Scheme members and employers we benchmark against other pension funds.

THE 2019 CIPFA BENCHMARKING CLUB REPORT

The Fund participates in the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Administration benchmarking club.

Each year we complete a detailed questionnaire containing a breakdown of budget costs between core pensions administration and other functions carried out within the Service including communications, IT, Accountancy and the commissioning of actuarial work. Data is also provided on members, employers, workload, staffing, IT provision and current best practice.

The latest CIPFA Benchmarking Club Report is the 2019 Report, which was issued in November 2019. The 2019 Report compares the performance of the Pensions Service in 2018/19 with other local authorities who administer the Scheme.

The key benchmark for Pensions Administration is the cost per member of administering the Scheme. The Pensions Service cost for 2018/19 was £19.39 per member compared to the average cost of £21.34. The cost for 2017/18 was £16.12 per member, compared to the average cost of £21.16 per member. It should be noted that following feedback from those participating in the benchmarking exercise the methodology for assessing costs was revised.

The membership total used by the Benchmarking Club includes preserved refunds. The inclusion of preserved refunds of 4,192 increases our reported membership for 2018/19 from 136,967 to 141,159. In 2019/20 the number of preserved refund memberships is 4,161 when added to the total membership of 139,312, gives 143,473.

CEM BENCHMARKING GROUP

The CEM Pensions Administration Benchmarking Group is an independent benchmarking scheme that benchmarks large public and private sector pension funds across the globe with a focus on both cost and quality.

In 2019 it was expanded to include large LGPS funds. In order to widen the scope of our benchmarking we have joined the group. The report for 2019 identified that the Fund provided a ***basic service at low cost***. It is expected that the level of service provision will improve for 2020, because in 2019 our move to the new member web service and to online statements were not captured.

UNIT COSTS INCLUDING AND EXCLUDING INVESTMENT COSTS

	2017/18	2018/19	2019/20
Total Membership (No.):-	137,620	141,159	143,473
Investment management expenses			
Total Cost (£'million)	**44.936**	**48.471**	**50.822**
Sub cost per member (£)	326.52	343.38	354.23
Administration costs			
Total Cost (£'million)	**2.686**	**2.738**	**2.828**
Sub cost per member (£)	19.52	19.40	19.71
Oversight and governance costs			
Total Cost (£'million)	**1.038**	**2.033**	**1.536**
Sub cost per member (£)	7.54	14.40	10.70
Total cost per member (£)	**353.58**	**377.18**	**384.64**

Note - The oversight and governance costs include additional costs arising as a result of pooling and the forming of the Border to Coast Pensions Partnership.

The benchmarking club excludes certain administrative costs, for example, the Past Service Deficiency element of employer contributions. Therefore, the costs in the table shown above for pensions administration are higher than those shown in the benchmarking club data.

AGE PROFILE OF FUND MEMBERSHIP AT 31ST MARCH 2020

	MEMBERSHIP TYPE					
AGE BAND	**ACTIVE**	**DEFERRED**	**BENEFICIARY**	**PENSIONER**	**PRESERVED REFUNDS**	**TOTAL**
<20	541	6	279	0	65	891
20-24	1,995	473	82	0	429	2,979
25-29	3,015	1,727	8	0	607	5,357
30-34	4,128	4,099	5	2	443	8,677
35-39	5,201	5,635	23	7	445	11,311
40-44	5,361	5,657	50	29	442	11,539
45-49	6,264	6,666	79	85	471	13,565
50-54	7,544	7,914	161	321	470	16,410
55-59	7,224	7,056	330	3,169	392	18,171
60-64	4,015	2,194	506	9,515	282	16,512
65-69	808	214	770	10,926	100	12,818
70-74	133	41	1,130	9,491	15	10,810
75-79	0	0	981	5,145	0	6,126
80-84	0	0	1,148	3,377	0	4,525
85-89	0	0	872	1,710	0	2,582
>89	0	0	498	702	0	1,200
	46,229	**41,682**	**6,922**	**44,479**	**4,161**	**143,473**

Analysis of our membership profile against other large Scheme funds shows that the Fund has a higher percentage of pensioners and a lower percentage of deferments. Pensioners and dependents require a relatively higher administrative input, whilst deferments are a relatively low administrative input area.

PERFORMANCE INDICATOR FOR PENSIONS PROCESSING

The Pensions Service monitors administration processing against targets based upon the Disclosure Regulations as this shows a more complete picture on the timeliness of service delivery to members. This will include the input from the Fund and all others involved, for example employers, members, HMRC, Department of Work and Pensions, financial advisors and other pension schemes.

In 2019/20, 81% (77% in 2018/19) of the measured processes were completed in line with the Disclosure Regulations. This figure is an improvement on last year and is now at a level that is higher than the levels that were achieved in the years before the introduction of the New Scheme.

The late release of the 2014 Scheme Regulations and associated guidance, combined with the increased complexity of the new Scheme, initially led to delays in processing and a large backlog of work. It has taken several years to reduce these backlogs, but they were largely eliminated by early 2020, just before Covid-19. The improved performance against Disclosure Regulations over the past year is a reflection of this.

On 1st April 2020 we have commenced monitoring against a set of new performance indicators that measure the Fund's internal performance on processing and other key areas of service delivery.

ADDITIONAL VOLUNTARY CONTRIBUTIONS

INTRODUCTION

Whilst the Scheme provides a good benefits package, it is normally possible for a member to increase their benefits.

The Scheme Regulations changed on 1st April 2014 and from this date members can:

- **Pay into the Fund's in-house AVC plan**

An AVC plan can provide extra life assurance as well as allowing members to increase their pension benefits up to the maximum allowable under HM Revenue and Customs rules and the Scheme Regulations.

Subject to the above rules for new AVC plans, it is intended that members can contribute up to 100% of their pay each month and take up to 25% of their in-house AVC fund as a tax-free lump sum at retirement. Contributions must be deducted from pay and tax relief may apply.

- **Take out an Additional Pension Contract**

Again, subject to limits, a member can purchase annual pension up to a maximum of £7,026 in 2019/20. This amount is increased each year in accordance with any increase applied to pensions in payment and increased to £7,194 from April 2020. The contract can be taken with or without a contribution from the employer and can be used to buy extra pension or lost pension arising from authorised unpaid leave of absence. Medical clearance may be required. Subject to the Fund's policy, members may choose to make a one off payment or regular contributions. Tax relief may apply.

All contracts taken out for Added Years, AVCs or Additional Regular Contributions prior to 1st April 2014 are protected and fall under earlier rules.

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PRUDENTIAL

The Fund has an AVC plan arranged with Prudential that offers a comprehensive range of fourteen funds.

Regular meetings are held with Prudential to discuss the running of the plan. In the past Prudential has provided educational seminars to members but this service has been withdrawn as part of a modernising programme, with Prudential offering telephone and online support as an alternative.

The Fund carries out an annual review of the AVC provision. The 2019/20 review was undertaken in October 2019 by Hymans Robertson.

The review considered the changing regulatory environment, the provider profile and the fund range. It was concluded that Prudential should remain as the sole provider.

Prudential have begun a significant rationalisation of their fund range available to members. Some changes have been made in 2019 but more far-reaching proposals are being planned for 2020. The next annual review of AVC provision will further assess the appropriateness of the available fund range.

The Fund has continued to review its position on with-profits investment. This option was closed to new investors following the 2006 review. It has been decided not to take further action in the current investment climate, other than to continue to monitor the position.

UTMOST LIFE & PENSIONS

During the year Equitable Life became Utmost Life and Pensions. The AVC plan with Utmost Life and Pensions is closed to new members and transfers.

This is a group scheme with the Fund being the policyholder for individual member investments.

A bulk transfer exercise was conducted in 2003 in the light of advice from legal and financial advisors. This involved the transfer of the majority of members' Utmost Life & Pensions AVC funds to comparable funds with Prudential.

A very small number of members who have with-profits investments have remained with Utmost Life & Pensions. This is because it is believed not to be in the individual member's best interests to transfer as the withdrawal penalty applied on transfer may not be made up by future investment returns.

INVESTMENT REPORT

INTRODUCTION

The Investment Office of the Pensions Service manages the investment and financial control of the Fund.

The formal investment objectives are:

- To invest the Fund money in assets of appropriate liquidity to produce income and capital growth that, together with employer and employee contributions, will meet the cost of benefits.
- To keep contributions as low and as stable as possible through effective management of the assets.

INVESTMENT STRATEGY

The investment strategy is derived from Asset Liability Modelling (ALM) that uses data from the triennial valuations. This examines the Fund's financial position, the profile of its membership, the nature of its liabilities and an analysis of projected returns from differing investment strategies. This exercise is undertaken by the Investment Advisor, Hymans Robertson, based on liability data provided by the Actuary, Aon.

The strategy in place at the beginning of April 2019 was based on ALM which was carried out in 2016/17, using the liability data from the 2016 valuation. At the time the Fund's asset allocation was 57.0% in equities, 19.0% in bonds and cash, 12.0% in property, 7.5% in private equity, 2.0% in private debt and 2.5% in infrastructure.

The 2019 review of the investment strategy was completed during 2019/20. This made a number of recommendations to alter the strategy by further de-risking. A new strategy was approved by the Committee at its September 2019 meeting. When fully implemented, the asset allocation will have moved to 40.5% in equities, 22.0% in bonds, 13.0% in property, 7.5% in private equity, 6.0% in private debt, 5.0% in infrastructure, 5.0% in multi asset credit and 1.0% in cash.

By the end of March 2020, significant moves towards the new interim targeted asset allocation had been made. At the year end, the asset allocation had moved to 47.0% in equities, 26.5% in bonds, 12.0% in property, 7.5% in private equity, 3.5% in private debt, 2.5% in infrastructure and 1.0% in cash at the end of March 2020. The allocation to bonds includes assets earmarked for transfer to multi asset credit.

QUOTED EQUITIES AND BONDS

The Fund uses five external investment managers in relation to its range of quoted equity and bond mandates. In addition, the Fund is also a member of Border to Coast through which pooled assets will be managed. During the year new investments were made into two new funds launched by Border to Coast; the Global Equity Alpha fund and the Sterling Investment Grade Credit fund.

Each manager is a specialist in the market in which they invest. This broadly based management structure seeks to ensure that investment returns are not overly influenced by the performance of any one manager.

The managers and mandates are set out in the following table:

MANAGER	PORTFOLIO
Under Pooling: Border to Coast	- UK Equities - Global Equities - Sterling Investment Grade Credit
Outside of Pooling: Legal and General	Indexation - UK Equities - Europe ex UK Equities - US Equities - Emerging Market Equities - Japanese Equities - Asia Pacific ex Japanese Equities - Fundamental Global Equities - UK Index-Linked Gilts - UK Gilts - Emerging Markets Bonds - Corporate Bonds
JP Morgan	Emerging Market Equities
Lazard	Japanese Equities
TT International	Asia Pacific ex Japan Equities
Janus Henderson	Total Return Bonds

PROPERTY

Following the ALM study in 2019/20 the strategic allocation to property was increased to 13.0%. This is comprised of 6.0% to UK direct commercial property, 2.0% to UK residential property and 5.0% to global property.

The UK mandate is managed by Aberdeen Standard Investments. This was valued at £431.0 million at the year end, representing 5.0% of the Fund. The underweight position relative to the 6.0% strategic weighting is attributable to the slow pace of investment due to concerns over pricing in the property market.

The allocation to UK residential property was established in 2016/17. This was initially through a fund managed by Aberdeen Standard Investments. A fund managed by Hearthstone was added during 2018/19. At the year end the Fund had £63.5 million, or 0.7% invested in residential property. This is below the 2.0% strategic weighting. The pace of investment continues to be dependent on identifying suitable investment opportunities.

The global property programme had been built up to the target level of 5.0% through investment into funds provided by Partners Group. This programme includes fund of funds, direct and secondary investments. The proportion of the Fund invested through this programme was 4.5% at the year-end, valued at £379.5 million.

INFRASTRUCTURE

The Fund made its first investment into infrastructure in 2006. A review of the approach in 2010 set an allocation of 2.5%, which was achieved largely through investment in funds offered by Partners Group. Between 2017 and 2019 the Fund diversified its infrastructure programme through investments with Infracapital, Pantheon and AMP Capital.

In 2019/20, the Fund made its first commitments and investments in infrastructure with Border to Coast. Most, if not all future commitments to infrastructure will be made through Border to Coast.

The 2019/20 review of the Investment Strategy has increased the strategic allocation to 5.0%. The increased allocation will be built up over the next few years.

At the year end, the total investment in Infrastructure was valued at £240.279 million, representing 2.8% of the Fund.

PRIVATE EQUITY

The programme is well developed and diversified across providers, geography, industry and vintage years.

The main focus of the programme is investment into fund of funds with HarbourVest and Pantheon. The Fund has also made investments into secondary funds managed by Lexington Partners, Coller Capital and HarbourVest, and into direct and co-investment funds managed by HarbourVest, Pantheon, Capital International, Partners Group and Lexington.

In 2019/20 the Fund made its first commitment to and investment into a private equity fund launched by Border to Coast. As with infrastructure, most, if not all future commitments to private equity will be made through Border to Coast.

At the year end, £664.969 million was invested in private equity, equal to 7.8% of the Fund, in line with the asset allocation strategy.

PRIVATE DEBT

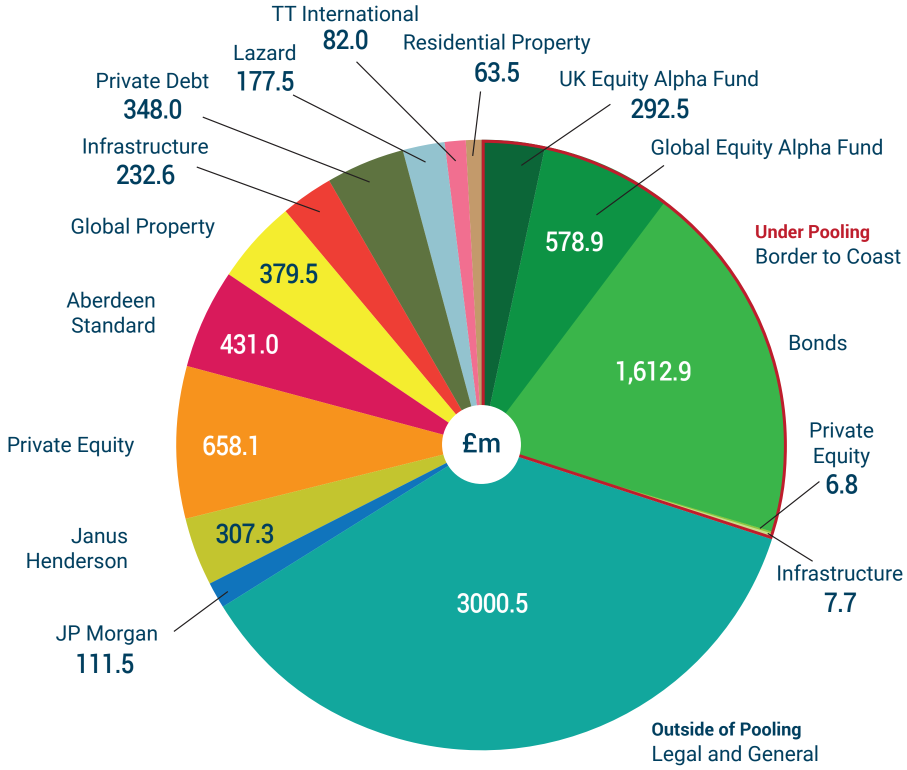
The Fund made its first investments into private debt in 2018. This was through funds managed by Pemberton and HPS. In 2019/20 the Fund also made commitments to funds managed by Pantheon and Border to Coast. Whilst commitments were made to these new funds during the year, no money had been invested by the year end.

Initially the target allocation was 3.5%. The review of the Investment Strategy in 2019/20 has increased this target allocation to 6%.

Good progress towards building up this allocation has been made in total, at the year end, the Fund had £348.0 million invested in private debt, being 4.1% of the total value of the Fund.

ASSETS UNDER MANAGEMENT

The value of assets in each manager mandate and in the alternative investment programmes at the year end is shown below:



INVESTMENT MANAGERS' OBJECTIVES AND RESTRICTIONS

The Pensions Committee has set objectives and restrictions for the investment mandates with the aims of ensuring a prudent approach to investment whilst allowing each manager to implement their natural investment style and process.

In addition to the specific restrictions on each mandate, all managers are required to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The investment managers have been set performance targets, mostly based on appropriate indices, which generally require outperformance over three year rolling periods. Annual downside targets or tracking error targets have also been set.

The UK property portfolio has a target based on a long term return of Retail Price Index plus 4%. The UK residential property portfolio has an absolute target return of 7%.

Absolute return targets are in place for the private equity, infrastructure, global property and private debt programmes.

CUSTODY

Northern Trust was appointed in 2002 to provide custody services for the Fund. The service has been market tested and benchmarked regularly to ensure that it remains competitive.

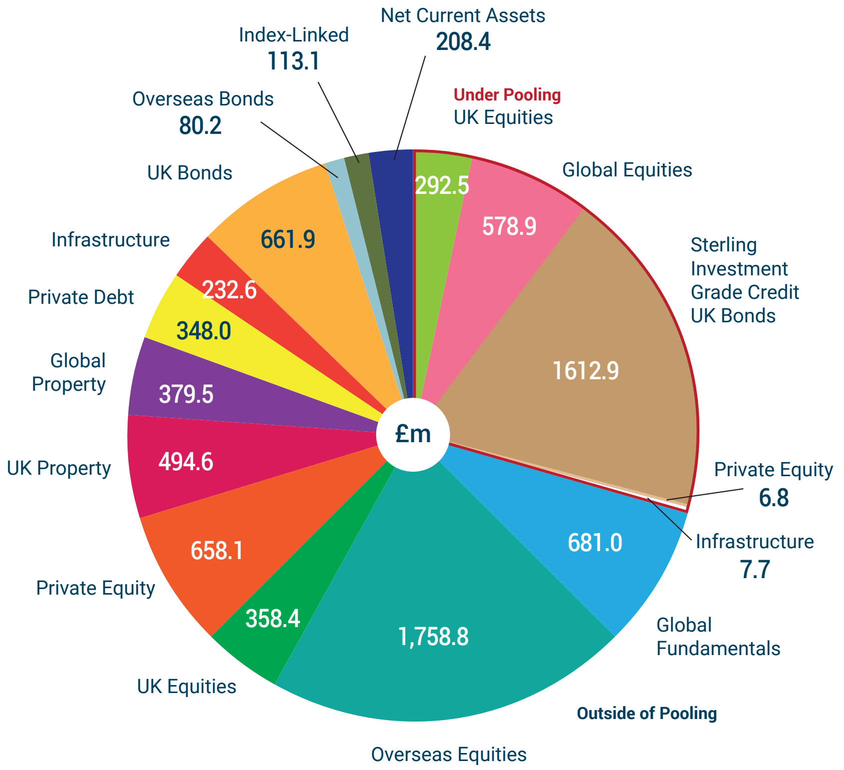
As at March 2020, Northern Trust was providing custody services for approximately £177 million of segregated assets held in one mandate.

ASSET ALLOCATION

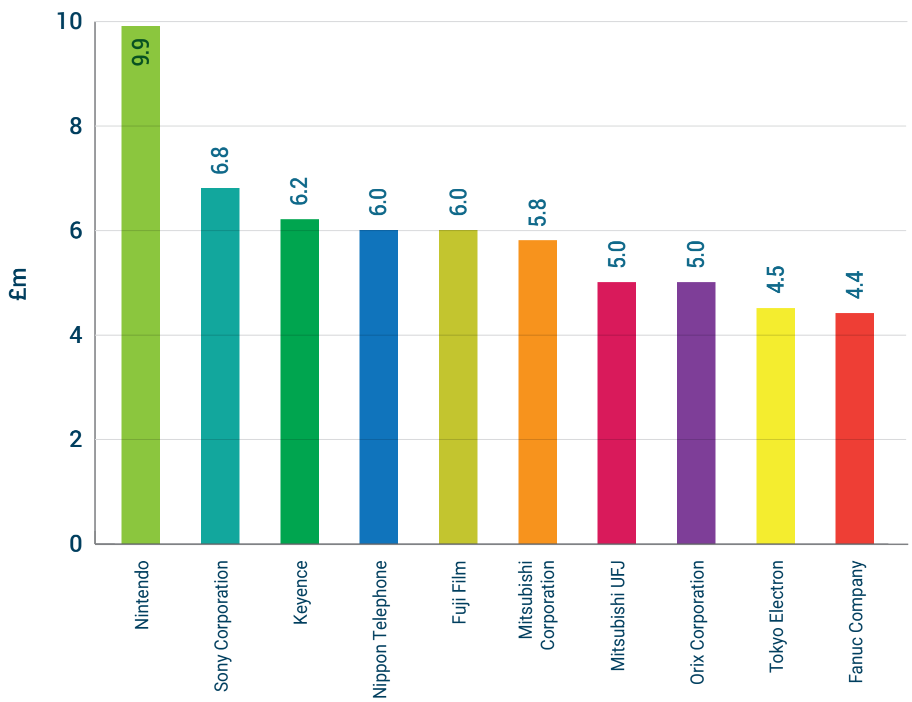
The asset allocation is maintained within pre-determined ranges around the strategic benchmark. Action is considered to bring the Fund back within these ranges when a breach occurs. Legal and General provides management information to assist with this process.

The active managers that invest in more than one market are permitted to take tactical asset allocation decisions within their portfolios. This provides additional scope for managers to outperform their targets.

The asset allocation as at March 2020 is shown below:



The largest ten individual investments in companies are:



PERFORMANCE MEASUREMENT

The Fund has used a fund-specific benchmark for performance measurement since January 2002.

The analysis is undertaken by Portfolio Evaluation, an independent specialist performance management company.

MARKET CONDITIONS AND INVESTMENT RETURNS FOR 2019/20

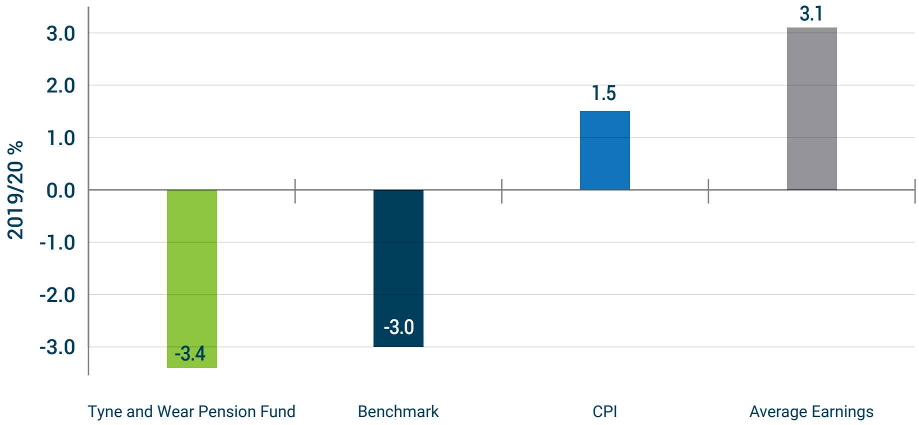
For the first ten months of the year market returns had generally been positive, despite some volatility during periods of uncertainty regarding Brexit. However, it all changed in late February, with the global outbreak of Covid-19 and the lockdowns that were imposed in countries across the world. With concerns over future economic activity, equities fell dramatically and at the fastest rate ever. In this environment it was only the safest assets, primarily government and high quality corporate bonds that proved resilient over the final quarter of the year. It was only after governments and central banks launched monetary and budgetary programmes to protect economies, companies and employees that some calm did return to markets.

Over the year, the highest positive return was produced by gilts at 9.9%. Index-linked gilts and corporate bonds also produced positive returns over the year. All of the major equity markets posted negative returns over this period. The falls ranged from -2.1% for Japanese equities through to -18.5% for UK equities. The negative sentiment on Sterling provided some protection against the falls in overseas equity markets for UK based investors. Property produced a modest positive return over the year, however, it should be noted that it was difficult to accurately value properties at the end of March due to lack of market activity. The same was also true to an extent for private market investments.

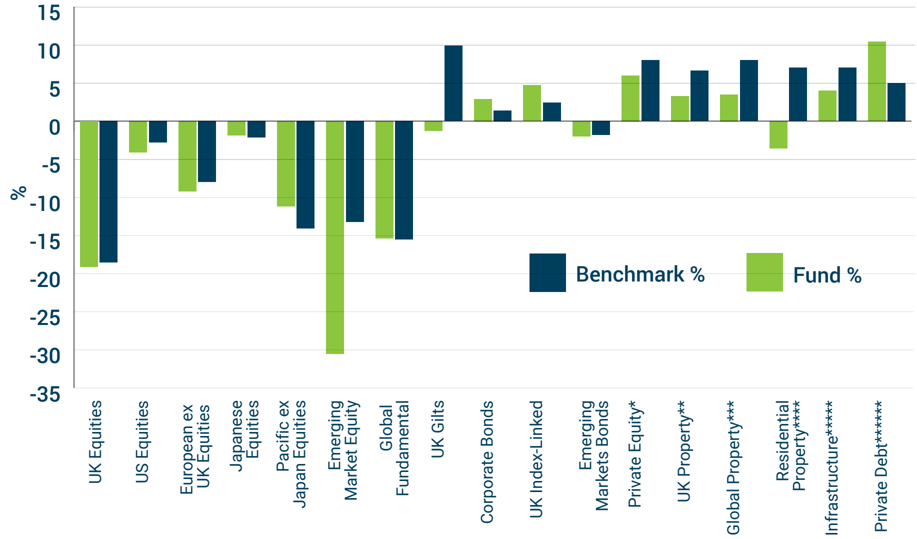
The Fund's diversified investment strategy provided some protection against these extreme market conditions at the end of the year. The Fund's total return in 2019/20 was a -3.4% (after adjusting for all fees and expenses), which was 0.4% below its benchmark return of -3.0%.

These performance figures reflect updated private markets valuations amounting to a £16.1 million decrease below the value shown in the Financial Statements. These updated valuations were not available at the time the financial statements were produced. The approach to reporting updated performance is consistent with the approach taken in previous years.

Inflation as measured by the Consumer Prices Index, which has risen in importance as a measure for the Scheme, was up by 1.5% over the year. Average Earnings increased by 3.1 %.



The chart below shows the Fund's returns across the investment markets for 2019/20.



* The return for private equity is shown against an absolute return benchmark of 8% per annum net of fees.

** The benchmark for UK commercial is Retail Price Index plus 4% per annum. The market return for property during the year as measured by MSCI for the Medium Life and Pension Fund Universe was 1.3%.

*** The benchmark for global property assumes that an individual fund will deliver a zero return for the first three years to allow for J-curve. An absolute return benchmark of 8% per annum net of fees is then assumed.

**** The benchmark for residential property is an absolute return benchmark of 7%.

***** The benchmark for infrastructure is shown against an absolute return benchmark of 7% per annum net of fees.

******The benchmark for private debt is shown against an absolute return benchmark of 5% per annum net of fees. Investment commenced during the year so the benchmark reflects the part year position.

The underperformance for the year came primarily from private market investments and bonds. Equities and UK property also had a negative impact on returns.

The returns from the passive strategies were satisfactory.

The return from the private equity programme is measured against an absolute return benchmark of 8% per annum net of fees. This long term benchmark has been adopted to seek to reduce the volatility of returns. It is believed that this approach is more appropriate than the use of an index based benchmark. The positive 6.0% return is below the 8.0% benchmark and the longer term return expected from global equities.

The UK property mandate produced a positive return of 3.3% but was below the RPI based benchmark of 6.6%. During the year the market return from property as measured by the MSCI Medium Life and Pension Fund Universe was 1.3%.

The return from the infrastructure programme is measured against an absolute return benchmark of 7% per annum net of fees. This long term benchmark has been adopted to seek to reduce the volatility of returns in absolute terms. It is believed that this approach is more appropriate than the use of an index based benchmark. The positive 4.0% return is below the 7% benchmark.

The infrastructure programme is a combination of funds run by Partners Group that were introduced from mid 2010 and investments in direct funds managed by Infracapital, Pantheon and AMP Global. The return is below benchmark for the year but above since the inception of the programme.

The global property programme was introduced in mid 2010 and is comprised of funds run by Partners Group. It has underperformed its benchmark for the year but has outperformed since inception.

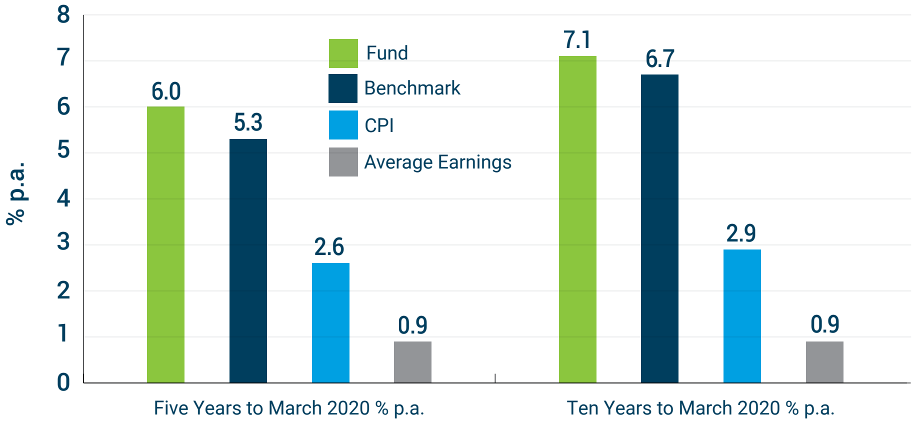
The performance figures for residential property and private debt are shown for completeness but very little reliance can be placed on these performance numbers to date due to the extremely short period that these investment programmes have been in place.

Note: The performance figures for the past two years are both net of fees and expenses. The performance data for earlier years are net of fees and expenses on private market investments but gross of fees and expenses on quoted equities and bonds.

LONGER TERM PERFORMANCE

Pension fund returns are generally assessed over at least five year periods. This is to avoid taking too short term a view of investment performance, bearing in mind market cycles.

The chart below shows the Fund's annual returns over five year and ten year periods against the Consumer Prices Index and Average Earnings.

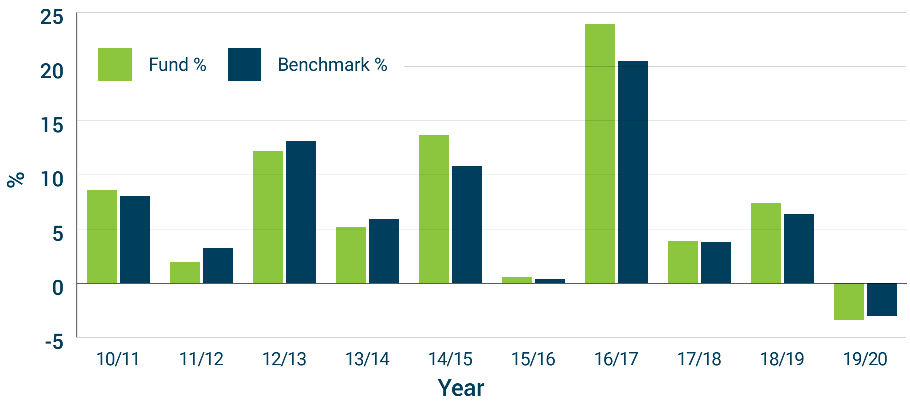


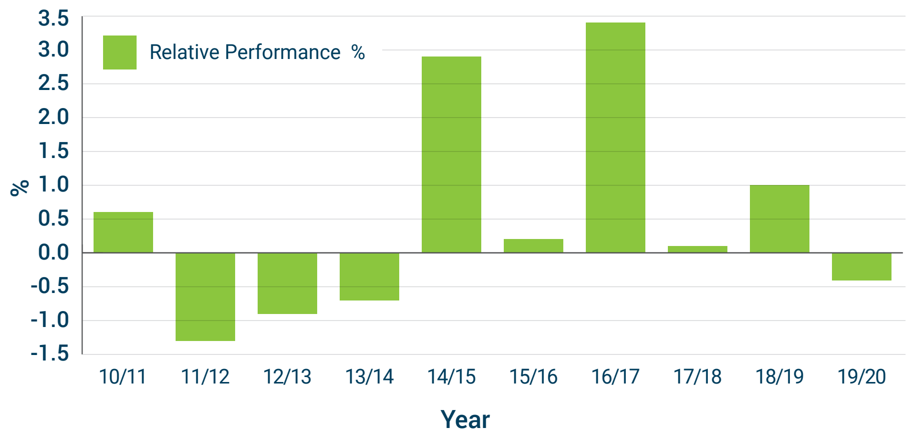
The five year return is 6.0% per annum and is above the benchmark return of 5.3% per annum. The ten year return is 7.1% per annum and is also above the benchmark return of 6.7% per annum.

The returns for both periods are well above the increases in the Consumer Prices Index and in Average Earnings.

ANNUAL PERFORMANCE OVER TEN YEARS

The annual performance of the Fund over ten years is shown in the following charts:





The Fund has now underperformed its benchmark for the year following five years of outperformance.

LONGER TERM PERFORMANCE OVER THE VARIOUS ASSET CLASSES

The chart below shows the Fund's returns over the main investment markets for the three and five year periods up to 31 March 2020.

The Fund is unable to report performance over the individual asset classes for the ten year period due to changes in the Fund's investment structure and benchmarks during that period.

	THREE YEARS		FIVE YEARS	
FUND	**FUND %**	**BENCHMARK %**	**FUND %**	**BENCHMARK %**
Fund	3.2	2.3	6.6	5.3
UK Equities	-4.3	-4.2	0.8	0.6
US Equities	4.4	5.0	8.7	10.1
European ex UK Equities	-0.6	-0.5	3.6	3.8
Japanese Equities	0.8	1.4	5.9	6.0
Pacific ex Japan Equities	0.7	-2.5	5.7	3.7
Emerging Market Equities	-7.2	-1.0	0.1	3.7
Bonds	2.2	2.1	3.7	3.5
UK Gilts	0.1	4.6	2.1	4.7
Corporate Bonds	2.8	2.1	3.8	3.2
UK Index-Linked	4.4	2.9	7.7	6.3
Private Equity*	11.8	8.0	14.7	8.0
UK Property**	7.9	6.8	8.4	6.6
Global Property***	5.5	7.7	9.6	6.7
Infrastructure****	12.6	7.0	16.7	6.9

* The return for private equity is shown against an absolute return benchmark of 8% per annum net of fees.

** The benchmark for UK property is Retail Price Index plus 4% per annum.

*** The benchmark for global property assumes that an individual fund will deliver a zero return for the first three years to allow for J-curve. An absolute return benchmark of 8% per annum net of fees is then assumed.

****The benchmark for infrastructure assumes that an individual fund will deliver a zero return for the first three years to allow for J-curve. An absolute return benchmark of 7% per annum net of fees is then assumed.

Overall the Fund's equities have produced mixed returns while bonds have produced good returns and have added value at the total Fund level. However, the main driver to the Fund's good returns over the three and five year periods has been the alternatives programmes.

The private equity returns of 11.8% per annum for three years and 14.7% per annum for five years are ahead of the benchmark of 8.0%.

The UK property portfolio has performed well against its Retail Prices Index based benchmark over both the three year and five year periods.

Performance for the global property programme is below benchmark over the last three years but remains strong over five years against the absolute return based benchmark.

Returns for the infrastructure programme were significantly above the absolute return based benchmark for both the three and five year periods.

MANAGEMENT EXPENSES

The Chartered Institute of Public Finance and Accountancy (CIPFA) issues recommended accounting guidance on the production of the Pension Fund Report and Accounts. Best practice guidance is that Investment Management Expenses should not reflect fees and expenses that are incurred by underlying investment vehicles, invested in by other vehicles. The Fund has no control over these underlying investment vehicles, the costs of which CIPFA refers to as "Tier 2" fees and expenses.

This is typically seen in private market fund of fund investments. The figures included below under tier 2 fees have been calculated from information supplied by each of the Fund's investment managers.

CIPFA guidance states, as the Fund has no overall control over "tier 2" expenses, they should be omitted from the Investment Management Expenses section included within the financial accounts of the Fund. Rather, they should be included for information purposes within this section of the Annual Report.

The table below shows both the Investment Management Expenses, as shown in the accounts, and the "Tier 2" fees and expenses excluded from the accounts.

31 March 2019 £m		Fund Account note	31st March 2020 £m
48.471	Investment Management Expenses	11	50.822
30.656	Tier 2 Fees and Expenses		40.738
79.127	**Total Investment Management Expenses**		**91.560**

The table shows that the "Tier 2" fees and expenses for 2019/20 are £40.738 million (£30.656 million for 2018/19). This gives an overall cost for Investment Management Expenses of £91.560 million for 2019/20 (£79.127 million for 2018/19). The increase from the previous year relates almost entirely to the Fund's private market investments.

POOLING OF INVESTMENTS

During 2017/18 the Fund, along with eleven other local authority pension funds created an investment management company called Border to Coast Pensions Partnership Limited.

The intention over time is for this company to assume responsibility for the day to day management of the Fund's assets. This will include the appointment and monitoring of the performance of the external investment managers.

The Pension Fund will retain responsibility for setting the investment strategy and asset allocation and will monitor the performance of Border to Coast.

SET UP COSTS

Set up costs have been shared between the Border to Coast partner funds, including the Tyne and Wear Pension Fund. The set up phase commenced in late 2016/17 and came to an end in the first quarter of 2018/19. Border to Coast's investment operations commenced in July 2019.

The break down in set up costs are shown in the table below;

	2019/20			Since Inception
Set Up Costs	**Direct £'000**	**Indirect £'000**	**Total £'000**	**Cumulative £'000**
Recruitment	0	0	0	17
Legal	0	0	0	27
Procurement	0	0	0	36
Other Support Costs	0	0	0	2
Staff Costs	0	0	0	62
Other Costs	0	0	0	264
Total Set Up Costs	**0**	**0**	**0**	**408**

OTHER COSTS

In addition to these setup costs there were share purchase costs for two classes of shares. A £1 Class A share was acquired by the Council, representing its ownership stake in Border to Coast, and is held at cost.

£833,000 of Class B shares were also acquired, representing the Fund's contribution to Border to Coast's regulatory capital requirement, as an investment company regulated by the Financial Conduct Authority. These Class B shares are treated as an investment.

On 1st April 2020 the Fund merged with the Northumberland County Pension Fund to form one larger Fund. This will result in changes to the structure of Class B shares in 2020/21.

During the year the Fund has made two new transitions into funds managed by Border to Coast. The first was a transition into the Global Equity Alpha fund. These assets were previously managed by JP Morgan. The second was a transition into the Sterling Investment Grade Credit fund. These assets were previously managed by BlackRock, M&G and Janus Henderson.

The Fund has also made investments into Private Equity and Infrastructure programmes, and a commitment to the Private Debt programmes managed by Border to Coast. The Fund's existing investments in closed ended funds (private markets) will remain outside of the Fund for the remaining life of these investment vehicles.

At the year end the assets under management at Border to Coast were valued at £2,498.9 million and 29.5% of the Fund.

A further proportion of the Fund's assets will transfer to Border to Coast over the following two years. The Fund's passively managed investments will remain outside of the pooling arrangement because the legal structure in which they are held (life policies) is considered to be the most cost effective currently available. The Fund has, and will continue to benefit from, collaborative procurement with other funds on these passive investments.

The costs and savings which the Fund believes can be attributable to pooling since the inception of this initiative are shown in the table below. Where the Fund has budgeted for costs (either set up or operational) which relate to pooling and savings, these are also shown.

	2018/19				2019/20			
	Actual		Budget		Actual		Budget	
	In Year £'000	Since Inception Cumulative to date £'000	In Year £'000	Since Inception Cumulative to date £'000	In Year £'000	Since Inception Cumulative to date £'000	In Year £'000	Since Inception Cumulative to date £'000
Set up costs	239	408	0	450	0	408	0	450
Ongoing operational costs	949	949	936	936	1,121	2,070	1,633	2,569
Transition Costs	1,825	1,825	2,918	2,918	3,900	5,725	5,535	8,453
Fee Savings	-2,716	-4,120	-1,958	-2,198	-3,237	-7,357	-1,958	-4,156
Net cost/(saving)	**297**	**-938**	**1,896**	**2,106**	**1,784**	**846**	**5,210**	**7,316**

As predicted the net saving shown in 2018/19 has changed to a net cost in the table above, this was expected as transition costs were due to be paid in this and over the next few years.

The pooling proposal approved by Government in 2016 included a forecast of costs and savings. This showed that setup and transition costs were expected to be recovered over a six to seven year period. A reassessment of the position at the 2019/20 financial year end concluded that this payback period has been reduced to two years. The difference comes from lower than expected costs of transition.

It should be noted that the Fund is likely to continue to make changes to its investment strategy in the coming years, which will result in further movement of assets and transition costs. This activity will also take account of asset movements in relation to pooling.

INVESTMENT POLICIES

INVESTMENT PRINCIPLES

In 2008, HM Treasury introduced six Investment Principles that replaced the original ten Principles from the Myners Report in 2001.

In 2009 the Pensions Panel of CIPFA issued guidance endorsed by the government department now known as the Ministry of Housing, Communities and Local Government (MHCLG) on the key issues for compliance with these Principles. This was published in the same year in a document called "Investment Decision Making and Disclosure in the Local Government Pension Scheme: A Guide to the Application of the Myners Principles".

At that time, each administering authority was required by the regulations to set out in its Statement of Investment Principles the extent to which the authority's policy complies with the guidance. To the extent that it does not comply with the guidance, an authority was required to give the reasons for that non-compliance in its Statement. MHCLG stated that it would keep the guidance under review and would reissue it, as necessary, in the light of developments.

Whilst the Statement of Investment Principles has now been replaced by the Investment Strategy Statement and the requirement to state compliance no longer applies, the Fund has decided to continue to do this as it is still considered to be best practice.

The Pensions Committee has benchmarked its practices and procedures against the guidance and has concluded that the Fund is compliant with the six Principles. The position is outlined below:

PRINCIPLE 1 – EFFECTIVE DECISION MAKING	The Fund has a governance structure and a Training Policy and Programme in place that ensures that: • Decisions are taken by persons with the skills, knowledge, advice and resources necessary to make them effectively and to monitor their implementation. • There is the necessary expertise to evaluate and challenge advice, and manage conflicts of interest.
PRINCIPLE 2 – CLEAR OBJECTIVES	Asset liability modelling, informed by the triennial valuation data and report, is applied to set an investment objective for the Fund that takes account of its liabilities, the potential impact on local tax payers, the strength of the covenant for non local authority employers, and the attitude to risk of the administering authority and employers. The outcome of the modelling and the resultant investment management strategy are clearly communicated to advisors and investment managers.
PRINCIPLE 3 – RISK AND LIABILITIES	The investment strategy takes account of the form and structure of liabilities. This includes the implications for local tax payers, the strength of covenant of employers, default risk and longevity risk.
PRINCIPLE 4 – PERFORMANCE ASSESSMENT	Arrangements are in place for the formal measurement of performance of the investments, investment managers and advisors. The Pensions Committee undertakes an annual assessment of its effectiveness as a decision-making body. It also assesses the effectiveness of its investment advisors and the Fund's Officers. The Local Pension Board also undertakes a similar assessment.
PRINCIPLE 5 – RESPONSIBLE OWNERSHIP	The Fund: • Has adopted and requires its investment managers to adopt the principles contained in the UK Stewardship Code. • Includes a statement on its policy on responsible ownership in its Investment Strategy Statement and Corporate Governance Policy. • Reports annually to members on the discharge of such responsibilities.
PRINCIPLE 6 – TRANSPARENCY AND REPORTING	The Fund's policy documents, in particular the Governance Compliance Statement, Communication Policy Statement and Investment Strategy Statement demonstrate how it: • Acts in a transparent manner, communicating with stakeholders on issues relating to the management of investment, its governance and risks, including performance against stated objectives. • Provides regular communication to members.

THE INVESTMENT STRATEGY STATEMENT

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 replaced the 2009 Regulations. The 2016 Regulations require the administering authority to prepare, maintain and publish an Investment Strategy Statement (ISS). This replaces the Statement of Investment Principles, which was a requirement under the 2009 Regulations.

The ISS sets out the decisions that have been taken on investment policies and describes the Fund's investments and investment strategy. The latest statement was approved by the Pensions Committee in November 2019 and is available on the Fund's website, **http://www.twpf.info/article/11843/Investments**.

The ISS provides evidence that administering authorities have considered the suitability of their Fund's investment policy and the approach to implementing the policy.

The Regulations require the ISS to cover the policy on the following areas:

- a requirement to invest money in a wide variety of investments
- the authority's assessment of the suitability of particular investments and types of investments
- the authority's approach to risk, including the ways in which risks are to be measured and managed
- the authority's approach to pooling investments, including the use of collective investment vehicles and shared services
- the authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments
- the authority's policy on the exercise of rights (including voting rights) attaching to investments

The Pensions Committee ensures that the ISS is updated when there are material changes to the Fund's arrangements.

CORPORATE GOVERNANCE AND VOTING

The Committee believes that good corporate governance and the informed use of voting rights are an integral part of the investment process that will improve the performance of the companies in which the Fund is invested.

The Fund's approach is set out in the Corporate Governance and Responsible Investment Policy which was most recently reviewed and approved by the Committee in November 2019.

The Policy may be viewed on the Fund's website at **http://www.twpf.info/article/25741/Investment-Strategy**.

Voting rights are regarded as an asset that needs managing with the same duty of care as any other asset. The use of these rights is essential to protect the interests of the organisations participating in and the beneficiaries of the Fund.

It is important that this process is carried out in an informed manner. For this reason, it is believed that the investment managers are best placed to undertake it.

Each manager is required to prepare a policy on corporate governance and on the use of voting rights.

This policy has to provide for:

- The approach towards UK quoted companies to take account of the principles contained in the UK Corporate Governance Code and the UK Stewardship Code.
- With regard to companies outside the UK, a manager to use its best efforts to apply the principles of the UK Stewardship Code. Other national or international standards must also be taken into account.
- The policy towards unquoted companies to be consistent with the approach adopted for quoted companies, to the extent that this is practicable.
- Voting rights to be exercised in a manner that establishes a consistent approach to both routine and exceptional issues, in order that company directors fully understand the manager's views and intentions.

Whilst the Committee requires each manager to exercise voting rights in accordance with their individual policy, it retains the right to direct the manager in respect of any particular issue. In particular, a manager must seek direction from the Fund when a conflict of interest arises and when the Fund is involved in a class action.

Each manager is required to:

- Report any changes to their policy to the Fund for approval.
- Provide quarterly reports that set out how their policy has been implemented and their voting record.

The Fund votes globally for its segregated equity holdings. The holdings in companies in pooled funds are voted where the manager makes this possible.

An analysis of the Fund's Global ex UK and UK only voting record (including pooled funds) for 2019/20 is shown below:

	GLOBAL EX UK	UK ONLY
Annual General Meetings	3,001	779
Extraordinary General Meetings	912	156
Resolutions	43,590	13,933
Votes For	35,147	13,035
Votes Against	8,074	905
Abstentions	341	3
Votes Not Cast	35	0

The table shows that the Fund supported management on the majority of resolutions.

A resolution was opposed or there was an abstention on 9,323 occasions. Just under half were in relation to the lack of independence of non-executive directors and the length of directors' contracts. Other common reasons were:

- Overly generous executive compensation packages for mediocre performance.
- Concerns over the resolutions being proposed by shareholders.
- Concerns about the lack of protections of shareholders' rights upon the issue of new shares, weakening the value of pre-existing holdings.
- Areas where the manager did not think that the matter being voted on was an issue for shareholders and related to internal company matters.
- Concerns on plans to buy or merge with competitors.

There were 35 occasions where no votes were cast. Of these, 34 were not cast due to a practice called share-blocking. This is where shares cannot be sold until after the annual meeting if a vote has been cast by a shareholder. Therefore, shareholders are understandably reluctant to vote on non-contentious issues if this will prevent them from selling at any time.

The remaining occasion was where shareholders had to choose between various slates of director candidates at Italian companies. Upon selecting one slate, shareholders automatically cannot vote on the others.

The Fund is a member of the Local Authority Pension Fund Forum. This is a voluntary association of eighty five local authority pension funds and pool companies that exists to promote the investment interest of the funds, and to maximise influence as shareholders in promoting corporate social responsibility and high standards of corporate governance among the companies invested in.

RESPONSIBLE INVESTMENT

The Fund's Investment Strategy Statement and Corporate Governance and Responsible Investment Policy cover the extent to which social, environmental and corporate governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments.

This is an important issue and the Fund takes its responsibility in this area very seriously.

The active managers are required to include consideration of these issues as an integral part of their investment process and corporate governance policy and to act accordingly where such issues may have a financial impact on investment.

Part of the Fund's assets is invested on a passive basis. Passive managers are normally not required to take account of such issues in the selection, non-selection, retention and realisation of investments but are required to consider them in its corporate governance policy and to act accordingly where these may have a financial impact on investment.

However in July 2020 the Fund invested £650 million in the range of Future World equity funds managed by Legal and General. The investments are classified as passive, but the portfolios are tilted more towards companies that score well against ESG criteria including carbon intensity and generating green revenues.

These investments enhance the Fund's responsible investment credentials, and help demonstrate the Fund's commitment to generating sustainable long-term returns.

Climate change is a particular focus of the Fund and the two investment managers with which the Fund has the largest holdings are seeking to drive changes in this area; Legal and General and Border to Coast Pension Partnership. Set out below are extracts from reports from both organisations:

Legal and General - “Legal and General supported more shareholder resolutions on climate change than any of the world’s 20 largest asset managers. We published our second annual ranking of climate leaders and laggards, naming 11 companies that have failed to demonstrate sufficient action.”

Legal and General has a Climate Impact Pledge, under which they assess and score over 80 of the world’s largest companies, engaging with them to improve their strategies to address this era-defining challenge. Legal and General divest within the Future World funds from those companies that fail to demonstrate sufficient action and vote against the re-election of their board chairs across all funds where Legal and General hold voting rights.

Border to Coast Pension Partnership - “We use our votes to register concern by voting on climate-related agenda items and co-filing shareholder resolutions that reflect our Responsible Investment policy. As a supporter of the Task Force on Climate-related Financial Disclosures, in 2020 we are taking our first steps towards applying its recommendations through voluntary reporting.”

All managers are required to report on the implementation of their policies in their quarterly performance reports. These issues are regularly covered in meetings with managers.

POOLING OF INVESTMENTS

The pooling arrangement with Border to Coast Pensions Partnership Limited has provided an opportunity for the Fund to strengthen its approach to Responsible Investment.

Border to Coast has approved and published its Responsible Investment Policy and a Corporate Governance and Voting Guidelines, which together describe the high level policy framework within which it operates. Both documents have been drawn up after reviewing the policies of each of the twelve partner funds investing in Border to Coast as well as examples of best practice elsewhere. They reflect the highest standards across the funds, and seek to raise existing standards through the more effective use of collective resources.

The Responsible Investment Policy and a Corporate Governance and Voting Guidelines are consistent with the Fund’s Corporate Governance and responsible Investment Policy and approach to social, environmental and corporate governance issues more generally. The Fund has been working closely with Border to Coast on the development of these issues, including being a part of the climate change working group. This group focussed on matters such as engagement, climate change data such as carbon metrics, transparency and reporting.

From the perspective of the Fund, the most obvious benefit and difference will be the additional resource within Border to Coast. This is a significant positive given that these issues are increasing in importance. An external engagement and proxy voting advisor, Robeco has been appointed to assist in this area.

Border to Coast has appointed external managers to manage the Fund’s assets, but will exercise rights on investments, including voting shares, rather than delegating this function to those managers.

FINANCIAL STATEMENTS

FUND ACCOUNT FOR THE YEAR ENDED

31st March 2019 £m		Note	31st March 2020 £m
	Dealings With Members, Employers and Others Directly Involved in the Fund		
(254.754)	Contributions	7	(269.516)
(8.387)	Transfers In from Other Pension Funds	8	(43.457)
(263.141)			**(312.973)**
303.449	Benefits Payable	9	321.632
8.909	Payments To and On Account of Leavers	10	25.296
312.358			**346.928**
49.217	**Net (Additions)/Withdrawals from Dealings with Members**		**33.955**
53.242	**Management Expenses**	**11**	**55.186**
102.459	**Net (Additions)/Withdrawals Including Fund Management Expenses**		**89.141**
	Returns on Investments		
(88.112)	Investment Income	12	(80.722)
0.340	Taxes on Income	12	0.487
(528.261)	Profits on Disposal of Investments and Changes in the Market Value of Investments	14b	268.499
(616.033)	**Net Returns on Investments**		**188.264**
(513.574)	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**277.405**
8,274.488	**Net Assets of the Fund at 1 April**		**8,788.062**
8,788.062	**Net Assets of the Fund at 31 March**		**8,510.657**

NET ASSETS STATEMENT FOR THE YEAR ENDED

31st March 2019 £m		Note	31st March 2020 £m
8,780.625	Investment Assets	13	8,478.231
(6.845)	Investment Liabilities	13	(4.644)
8,773.780	**Total Net Investments**		**8,473.587**
22.758	Current Assets	16	51.778
(8.476)	Current Liabilities	16	(14.708)
8,788.062	**Net Assets of the Fund Available to Fund Benefits as at 31 March**		**8,510.657**

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Fund. They do not take account of obligations to pay pensions and benefits that fall due after the year end. The actuarial position of the Fund, which does take account of such obligations, is dealt with in a statement prepared by the Actuary on pages 81 and 82.

The actuarial present value of promised retirement benefits is disclosed at Note 27 which has been compiled under IAS26 and, as such, is based on different assumptions.

We certify that the financial statements along with the notes to the financial statements for the year ended 31 March 2020 set out in pages 62 to 95 present fairly the financial position of the Tyne and Wear Pension Fund as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Ian Bainbridge
Head of Pensions
November 2020

Stuart Reid
Corporate Director Business and Resources
(Section 151 Officer)
November 2020

The financial statements were approved by the Pensions Committee at its meeting on 16 October 2020.

Councillor Anne Walsh
Vice Chair of the Pensions Committee

NOTES TO THE TYNE AND WEAR PENSION FUND FINANCIAL STATEMENTS

1. DESCRIPTION OF THE TYNE AND WEAR PENSION FUND

a) General

The Tyne and Wear Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by South Tyneside Council ('the Council').

It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the Council, four other local authorities within the Tyne and Wear area, scheduled bodies and admitted employers in the Fund. Teachers, police officers and fire fighters are not included as they come within other national pension schemes.

These benefits include retirement pensions, early payment of benefits on medical grounds and the payment of death benefits where death occurs either in service or in retirement. The benefits payable in respect of service from 1 April 2014 are based on career average revalued earnings and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index (CPI).

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended).
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).
- The LGPS (Management and Investment of Funds) Regulations 2016.

b) Pensions Committee

The Council has delegated the management of the Fund to the Pensions Committee (the Committee) which decides on the investment policy most suitable to meet the liabilities of the Fund and has ultimate responsibility for the investment policy.

The Committee takes advice from the Fund's officers, investment advisor, investment managers and the actuary.

The Committee has eighteen members. The Council nominates eight members and the other four councils within the County area nominate one member each. The trades unions and the employers collectively nominate three members each, who sit on the Committee in an advisory capacity.

c) Local Pension Board

The Council has established a Local Pension Board to assist with the effective and efficient management of the Fund. The Board consists of eight voting members, four member representatives and four employer representatives.

d) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, remain in the Scheme or make their own personal arrangements outside of the Scheme.

Employers participating in the Tyne and Wear Pension Fund include:

- Scheduled bodies, which are local authorities or similar bodies whose staff are automatically entitled to be members of the Fund, and
- Admitted bodies, which are organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary and charitable organisations and private contractors that are undertaking a local authority function following an outsourcing to the private sector.

The membership numbers of the Fund are summarised below. Further details on membership are available within this Annual Report:

	31 March 2019	31 March 2020
Number of Employers in the Fund	**265**	**269**
Number of Employees in the Fund		
South Tyneside Council	4,093	4,140
Other Employers	41,835	42,089
Total	**45,928**	**46,229**
Number of Pensioners		
South Tyneside Council	5,178	5,373
Other Employers	44,373	46,028
Total	**49,551**	**51,401**
Deferred Pensioners		
South Tyneside Council	4,380	4,327
Other Employers	37,108	37,355
Total	**41,488**	**41,682**

e) Funding

The Fund is financed by contributions from employees, the Council and all other employers within the Fund, as well as from capital growth and interest and dividends on the Fund's investments. Contributions from active members of the Fund are set in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employers pay contributions based on triennial funding valuations carried out by the Fund's Actuary. The last valuation was at 31 March 2019, with the next being undertaken as at 31 March 2022.

f) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table.

	SERVICE PRE 1ST APRIL 2008	SERVICE POST 31ST MARCH 2008
PENSION	Each year worked is worth 1/80th x final pensionable salary.	Each year worked is worth 1/60th x final pensionable salary.
LUMP SUM	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is re-rated annually in line with the Consumer Prices Index. There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

g) Investment Strategy Statement

The LGPS (Management and Investment of Funds) Regulations 2016 require an administering authority to prepare and review from time to time a written statement recording the investment policy of a fund.

The Committee approved the Investment Strategy Statement at its meeting in June 2018. This can be viewed on the Fund's website using the link below.

http://www.twpf.info/CHttpHandler.ashx?id=32906&p=0

The Committee has delegated the management of the Fund's investments to external investment managers (see note 18) which are appointed in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. The managers' activities are specified in investment management agreements and are monitored on a quarterly basis.

2. BASIS OF PREPARATION

The financial statements summarise the Fund's transactions for the financial year 2019/20 and its position as at 31 March 2020. The accounts have been prepared following the "*Code of Practice on Local Authority Accounting in the United Kingdom 2019/20"* (The Code), which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take into account obligations to pay pensions and benefits payable after the end of the financial year.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Pension Fund will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue, this period being at least twelve months from the approval of these financial statements.

The financial statements are prepared in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting, which outlines that as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council is established under the Local Government Regulations 2013 as an Administering Authority of the Local Government Pension Scheme and is therefore a statutory body expected to be a going concern until notification is given that the body will be dissolved, and its functions transferred.

The Pension Fund has carried out an assessment on its financial position and performance during 2020/21 and beyond as part of its going concern assessment. This included consideration of the following:

- The Fund had assets of £8.7 billion as at 31 March 2020. £6.2 billion (71%) of this is held in assets which are considered to be liquid and which could be converted to cash if required.
- The Fund has estimated that in 2020/21 it will pay out approximately £350 million in benefits and other out goings in the coming twelve months and is forecasting contribution income in the region of £230 million. This shortfall in contribution income verses benefits and other expenditure of £120 million will be met from other regular investment income, which is estimated to be £140 million, in 2020/21.
- The merger with Northumberland took place with effect from 1st April 2020. The assessment on a going concern basis impacted by the merger. The newly combined Fund will have assets of around £10.1 billion. The proportion of which are considered to be liquid, rises to around 75%. In terms of cash flow, the combined fund benefits and other outgoings are estimated to rise to around £400 million. The forecast contribution income is £270 million. This leaves an estimated shortfall of around £130 million, which will be met by investment income of £150 million per annum.

On the basis of these future cashflows, management does not consider that there is material uncertainty in respect of the Fund's ability to continue as a going concern for a period of at least 12 months from the date of these statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts have been prepared on an accruals basis. The exception to this practice is Transfer Values which are recognised when cash is transferred.

Fund Account – Revenue Recognition

a. Contribution Income

Normal contributions, from both members and employers, are accounted for on an accruals basis in the payroll period for which they relate. The percentage rate payable by the employers is determined by the Actuary, whilst the rate payable by employees is set within the LGPS Regulations. Contributions due as at 31 March 2020 have been accrued.

Employer deficit funding contributions are accounted for on the due dates set by the Actuary or on receipt if earlier than this date.

Employer strain on the fund and any augmentation contributions are accounted for in the period in which the liability arises. Any amount due in the year but still outstanding at the year-end has been accrued.

b. Transfer Values

Transfer values represent the amounts receivable or payable in respect of members who have either joined or left the Fund during the financial year. These have been calculated in accordance with the LGPS Regulations 2013.

Individual transfers either in or out have been accounted for in the period in which they were paid or received.

Transfers in from members wishing to use the proceeds from their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis within Transfers In.

Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c. Investment Income

Interest Income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition.

Dividend Income

Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

Distributions from Pooled Funds

Distributions from pooled funds are recognised on the date of issue. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

Property related Income

Property related income consists primarily of rental income.

Rental income from operating leases on properties owned by the Fund is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the rental income over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Movement in the Net Market Value of Investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

d. Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e. Taxation

The Fund is a registered public sector scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Any tax that is irrecoverable is accounted for as a fund expense as it arises.

f. Management Expenses

Section 6.5 of the Code requires a breakdown of pension fund administrative expenses. The Fund discloses its pension fund management expenses in accordance with CIPFA guidance *"Accounting for Local Government Pension Scheme Management Expenses (2016)."*

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staffing costs associated with oversight and governance being charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses

Investment management expenses payable as at 31 March 2020 have been accrued. Performance related fees, where applicable, have not been accrued at that date as they are not deemed to be earned until the end of the performance period when they are calculated and agreed.

Net Assets Statement

g. Financial Assets

Investment in Border to Coast Ltd

The Fund's shareholding in BCPP Ltd comprises Class A and B shares and these are valued at transaction cost. The Class A share is valued at £1 and reflects the ownership stake in the company, whilst the Class B shares represent the Fund's contribution to the company's regulatory capital requirement.

All other financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes a party to the purchase of the asset. From this date, any gains and losses arising from changes in the fair value of assets are recognised in the Fund Account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has used the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h. Freehold and Leasehold Properties

Properties are shown as valued at the year-end date. The valuers are Fellows of the Royal Institute of Chartered Surveyors from Savills. No depreciation is provided on freehold buildings or long leasehold properties, in accordance with The Royal Institute of Chartered Surveyors Valuation Standards 9th Edition.

i. Foreign Currency Transactions

Foreign income received during the year has been converted into Sterling at the exchange rate at the date of transaction. Amounts outstanding at the year-end have been valued at the closing exchange rates at the year-end date.

End of year investment and foreign currency balances have been converted into Sterling at the closing exchange rates at the year-end date.

j. Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

k. Outstanding Commitments

The Fund has made commitments to investments which are not included in the accounts of the Fund until the monies have been drawn down by the relevant manager. These are shown in note 24.

l. Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and also includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in their valuations.

m. Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and other relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (note 26).

n. Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVCs) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed The Prudential Assurance Company as its current AVC provider. AVCs are paid to The Prudential Assurance Company by employers and are specifically for providing additional benefits for the individual contributors. Each AVC contributor receives an annual statement showing the value of their account and any movements during the year.

In accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, AVCs are not included in the accounts but are disclosed only as a note (note 18).

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Directly Held Property Valuation

The Fund's UK property is included at a value derived by the valuers based on assumptions made by them in accordance with The Royal Institute of Chartered Surveyors Valuation Standards 9th Edition. The actual valuation of each property will only be known when the Fund sells the property on the open market.

The valuers have included the following statement within their valuation report around risks associated with the value of property, as a result of the lock down caused by the Covid-19 pandemic,

"The outbreak of Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many Countries.

Market Activity is being impacted in many sectors and at the valuation date we do not consider that we can rely upon previous market evidence to fully inform opinions of value. Indeed the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of a "material valuation uncertainty" as per VP 3 and VPGA 10 of the RCIS Red Book Global. Consequently, less certain – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that the valuation of these properties are kept under frequent review."

Management consider that the valuations are appropriate to be in the financial statements as they are from the Fund's professional property Valuer, who has followed agreed procedures set out by their professional body the RCIS, which consulted with all the major valuation companies before releasing the procedures. All of the major valuation firms have agreed the procedures they have used since the COVID-19 pandemic started. We are seeing a number of the caveats included in the 31st March 2020 valuation being removed in more recent quarterly valuation reports.

The Fund also holds assets in two residential property funds that also contain the caveat regarding the uncertainty in valuations in the real estate market. The Fund considers the valuations received from the Investment Managers concerned are still appropriate and, as the total value within these assets is not material to the Fund, management have not considered doing anything different than report the values given by the Investment Managers.

Unquoted Private Investments

Private investments such as private equity, infrastructure, global property and private debt are valued at fair value in accordance with guidelines issued by the British Venture Capital Association. These are based on the Private Equity Valuation Guidelines in the US and the International Private Equity and Venture Capital Valuation Guidelines outside the US as adopted by the British Venture Capital Association in the UK and the valuation principles of IFRS and US GAAP.

It has been confirmed by the asset managers that they have assessed the value of investments as at 31st March 2020, taking into account the falls in asset values on quoted markets as a result of the lockdown measures and market turmoil following the Covid-19 outbreak across the globe.

As none of these are publicly listed, there is some estimation involved in the valuation, the total of which will only be completely known on the sale of the asset. As a result, there is a risk that current valuations may be under or over stated in the accounts.

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary. Assumptions underpinning the valuations are agreed with the actuary. 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 AND CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Statement of Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. As actual results cannot be predicted with certainty, they could be materially different from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2020 for which there is significant risk of material adjustment in the forthcoming year are as follows:

ITEM	UNCERTAINTIES	EFFECT IF ACTUAL RESULTS DIFFER FROM ASSUMPTIONS
PRIVATE EQUITY, INFRASTRUCTURE AND GLOBAL PROPERTY (NOTE 15 AND NOTE 19)	Private equity, infrastructure, global property and private debt investments are based on valuations provided by the manager of the funds in which the Fund has invested. These are based on the Private Equity Valuation Guidelines in the US and the International Private Equity and Venture Capital Valuation Guidelines outside the US as adopted by the British Venture Capital Association in the UK and the valuation principles of IFRS and US GAAP. These investments are not publicly listed and as such there is a degree of estimation in their valuation. The impact of Covid-19 has been to significantly reduce the number of transactions in the market and therefore the relevant observable data.	The Fund has a total of £664.969 million included for private equity, £240.279 million for infrastructure, £379.502 million for global property and £348.048 million for private debt. Based on the sensitivity numbers included in note 12 there is a possibility that this could be under or over stated in the accounts by £85.116 million, £20.183 million, £36.432 million and £24.015 million respectively.
ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS (NOTE 27)	Estimation of the net liability to pay pensions depends on a number of judgements, for example in relation to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected returns on pension fund assets. The Fund employs an Actuary to provide expert advice on these assumptions.	The judgements mentioned are all under review. Therefore there is a possibility that the valuation of £11,763.100 million in note 27 for the "actuarial present value of the promised retirement benefits" could be under or overstated.
FREEHOLD AND LEASEHOLD PROPERTY	Valuation techniques are used to determine the carrying amount of directly held freehold, leasehold and residential property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the value of property. The impact of Covid-19 has been to significantly reduce the number of transactions in the market and therefore the relevant observable data.	Based on the sensitivity number included in note 15 there is a possibility that the fair value for property of £431.025 million could increase or decrease by £12.069 million. Similarly, residential property held in funds totalling £63.549 million could increase or decrease by £2.987 million.

6. EVENTS AFTER THE REPORTING DATE

Covid-19

It has been noted that the Covid-19 pandemic has had a significant negative effect on asset values towards the end of the financial year. It has also impacted on the potential certainty of the valuations of illiquid assets such as property, private equity, infrastructure and private debt as at 31 March 2020. Since the year end, quoted equity markets have recovered significantly. Despite the improving equity market conditions it is clear that the long term economic impact of Covid-19 is still to be determined and this may yet impact on the valuations of some of the illiquid assets in the Fund going forward. However, no adjustments have been made to the valuations of the illiquid assets as at 31 March 2020. The valuations provided are considered to be reasonable given the circumstances.

Pension Fund Merger

Tyne and Wear Pension Fund and Northumberland County Council Pension Fund merged on 1 April 2020. The Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020 (UK Statutory Instrument 2020 No 502) came into force on 3 June 2020 giving this merger retrospective effect.

All assets and liabilities of Northumberland County Council Pension Fund became the assets and liabilities of Tyne and Wear Pension Fund on 1 April 2020, and therefore will be included within the Tyne and Wear accounts from that date. Consequently, the accounts for this year take no account of the merger as it did not take effect until after the year end. The value of the Northumberland County Council Pension Fund was £1,297.840 million as at the 31 March 2020.

7. CONTRIBUTIONS

31st March 2019			31st March 2020	
£m	£m	By Category	£m	£m
	(55.315)	**Employees' contributions**		(58.286)
		Employers' contributions		
(153.577)		Normal contributions	(163.267)	
(45.862)		Deficit recovery contributions	(47.963)	
	(199.439)	**Total employers' contributions**		**(211.230)**
	(254.754)	**Total Contributions Receivable**		**(269.516)**

The contributions can be analysed by type of member body as follows:

31st March 2019 £m	By Authority	31st March 2020 £m
(16.866)	South Tyneside Council (Administering Authority)	(19.136)
(121.546)	Other Metropolitan Councils	(129.172)
(72.315)	Other Part 1 Scheduled Bodies	(76.300)
(13.212)	Part 2 Scheduled Bodies	(14.809)
(30.815)	Admitted Bodies	(30.099)
(254.754)	**Total Contributions Receivable**	**(269.516)**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

31st March 2019 £m	By Category	31st March 2020 £m
0.000	Group Transfers	(22.853)
(8.387)	Individual Transfers	(20.604)
(8.387)	**Total Transfers In from Other Pension Funds**	**(43.457)**

There were no group transfers payments received during 2018/19 and 2019/20 but £22.853 million has been included regarding a transfer of staff from Northumberland College to the City of Sunderland College in March 2019. The amount of the transfer had been agreed but not paid, as at the 31 March 2020.

A group of employees, deferred and actual pensioners transferred to the Fund from Worcestershire Pension Fund during the 2014/15 financial year in relation to the transfer of Kidderminster College to Newcastle College.

Similarly a group of employees, deferred and actual pensions transferred to the Fund from Cumbria Pension Fund during the 2017/18 financial year in relation to the transfer of Carlisle College to Newcastle College

The Fund at this time does not have a value for the assets to be transferred in relation to Kidderminster and Carlisle Colleges and has therefore not included an amount in the accounts accordingly.

9. BENEFITS PAYABLE

31st March 2019 £m	By Category	31st March 2020 £m
254.476	Pensions	268.965
51.310	Commutations and Lump Sum Retirement Benefits	56.440
8.025	Lump Sum Death Benefits	6.510
(10.362)	Recharges Out	(10.283)
303.449	**Total Benefits Payable**	**321.632**

The recharges out figure relates to pension enhancements approved by employers over the years which the Fund pays on the employers' behalf and reclaims on a regular basis from the employer. Details of the payments made can be found in note 17.

The payments can be analysed by type of member body as follows:

31st March 2019 £m	By Authority	31st March 2020 £m
27.637	South Tyneside Council (Administering Authority)	30.533
181.583	Other Metropolitan Councils	191.560
50.634	Other Part 1 Scheduled Bodies	52.502
9.998	Part 2 Scheduled Bodies	11.335
33.597	Admitted Bodies	35.702
303.449	**Total Benefits Payable**	**321.632**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

31st March 2019 £m	By Category	31st March 2020 £m
8.285	Individual Transfers to Other Schemes	24.572
0.625	Refunds to Members Leaving Service	0.653
0.000	Group Transfers	0.000
(0.001)	State Scheme Premiums	0.071
8.909	**Payments to and on Account of Leavers**	**25.296**

There were no group transfers out of the Fund during 2019/20.

11. MANAGEMENT EXPENSES

Office expenses and other overheads have also been charged. The table below shows a breakdown of the management expenses incurred during the year:

31st March 2019 £m		31st March 2020 £m
2.738	Administrative Costs	2.828
48.471	Investment Management Expenses	50.822
2.033	Oversight and Governance Costs	1.536
53.242	**Management Expenses**	**55.186**

This analysis of the costs of managing the Fund during the period has been prepared in accordance with CIPFA guidance, *"Accounting for Local Government Pension Scheme Management Expenses (2016)."*

The investment management expenses can be further analysed as follows:

31st March 2019 £m		31st March 2020 £m
22.517	Management and Custody Fees	29.341
11.821	Performance Fees	6.954
8.704	Expenses Charged within Pooled Vehicles	11.856
5.429	Transaction Costs	2.671
48.471	**Investment Management Expenses**	**50.822**

While Management Fees include costs relating to the management of directly held property they do not include costs relating to the property portfolio which under IAS 40 *"Investment Property"* should be capitalised and not expensed.

12. INVESTMENT INCOME

31st March 2019 £m		31st March 2020 £m
(41.921)	Income from Equities	(24.025)
(1.983)	Income from Bonds	(1.434)
(20.571)	Property Rents (Further breakdown in note below)	(21.034)
(21.378)	Pooled Investments - Unit Trusts and Other Managed Funds	(32.440)
(1.925)	Interest on Cash Deposits	(1.463)
(0.334)	Other	(0.326)
(88.112)	**Total Before Taxes**	**(80.722)**
0.340	Less Taxes on Income	0.487
(87.772)	**Total Investment Income**	**(80.235)**

NET RENTS FROM PROPERTIES

Net rents from properties can be analysed further, as follows:

31st March 2019 £m		31st March 2020 £m
(20.461)	Rental Income	(21.580)
(0.110)	Direct Operating Expenses/(Income)	0.546
(20.571)	**Net Income**	**(21.034)**

13. INVESTMENTS

31st March 2019 £m		31st March 2020 £m
	Investment Assets	
	With Border to Coast	
369.690	Pooled Investment Vehicles	2,498.872
	Without Border to Coast	
95.835	Bonds	-
1,404.441	Equities	356.712
70.204	Index-Linked Securities	-
6,324.100	Pooled Investment Vehicles	5,008.384
408.925	Properties	431.025
1.676	Derivative Contracts	-
94.006	Cash Deposits	174.055
11.748	Other Investment Balances	9.183
8,780.625	**Total Investment Assets**	**8,478.231**
	Investment Liabilities	
(2.166)	Derivative Contracts	-
(4.679)	Other Investment Balances	(4.644)
(6.845)	**Total Investment Liabilities**	**(4.644)**
8,773.780	**Net Investment Assets**	**8,473.587**

The change in 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.

2019/20	Market value 1st April 2019 £m	Purchases at Cost & Derivative Payments £m	Sales Proceeds & Derivative Receipts £m	Change in Market Value During the Year £m	Market Value 31st March 2020 £m
Bonds	95.835	643.927	(746.381)	6.619	0.000
Equities	1,404.441	304.583	(1,448.228)	95.916	356.712
Index-Linked Securities	70.204	211.279	(285.906)	4.423	-
Pooled Investment Vehicles	6,693.790	3,837.180	(2,669.942)	(373.988)	7,487.040
Properties	408.925	29.412	-	(7.312)	431.025
Derivative Contracts	(0.490)	4.945	(6.637)	2.182	-
	8,672.705	**5,031.326**	**(5,157.094)**	**(272.160)**	**8,274.777**
Cash Deposits	94.006	78.343	(1.874)	3.580	174.055
Other Investment Balances	7.069	18.258	(0.653)	0.081	24.755
Total Investments	**8,773.780**	**5,127.927**	**(5,159.621)**	**(268.499)**	**8,473.587**

2018/19	Market value 1st April 2018 £m	Purchases at Cost & Derivative Payments £m	Sales Proceeds & Derivative Receipts £m	Change in Market Value During the Year £m	Market Value 31st March 2019 £m
Bonds	65.921	351.451	(322.855)	1.318	95.835
Equities	1,705.179	820.571	(1,187.313)	66.004	1,404.441
Index-Linked Securities	80.233	178.430	(193.017)	4.558	70.204
Pooled Investment Vehicles	5,771.295	880.169	(398.998)	441.324	6,693.790
Properties	366.230	37.389	-	5.306	408.925
Derivative Contracts	(1.514)	5.602	(9.933)	5.355	(0.490)
	7,987.344	**2,273.612**	**(2,112.116)**	**523.865**	**8,672.705**
Cash Deposits	276.564	-	(187.302)	4.744	94.006
Other Investment Balances	9.909	2.174	(4.666)	(0.348)	7.069
Total Investments	**8,273.817**	**2,275.786**	**(2,304.084)**	**528.261**	**8,773.780**

31st March 2019 £m		31st March 2020 £m
	Bonds	
83.882	UK Public Sector	-
11.953	Sterling Non-UK Public Sector	-
95.835	**Total Bonds**	**-**
	Equities	
398.677	UK Quoted	10.195
0.833	UK Unquoted	0.833
777.118	Overseas Quoted	171.408
227.813	Overseas Unquoted	174.276
1,404.441	**Total Equities**	**356.712**
	Index-Linked Securities	
68.810	UK Public Sector	-
1.394	Sterling Non-UK Public Sector	-
70.204	**Total Index-Linked Securities**	**-**
	Pooled Investment Vehicles	
0.299	Unit Trusts	-
4,253.898	Unitised Insurance Policies	3,000.540
1,754.763	Other Managed Funds UK	3,753.794
684.830	Other Managed Funds	732.706
6,693.790	**Total Pooled Investment Vehicles**	**7,487.040**
	Properties	
408.925	Freehold	431.025
-	Long Leasehold	-
408.925	**Total Properties**	**431.025**
	Derivative Contracts	
(0.492)	Forward Foreign Currency Contracts	-
0.002	Futures	-
(0.490)	**Total Derivative Contracts**	**-**
	Cash Deposits	
79.753	Sterling	158.096
14.253	Foreign Currency	15.959
94.006	**Total Cash Deposits**	**174.055**
	Other Investment Balances	
0.839	Outstanding Trades	0.276
8.261	Outstanding Dividends & Tax Recoveries	24.394
2.648	Debtors	4.729
(4.679)	Creditors	(4.644)
7.069	**Total Other Investment Balances**	**24.755**
8,773.780	**Total Investments**	**8,473.587**

14. FINANCIAL INSTRUMENTS

a. Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The table below analyses the carrying amounts of financial assets and liabilities. The tables also include current assets and liabilities which are not included in note 13 above. No financial assets have been reclassified during the financial year.

31st March 2019				31st March 2020		
Designated as Fair Value Through Profit and Loss £m	Loans and Receivables £m	Financial Liabilities at Amortised Cost £m		Designated as Fair Value Through Profit and Loss £m	Loans and Receivables £m	Financial Liabilities at Amortised Cost £m
			Financial Assets			
95.835	0.000	0.000	Fixed Interest Securities	0.000	0.000	0.000
1,404.441	0.000	0.000	Equities	356.712	0.000	0.000
70.204	0.000	0.000	Index-Linked Securities	0.000	0.000	0.000
6,693.790	0.000	0.000	Pooled Investment Vehicles	7,487.040	0.000	0.000
408.925	0.000	0.000	Properties	431.025	0.000	0.000
1.676	0.000	0.000	Derivative Contracts	0.000	0.000	0.000
0.000	94.006	0.000	Cash Deposits	0.000	174.055	0.000
0.000	9.100	0.000	Other Investment Balances	0.000	24.670	0.000
0.000	25.406	0.000	Debtors	0.000	56.507	0.000
8,674.871	**128.512**	**0.000**	**Total Financial Assets**	**8,274.777**	**255.232**	**0.000**
			Financial Liabilities			
(2.166)	0.000	0.000	Derivative Contracts	0.000	0.000	0.000
0.000	0.000	0.000	Other Investment Balances	0.000	0.000	0.000
0.000	0.000	0.000	Borrowings	0.000	0.000	0.000
0.000	0.000	(13.155)	Creditors	0.000	0.000	(19.352)
(2.166)	**0.000**	**(13.155)**	**Total Financial Liabilities**	**0.000**	**0.000**	**(19.352)**
8,672.705	**128.512**	**(13.155)**	**Total Assets**	**8,274.777**	**255.232**	**(19.352)**

b. Net Gains and Losses on Financial Instruments

31st March 2019 £m		31st March 2020 £m
	Financial Assets	
528.609	Fair Value Through Profit and Loss	(268.217)
	Financial Liabilities	
(0.348)	Fair Value Through Profit and Loss	(0.282)
528.261	**Total**	**(268.499)**

c. Valuation of Financial Instruments Carried at Fair Value

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

Level 1

Financial instruments are level 1 where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Assets in this level are comprised of quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts. Also included within this level are receivables and liabilities where the amount is known even where these are not quoted on active markets.

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

Level 2

Financial instruments at level 2 are those where quoted market prices are not available, for example where valuation techniques are used to determine fair value and where the 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 value on the instrument is not based on observable market data.

Such instruments represent the Fund's private market investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

This level includes UK property valued independently by professional valuers and instruments which represent the Fund's private market investments. These are valued using various valuation techniques that require significant judgement in determining assumptions. The Fund's private markets investments include private equity, private real estate, private infrastructure and private debt funds.

The values of the investments in private market funds are based on valuations provided by the investment manager of the funds in which the Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Guidelines and the valuation principles of IFRS and US GAAP. Valuations are undertaken using a mixture of 31 March 2020 valuations and 31 December 2019 valuations adjusted for cash flows and rolled forward to 31 March 2020 as appropriate, with £1,276 million (75.2%) valued as at 31 March 2020 and £421 million (24.8%) valued at 31 December 2019 plus cash flows until the 31 March 2020.

The following table provides an analysis of the financial assets and liabilities of the Fund into levels 1 to 3 at fair value.

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Value at 31st March 2020	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	191.233	5,965.535	1,686.984	7,843.752
Non-financial Assets through Profit and Loss	0.000	0.000	431.025	431.025
Loans and Receivables	255.232	0.000	0.000	255.232
Total Financial Assets	**446.465**	**5,965.535**	**2,118.009**	**8,530.009**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	0.000	0.000	0.000	0.000
Financial Liabilities at Amortised cost	(19.352)	0.000	0.000	(19.352)
Total Financial Liabilities	**(19.352)**	**0.000**	**0.000**	**(19.352)**
Net Financial Assets	**427.113**	**5,965.535**	**2,118.009**	**8,510.657**

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Value at 31st March 2019	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	1,367.667	5,523.360	1,374.919	8,265.946
Non-financial Assets through Profit and Loss	0.000	0.000	408.925	408.925
Loans and Receivables	128.512	0.000	0.000	128.512
Total Financial Assets	**1,496.179**	**5,523.360**	**1,783.844**	**8,803.383**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	0.000	(2.166)	0.000	(2.166)
Financial Liabilities at Amortised cost	(13.155)	0.000	0.000	(13.155)
Total Financial Liabilities	(13.155)	(2.166)	0.000	(15.321)
Net Financial Assets	**1,483.024**	**5,521.194**	**1,783.844**	**8,788.062**

Reconciliation of Fair Value Measurement within Level 3

2019/20	Market value 1st April 2019	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains (losses)	Realised gains (losses)	Market value 31st March 2020
Asset type	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Private Equity	601.424	157.391	(211.384)	28.003	79.341	654.775
Investment in BCPP	0.833	0.000	0.000	0.000	0.000	0.833
Infrastructure	204.943	29.983	(13.001)	13.508	4.847	240.280
Global Property	335.728	93.292	(65.862)	(13.619)	29.961	379.500
UK Residential Property	32.277	32.594	(0.452)	(0.871)	0.000	63.548
UK Direct Property	408.925	29.412	0.000	(7.312)	0.000	431.025
Private Debt	199.714	127.235	(11.874)	32.973	0.000	348.048
Total	**1,783.844**	**469.907**	**(302.573)**	**52.682**	**114.149**	**2,118.009**

Sensitivity of Assets Valued at Level 3

In consultation with its performance and risk advisors, the Fund has carried out an analysis of historic data and current movements in expected investment returns during the financial year. It has been determined that the asset values are likely to be accurate to within the following ranges and the Fund has set out below the consequent potential impact on the closing values of investments held at 31 March 2020.

Asset Type	Assessed Valuation Range (+/-)	Value at 31st March 2020	Value on increase £m	Value on decrease £m
Private Equity	12.8	654.775	738.586	570.964
Investment in BCPP	0.0	0.833	0.833	0.833
Infrastructure	8.4	240.280	260.464	220.096
Global Property	9.6	379.500	415.932	343.068
Private Debt	6.9	348.048	372.063	324.033
UK Residential Property	4.7	63.549	66.536	60.562
UK Direct Property	2.8	431.025	443.094	418.956
Total		**2,118.010**	**2,297.508**	**1,938.512**

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's investment objective is:

- To invest in assets of appropriate liquidity to produce income and capital growth that, together with employer and employee contributions, will meet the cost of benefits; and
- To keep contributions as low and as stable as possible through effective management of the assets.

The Fund's primary long term risk is that it will be unable to meet its liability to pay the promised benefits to members from the assets that it holds.

Therefore, the Fund seeks to maximise the investment return, whilst minimising the risk of loss. There is a well-diversified investment structure in place that aims to reduce the risks arising from price, interest rate and currency movements, from manager risk and from credit risk, to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there are sufficient funds to meet the forecast cash flows.

The Pensions Committee is responsible for the management of risk. A summary of the approach to monitoring and controlling risk is set out in the Statement of Investment Principles.

The analysis in the tables in this section is on a "look through" basis. This differs from the analysis in note 14 which is compiled under accounting standards.

Market Risk

Market risk is the risk of loss from changes to equity prices, interest rates, foreign exchange rates and credit spreads. The Fund is exposed to this risk through its investment activities, particularly through its equity holdings.

The objective of the Fund's risk management process is to identify, manage and control market risk exposure within acceptable parameters, whilst maximising the return on investment.

In general, the Fund manages excessive volatility in market risk by diversifying the portfolio in terms of geographic 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.

Risk on individual securities may also be managed by the use of equity futures and exchange traded options contracts at individual investment manager level.

Other Price Risk

Other price risk is the risk that the value of an investment will change as a result of changes in market prices, whether these changes are caused by factors specific to the individual investment or its issuer or to other factors that affect all such instruments in the market.

The Fund is exposed to share and derivative price risk arising from investments held for which the future price is uncertain. All investments present a risk of loss of capital which is limited, in general, to the fair value amount carried in the Fund's accounts, with the exception of any share sold "short" where the potential loss is unlimited.

Investment managers manage this risk on behalf of the Fund through diversification and selection of securities and other financial instruments. Each manager's process and portfolio is monitored by the Fund to ensure it is within the limits specified in their management agreement.

Other Price Risk – Sensitivity Analysis

In consultation with its performance and risk advisors, the Fund has carried out an analysis of historic data and movements in expected investment returns during the financial year. It has been determined that the following movements in market price risk are reasonably possible for the 2020/21 financial year. The equivalent movements from 2019/20 are also shown.

Asset Type	Potential Market Movements (+/-) reported in 2019/20 %	Potential Market Movements (+/-) reported in 2020/21 %
UK Equities	9.3	15.3
Overseas Equities	11.3	11.3
Global Equities	10.1	13.5
UK Bonds	6.3	4.8
Overseas Bonds	13.1	13.1
Index-Linked Securities	12.4	10.2
UK Property	3.6	2.8
Residential Property	3.6	4.7
Overseas Property	10.2	9.6
Private Equity	13.4	12.8
Infrastructure Funds	9.6	8.4
Private Debt	6.0	6.9
Cash	0.0	0.0

The potential price changes highlighted above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign exchange rates and interest rates, remain unchanged. The analysis is done by the Fund's performance measurer based on an LGPS agreed formula which looks at the standard deviation of the last three years performance data. As Covid-19 only occurred in the final months of the year it has little effect on the overall calculations.

Had the market price of the Fund's investments increased or decreased in line with the above table, the change in the net assets available to pay benefits is as shown in the table below. The comparable figures for the previous year are also shown.

Asset Type	Value at 31st March 2020 £m	Percentage Change %	Value on Increase £m	Value on Decrease £m
UK Equities	650.842	15.3	750.421	551.263
Overseas Equities	1,758.823	11.3	1,957.570	1,560.076
Global Equities	1,259.961	13.4	1,428.796	1,091.126
UK Bonds	2,274.838	4.8	2,384.030	2,165.646
Overseas Bonds	80.183	13.1	90.687	69.679
Index-Linked Securities	113.128	10.2	124.667	101.589
UK Property	431.025	2.8	443.094	418.956
Residential Property	63.549	4.7	66.536	60.562
Overseas Property	379.502	9.6	415.934	343.070
Private Equity	664.969	12.8	750.085	579.853
Infrastructure Funds	240.279	8.4	260.462	220.096
Private Debt	348.048	6.9	372.063	324.033
Active Currency	-	0.0	-	-
Cash and Cash Equivalents	183.770	0.0	183.770	183.770
Forward Currency Contracts	-	0.0	-	-
Investment Income Due	24.394	0.0	24.394	24.394
Amounts Due for Sales	0.276	0.0	0.276	0.276
Amounts Payable for Purchases	-	0.0	-	-
Total	**8,473.587**		**9,252.785**	**7,694.389**

Asset Type	Value at 31st March 2019 £m	Percentage Change %	Value on Increase £m	Value on Decrease £m
UK Equities	1,765.932	9.3	1,930.164	1,601.700
Overseas Equities	2,579.141	11.3	2,870.584	2,287.698
Global Equities	819.083	10.1	901.810	736.356
UK Bonds	1,424.625	6.3	1,514.376	1,334.874
Overseas Bonds	82.087	13.1	92.840	71.334
Index-Linked Securities	180.680	12.4	203.084	158.276
UK Property	441.202	3.6	457.085	425.319
Overseas Property	335.728	10.2	369.972	301.484
Private Equity	614.227	13.4	696.533	531.921
Infrastructure	204.943	9.6	224.618	185.268
Private Debt	199.714	6.0	211.697	187.731
Active Currency	0.299	0.0	0.299	0.299
Cash and Cash Equivalents	117.509	0.0	117.509	117.509
Forward Currency Contracts	(0.492)	0.0	(0.492)	(0.492)
Futures	0.002	0.0	0.002	0.002
Investment Income Due	8.261	0.0	8.261	8.261
Amounts Due for Sales	6.406	0.0	6.406	6.406
Amounts Payable for Purchases	(5.567)	0.0	(5.567)	(5.567)
Total	**8,773.780**		**9,599.181**	**7,948.379**

The analysis in the two tables above is on a look through basis. This differs from the analysis in note 14 and the tables on the next page which are compiled under accounting standards.

Interest Rate Risk

The Fund invests in financial assets to obtain a return on the investment. These investments are subject to interest rate risk, which represents the risk that the fair value of future cash flows will fluctuate because of changes in market interest rates.

The Fund's direct exposures to interest rate movements as at 31 March 2019 and 31 March 2020 are set out below. These represent the interest rate risk based on underlying financial assets at fair value.

	At 31st March	
Asset Type	**2019 £m**	**2020 £m**
Cash and Cash Equivalents	117.509	183.770
Bonds	1,506.712	2,355.021
Index-Linked Securities	180.680	113.128
Total	**1,804.901**	**2,651.919**

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets held to pay benefits. Bond instruments tend to fall in value when interest rates rise and rise in value when interest rates fall.

The following table shows the Fund's asset values that have direct exposure to these rate movements. It also shows the reasonable change predicted on the asset value of a 1% movement in interest rates up or down. The comparable figures for the previous years are also shown.

	Asset Value at 31 March 2020	Reasonable change predicted	Value on Increase of -1% rate change	Value on Decrease of +1% rate change
Asset Type	**£m**	**%**	**£m**	**£m**
Cash and Cash Equivalents	183.770	0.0	183.770	183.770
Fixed Interest Securities	2,355.021	5.3	2,479.837	2,230.205
Index-Linked Securities	113.128	10.2	124.667	101.589
Total	**2,651.919**		**2,788.275**	**2,515.563**

	Asset Value at 31 March 2019	Reasonable change predicted	Value on Increase +1%	Value on Decrease -1%
Asset Type	**£m**		**£m**	**£m**
Cash and Cash Equivalents	117.509	0.0	117.509	117.509
Fixed Interest Securities	1,506.712	6.3	1,601.635	1,411.789
Index-Linked Securities	180.680	12.4	203.084	158.276
Total	**1,804.901**		**1,922.229**	**1,687.573**

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates. The Fund is exposed to this risk on investments denominated in any currency other than Sterling. The Fund holds both monetary and non-monetary assets denominated in overseas currencies.

The following table shows the Fund's currency exposures as at 31 March 2019 and at 31 March 2020:

	Asset Value at 31st March	
Asset Type	**2019 £m**	**2020 £m**
Overseas Fixed Interest	82.087	80.183
Overseas Quoted Equities	3,606.237	3,018.784
Overseas Unquoted Equities	227.813	174.276
Overseas Pooled Investment Vehicles	684.830	732.706
Forward Currency Contracts	(0.492)	-
Overseas Currency	28.455	27.589
Total	**4,628.930**	**4,033.538**

Currency Risk – Sensitivity Analysis

Following an analysis of historical data that was carried out in consultation with the investment performance and risk adviser, the Fund considers the likely volatility associated with foreign exchange to be 10.9%, compared to 13.0% in 2018/19.

The following table shows the impact of a 10.9% increase or decrease in the net asset value of those assets exposed to currency risk. The value of the Fund's assets in Sterling terms will increase as Sterling weakens and decrease as Sterling strengthens.

The comparable figures for the previous year are also shown.

	Value at 31st March 2020	Potential change	Potential market movement	Value on increase	Value on decrease
Asset Type	**£m**	**%**	**£m**	**£m**	**£m**
Overseas Fixed Interest	80.183	10.9	8.739	88.922	71.444
Overseas Quoted Equities	3,018.784	10.9	329.047	3,347.831	2,689.737
Overseas Unquoted Equities	174.276	10.9	18.996	193.272	155.280
Overseas Pooled Investment Vehicles	732.706	10.9	79.864	812.570	652.842
Forward Currency Contracts	-	10.9	-	-	-
Overseas Currency	27.589	10.9	3.007	30.596	24.582
Total	**4,033.538**		**439.653**	**4,473.191**	**3,593.885**

	Value at 31st March 2019	Potential change	Potential market movement	Value on increase	Value on decrease
Asset Type	**£m**	**%**	**£m**	**£m**	**£m**
Overseas Fixed Interest	82.087	13.0	10.671	92.758	71.416
Overseas Quoted Equities	3,606.237	13.0	468.811	4,075.048	3,137.426
Overseas Unquoted Equities	227.813	13.0	29.615	257.428	198.198
Overseas Pooled Investment Vehicles	684.830	13.0	89.027	773.857	595.803
Forward Currency Contracts	(0.492)	13.0	(0.063)	(0.555)	(0.429)
Overseas Currency	28.455	13.0	3.699	32.154	24.756
Total	**4,628.930**		**601.760**	**5,230.690**	**4,027.170**

Manager Risk

Manager risk is the risk that the manager does not invest in a manner required by the Fund. This is controlled through the investment objectives and restrictions in each manager's agreement and through the ongoing monitoring of the managers.

The investment managers hold a diversified portfolio of investments that reflect their views, relative to their respective benchmarks.

The Pensions Committee has considered and addressed the risk of underperformance by any single investment manager by appointing a range of investment managers.

This is further enhanced by the selection of a range of managers by Border to Coast for the individual pooled funds that they hold on behalf of the Fund.

Credit Risk

Credit risk is the risk that the counterparty to a transaction or investment fails to discharge its obligation and the Fund incurs a financial loss. Investments are usually valued by the market after this risk has been taken into account.

To this end, almost all of the Fund's investment portfolio is exposed to some level of credit risk, with the exception being derivatives where the risk equals the net market value of a positive derivative.

The Fund seeks to minimise this risk by investing in and through high quality counterparties, brokers and financial institutions. In addition to these the Fund also lends money to local authorities which it deems to be rated at AA, the same as the UK Government which is the guarantor should any local authority fail to meet it's obligations.

Contractual credit risk is represented by the net payment or receipt outstanding and the cost of replacing the derivative position in the event of a default.

The Fund's cash holding under its internal treasury management arrangements as at 31 March 2020 was £156.420 million (£68.340 million as at 31 March 2019). The Fund sets its credit criteria in consultation with the Council's Treasury Management Advisor, Link Asset Services. Deposits are only made with AAA rated money market funds and with banks and financial institutions that meet the Fund's credit criteria and are included on Link Asset Services' listing of approved institutions.

The internally managed cash was held with the following institutions:

	Rating	Value as at 31st March 2019 £m	Value as at 31st March 2020 £m
Money Market Funds			
Aberdeen Standard	AAA	14.570	14.750
Legal & General	AAA	4.650	0.500
Federated	AAA	1.510	14.750
Insight	AAA	0.300	14.750
Bank Deposit Accounts			
Lloyds Bank	A+	2.310	2.670
Helaba	A+	10.000	0.000
Sumitomo	A	5.000	0.000
Australia and New Zealand	AA-	5.000	5.000
Bank of Scotland	A+	0.000	15.000
Santander	A	0.000	15.000
Local Authorities			
Thurrock Council		5.000	15.000
Gloucestershire County Council		0.000	15.000
Wirral Metropolitan Borough Council		0.000	15.000
Kingston Upon Hull City Council		0.000	10.000
City of Aberdeen		0.000	5.000
Royal Borough Windsor and Maidenhead		0.000	5.000
Surrey County Council		5.000	5.000
South Somerset District Council		0.000	3.000
West Berkshire		0.000	1.000
West Dunbartonshire Council		5.000	0.000
East Dunbartonshire Council		5.000	0.000
London Borough of Barking and Dagenham		5.000	0.000
Total		**68.340**	**156.420**

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its obligations as they fall due. This is controlled by estimating the net benefit outgo or inflow and ensuring that sufficient cash balances are available.

Weekly forecasts are carried out to understand and manage the timing of the Fund's cash flows.

The Fund takes steps to ensure that it has adequate cash resources to meet its commitments and has immediate access to cash.

All financial liabilities are due within twelve months of the 31 March 2020.

16. CURRENT ASSETS AND LIABILITIES

31st March 2019 £m		31st March 2020 £m
	Current Assets	
6.167	Contributions Due - Members	5.077
15.718	Contributions and Recharges Due - Employers	16.906
0.873	Sundry Debtors	29.795
22.758	**Total Current Assets**	**51.778**
	Current Liabilities	
(1.605)	Unpaid Benefits	(1.221)
(6.871)	Sundry Creditors	(13.487)
(8.476)	**Total Current Liabilities**	**(14.708)**

The large increase in sundry debtors as at 31 March 2020 is mainly due to an allowance for £22.853 million as a result of a transfer of staff from Northumberland College to the City of Sunderland College where the amount of the transfer had been agreed but not paid as at that date.

17. AGENCY SERVICES

The Fund pays discretionary awards to the former employees of a number of employers. The amounts paid are included in the Pensions line in note 9 and then deducted as a recharge as these amounts are fully reclaimed from the employer bodies. The sums for each employer are disclosed below.

2018/19 £000	Payments on Behalf of:	2019/20 £000
2,487	Newcastle City Council	2,467
2,099	Sunderland City Council	2,071
1,951	Gateshead Council	1,965
1,793	North Tyneside Council	1,772
806	South Tyneside Council	788
374	Nexus	338
237	Newcastle International Airport	239
228	Police and Crime Commissioner for Northumbria	229
71	Tyne and Wear Residuary Body	63
55	Tyne and Wear Fire and Rescue Service	55
49	University of Sunderland	50
49	The Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority	50
39	Northumbria University	41
17	Workshops for the Adult Blind	15
15	Assessment and Qualifications Alliance	15
10	Newcastle College	11
8	Association of North East Councils	9
8	Newcastle Theatre Royal Trust	9
10	Northern Council for Further Education	8
7	One North East	7
7	Wearside College	7
7	Northumbria Tourist Board	7
6	Benton Grange School	7
6	Gateshead Magistrates' Courts	6
5	Gateshead College	5
4	Sunderland Magistrates' Courts	5
3	City of Sunderland College	5
4	North Tyneside Disability Advice	4
4	South Tyneside Magistrates' Courts	4
4	Sunderland Empire Theatre Trust	4
3	Higher Education Funding Council for England	3
3	Monkwearmouth College	3
3	North East Regional Employers Organisation	3
3	South Tyneside Homes	3
3	Tyne and Wear Development Company Limited	3
2	Wallsend Hall Enterprises Limited	2
2	Catholic Care North East	2
2	North Tyneside College	2
2	North Tyneside Magistrates' Courts	2
1	Age Concern Newcastle	1
1	Tyne and Wear Enterprise Trust	1
10,388	**Total Agency Services**	**10,281**

In addition to this service for employers within the Fund, from February 2018 the Fund has taken over the administration of the Northumberland County Council Pension Fund. The agreement is that the Fund is reimbursed for all pension costs it pays out on their behalf and the costs have not been included within the Fund’s financial accounts.

18. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Fund offers two types of AVC arrangements.

Additional periods of membership can be purchased within the LGPS, with the contributions being invested as part of the Fund's assets.

In addition, the Pensions Committee appointed Equitable Life Assurance Society in 1989 and The Prudential Assurance Company in 2001 for the investment of other AVCs specifically taken out by Fund members. Contributions to these external providers are invested separately from the Fund's own assets on a money purchase basis. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, these amounts are not credited to the Fund and as such are excluded from the Fund's accounts.

During the year all existing policies that were managed by Equitable Life were transferred and are now administered by Utmost Life and Pensions.

During 2019/20, £2.230 million of contribution income was received into the AVC funds provided by The Prudential (£2.426 million in 2018/19). As at 31 March 2020, these funds were valued at £15.277million (£13.887 million in 2018/19).

During 2019/20, £0.003 million of contribution income was received into the AVC funds provided by Utmost Life and Pensions (£0.006 million during 2018/19). As at 31 March 2020, these funds were valued at £0.022 million (£0.019 million as at 31 March 2019).

The funds are valued on a bid basis by each of the providers and take no account of accruals.

19. ANALYSIS OF INVESTMENTS OVER MANAGERS

The market value of the investments in the hands of each manager was:

31st March 2019			31st March 2020	
£m	%		£m	%
		Investment Managers		
		Investments Managed by Border to Coast		
-	0.0%	Global Equities	578.925	6.8%
368.690	4.2%	UK Equities	292.475	3.5%
-	0.0%	Investment Grade Credit	1,612.928	19.0%
-	0.0%	Private Equity	6.836	0.1%
-	0.0%	Infrastructure	7.708	0.1%
368.690	**4.2%**		**2,498.872**	**29.5%**
		Investments Managed Outside of the Pool		
408.925	4.7%	Aberdeen Property Investors	431.025	5.1%
669.469	7.6%	Janus Henderson Global Investors	307.322	3.6%
770.342	8.8%	JP Morgan Asset Management	111.517	1.3%
179.063	2.0%	Lazard Asset Management	177.495	2.1%
3,606.308	41.1%	Legal and General Investment Management	3,000.540	35.3%
104.724	1.2%	TT International	82.046	1.0%
816.278	9.3%	M&G Investments	-	0.0%
367.910	4.2%	BlackRock	-	0.0%
0.299	0.0%	Active Currency	-	0.0%
614.228	7.0%	Private Equity	658.132	7.8%
204.943	2.3%	Infrastructure	232.572	2.7%
335.728	3.8%	Global Property	379.501	4.5%
32.277	0.4%	Residential Property	63.549	0.7%
199.714	2.3%	Private Debt	348.048	4.1%
94.882	1.1%	Managed In-House	182.968	2.3%
8,405.090	**95.8%**		**5,974.715**	**70.5%**
8,773.780	**100.0%**	**Total Investments**	**8,473.587**	**100.0%**

20. DERIVATIVES

The Fund has used a number of derivative instruments as part of its investment strategy and to assist with efficient portfolio management.

Futures

The Fund did not hold any futures contracts as at 31 March 2020. Outstanding exchange traded futures contracts for the current and previous year are as follows:

Type	Expires	Economic Exposure	Market Value at 31st March 2019	Economic Exposure	Market Value at 31st March 2020
Assets		**£m**	**£m**	**£m**	**£m**
UK Fixed Interest	Less Than One Year	(2.329)	0.002	-	-
Net Futures		**(2.329)**	**0.002**	**-**	**-**

Forward Currency Contracts

In past years the Fund has used Forward Currency Contracts to hedge the currency exposure on certain overseas investments. As at 31 March 2020, the Fund did not hold any such contracts (£0.002 million as at 31 March 2019).

21. SECURITIES LENDING

The Fund operates a securities lending programme through its custodian, Northern Trust. Securities totalling £2.326 million were out on loan as at 31 March 2020. The breakdown of securities on loan was:

31st March 2019 £m		31st March 2020 £m
19.337	Fixed Interest Securities	-
22.488	UK Equities	-
46.045	Overseas Equities	2.326
87.870	**Total Securities Lending**	**2.326**

The value of collateral against which the securities were lent out is £2.525 million (£121.320 million in 2018/19). This collateral consists of acceptable securities, government debt and obligations issued by supranational entities. It should be noted that as the Fund is now investing mainly through Border to Coast the majority of securities lending will now be done by them on behalf of the Fund.

22. PROPERTY HOLDINGS

31st March 2019 £m		31st March 2020 £m
	Property Holdings	
366.230	Opening Balance	408.925
	Additions	
29.633	Purchases	14.528
7.481	New Construction	13.368
0.275	Subsequent Expenditure	1.512
5.306	Net Increase/(Decrease) in Market Value	(7.308)
408.925	**Closing Balance**	**431.025**

There are no restrictions on the sale of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligations to purchase, construct or develop any of these properties.

The future minimum lease payments receivable by the Fund are as follows:

31st March 2019 £m		31st March 2020 £m
21.117	Within One Year	21.544
78.447	Between One And Five Years	79.925
154.756	Later Than Five Years	141.400
254.320	**Minimum Due From Leases**	**242.869**

The above disclosures have been reduced by a credit loss allowance of 5% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This is based on the Fund's own historic experience and from advice from the Fund's property manager based on their experience from similar properties.

23. SIGNIFICANT HOLDINGS

As at 31 March 2020, the Fund had two holdings that each represented more than 5% of the total Fund.

The Fund has a holding with Legal and General within a without-profit insurance contract that provides access to a pool of underlying assets. The value has been determined by reference to the underlying assets using price feeds from markets. These holdings were valued at £3,000.540 million and represented 35.4% of the total net assets of the Fund. During 2019/20, the insurance contract covered eleven individual funds, as follows:

31st March 2019 £m		31st March 2020 £m
1,010.536	UK Equities	360.810
116.174	Asia Pacific ex. Japan Equities	95.710
227.639	Emerging Markets Equities	197.493
572.649	Europe (ex UK) Equities	527.157
108.884	Japan Equities	106.640
547.046	North America Equities (hedged)	240.799
-	North America Equities (unhedged)	226.054
819.083	Global Equities	693.549
11.731	UK Gilts	-
110.476	Index-Linked Gilts	113.128
-	Corporate Bonds	359.017
82.087	Emerging Markets Passive Government Bonds	80.183
0.003	Transition	-
3,606.308	**Total**	**3,000.540**

The further holding was with Border to Coast under an Authorised Contractual Scheme (ACS) agreement. The value of the assets, held through this ACS, were valued at £2,484.328 million and represented 29.3% of the total net assets of the Fund. As at 31 March 2020, the ACS covered three individual funds as follows:

31st March 2019 £m		31st March 2020 £m
368.690	UK Equities	292.475
-	Global Equities	578.925
-	Investment Grade Credit	1,612.928
368.690	**Total**	**2,484.328**

24. OUTSTANDING COMMITMENTS

As at 31 March 2020 the Fund had eighty-one outstanding commitments to investments, as shown below.

Name of Fund	Year	Value m	Drawdowns Made m	Commitment Outstanding m	m
HarbourVest Partners VII Cayman Buyout Fund	2002	$46.0	$43.5	$2.5	£2.0
HarbourVest Partners VII Cayman Mezzanine Fund	2002	$8.0	$7.5	$0.5	£0.4
HarbourVest Partners VII Cayman Venture Fund	2002	$28.0	$27.5	$0.5	£0.4
Capital International Private Equity Fund IV	2004	$18.0	$17.8	$0.2	£0.2
HarbourVest International Private Equity Partners V - Partnership	2005	€100.0	€96.0	€4.0	£3.5
HarbourVest International Private Equity Partners V - Direct	2005	€30.0	€29.2	€0.8	£0.7
Pantheon Asia Fund IV	2005	$20.0	$18.9	$1.1	£0.9
Pantheon Europe Fund IV	2005	€25.0	€23.4	€1.6	£1.4
Pantheon USA Fund VI	2005	$30.0	$28.3	$1.7	£1.4
Lexington Capital Partners VI-B	2005	$30.0	$29.5	$0.5	£0.4
HarbourVest Partners VIII Cayman Buyout Fund	2006	$112.0	$107.0	$5.0	£4.0
HarbourVest Partners VIII Cayman Venture Fund	2006	$56.0	$54.9	$1.1	£0.9
Pantheon Europe Fund V	2006	€35.0	€33.1	€1.9	£1.7
Pantheon USA Fund VII	2006	$35.0	$32.6	$2.4	£1.9
Coller International Partners V	2006	$30.0	$23.5	$0.3	£0.2
HarbourVest Partners 2007 Direct Fund	2007	$30.0	$29.3	$0.7	£0.6
Pantheon Asia Fund V	2007	$20.0	$18.4	$1.6	£1.3
Pantheon Europe Fund VI	2007	€40.0	€37.9	€2.1	£1.9
Pantheon USA Fund VIII	2007	$35.0	$32.4	$2.6	£2.1
Capital International Private Equity Fund V	2007	$35.0	$29.4	$5.6	£4.5
Co-Investment Partners Europe	2007	€30.0	€28.5	€1.5	£1.3
Partners Group 2006 Direct Fund	2007	€30.0	€28.8	€1.2	£1.1
Infracapital Partners I	2007	£35.0	£32.8	£2.2	£2.2
Capital International Private Equity Fund VI	2010	$35.0	$30.5	$4.5	£3.6
Lexington Capital Partners VII	2010	$29.0	$24.3	$4.7	£3.8
Partners Asia-Pacific & Emerging Markets Real Estate 2009 LP	2010	$40.0	$37.6	$2.4	£1.9
Partners Group Real Estate Secondary 2009 (EURO)	2010	€60.0	€57.2	€2.8	£2.5
Partners Group Global Real Estate 2011 S.C.A., SICAR	2010	€145.0	€127.9	€17.1	£15.1
Partners Group Global Infrastructure 2009	2010	€70.0	€61.2	€8.8	£7.8
Partners Group Direct Infrastructure 2011	2011	€85.0	€74.8	€10.2	£9.0
Partners Group Direct Real Estate 2011 S.C.A., SICAR	2011	$100.0	$92.2	$7.8	£6.3
Partners Asia-Pacific Real Estate 2011 S.C.A., SICAR	2011	$65.0	$55.1	$9.9	£8.0
HarbourVest International Private Equity Partners VI - Partnership	2011	€50.0	€47.5	€2.5	£2.2
Coller International Partners VI	2012	$45.0	$31.6	$13.4	£10.8
Pantheon Asia Fund VI	2012	$40.0	$35.8	$4.2	£3.4
Pantheon Europe Fund VII	2012	€25.0	€21.6	€3.4	£3.0
Pantheon USA Fund IX	2012	$30.0	$26.5	$3.5	£2.8
Partners Group Global Infrastructure 2012	2013	€45.0	€35.8	€9.2	£8.1
Partners Group Real Estate 2014	2013	$64.0	$46.5	$17.5	£14.1
Partners Group Real Estate Income 2014	2013	€23.0	€20.9	€2.1	£2.2
Partners Group Global Real Estate 2013	2013	$130.0	$101.3	$28.7	£23.1
Partners Group Real Estate Secondary 2013	2013	$65.0	$46.8	$18.2	£14.7
HarbourVest Dover Street VIII Cayman Fund LP	2013	$30.0	$27.3	$2.7	£2.2

Name of Fund	Year	Value m	Drawdowns Made m	Commitment Outstanding m	m
HarbourVest Partners IX - Cayman Buyout Fund	2013	$60.0	$49.7	$10.3	£8.3
HarbourVest Partners IX - Cayman Venture Fund	2013	$30.0	$28.5	$1.5	£1.2
HarbourVest Partners 2013 Cayman Direct Fund LP	2014	$30.0	$29.0	$1.0	£0.8
Lexington Capital Partners VIII	2014	$30.0	$23.3	$6.7	£5.4
Infracapital Partners II	2014	£19.6	£17.0	£2.6	£2.6
HarbourVest International Private Equity Partners VII - Partnership	2014	$70.0	$53.7	$16.3	£13.1
Coller International Partners VII	2015	$45.0	$33.5	$11.5	£9.3
HarbourVest Partners X - AIF Buyout Fund	2015	$50.0	$20.8	$29.2	£23.5
HarbourVest Partners X - AIF Venture Fund	2015	$25.0	$14.9	$10.1	£8.1
HarbourVest Dover Street IX LP	2016	$30.0	$21.6	$8.4	£6.8
Partners Group Direct Infrastructure 2015	2016	$140.0	$73.1	$66.9	£54.0
HarbourVest Partners Co-Investment Fund IV AIF	2016	$30.0	$27.9	$2.1	£1.7
Aberdeen UK PRS Opportunities LP	2016	£60.0	£17.5	£42.5	£42.5
Pantheon Access EUR 2016	2017	€24.3	€8.0	€16.3	£14.4
Pantheon Access USD 2016	2017	$65.0	$48.9	$16.1	£13.0
HIPEP VIII Partnership Fund	2017	$80.0	$16.0	$64.0	£51.6
Infracapital Greenfield Partners I	2017	£20.0	£9.8	£10.2	£10.2
Pantheon Global Infrastructure III	2017	$55.0	$15.4	$39.6	£31.9
Infracapital Partners III	2017	£20.0	£8.7	£11.3	£11.3
Partners Group Real Estate Secondary 2017	2017	$135.0	$64.1	$70.9	£57.2
HarbourVest Partners XI	2018	$100.0	$19.4	$80.6	£65.0
Lexington Capital Partners IX	2018	$70.0	$4.6	$65.4	£52.7
Pantheon Access EUR 2018	2018	€50.0	€0.8	€49.2	£43.5
Pantheon Access USD 2018	2018	$120.0	$39.2	$80,8	£65.2
HarbourVest Partners Co-Investment V Feeder AIF	2018	$70.0	$17.5	$52.5	£42.3
AMP Global Infrastructure II	2018	$55.0	$25.9	$29.1	£23.5
Partners Group Real Estate Opportunities 2019	2018	$190.0	$57.4	$132.6	£106.9
Partners Group Global Value Real Estate 2019	2018	€110.0	€36.1	€73.9	£65.4
HPS Core Senior Lending Fund	2018	$250.0	$226.8	$23.2	£18.7
Pemberton European Debt Investments Jersey II	2018	£190.0	£151.0	£39.0	£39.0
Hearthstone Residential Fund I	2019	£60.0	£48.9	£11.1	£11.1
Coller International Partners VII	2019	$80.0	$0.0	$80.0	£64.5
Border to Coast Private Equity	2019	£80.0	£7.0	£73.0	£73.0
HarbourVest Dover Street X	2019	$80.0	$4.0	$76.0	£61.3
Border to Coast Infrastructure	2019	£60.0	£7.3	£52.7	£52.7
Partners Global Infrastructure 2018	2019	€110.0	€16.9	€93.1	£82.4
Border to Coast Private Debt	2019	£160.0	£0.0	£160.0	£160.0
Pantheon Private Debt PSD II	2019	$130.0	$0.0	$130.0	£104.8
Total outstanding commitments					**£1,678.2**

The Sterling figures for these outstanding commitments are based on the closing exchange rates on 31 March 2020. The total outstanding as at 31 March 2020 was £1,397.9 million.

25. RELATED PARTY TRANSACTIONS

South Tyneside Council is the administering authority of the Tyne and Wear Pension Fund and as such assets of the Fund are held under the Council's name.

Under IAS24 "Related Party Disclosures", it is a requirement that material transactions with related parties, not disclosed elsewhere, should be included in a note to the financial statements.

Governance

There were five members of the Pensions Committee who were in receipt of pension benefits from the Fund, namely the Chair of the Pensions Committee, E. Leask and Committee members W. Flynn, R. Goldsworthy, J. Foreman, and J. Perry. The Vice Chair of the Pensions Committee, A. Walsh, and Committee member G. Haley are deferred members of the Fund.

An examination of returns completed by Elected Members of the Pensions Committee and Senior Officers involved in the management of the Pension Fund has not identified any other cases where disclosure is required.

Employers

During 2019/20 South Tyneside Council had related party transactions with the Fund totalling £0.925 million (£0.901 million in 2018/19), analysed as follows:

- South Tyneside Council charged the Fund £0.856 million (£0.703 million in 2018/19) in respect of services provided, primarily being recovery of past service deficit payments, legal and building costs. Services previously charged to the Fund by BT South Tyneside were taken back in house by the Council during 2018/19 and account for the rise in payments this year. Services in this area include financial and information technology services and accounted for an additional £0.135 million in 2019/20.
- The Fund charged South Tyneside Council £0.069 million (£0.063 million in 2018/19) in respect of Treasury Management services.

There were no material contributions due from employer bodies that were outstanding at the year end.

Key Management Personnel

The key management personnel of the Fund are the Head of Pensions, the Principal Investment Manager and the Principal Pensions Manager. Total remuneration payable to key management personnel is set out below:

31st March 2019 £,000		31st March 2020 £,000
223	Short Term benefits	235
61	Post-employment benefits	65
284	**Total**	**300**

Other senior managers, including the section 151 officer, linked to the Fund are employed by South Tyneside Council and the costs to the Fund are included within recharges to the Fund.

26. IMPAIRMENT LOSSES

Impairment for Bad and Doubtful debts

During 2019/20 the Fund has recognised an impairment loss of £0.114 million (£0.103 million as at 31 March 2019) for the possible non-recovery of pensioner death overpayments.

27. PENSION FUND DISCLOSURES UNDER IAS26

Under IAS26 the Fund is required to disclose the "actuarial present value of the promised retirement benefits", at the valuation date of 31 March 2019 these were valued by the actuary at £11,763.100 million.

This figure was calculated using the following information supplied by the Actuary.

Information Supplied by the Actuary

The information set out below relates to the actuarial present value of the promised retirement benefits in the Fund which is part of the Local Government Pension Scheme:

	Value at 31st March 2019 £m	Value at 31st March 2016 £m
Fair value of net assets	8,788.1	6,427.4
Actuarial present value of the promised retirement benefits	11,763.1	8,657.3
Surplus / (deficit) in the Fund as measured for IAS26 purposes	(2,975.0)	(2,229.9)

Please Note

McCloud / Sargeant judgement

The actuarial present value of the defined benefit obligation at 31 March 2019 includes an estimated liability in relation to the McCloud/Sargeant judgement of £112.4M.

The McCloud/Sargeant judgement (December 2018) found that the transitional arrangements put in place when the firefighters' and judges' pension schemes were reformed constituted illegal discrimination. The Government has since committed to compensate members of all public service schemes who were illegally discriminated against. In relation to the LGPS in England and Wales all members joined the new 2014 Scheme for membership after 1 April 2014, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits earned after 1 April 2014 would be at least as valuable in terms of amount and when they could be drawn, as if they had remained in the 2008 Scheme.

The remedy for the LGPS is expected to be consulted upon in the summer. The additional liability included within this note assumes the underpin will be extended to cover all members who were actively participating in the Scheme on 1 April 2012 (and not just those within 10 years of retirement) and will apply on retirement or the date of leaving service if earlier.

Equalisation and Indexation of Guaranteed Minimum Pensions

The actuarial present value of the defined benefit obligation includes an estimated liability in relation to the equalisation and indexation of Guaranteed Minimum Pensions (GMPs) beyond the arrangements already formally in place, which apply to members whose State Pension Age (SPA) is between 6 April 2016 and 5 April 2021 inclusive. Those arrangements require the LGPS to pay pension increases on GMPs at the full rate of CPI for those members, whereas GMP legislation only requires limited price increases to be applied. The additional liability included within this note assumes those arrangements for fully indexing GMPs will be extended to members whose SPA is after 5 April 2021. This has increased the defined benefit obligation by in the region of 0.1% to 0.2%.

Cost Management Process

The actuarial present value of the defined benefit obligation does not allow for any potential additional liability which may arise from the cost management valuations.

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable.

HM Treasury and the SAB have paused their reviews following the 'McCloud' judgement in the Court of Appeal. The cost cap process will not recommence until the remedy as applies to the LGPS has been decided.

On 24 April 2020 a number of Trades Unions filed court proceedings to challenge the Government's decision to pause the cost management process. If successful this could lead to higher liabilities and employer costs although it is not yet known how such changes, and those required due to the McCloud case, will affect the cost management valuation due as at 31 March 2020 which it is expected would lead to changes in benefits and/or member contributions in future.

The principal assumptions used by the Actuary were:

	31st March 2019 (% p.a.)	31st March 2016 (% p.a.)
Discount rate	2.4	3.4
CPI Inflation*	2.2	1.8
Rate of general increase in salaries **	3.7	3.3

* In excess of Guaranteed Minimum Pension increases in payment for members whose State Pension Age is on or before 5th April 2016 where appropriate
** In addition, the Actuary has allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at the appropriate date.

Principal demographic assumptions

The mortality assumptions are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2019 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below:

Post Retirement Mortality	31st March 2019	31st March 2016
Males		
Future lifetime from age 65 (currently aged 65)	21.8	23.0
Future lifetime from age 65 (currently aged 45)	23.4	25.2
Females		
Future lifetime from age 65 (currently aged 65)	24.9	23.0
Future lifetime from age 65 (currently aged 45)	26.7	25.2

Different mortality assumptions have been used for other categories of member as set out in the actuary's report on the 2019 valuation. Assumptions for the rates of withdrawal and ill health retirements (for active members), the allowance made for cash commutation on retirement, and the proportion of members whose death gives rise to a dependant's pension are the same as those adopted in the 2019 valuation of the Fund, which are detailed in the actuary's valuation report.

Volatility of results

Results under IAS 26 can change dramatically depending on market conditions. The defined benefit obligation is linked to yields on AA-rated corporate bonds, while a significant proportion of the assets of the Fund are invested in equities and other growth assets. Changing markets in conjunction with discount rate volatility will lead to volatility in the funded status of the pension fund. For example:

- A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be marginally offset by the increase in the assets as a result (to the extent the Fund invests in corporate bonds).
- The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are not perfectly correlated with inflation meaning that an increase in inflation will increase the deficit.
- The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Post balance sheet date experience

Since 31 March 2019 the Fund's assets are likely to have fallen in value due to the emerging Covid-19 crisis. This crisis has also caused a reduction in corporate bond yields, which will have led to an increase in the value of the defined benefit obligation (liabilities) on an accounting basis. The impact on the net pensions asset will depend on the Fund's asset performance, but we would expect most LGPS Funds' IAS 26 balance sheet positions to have deteriorated over the year, with a higher IAS 26 deficit at 31 March 2020. It is too early to say what impact the higher rates of mortality will have on the funding position of the Fund. At time of writing, ONS data is showing that the cumulative deaths in 2020 to date are well outside the range of the outcomes seen in recent years. The impact on longevity for the Fund's members will additionally be affected by the indirect impact of Covid-19, including the health of the surviving population, and the economic, social and political consequences of tackling Covid-19. In both of the above cases, the impact on longevity could be positive or negative.

Choice of accounting assumptions

The calculation of the actuarial present value of the promised retirement benefits involves projecting future cash-flows from the Fund many years into the future. This means that the assumptions used can have a material impact on the surplus / deficit. As such, the Fund Administering Authority should ensure that it understands the reasoning behind the assumptions adopted and is comfortable that they are appropriate.

Furthermore, the Fund Administering Authority should bear in mind that, as required by the accounting standard, the assumptions (with the exception of the discount rate) have been set so that they represent a best estimate of future experience from the Fund. In practice future experience within the Fund may not be in line with the assumptions adopted. This means that the liabilities shown in this report only represent one view of the future and the true position could be different from those shown. For example, members could live longer than foreseen or inflation could be higher or lower than allowed for in the calculations.

Sensitivity of results to key assumptions

In order to understand the magnitude of the possible volatility in the balance sheet position and to understand which assumptions are most important in determining the size of the liabilities, it is helpful to understand how sensitive the results are to the key assumptions.

IAS 19 requires entities to disclose information about the sensitivity of the defined benefit obligation to changes in key assumptions although it is not clear that IAS 26 or the CIPFA Code of Practice requires this information. Nevertheless, we have set out below how the results would alter by changing the discount rate, the pay increase assumption and pension increase assumption by plus or minus 0.1% and if life expectancy was to reduce or increase by 1 year. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

Sensitivity Analysis

Discount rate assumption		
Adjustment to discount rate assumption	**+0.1% £M**	**-0.1% £M**
£ change to present value of the defined benefit obligation	(241.8)	246.9
% change in present value of defined benefit obligation	-2.1%	2.1%

Rate of general increase in salaries		
Adjustment to salary increase rate assumption	**+0.1% £M**	**-0.1% £M**
£ change to present value of the defined benefit obligation	31.6	(31.2)
% change in present value of defined benefit obligation	0.3%	-0.3%

Rate of increase to pensions in payment, deferred pensions increase assumption and rate of revaluation of pension accounts		
Adjustment to pension increase rate assumption	**+0.1% £M**	**-0.1% £M**
£ change to present value of the defined benefit obligation	215.3	(210.6)
% change in present value of defined benefit obligation	1.8%	-1.8%

Post retirement mortality assumption		
Adjustment to members' life expectancy	**- 1 year £M**	**+ 1 year £M**
£ change to present value of the defined benefit obligation	(449.6)	452.1
% change in present value of defined benefit obligation	-3.9%	3.9%

For figures relating to individual employers of the Fund, please refer to each employer's final accounts.

28. OTHER SENSITIVE AREAS

In accordance with the code the following notes are deemed to be containing sensitive information and are disclosed for transparency reasons.

Expenses paid to members of the Pensions Committee totalled £0.029 million in the year to 31 March 2020 (£0.022 million in 2018/19). These have been included within Oversight and Governance Costs included in note 11.

The Fund is audited by Ernst & Young who received a fee of £0.027 million (£0.027 million in 2018/19) for carrying out this audit.These fees are included in the Administration and Oversight and Governance Cost lines in note 11.

29. ADDITIONAL INFORMATION

Covid-19

It has been noted that the Covid-19 pandemic has had a significant negative effect on asset values towards the end of the financial year. It has also impacted on the potential certainty of the valuations of illiquid assets such as property, private equity, infrastructure and private debt as at 31 March 2020. Since the year end, quoted equity markets have recovered significantly. Despite the improving equity market conditions it is clear that the long term economic impact of Covid-19 is still to be determined and this may yet impact on the valuations of some of the illiquid assets in the Fund going forward. However, no adjustments have been made to the valuations of the illiquid assets as at 31 March 2020. The valuations provided are considered to be reasonable given the circumstances.

Pension Fund Merger

Tyne and Wear Pension Fund and Northumberland County Council Pension Fund merged on 1 April 2020. *The Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020* (UK Statutory Instrument 2020 No 502) came into force on 3 June 2020 giving this merger retrospective effect.

All assets and liabilities of Northumberland County Council Pension Fund became the assets and liabilities of Tyne and Wear Pension Fund on 1 April 2020, and therefore will be included within the Tyne and Wear accounts from that date. Consequently, the accounts for this year take no account of the merger as it did not take effect until after the year end. The value of the Northumberland County Council Pension Fund was £1,297.840 million as at the 31 March 2020.

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF SOUTH TYNESIDE COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2020, which comprise the Fund Account, the Net Assets Statement and the related notes.

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of South Tyneside Council for the year ended 31 March 2020 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Respective responsibilities of the Corporate Director Business and Resources and the auditor

As explained more fully in the Statement of the Respective Responsibilities of the Corporate Director Business and Resources and the Auditor, the Corporate Director Business and Resources 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 South Tyneside Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of the Tyne and Wear Pension Fund Annual Report and Accounts 2019/20.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Manchester
November 2020

TYNE AND WEAR PENSION FUND

HOW TO CONTACT US

Our information is available in other ways on request. We can provide information in other languages, Braille or large print. We also have access to audio aids and BSL (British Sign Language) interpreters.

There are a number of ways you can get in touch with us. If you need further information on the LGPS, please contact us at:

TYNE AND WEAR PENSION FUND, PO BOX 212, SOUTH SHIELDS, NE33 9ER (SAT NAV NE33 2RL)

PENSIONS HELPLINE:
TEL: 0191 424 4141

MYPENSION SUPPORTLINE:
TEL: 0191 424 4200

If you have a query about our online service.

EMAIL: PENSIONS@TWPF.INFO

WEB: WWW.TWPF.INFO

OFFICE HOURS

Monday to Thursday 8.30am to 5.00pm
Friday 8.30am to 4.30pm. Please quote your National Insurance Number and your Membership ID numbers so we can quickly trace your records.

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