TYNE AND WEAR PENSION FUND

Draft Annual Report and Accounts 2022/23

Administered by South Tyneside Council






lgps

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KEY MEMBERS AND OFFICERS OF THE FUND

THE MEMBERS OF PENSIONS COMMITTEE

South Tyneside Council

Councillor A. Walsh (Chair)
Councillor W. Flynn (Vice-Chair)
Councillor J. Foreman
Councillor R. Porthouse
Councillor G. Thompson
Councillor E. Malcolm
Councillor S. Stonehouse
Councillor J. Welsh

Gateshead Council

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

Newcastle City Council

Councillor P. Frew
(substitute – Councillor V. Dunn)

North Tyneside Council

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

Sunderland City Council

Councillor J. Price
(substitute – Councillor S. Laws)

Northumberland County Council

Councillor R. Dodd
(substitute - Councillor C. Hardy)

Trade Union Representatives

J. Green - Unison
L. Brown – Unison
J. Kelly – Unite

Employers' Representatives

J. Hardy - Nexus
J. Cook – Gateshead College
T. Assadian – University of Sunderland

MEMBERS OF THE LOCAL PENSION BOARD

Employer Representatives

M. Brodie (Vice-Chair) – North East Regional Employers' Organisation (NEREO)
Councillor D. Purvis – South Tyneside Council
R. Dunn – NCG
T. Bell – Morpeth Town Council

Scheme Member Representatives

N. Wirz (Chair) – Unison
J. Pearson – GMB
T. Hunter – GMB
A. Carr - Unison

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

SENIOR OFFICERS

Director of Business and Resources (Section 151 Officer)

S. Reid
(stuart.reid@southtyneside.gov.uk)

Head of Pensions

I. Bainbridge
(retired from post)

P. McCann
(in post from May 2023. paul.mccann@southtyneside.gov.uk)

Principal Pensions Manager

H. Chambers
(heather.chambers@southtyneside.gov.uk)

Principal Investment Manager

N. Sellstrom
(neil.sellstrom@southtyneside.gov.uk)

Principal Governance and Funding Manager

P. McCann
(paul.mccann@southtyneside.gov.uk)

Corporate Lead Legal and Governance

J. Rumney
(john.rumney@southtyneside.gov.uk)

Assurance and Risk Manager

I. Pattison
(ian.pattison@southtyneside.gov.uk)

EXTERNAL MANGERS, CUSTODIAN, BANK AND EXTERNAL AUDITORS

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. Pearson

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 – R. Jones (Engagement Partner)

POOL OPERATOR

Border to Coast Pensions Partnership Ltd

INVESTMENT MANAGERS

INDEXATION

Legal and General Investment Management

EQUITIES

UK Equity

Border to Coast Pensions Partnership

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TT International

Emerging Market Equity

JP Morgan Asset Management

BONDS

Border to Coast Pensions Partnership

PROPERTY

UK Property

Abrdn

UK Property Unit Trusts

BlackRock
Schroders

UK Residential Property

Abrdn
Hearthstone
Henley

Global Property

Partners Group

PRIVATE EQUITY

Capital International
Coller Capital
HarbourVest Partners
Lexington Partners
Morgan Stanley
Neuberger Bergman
Pantheon Ventures
Partners Group
Border to Coast Pensions Partnership

PRIVATE DEBT

HPS Investment Partners
Pemberton
Border to Coast Pensions Partnership
Pantheon Ventures

INFRASTRUCTURE

Antin
Digitalbridge
Global Infrastructure Partners
Infracapital
Pantheon Ventures
Partners Group
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 2022/23 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 past year has seen the UK emerge from the Covid pandemic and return to a more "normal" way of living. This has also been the case at the Fund, where staff have been returning to the office in increasing numbers and many meetings (including those of Pensions Committee, the Local Pension Board and the Investment Panel) have all returned to being in-person. Whilst life has been returning to normal, this is a "new normal" which does differ to pre-pandemic life in some ways. This includes the way in which we work.

The Fund has embraced a hybrid way of working with staff working two to three days per week in the office, and the remainder at home. The ability to work in a modern and flexible way has been assisted by improvements in technology and supporting infrastructure. The modern way of working helps staff with work / life balance whilst safeguarding excellent service delivery.

Whilst life has been returning to normal during 2022/23, there has been little normality in financial markets. The Russian invasion of Ukraine has exacerbated market volatility and cost of living pressures and contributed towards a period of high inflation, which is proving far stickier than first anticipated. Further consideration to the challenging market environment is set out below.

One of the major exercises undertaken in 2022/23 was the actuarial valuation of the Fund. This is a triennial exercise and the latest valuation, "the 2022 Valuation", was undertaken as at 31 March 2022. The valuation exercise establishes the overall funding level for the Fund, individual employers and sets new employer contribution rates which became payable from 1 April 2023. The valuation is a complex and resource intensive exercise, involving the review of the funding strategy, good data management and significant communication with the Fund Actuary and employers.

The 2022 Valuation was a successful exercise, building on the good work at previous valuations through the considered management of the investment and funding strategies. The funding level for the total Fund was 110% as at 31 March 2022. This was an improvement of four percentage points from the funding level of 106% at the 2019 Valuation. The main driver for the increased funding level was investment returns being above levels assumed at the 2019 Valuation. As well as tracking the funding level on an ongoing basis, tracking is also undertaken on a low risk (gilts) basis. This showed the funding level to be 73% which is an improvement on the 68% at the 2019 Valuation.

The funding level is a real positive for the Fund and its employers, particularly considering the long-running deficit position pre-2019. A number of measures have been taken at the 2019 and 2022 Valuations in both the investment and funding strategies to help in protecting the funding level going forwards.

As noted above, the contributions payable for the next three years have been set as part of the 2022 Valuation. The average future service rate being set at 18.6% of pensionable pay which is a reduction of 0.5% from the 2019 Valuation (19.1%). An increased threshold for surplus amortisation of 110% was applied at the 2022 Valuation, which meant there was no reduction through the secondary contribution rate resulting in a Total Fund Rate of 18.6%. This is a reduction from the 2019 Valuation when the Total Fund Rate was 19.7%.

The position for individual employers differed from the Total Fund position, but there was generally a trend for many employers of a modest improvement in funding level and modest reductions in contribution rates.

At the same time as undertaking the triennial valuation, the Fund also reviewed its investment strategy. Given the strong funding level, consideration was again given to de-risking the strategy.

An Asset Liability Modelling (ALM) exercise was carried out in 2022 using the liability data from the 2022 Valuation. The review resulted in a 5% reduction in return seeking growth assets with a corresponding 5% increase in return seeking income assets (infrastructure, private debt and climate opportunities).

When fully implemented, the asset allocation will be 34.5% in quoted equities, 22.0% in bonds, 13.0% in property, 8.5% in private equity, 6.5% in private debt, 6.5% in infrastructure, 5.0% in multi asset credit, 3.0% in climate opportunities and 1.0% in cash. Significant moves to implement these changes were made before the year end.

Responsible investment continues to be a key priority for the Fund, with an enhanced focus on climate change. During 2022/23, the Fund continued to make good progress in implementing its commitments to being net zero greenhouse gas emissions by "2050, or sooner". The Fund again reviewed its Climate Change Policy and also adopted a roadmap to net zero during the year. The November Committee meeting also saw approval of a set of climate metrics for measuring progress of decarbonisation against a 2019 benchmark.

The Fund also undertook a Carbon Footprint analysis as at 31 March 2022. These results then fed into the Fund's first TCFD report which was produced during the year. The carbon footprint analysis and TCFD report showed that the carbon footprint of the Fund had fallen by 21% from 2019 to 2022 and by 34% from 2010 to 2022. Again, this is a positive development and shows that progress is being made towards the investment portfolio being net zero by 2050, or sooner. Whilst the 2022 exercise was a positive outcome, it is unlikely that progress will be linear. Market changes will impact the carbon footprint for the Fund, this will particularly be likely in the next year or two given the strong financial performance of energy companies. Notwithstanding this, it is the longer-term trajectory which is of importance rather than fluctuations in any individual year.

Whilst climate change has been an area of significant focus, it is important to recognise that responsible investment is much broader and focus is needed across the full ESG spectrum. The Fund has continued to work with Border to Coast, LAPFF and Fund Managers in this area and we are delighted that the Fund has become a signatory to the UK Stewardship Code for 2022/23. This approval by the Financial Reporting Council confirms the commitment of the Fund to responsible investment and good stewardship.

Following the merger with Northumberland County Council Pension Fund in 2020, the Fund has undertaken an organisational review. This process commenced in 2020 with the creation of the Governance and Funding Office and 2022/23 saw focus turn to the Pensions Administration Office. A new structure for the Administration Office became operational from October 2022, with six new teams being created to ensure a more focussed way of service delivery and also an enhanced focus on member and employer services.

The implementation of the new structure has caused a degree of disruption as some staff have changed roles given the move from multi-disciplinary teams to a more focussed approach. We expect to see the benefit of the new structure over the coming years, however, at present the administration teams are facing significant pressures caused by processing backlogs, the implementation of the McCloud remedy and forthcoming Pensions Dashboards. These challenges have been exacerbated by a higher level than normal of staff turnover. The pressures faced are not unique to Tyne and Wear and are seen very widely across the LGPS. Nevertheless, we firmly believe we are well-positioned to rise to the challenges faced and believe that good progress is now being made. This is testament to the hard-work and commitment of our staff.

South Tyneside Council as the administering authority of the Fund is the joint owner, along with ten other pension funds, 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 Government's initiative on investment pooling. The company itself was created in 2017 and assets started to transfer from the Fund during 2018.

At the year end the Fund had assets under management at Border to Coast valued at £4.7 billion. In addition, the Fund has further benefitted from pooling by combining with the other ten pension funds and jointly procuring the appointment of Legal and General as a manager of its indexed assets. The Fund has £3.9 billion invested with Legal and General under this arrangement. Taken together, this means that around 69% of the Fund's assets are either under the direct control of Border to Coast or have benefitted from pooling via a joint procurement. To date this has saved the Fund over £10.7 million. During the year, the Fund invested in Border to Coast's new Climate Opportunities fund and further assets are expected to move during 2023/24. This will generate further fee savings.

There were several investment themes during 2022/23 which impacted upon markets and returns. In the first half of the year, markets were negative as the Russian invasion of Ukraine led to a dramatic rise in energy prices and inflation which created significant economic volatility. Globally, the second half of the year saw increased stability and markets started to recover but, in the UK, the LDI crisis and subsequent political fallout saw major falls in the value of lower risk assets towards the end of 2022, although some stability was restored in the final quarter of the year.

The impact of these conditions had a variable affect on different markets and assets classes. In the UK, Commercial Property (-14.0%) and Corporate Bonds (-10.2%) were the worst performers over the year and were the drivers of underperformance. Across equity markets, European Equities were the strongest performer (+10.8%) but Emerging Markets (-6.8%) and North America (-5.0) were negative. In private markets, the infrastructure portfolio delivered strong returns as inflation pushed up income, but valuations in private equity fell back which left returns well below the absolute benchmark.

Against this market background the Fund's total return in 2022/23 was -1.5% (after adjusting for all fees and expenses), which was 1.2% below its benchmark return of -0.3%. Inflation as measured by the Consumer Prices Index, which has risen in importance as a measure for the Scheme, was up by 10.1% over the year. Average Earnings increased by 6.1%.

The Fund underperformed its performance benchmark in 2022/23 but has consistently delivered returns in excess of the benchmark over the medium and long term. The Fund's five year return was 6.4% per annum, which is ahead of the benchmark return of 5.5% per annum. The ten year return is now 7.7% per annum, which is also ahead of the benchmark return for this period of 6.8% per annum.

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 hard work during the year and in the delivery of services to the members and employers.

Councillor Anne Walsh
Chair of Pensions Committee

Paul McCann
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 Department for Levelling Up, Housing and Communities (DLUHC) 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. These 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 Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended), provide the regulatory framework for the investment of pension fund assets.

The main provisions of the Scheme are:

- Tiered employee contribution rates
- A Career Average Revalued Earnings (CARE) 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-tier ill health retirement package, payable from any age.
  - **Tier 1** – where it is unlikely a member will be capable of undertaking gainful employment, benefits are enhanced to the level they would have been had that member worked to normal pension age.
  - **Tier 2** - 25% enhancement where there is a prospect of return to gainful employment after three years but before Normal Retirement Age.
  - **Tier 3** - No enhancement where there is a prospect of return to gainful employment within three years. This level of ill health pension ceases on the earliest of re-employment or after three years in payment.

- The earliest age that the member may choose to release their pension is currently 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.

HM Revenues and Customs has granted the LGPS 'exempt approval' for the purposes of the Income and Corporation Taxes Act 1988. Since April 2006, the LGPS has been classified as a registered public service pension scheme under Part 4 of Chapter 2 of the Finance Act 2004. It complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995, the Pensions Act 2004, the Pensions Act 2021 and meets the Government's standards under the automatic enrolment provisions of the Pensions Act 2008.

MANAGEMENT AND GOVERNANCE

Whilst the Regulations are fixed on a national basis, the LGPS is managed by a designated Administering Authority and throughout England and Wales there are 85 such authorities. South Tyneside Council is responsible for administering the Tyne and Wear Pension Fund for the benefit of its own employees and the employees of the scheme employers and admission bodies. South Tyneside Council has delegated the responsibility for the functions and responsibilities of the Fund to Pensions Committee.

Each LGPS Fund must also have a Local Pension Board that is tasked with assisting the administering authority in securing compliance with LGPS regulations, other legislation and the requirements of the Pensions Regulator. Local Pension Boards must have equal representation of employer representatives and member representatives.

Under the Public Service Pensions Act 2013, DLUHC continues to be responsible for policy and the making of regulations. The Local Government Pension Scheme Advisory Board advises DLUHC on regulatory changes it considers appropriate.

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 Pensions 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 partner 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.

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.

As at 31st March 2023, assets to the value of £40.3 billion have been invested through Border to Coast on behalf of all the partner funds. Tyne and Wear has approximately £3.9 billion invested in four sub funds covering UK equities, global equities, investment grade corporate bonds and multi asset credit. Investments to the value of £0.8 billion have also been made in the private equity, infrastructure and private debt programmes through Limited Partnership structures.

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:

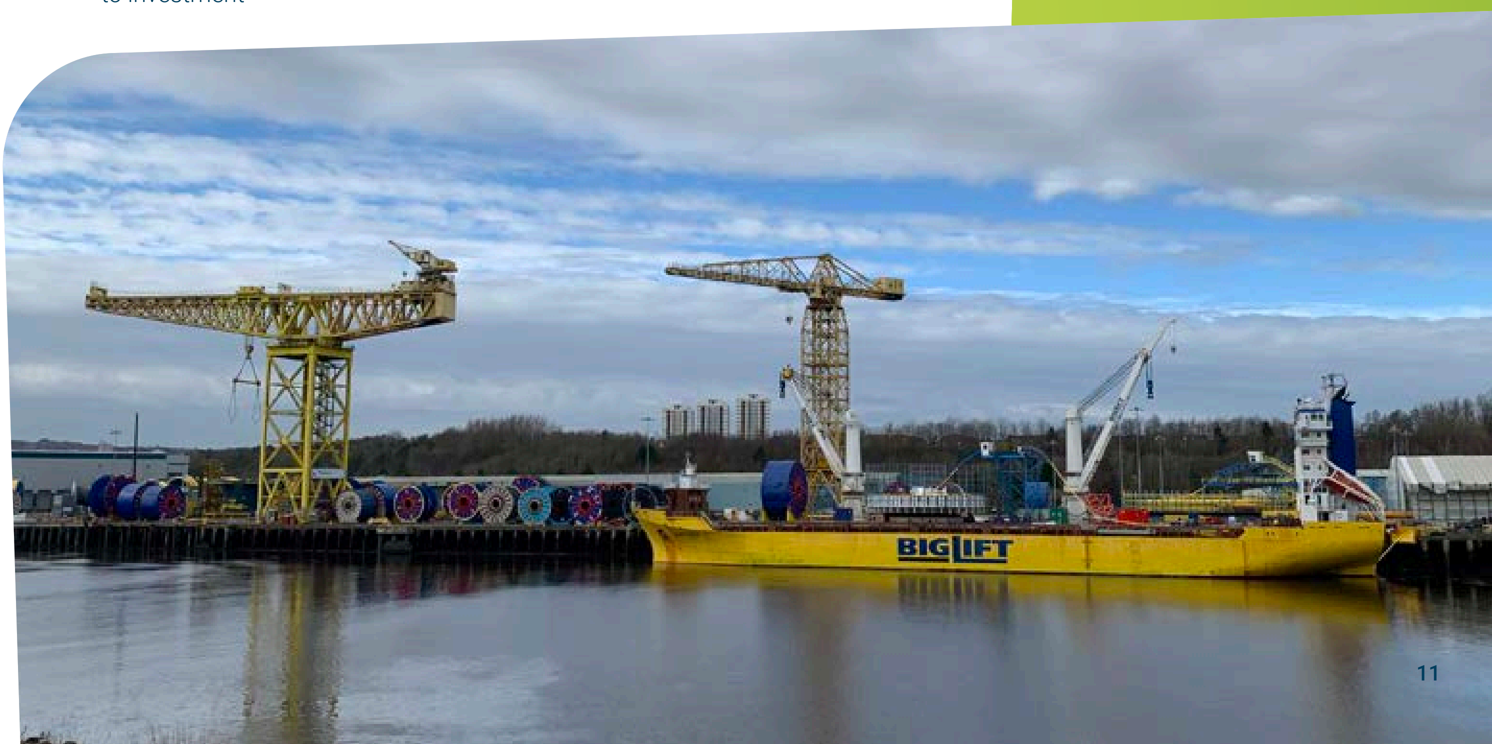
- a requirement to invest money in a wide variety of investments
- an assessment of the suitability of investments held
- the approach to risk
- the approach to pooling investments
- the policy and approach to social, environmental and corporate governance
- the policy on the exercise of rights (including 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 Scheme for the administrative areas of Tyne and Wear and Northumberland. The Governance and Funding Office of the Pensions Service overseas the governance arrangements for the Fund.

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

In accordance with the Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020, Tyne and Wear Pension Fund and Northumberland County Council Pension Fund merged with effect from 1st April 2020.

The merger required changes to be made to the governance arrangements for the Fund. This was primarily a change to the constitution for South Tyneside Council to allow for Councillor representatives from Northumberland County Council to join the Pensions Committee.

The merger also had implications for the governance of Border to Coast. Following the merger, the number of administering authorities owning Border to Coast reduced from twelve to eleven and the membership of the Joint Committee also amended accordingly.

The post-merger governance arrangements are set out as follows.

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 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 Border to Coast, this will be done by Border to Coast itself.
- Preparing, maintaining and publishing the Corporate Governance Policy.
- Determining what the administering authority requires the pool to provide to enable it to execute its local investment strategy and requesting what it needs via its representative on the Joint Committee.
- Preparing and maintaining a Responsible Investment Policy which takes account of the policy operated by Border to Coast.
- Ensuring appropriate arrangements for the Local Pension Board are in place and maintaining and publishing information about the Local Pension Board.
- Ensuring appropriate participation in the Joint Committee established to scrutinise the operation of Border to Coast.
- Monitoring the performance and effectiveness of the investment pooling operator to ensure:
  - it is providing an effective means of delivering the investment strategy (e.g. types of assets and style of investment management)
  - it is meeting the objectives that have been set (including requirements in relation to responsible investment)

- Agreeing and / or amending the governance documents for BCPP, including the terms of reference for the BCPP Joint Committee.
- Receiving and considering reports from BCPP and the Joint Committee and maintaining an effective mechanism for making recommendations to the Joint Committee.
- Identifying and managing the risks associated with investment pooling
- Ensuring 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 Government's initiative on the pooling of investments and the establishment of Border to Coast. The main change is that the Committee is no longer fully responsible for appointing, dismissing and monitoring the performance of investment managers. This responsibility is transitioning to Border to Coast. 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 January 2023 and demonstrates that the Fund is compliant with guidance provided by the Secretary of State for Levelling Up, Housing and Communities.

During 2022/23 the Committee had nineteen members. South Tyneside Council nominates eight members and the other five councils within the Tyne and Wear and Northumberland areas nominate one member each. The trade unions and the employers collectively nominate three members each, who sit on the Committee in an advisory capacity.

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.

THE LOCAL PENSION BOARD

The Public Service Pensions Act 2013 and the Scheme Regulations required the Council to establish a Local Pension Board to assist the 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 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
- To provide the 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 the Committee. The Board consists of eight voting members, four Member representatives and four Scheme 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 **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 the 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 considered.

ATTENDANCE AT MEETINGS AND AT TRAINING

Attendance at meetings of the Committee, the Local Pension Board, the Investment Panel and at training is summarised on the following page.

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 operate by consensus, with all members having an equal right to make their views known.

PENSIONS COMMITTEE	VOTING RIGHTS	NO. OF MEETINGS ATTENDED	NO. OF INVESTMENT PANEL MEETINGS ATTENDED	TOTAL HOURS OF TRAINING ATTENDED
Cllr. A. Walsh	Y	6 of 6	4 of 4	111.25
Cllr. W. Flynn	Y	4 of 6	4 of 4	112.75
Cllr. J. Foreman	Y	3 of 6	N/A	47.75
Cllr. R. Porthouse	Y	4 of 6	N/A	44.25
Cllr. G. Thompson	Y	0 of 6	N/A	0.00
Cllr. E. Malcolm	Y	3 of 6	N/A	9.00
Cllr. S. Stonehouse	Y	4 of 6	N/A	42.25
Cllr. J. Welsh	Y	0 of 1	2 of 4	84.25
Cllr. B. Goldsworthy	Y	4 of 6	N/A	15.00
Cllr. G. Haley (substitute)	Y	1 of 6	N/A	41.25
Cllr. P. Frew	Y	4 of 6	N/A	42.50
Cllr. V. Dunn (substitute)	Y	2 of 6	N/A	5.00
Cllr. A. McMullen	Y	2 of 6	N/A	9.00
Cllr. W. Samuel (substitute)	Y	2 of 6	N/A	5.00
Cllr. J. Price	Y	0 of 6	N/A	4.00
Cllr. S. Laws (substitute)	Y	1 of 6	N/A	36.50
Cllr. R. Dodd	Y	6 of 6	N/A	47.25
Cllr. C. Hardy (substitute)	Y	4 of 3	N/A	17.00
L. Brown (Trade Union Representative)	N	2 of 6	N/A	38.25
J. Kelly (Trade Union Representative)	N	2 of 6	N/A	35.25
J. Green (Trade Union Representative)	N	3 of 6	N/A	36.25
J. Hardy (Employer Representative)	N	5 of 6	N/A	36.75
J. Cook (Employer Representative)	N	4 of 6	N/A	41.25
T. Assadian (Employer Representative)	N	2 of 6	N/A	13.00

LOCAL PENSION BOARD	VOTING RIGHTS	NO. OF MEETINGS ATTENDED	NO. OF INVESTMENT PANEL MEETINGS ATTENDED	TOTAL HOURS OF TRAINING ATTENDED
N. Wirz	Y	4 of 4	N/A	92.75
Cllr. D. Purvis	Y	0 of 4	N/A	0.00
M. Brodie	Y	4 of 4	N/A	50.50
R. Dunn	Y	4 of 4	N/A	25.00
T. Bell	Y	3 of 4	N/A	29.00
A. Carr	Y	3 of 4	N/A	12.00
J. Pearson	Y	3 of 4	N/A	42.25
T. Hunter	Y	3 of 4	N/A	15.00

The substitute members on Pensions Committee from the district councils and Northumberland County Council 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.

WIDER GOVERNANCE ARRANGEMENTS

The Fund holds an annual meeting for the employers and trade unions.

The agenda for the meeting 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 LGPS assets, the Fund, along with eleven others, created its own Financial Conduct Authority (FCA) regulated investment management company.

Border to Coast 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.

The Administering Authority has to distinguish between its role as a shareholder in Border to Coast and 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. The Joint Committee focuses 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. The governance arrangements for Border to Coast have been the subject of a recent review. This work was completed during 2022/23.

Each administering authority is represented on the Joint Committee. The first meeting of the Joint Committee took place on the 6th June 2017. There are also two scheme member representatives on the Joint Committee in an advisory 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 is made up of two Executive Directors, and six Non-Executive Directors, including a Chair. Two of the five Non-Executive Directors are nominated by the partner funds in Border to Coast through the Joint Committee and are there partly to ensure the local government ethos is maintained. In 2020, Councillor Anne Walsh from South Tyneside Council was appointed as a partner fund nominated Non-Executive Director of Border to Coast. This appointment ended in September 2022.

The Board will be directly accountable to the partner 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 Pension 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.

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 2022 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 Climate Change Policy, which sets out how the Fund will manage climate change risks and the TCFD Report which includes the Fund's carbon footprint.
- 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.

CIPFA produced an updated 'Knowledge and Skills Framework' for Committee Members and LGPS Officers in 2021. Pensions Committee adopted the new Framework at its meeting in June 2022 as the basis of its Training Policy and Programme.

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 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 Fund's usual approach to training, focussed around two off-site training events, was altered in 2020/21 and 2021/22 due to the impact of Covid-19. In 2022/23 the Fund was able to return to off-site training events in September 2022 and February 2023, along with a small number of virtual training sessions.

Border to Coast, the Fund's investment managers, the Investment Advisor, and the Actuary assisted with the delivery of the training programme alongside Fund Officers. In addition, Border to Coast delivered an annual conference which was made available to members of the Committee and Board. Individual members have also been able to attend additional external training events, both online and in person.

Additional selected training seminars and conferences that were offered by industry wide bodies were attended by the respective Chairs and Vice-Chairs of the Committee and Local Pension Board. This recognises the higher governance duties placed upon those roles.

The training programme for 2022/23 covered topics including:

- The 2022 Valuation
- The roles and responsibilities of the Pensions Committee and the Local Pension Board
- What is pooling and who are Border to Coast?
- Refreshers on traditional asset classes and private markets
- The economic environment
- The 2022 review of the Investment Strategy
- Climate Change Engagement Scenarios
- Proposals for a multi factor climate aware equity investment
- The UK and Global Property proposals from Border to Coast
- Residential Property
- Pensions Administration
- Risk Management
- Benchmarking on Investments and Pensions Administration
- The National Knowledge Assessment
- Pension Fund Procurement and Relationship Management
- Global Property Portfolio updates
- The UK Opportunities Fund
- The Property Market Overview and Portfolio Updates
- Climate Change and ESG Implications for the Property Portfolio
- The Fund's Carbon Footprint
- Service Planning for 2023/24 to 2025/26.

The training programme for 2023/24 is to cover topics including:

- The role and responsibilities of the Committee and the Local Pension Board
- Refreshers on the main asset classes
- The economic environment
- Cash flow management
- Service planning
- Investment strategy health check
- New investment products being considered by the Fund
- Border to Coast product development – UK Opportunities, Climate Opportunities 2
- The Stewardship Code / Responsible Investment
- Pension Fund and employer discretions
- Pensions Accounting and Audit Standards
- Pensions Administration Service Delivery

OFFICER TRAINING

The Pensions Service participates in the general approach to officer training and development that is provided by South Tyneside Council. This includes areas such as data security.

The requirement for pension specific training has been addressed through the adoption of the CIPFA Framework.

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 is 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
- invest the assets in a responsible manner
- 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 is sufficient money in the Fund to cover all benefits
- 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 to achieve our vision.

The Pensions Committee approves the Service Plan at a special meeting in February of each year. The Plan can be viewed on the Fund's website.

After recent years had been dominated by the Covid-19 pandemic, 2022/23 saw a move to a "new normal". This "new normal" has seen a more flexible approach to working being adopted, with staff working in a hybrid way of returning to the office, but continuing with some home working.

Meetings of the Pensions Committee and the Local Pension Board have all been in-person which has helped in ensuring robust governance arrangements are in place.

The in-person training programme resumed from September 2022 and this has been supplemented by online training workshops. This hybrid training programme has worked well and has been well-received by Committee and Board members.

2022/23 has been a good but challenging year for the Fund. We have seen a higher than normal level of staff turnover and this has had some impact on service delivery, including delivering on the actions of the Service Plan. Notwithstanding this, a prioritised approach to service delivery has been adopted and most of the key actions have been delivered.

In 2022/23, we have:

- Delivered the 2022 valuation in an efficient manner and within the required timescales
- Evolved the Funding Strategy to ensure that it continues to target solvency whilst managing the cost to employers
- Finalised the 2022 asset liability study, alongside the valuation and completed a review of the Investment Strategy.
- Steps have been taken to implement the 2022 Investment Strategy review.
- Continued to build up allocations to infrastructure, private debt, property and climate opportunities.
- Further enhanced the Fund's approach to managing climate change risks and opportunities. This included the agreement of a road map of actions to achieve the Fund's climate ambitions and targets.
- Produced the Fund's first Taskforce for Climate Related Financial Disclosures (TCFD) report.
- Reviewed the arrangements for the property managing agents' contract.
- Continued with the implementation of the Government's initiative on the pooling of assets. This included assessing the offerings from Border to Coast on UK and global property and regional and emerging market equities.
- Completed and implemented the review of the organisational structure.
- Further developed the pensions administration software system to enhance the service.
- Progressed with the implementation of the McCloud remedy.
- Developed a more customer focussed approach to service provision, including enhancing the approach to electronic communication and processing.
- Developed and enhanced the public facing website.
- Responded to relevant initiatives and consultations from Government, the Pensions Regulator and the national Scheme Advisory Board.

In 2023/24 we will:

- Continue with the implementation of the 2022 Investment Strategy Review.
- Undertake an interim health-check of the Investment Strategy to ensure it remains appropriate.
- Prepare a Stewardship Code and submit it to the Financial Reporting Council.
- Continue to focus on responsible investment, with a particular focus on climate change.
- Review the contractual arrangements for the Fund's custodian and UK commercial property manager.
- Continue to transition assets to Border to Coast; particular focus on emerging market equities and UK and global property.
- Review the approach taken at the 2022 Valuation and look for improvements ahead of the 2025 Valuation.
- Keep the funding strategy under review and respond to material developments.
- Consider further enhancements to the pensions administration software system.
- Continue to prepare for the implementation of the McCloud remedy and Pension Dashboards.
- Progress with the move to monthly data collection.
- Continue to assess the working arrangements and participate in the Council's Modern Workplace programme.

RISK MANAGEMENT

INTRODUCTION

The Fund must identify and manage the strategic and operational risks to which it is exposed. 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. This identifies and assesses risks over the areas of:

- Governance
- Assets
- Liabilities / Funding
- 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 senior management at the Fund.

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 being informed of any changes made during the quarterly review.

The Committee receives an annual report on Risk Management but is also informed of any areas of concern raised through the Board's quarterly review through a report written by the Chair of the Board.

The most recent review of the Risk Register before the financial year end (held on 3rd March 2023) identified no risks as Critical.

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 more complex audit areas. This role is currently undertaken by Isio (formerly 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 process 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 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 / Funding 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:

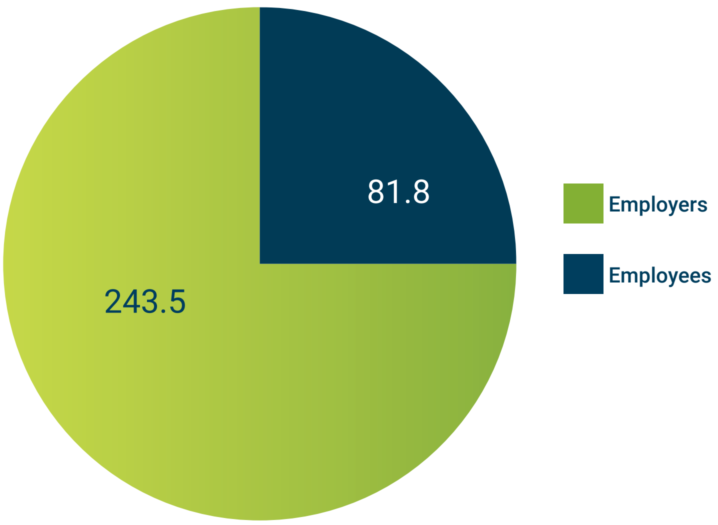
- the day to day pensions and investment accounting functions
- reconciling the valuation of the investments and monitoring the collection of dividends and interest and the associated cash flows in all currencies
- reconciling the cash flows associated with pension benefits, including the collection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

CONTRIBUTIONS

In 2022/23, the Fund received £325.2 million (£289.5 million in 2021/22) in pension contributions from employers and employees.

The chart below shows a breakdown of the contribution income:

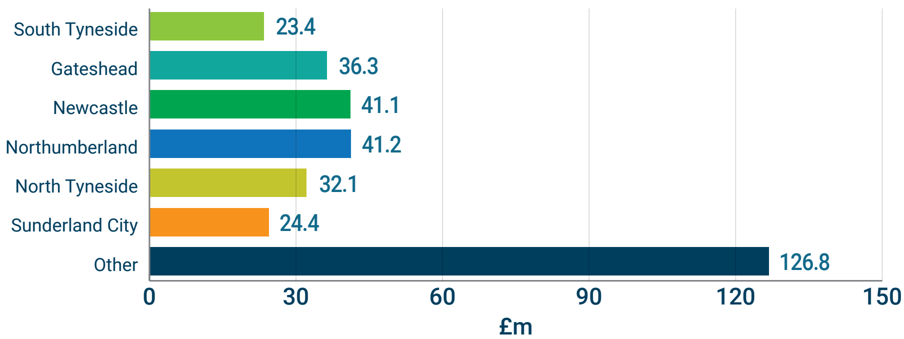
Contribution income 2022/23 £m



Contributions in 2022/23 were derived from total employer payrolls of £1,238.5 million (£1,133.3 million 2021/22) which saw employers pay on average a contribution rate of 20.04% (19.26% in 2021/22) and employees at 6.54% (6.51% in 2021/22).

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

Contribution income 2022/23 £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 2022/23 and the amount collected by the due date:

MONTH	AMOUNT DUE £'000	RECEIVED ON OR BEFORE DUE DATE
Apr-22	25,051	99.92%
May-22	24,665	99.85%
Jun-22	24,879	99.99%
Jul-22	25,222	99.85%
Aug-22	24,888	99.93%
Sep-22	25,011	99.93%
Oct-22	25,561	99.88%
Nov-22	32,358	99.99%
Dec-22	30,434	100.00%
Jan-23	26,904	99.58%
Feb-23	27,134	99.87%
Mar-23	27,185	99.44%

Late payments are monitored and pursued.

The following table shows the late payment history for 2022/23:

NUMBER OF DAYS PAYMENT WAS LATE	NUMBER OF LATE PAYMENTS	PERCENTAGE OF LATE PAYMENTS
Less than 10	24	71%
Between 10 and 19	4	12%
Between 20 and 29	2	6%
Between 30 and 39	0	0%
More than 40	4	12%

The number of late payments is higher than in the previous year, up to 34 (22 in 2021/22) with the majority being less than 10 days late in payment.

Amounts that were outstanding as at 31 March 2023 were paid by the 30 April 2023.

Interest is calculated in all cases but is only charged when the amount exceeds £20. Interest, for late payments during the year, totalling £207.15 was charged to or paid by employers during the year.

PENSION BENEFITS

During the year £423.8 million (£407.1 million in 2021/22) of pension benefits were paid to 67,257 pensioner and beneficiary members.

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 ten years. For the years prior to 2020/21 these relate to overpayments made by Tyne and Wear Pension Fund only and excludes any overpayments made by the Northumberland County Council Pension Fund. The figures for the last two years are for the merged Tyne and Wear Pension Fund.

Year over-payment was made	Pension overpaid £	Amount recovered £	Amount written off £	Outstanding at 31st March 2023 £	Percentage outstanding at 31st March 2023
2012/13	130,371	120,951	3,897	5,523	4.2
2013/14	92,974	82,916	10,011	47	0.1
2014/15	105,196	94,858	7,755	2,583	2.5
2015/16	178,328	174,723	1,680	1,925	1.1
2016/17	139,754	136,784	124	2,846	2.0
2017/18	285,093	272,744	6,253	6,096	2.1
2018/19	160,921	138,666	582	21,673	13.5
2019/20	218,330	186,113	1,480	30,737	14.1
2020/21	237,796	229,652	0	8,144	3.4
2021/22	361,244	300,190	320	60,734	16.8
2022/23	362,775	271,218	435	91,122	25.1

FORECAST v OUTTURN REPORT FOR THE YEAR

Forecasts	Forecast 2022/23 £m	Actual 2022/23 £m	Difference £m
Contributions	(295.308)	(325.157)	29.849
Transfers in from Other Pension Funds	(10.120)	(11.260)	1.140
Total Contributions	**(305.428)**	**(336.417)**	**30.989**
Benefits Payable	426.539	423.750	2.789
Payment in respect of Leavers	14.190	16.231	(2.041)
Total Costs	**440.729**	**439.981**	**0.748**
Net Reduction/(increase) from dealing with members	**135.301**	**103.564**	**31.737**
Management expenses	**85.405**	**65.027**	**20.378**
Investment Income	(101.905)	(125.335)	23.430
Change in Market Value of Investments	(863.769)	248.454	(1,112.223)
Net Return on Investment	**(965.674)**	**123.119**	**(1,088.793)**
(Increase)/Decrease in Net Assets Available for Benefits during the year	**(744.968)**	**291.710**	**(1,036.678)**

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 2025/26.

Longer Term Cash Flow Forecasts Forecasts	Forecast 2023/24 £m	Forecast 2024/25 £m	Forecast 2025/26 £m
Contributions	(296.520)	(302.460)	(308.520)
Transfers in from Other Pension Funds	(10.574)	(10.574)	(10.574)
Total Contributions	**(307.094)**	**(313.034)**	**(319.094)**
Benefits Payable	479.889	500.044	512.545
Payment in respect of Leavers	13.149	13.149	13.149
Total Costs	**493.038**	**513.193**	**525.694**
Net Reduction/(Increase) from Dealing with Members	**185.944**	**200.159**	**206.600**
Management Expenses	**83.370**	**88.623**	**85.374**
Investment Income	(169.155)	(177.613)	(186.493)
Change in Market Value of Investments	(919.417)	(980.667)	(1,028.204)
Net Return on Investments	**(1,088.572)**	**(1,158.280)**	**(1,214.697)**
Decrease/(Increase) in Net Assets Available for Benefits during the Year	**(819.258)**	**(869.498)**	**(922.723)**

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. Market Values forecasts assume a 5% p.a. average investment return.

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

PERFORMANCE AGAINST BUDGET IN 2022/23

A comparison of performance against budget for the net operational expenses of the Fund for 2022/23 is shown below:

Budget Area	Budget 2022/23 £000	Actual 2022/23 £000	Variance 2022/23 £000
Employee Costs	3,652	3,348	(304)
Premises	74	74	0
IT Costs	731	673	(58)
Supplies and Services	2,061	1,597	(464)
Cost of Democracy	141	105	(36)
Other Costs	193	84	(109)
Investment Management Expenses	152,945	98,903	(54,042)
Total Costs	**159,797**	**104,784**	**(55,013)**
Miscellaneous Income	(72)	(72)	0
Net Expenditure	**159,725**	**104,712**	**(55,013)**

The main variances against the budget are discussed below.

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 as the fees are directly related to the performance of the investments. The most significant differences all come from alternatives such as Private Equity, Global Property, Infrastructure, and Private Debt where performance is very difficult to predict. In 2022/23 performance was significantly below expectations which led to the fees being much lower than the budget and previous years.

Employee costs are under budget due to a combination of staff vacancies during the year.

The supplies and services budget is under budget because some of the costs in the budget for Border to Coast operating costs were ultimately not charged as the development of one product was not completed during the year. There were also savings on the communications budgets anticipated for implementing new regulations which are still not in place.

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 primarily due to the fact that some of the training for Committee and the Local Pension Board was delivered virtually, rather than in-person.

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 has sufficient assets to meet its liabilities.

The Governance and Funding Office of the Pensions Service oversees the Funding Strategy.

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.

To understand the current funding strategy, it is helpful 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 brought to an end and employer's contributions for the scheduled employers were phased back in.

The 1995 and 1998 valuations both identified funding levels of 87%. The 1998 valuation 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 in funding level was attributable to improvements in longevity and to employer specific factors such as pay awards, organisational 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 funding level of 79% at the 2010 valuation, 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 2014 scheme is expected to reduce employers' contributions by approximately 2% of pay.

At the 2013 valuation, Aon, 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'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 represented 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 was the final valuation with the Tyne and Wear Pension Fund and Northumberland County Council Pension Fund as separate funds. Notwithstanding this, measures were taken to align many areas of funding strategy with a view to future merger.

The 2019 valuation saw a notably increased funding level (106%) following strong investment returns; particularly in 2016/17. Due to the improved position, the Fund increased the prudence in the funding strategy by increasing the probability of funding success to 80% and by reducing the maximum deficit recovery period to 17 years (and moving many employers in deficit to a recovery period based on average future working lifetime).

The outcome for Tyne and Wear was an average future service rate of 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 was made for the outcome of the 'McCloud' judgement of 1.2% leading to a total average contribution rate of 19.7%. This was a significant reduction from the average rate of 25.2% at the 2016 valuation.

For Northumberland, the average future service rate was 20.6% of pensionable pay, against a rate of 19.3% at the 2016 valuation. Adjusting for the small deficit increases this rate by 0.9%, leading to a total average contribution rate of 21.5%, against 27.2% at the 2016 valuation. The rate for 2019 included an allowance of 0.9% for the outcome of the 'McCloud' judgement.

THE 2022 VALUATION

The Scheme Regulations required a valuation to be carried out as at 31 March 2022, and new employer contribution rates to be certified with effect from 1 April 2023. This process, referred to as the "2022 valuation" has now completed. This was the first valuation of the merged Fund.

This section summarises the outcome of the 2022 valuation:

The 2022 valuation was successfully delivered against a backdrop of economic volatility and high inflation. Despite this, the valuation saw an increased funding level of 110%. The main driver for the increased funding level was asset performance being above levels assumed at the 2019 valuation.

The total fund contribution rate was 18.6%, which was a reduction from the 2019 valuation (19.7%). Whilst the position for individual employers differed, the general trend was for good stability in the employer contribution rates with small reductions for many.

No loading factor was applied to employer contribution rates at the 2022 valuation for the McCloud remedy. Instead an employer specific allowance was made to the liability values.

A probability of funding success of 80% was again used at the 2022 valuation, resulting in a discount rate of 4.45% for scheduled employers.

Given the increased funding level, the Fund took the opportunity to make modest increases in the level of prudence. Whilst a probability of funding success of 80% was retained (as stated above), the maximum deficit recovery period was reduced to 14 years reflecting the passage of three years since the previous valuation. Given the high levels of inflation at the time of the valuation, a 10% uplift was applied to liability values to reflect short-term inflation pressures.

For employers in surplus, amortisation only applied to a surplus over a funding level of 110% and over a period of 20 years.

The Fund continued with the risk-based approach to funding strategy at the 2022 valuation and again used three funding targets, depending on the covenant strength and net risk of individual employers.

In the build up to the 2022 valuation, Fund Officers undertook a review of the appropriateness of the use of gilt yields in setting discount rates. This followed a protracted period of low levels of gilt yields and feedback from employers that this was resulting in continued cost pressures.

After the review by Fund Officers, Pensions Committee decided to retain the use of gilt yields in certain discount rates, but brought in a cost-control underpin based on the probability of funding success. This underpin would apply when gilt yields were at a low level.

At the 2022 valuation, it was determined that the cost-control underpin would apply and this benefitted employers on the Intermediate Funding Target and the Ongoing Orphan Funding Target.

In respect of those employers on the Intermediate Funding Target (i.e. colleges and universities), a third-tier was introduced to better reflect individual employer covenant and further reductions were made to the left-service discount rate at all three tiers.

The Rates and Adjustments Certificate for the 2022 valuation was signed before 31st March 2023. The new employer contribution rates came into effect from 1st April 2023 and will apply for a three-year period.

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 Reports. These documents are 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**.

2025 VALUATION

The next local fund valuation will be undertaken as at 31 March 2025. The new employer contributions will then apply from 1 April 2026.

Fund Officers will begin preparatory work for the 2025 valuation in the next twelve months.

TYNE AND WEAR PENSION FUND

STATEMENT OF THE ACTUARY FOR THE YEAR ENDED 31ST MARCH 2023

INTRODUCTION

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS 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 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

ACTUARIAL POSITION

1. The valuation as at 31 March 2022 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 2022 (of £12,747.1M) covering 110% of the liabilities.

2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (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 31st March 2026 are estimated to be:

Year from 1st April	% of pensionable pay	Additional contribution amount (£M)
2023	17.3%	£1.279M
2024	17.3%	£1.327M
2025	17.3%	£1.378M

3. 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 changes and individual employers' recovery / amortisation periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances. .

4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	4.45% p.a.
Discount rate for periods after leaving service	
Scheduled and subsumption body funding target *	4.45% p.a.
Intermediate (Tier 1 – High) funding target	3.94% p.a.
Intermediate (Tier 2 – Medium) funding target	3.69% p.a.
Intermediate (Tier 3 – Low) funding target	3.43% p.a.
Ongoing orphan funding target	1.90% p.a.
Rate of pay increases	3.80% p.a.
Rate of increase to pension accounts. **	2.30% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)**	2.30% 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, a 10% uplift has been applied to the past service liabilities on the scheduled and subsumption body, ongoing orphan and intermediate funding targets to make allowance for short-term inflation above the long-term assumption.*

The assets were valued at market value.

5. 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) S3 mortality tables (Heavy), with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic HorizonsTM longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with 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	21.5	24.5
Current active members aged 45 at the valuation date	22.8	26.0

6. The valuation results summarised in paragraphs 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. 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 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. 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 their actuarial valuation which was carried out as at 31 March 2022. 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.

9. The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address:

www.twpf.info/media/5406/Fund-valuation-2022/pdf/Tyne_and_Wear_Pension_Fund_-_actuarial_valuation_as_at_31_March_2022_FINAL.pdf?m=638158760197230000

Aon Solutions UK Limited
May 2023

MEMBERSHIP OF THE FUND

As at 31st March 2023, there were 322 employers participating in the Fund.

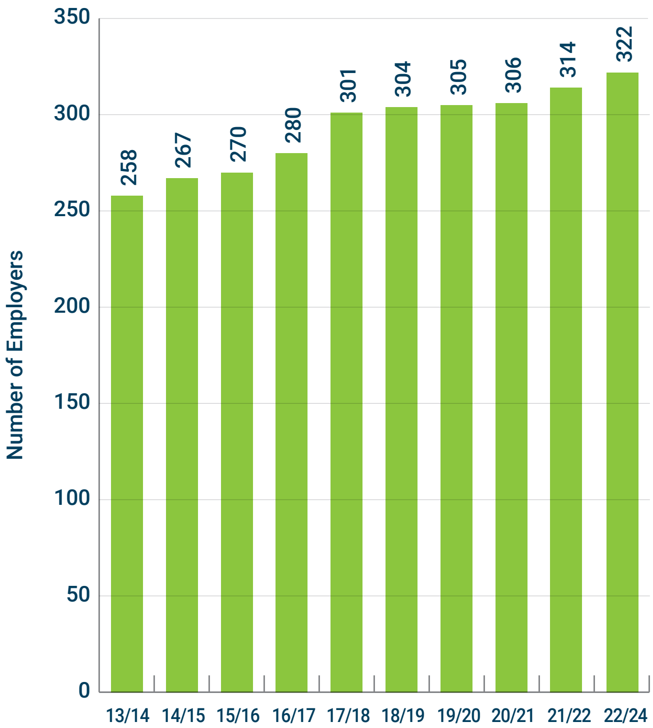
This includes the five district councils within Tyne and Wear, Northumberland County Council and a wide range of other organisations that provide a public service within the Tyne and Wear and Northumberland County areas.

As part of the merger in April 2020, 27,000 members and 39 employers were transferred into the merged Fund as at 1st April 2020.

The data shown below for 2020/21 onwards is based on the merged Fund. For earlier periods the data is a combination of the position for each Fund. This should hopefully provide a better trend on the movement in employer numbers and membership.

The number of participating employers over the past ten years in the Tyne and Wear Pension Fund and Northumberland County Council Pension Fund is shown in the chart below:

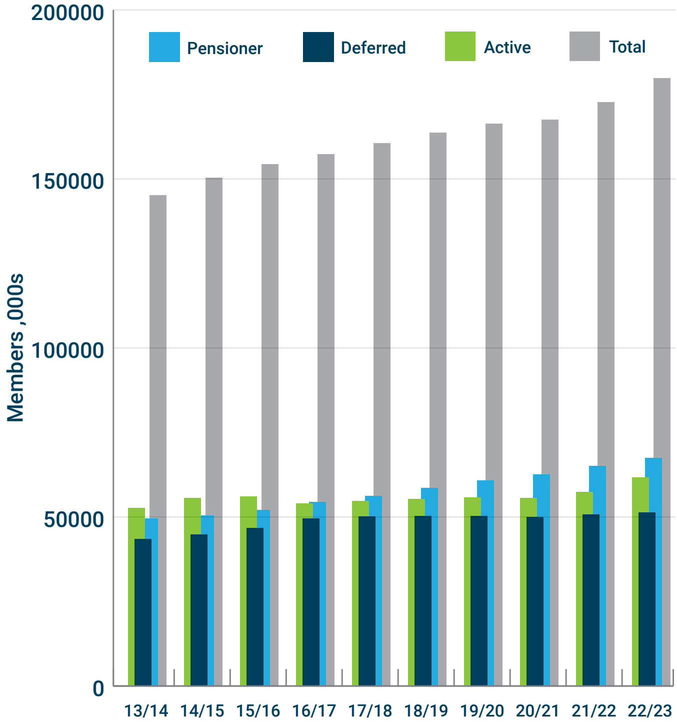
The increase in the early part of this period was caused by the councils' outsourcing work to contractors that took up admitted body status in the Fund, and schools converting to academy status and taking up scheduled body status in the Fund.



The Fund had 179,834 members as at 31st March 2023.

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 2023 was 5,459 (4,927 as at 31st March 2022).

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



Total membership has increased through this period, driven by an increase in all categories of membership. The active membership in the Fund was relatively stable from 2014/15 through to 2020/21, but has started to rise again in the last two years.

New Pensioners

During the year the Fund paid pensions to 3,406 new pensioners. Of these 2,602 were members who retired in advance of the normal retirement age, 657 were members who retired at their normal retirement age and 147 were ill health retirements.

TYNE AND WEAR PENSION FUND MEMBERSHIP ANALYSIS

	MEMBERS AS AT 31ST MARCH 2022			CONTRIBUTIONS RECEIVED IN RESPECT OF	
COUNTY AND DISTRICT COUNCILS	**ACTIVES**	**DEFERRED**	**PENSIONERS**	**EMPLOYERS £'000**	**EMPLOYEES £'000**
Gateshead Council	6,731	5,611	8,292	27,249	9,074
Newcastle City Council	7,122	6,455	10,845	30,626	10,429
North Tyneside Council	7,106	5,240	6,870	24,233	7,855
Northumberland County Council	7,583	7,299	9,413	31,805	9,411
South Tyneside Council	4,438	4,210	5,888	17,746	5,647
City of Sunderland Council	3,900	5,609	8,898	18,667	5,704
SUB TOTALS	**36,880**	**34,424**	**50,206**	**150,326**	**48,120**

SCHEDULE 2 PART 1 EMPLOYERS	**ACTIVES**	**DEFERRED**	**PENSIONERS**	**EMPLOYERS £'000**	**EMPLOYEES £'000**
Academy 360	0	22	19	0	0
Acer Learning Trust	0	16	4	12	4
Adderlane Academy-Wise Group	0	0	0	638	141
Aim High Academy Trust	80	41	16	162	56
All Saints Academies Trust	0	28	9	83	24
Aspire North East Multi Academy	110	37	27	316	121
Balmoral Learning Trust	82	36	18	199	62
Barnes Academy Trust	29	17	6	52	19
Barnwell Academy Trust	47	22	9	104	38
Beacon of Light School	8	5	2	28	9
Bede Academy	0	0	0	780	246
Berwick Academy	57	18	20	207	46
Biddick Academy Trust	42	36	21	153	58
Bishop Bewick Catholic Education Trust	1,171	212	110	2,569	805
Bishop Chadwick Catholic Education Trust	658	32	50	1,796	525
Bishop Wilkinson Catholic Education Trust	747	116	85	1,666	568
Blyth Academy	0	0	0	265	55
Brighter Academy Trust	60	33	23	199	67
Castle View Enterprise Academy	67	51	12	146	61
City of Sunderland College	516	743	599	1,893	605
Consilium Academies	133	35	32	553	153
Cramlington Learning Village	173	65	23	411	110
Cramlington Village Primary School	24	12	2	62	20
Dayspring Trust	0	39	18	152	52
Diamond Hall Infant Academy	26	24	4	56	21
Discover Learning Trust	133	36	26	320	117
Discovery Learning Limited	0	1	1	0	0
Durham and Newcastle Diocesan Learning Trust	71	0	0	59	18
Emmanuel Schools Foundation	289	122	56	301	98
Eppleton Academy Primary School	17	14	4	36	11
Extol Academy Trust	34	9	2	87	27
Former North East Regional Airport	0	0	5	0	0
Former Tyne and Wear County Council	0	0	184	0	0
Former Tyne and Wear Residuary Body	0	0	21	0	0
Gateshead College	270	471	268	2,358	363
Gateshead Housing Company	0	230	265	0	0

SCHEDULE 2 PART 1 EMPLOYERS	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Gosforth Federated Academies Ltd	434	157	56	986	334
Grasmere Academy	16	13	6	27	9
Grindon Hall Christian School	0	4	3	0	0
Hadrian Learning Trust	182	53	28	464	109
Holy Trinity Church of England Academy	23	6	4	61	21
Inspire Multi Academy Trust	100	38	20	256	89
Iris Learning Trust	81	12	9	246	72
Jigsaw Learning Trust	42	15	6	111	33
Joseph Swan Academy	0	35	6	0	0
Kenton Schools Academy Trust	114	108	39	374	155
Kibblesworth Academy	11	9	9	28	6
Learning Matters Trust Limited	72	37	17	241	79
Lord Lawson of Beamish Academy	76	31	24	226	72
Meadowdale Academy	0	23	10	13	4
Monkton Infants School	11	4	2	33	10
Monkton Academy	13	0	4	23	9
Monkwearmouth College	0	0	3	0	0
NCG	1,142	2,198	951	4,868	1,549
Neat Academy Trust	329	101	23	779	255
Newcastle Education Action Zone	0	0	3	0	0
North East Learning Trust	172	48	35	492	129
North Tyneside College	0	33	37	0	0
North View Academy Trust	0	4	1	0	0
Northern Lights Learning Trust	116	15	2	132	55
Northumberland Church of England Academy	291	185	116	891	306
Northumberland Magistrates Courts	0	16	83	0	0
Northumberland National Park Authority	86	90	57	405	143
Northumbria Police Authority	0	822	1,408	0	0
Northumbria University	1,728	1,665	1,521	7,442	2,862
Oak Learning Trust	77	18	16	223	66
Our Lady of Mercy Catholic Education Trust	0	8	16	0	0
Pele Trust	280	62	11	672	174
Police and Crime Commissioner for Northumbria	43	2	2	276	121
Ponteland Academy Trust	25	12	6	60	14
Prosper Learning Trust	288	61	18	694	222
Red House Academy	0	13	7	0	0
Redby Primary Academy	0	5	1	0	0
River Tees Multi Academy Trust	30	8	2	104	34
Riverside Primary Academy	28	14	5	57	18
Ryhope Infant School Academy	20	4	8	53	15
Smart Multi Academy Trust	233	64	36	690	180
South Tyneside Education Action Zone	0	1	1	0	0
South Tyneside Homes	652	317	395	2,416	1,259
St Aidan's Education Trust	0	16	20	0	0
St Cuthbert's Catholic High School	0	20	19	0	0
St Joseph's Catholic Education Trust	0	29	26	0	0
St Mary's Catholic School Trust	0	17	8	0	0
Sunderland Education Action Zone	0	0	1	0	0
The Ascent Academies Trust	135	84	40	379	159
The Cedars Academy Trust	76	28	9	182	69
The Chief Constable for Northumbria	2,305	622	481	10,812	4,170
The Durham, Gateshead, South Tyneside and Sunderland Combined Authority	32	21	82	0	103
The Eden Academy	88	25	7	178	52
The Illuminaire Multi Academy Trust	88	19	9	416	102

SCHEDULE 2 PART 1 EMPLOYERS	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
The Laidlaw Schools Trust	377	183	83	1,041	362
The Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority	130	19	6	311	446
The Northern Education Trust	442	179	108	1,092	427
The Three Rivers Learning Trust	301	171	60	771	184
Trinity Academy Newcastle	84	53	13	337	123
Tyne and Wear Fire & Rescue Service	310	191	306	1,464	535
Tyne Coast Academy Trust	190	81	27	594	188
Tyne Coast College	312	287	322	1,385	407
Tyne Community Learning Trust	247	64	23	520	135
Tyne Metropolitan College	0	190	86	0	0
Tynemouth College	0	17	16	0	0
University of Sunderland	1,062	888	968	6,311	2,014
Valour Multi Academy Trust	70	13	0	126	39
Vision Learning Trust	110	16	12	196	58
Wearside College	0	2	5	0	0
West Newcastle Academy	31	15	2	63	19
Whickham School and Sports College	192	57	20	324	116
Whitburn Church of England Academy	78	25	29	207	65
Wise Academies	409	189	85	464	163
Woodard Academies Trust	74	42	13	238	72
XP School Trust Limited (Gateshead)	5	0	0	16	6
Your Homes Newcastle	783	535	499	1,921	1,311
SUB TOTALS	**19,490**	**12,932**	**10,333**	**68,354**	**24,229**

SCHEDULE 2 PART 2 EMPLOYERS	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Alnwick Town Council	7	0	0	14	4
Ashington Town Council	5	1	2	35	10
Birtley Town Council	0	0	6	0	0
Blue Square Trading Limited	0	7	5	0	0
Care and Support Sunderland Limited	0	7	3	0	0
Castle View Community and Fitness Centre Limited	0	7	1	6	0
Choppington Parish Council	3	0	1	23	8
Corbridge Parish Council	2	1	0	8	2
Hexham Town Council	6	2	7	31	9
Illuminaire Business Services Limited	5	3	1	52	8
Learning World	0	6	1	0	0
Morpeth Town Council	7	3	4	37	12
Neat Active Limited	2	6	0	7	1
Newbiggin by The Sea Town Council	2	0	1	12	5
Nexus	1,100	437	1,340	3,997	3,118
Northumberland Inshore Fisheries & Conservation Authority	19	7	9	100	34
Northumbria University Nursery Limited	4	2	7	15	9
Ponteland Town Council	3	0	0	7	2
Regent Funeral Services	6	1	0	16	7
Seaton Valley Council	0	1	0	0	0
Sunderland Care and Support Limited (SCSL)	974	187	298	1,971	590
Sunderland Live Limited	0	17	4	0	0
The Intraining Group Limited	0	22	9	0	0
Together for Children	950	218	102	5,050	1,805
University of Sunderland London Campus Limited	6	0	1	67	48
Victims First Northumbria	0	6	2	0	0
West Bedlington Town Council	1	0	1	8	2
Zero Carbon Futures (North) Limited	0	3	0	0	0
SUB TOTALS	**3,102**	**944**	**1,805**	**11,456**	**5,674**

ADMITTED BODIES	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Action for Children	0	17	5	0	0
Active Northumberland	83	69	89	178	93
Age Concern Newcastle	0	19	76	0	0
Age UK Northumberland	0	10	21	0	0
Aramark Limited	1	0	0	7	1
AQA Education	0	0	8	0	0
Association of North East Councils	38	44	20	44	86
Azure Business Centres Limited	0	0	2	0	0
Balfour Beatty Living Places Limited	12	0	9	104	35
Baltic Flour Mills Visual Arts Trust	1	4	4	22	2
Barnardo's Services Limited	0	15	4	1	1
Bell Decorating Group Limited	0	1	0	0	0
Benton Grange School	0	0	4	0	0
Benwell Young Peoples Development Group	0	2	1	0	0
Bernicia Group (Berwick Housing)	5	3	15	49	9
Bernicia Group (Wansbeck Homes)	56	22	92	684	136
Brunswick Young Peoples Project	0	3	0	0	0
BT South Tyneside Limited	0	68	103	0	0
Bullough Contract Services Limited	0	1	0	0	0
Bullough Contract Services Limited (Southmoor)	0	7	0	0	0
Bulloughs Cleaning Services	0	0	1	0	0
Bulloughs Cleaning Services (Multiple Schools)	2	2	5	2	0
Byker Community Trust	0	3	0	0	0
Capita Property and Infrastructure Limited	62	37	55	0	114
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	0	0
Castle Morpeth Housing	0	4	7	0	0
Catholic Care North East	0	5	29	0	0
CBS Outdoor Limited	0	2	0	0	0
CDS Security Limited	1	1	0	48	8
Childcare Enterprise Limited	0	9	10	0	0
Churchill Contract Services Limited (Cedars)	0	2	2	0	0
Compass Contract Services (U.K.) Limited (Whickham School)	0	1	2	0	0
Compass Contract Services (U.K.) Limited (Whickham School and Sports College)	2	0	0	17	2
Compass Contract Services (U.K.) Limited (Lord Lawson)	0	1	1	0	0
Compass Contract Services Limited (Hilton Primary)	0	2	0	43	0
Compass Contract Services Limited (Red House Academy)	0	2	0	0	0
Compass Contract Services Limited (Thomas Hepburn and Thorp Academies)	0	0	2	0	0
Compass Group UK & Ireland Limited (North Tyneside)	0	0	1	0	0
Compass Trading (UK) Limited	0	1	2	0	0
DB Regio Tyne and Wear Limited	0	97	148	0	0
Disability North	0	12	22	19	2
Enerveo Limited	3	5	25	0	5
Engie Buildings Limited	5	2	3	53	14
Engie Services Limited (North Tyneside)	132	118	110	0	252
Engie Services Limited (PB)	6	1	4	27	12
Feversham School	0	5	27	0	0
Gateshead Law Centre	0	5	9	0	0
Gentoo Group Limited	743	905	1,135	8,624	1,708
Greenwich Leisure Limited	33	3	0	173	44
Groundwork South Tyneside and Newcastle	1	3	4	33	7
Hebburn Neighbourhood Advice Centre	0	3	1	0	0
Higher Education Funding Council for England	0	0	3	0	0
Hutchinson Catering Limited (Extol Trust)	5	0	1	25	3
Hutchinson Catering Limited (George Stephenson)	0	0	2	5	0
Hutchinson Catering Limited (St Stephens-St Bartholomews)	1	0	0	6	1
Information North (North Regional Library System)	0	0	2	0	0
Insitu Cleaning	0	4	6	0	0
International Centre for Life	1	7	15	36	9

ADMITTED BODIES	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Involve North East	1	8	2	9	2
Jarvis Accommodation Services Limited	0	2	4	0	0
Jarvis Workspace Facilities Management Limited	0	1	4	0	0
Karbon Homes	10	3	22	356	20
Karbon Homes (Byker)	3	0	1	33	15
Kenton Park Sports Centre	0	9	3	0	0
KGB Cleaning and Support Services Limited	0	14	8	0	0
Kier North Tyneside Limited	0	56	162	0	0
Lovell Partnership Limited	2	3	5	10	1
Maxim Facilities Management Limited (Harton Academy)	0	4	0	11	1
Maxim Facilities Management Limited (South Tyneside)	0	0	1	0	0
Mears Limited (Gateshead)	0	9	57	0	0
Milecastle Housing	0	9	33	0	0
Mitie Cleaning and Environmental Services Limited (Whickham)	8	0	0	0	0
Mitie Cleaning (North) Limited	0	1	0	0	0
Mitie PFI Limited (Boldon School)	5	1	2	24	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	51	68	0	0
Morse	0	12	0	0	0
Museums Libraries and Archives North East	0	13	10	0	0
National Car Parks	0	1	4	0	0
National Glass Centre	0	1	1	0	0
Newcastle Family Service Unit	0	0	6	0	0
Newcastle Gateshead Initiative Limited	0	1	0	0	0
Newcastle Healthy City Project	0	12	15	0	0
Newcastle International Airport	47	152	488	26	172
Newcastle Tenants and Residents Federation (NTRF)	0	1	0	0	0
Newcastle Tenants Federation	0	0	5	0	0
Newcastle Theatre Royal Trust Limited	244	172	85	324	153
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	0	1	0	0
North Country Leisure	0	23	10	0	0
North Country Leisure 2	0	14	8	0	0
North East Innovation Centre	0	6	17	0	0
North East Law Centre	1	10	4	20	3
North East Metro Operations Limited	0	78	52	0	0
North East Regional Employers Organisation	5	3	6	162	10
North Tyneside City Challenge	0	1	3	0	0
North Tyneside Disability Advice	0	0	1	0	0
Northern Arts Association	0	15	27	0	0
Northern Council for Further Education	0	5	18	0	0
Northern Counties School for the Deaf	0	9	22	0	0
Northern Grid for Learning	0	6	5	0	0
Northumberland Aged Mineworkers Homes Association	8	0	9	199	22
Northumberland Care Trust	0	29	65	0	0
Northumbria Healthcare NHS Foundation Trust	0	7	39	104	4
Northumbria Tourist Board	0	10	24	0	0
OCS Group UK Limited (Jarrow)	0	1	1	0	0
OCS Group UK Limited (SSCS)	0	2	6	0	0
One North East	0	0	6	0	0
Orian Solutions Limited (Gateshead)	0	2	1	1	0
Orian Solutions Limited (Newcastle)	0	2	0	3	1
Orian Solutions Limited (Pele Trust)	0	2	0	0	1
Orian Solutions Limited (Southmoor)	10	0	0	26	4
Orian Solutions Limited (St Benet Biscop Academy)	2	0	0	15	2
Orian Solutions Limited (Washingwell Primary)	0	1	1	0	0
Ouseburn Trust	0	1	0	0	0

ADMITTED BODIES	ACTIVES	DEFERRED	PENSIONERS	EMPLOYERS £'000	EMPLOYEES £'000
Parsons Brinkerhoff	0	3	3	0	0
Passenger Transport Company	0	0	72	0	0
Percy Hedley Foundation	13	3	12	172	23
Port of Tyne Authority	0	0	1	0	0
Praxis Service	1	1	4	22	5
Property Management Integrated Services and Employment Company Limited	3	4	0	43	7
Queens Hall Arts Centre	1	2	4	42	2
Raich Carter Sports Complex	0	41	2	0	0
Remondis JBT Limited	0	0	1	0	0
RM Education	0	2	2	0	0
Robertson Facilities Management (Newcastle Phase 2)	1	1	2	1	1
Robertson Facilities Management Limited	3	1	6	9	5
Scolarest (Newcastle)	0	4	19	0	0
Scolarest PFI (Boldon)	0	0	1	0	0
Search Project	0	0	4	0	0
Simonside Community Centre	0	3	0	0	0
SLM Community Leisure Charitable Trust	135	115	43	194	64
SLM Fitness and Health Limited	37	23	2	38	10
SLM Food and Beverage Limited	0	3	0	0	0
Sodexo Limited	0	2	4	0	0
Sodexo Limited (Tyne Coast)	3	0	2	18	3
South Tyne Football Trust	0	0	1	0	0
South Tyneside Integrated Care Limited	13	3	5	47	16
South Tyneside Victim Support	0	0	2	0	0
St Mary Magdalene and Holy Jesus Trust	2	2	10	25	5
St Mary The Virgin Hospital	0	0	1	0	0
Stadler Rail Service Uk Limited	94	15	13	361	280
Stagecoach Services Limited	0	37	828	0	0
Suez Recycling and Recovery UK Limited (South Tyneside Gateshead)	2	0	0	24	4
Suez Recycling and Recovery UK Limited (Sunderland)	5	0	2	50	9
Sunderland City Training and Enterprise Council	0	18	47	0	0
Sunderland Empire Theatre Trust	0	2	3	0	0
Sunderland Outdoor Activities	0	1	2	0	0
Sunderland People First Co-Operative Community Interest Company	3	1	0	11	5
Sunderland Streetlighting Limited	10	18	41	79	35
Taylor Shaw	0	5	2	0	0
The Disabilities Trust	0	2	4	0	0
The Human Support Group Limited	3	0	3	23	3
The Ozanam House Probation Hostel Commitee	42	36	20	302	57
Thomas Gaughan Community Association	0	1	1	0	0
TT2 Limited	108	14	66	280	297
TWAM Enterprises Limited	6	2	0	29	8
Tyne and Wear Development Company Limited	0	17	12	0	0
Tyne and Wear Development Corporation	0	6	43	0	0
Tyne and Wear Enterprise Trust	0	9	27	0	0
Tyne and Wear Play Association	0	0	1	0	0
Tyne and Wear Small Business Service	0	5	16	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	19	41	0	0
Urban Green Newcastle	3	8	1	15	4
Valley Citizens Advice Bureau	0	0	1	0	0
Walker Profiles (North East) Limited	0	17	13	0	0
Wallsend Citizens Advice Bureau	0	0	3	0	0
Wallsend Hall Enterprises Limited	0	1	4	0	0
Woodhorn Charitable Trust	9	7	12	44	14
Workshops for the Adult Blind	0	5	41	0	0
SUB TOTALS	**2,036**	**2,769**	**4,913**	**13,352**	**3,816**
GRAND TOTALS	**61,508**	**51,069**	**67,257**	**243,488**	**81,839**

PENSIONS ADMINISTRATION

MODERN WORKPLACE PROGRAMME

During 2022/23 the Fund continued to move towards a "new normal" following the Covid pandemic. South Tyneside Council launched a Modern Workplace Programme to adapt to changes in working practices. The purpose of the Modern Workplace Programme is to provide the Council and its employees with the tools to effectively work and deliver the service at home and in the office.

Pension Fund Officers have participated in the ongoing development of the Modern Workplace Programme. The Fund has adopted the hybrid way of working with staff working two to three days per week in the office and the remainder at home. This is considered to give staff a good work / life balance whilst ensuring focus remains on service delivery.

PENSIONS OFFICE STRUCTURE

The Pensions Service has been undergoing a review of its structure in recent years, following the merger with Northumberland County Council Pension Fund. This continued in 2022/23 with a particular focus on the administration function.

The previous structure, which had been in place for many years, consisted of three operational teams, a communications team and a technical team.

In October 2022, the new administration structure was implemented. The new structure comprises of six teams. An overview of the new teams is as follows:-

- Two operations teams which focus on day-to-day processing.
- Systems team which has the responsibility for the maintenance and support of the IT system and network.
- Member engagement team which focusses on the Fund's membership and serves as a single point of contact for members.
- Employer engagement team which focusses on the Fund's employers.
- Development team which focuses on the identification of process improvements and efficiencies, co-ordinates the production of management information and identifies and delivers new projects.

POLICY DOCUMENTATION

The approach to pensions administration is based around two main policy documents, namely the Pensions Administration Strategy and the Communications Policy Statement.

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 2022/23.

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.

The Pensions Administration Strategy 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, which was updated in 2023, provides a significant impetus for improving how the Fund and employers work together.

The roles and responsibilities of both the employer and the administering authority are set out in the Pensions Administration Strategy. 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 the unsatisfactory performance of an employer.

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.

The latest Statement is available on our website at **www.twpf.info or https://www.twpf.info/media/5614/Pensions-Admin-Strategy/pdf/Pensions_Administration_Strategy_Report_-_2023.pdf?m=638200143052770000**. A copy can also be made available on request.

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 https://www.twpf.info/media/2978/Communications-Policy/pdf/Communications_Strategy_31.01.2023.pdf?m=638176948020000000**.
A copy of the statement can be made available on request.

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 67,257 pensioner members of the Fund.
- We maintain the records of 51,069 deferred members of the Fund.
- We maintain the records of and receive and reconcile contributions for 61,508 actively contributing members of the Fund.
- We provide annual benefit statements for our active and deferred members. Pensioners receive an annual update in April which includes details of any pensions increase. Over the past couple of years, we successfully moved to electronic statements and pensioner annual updates, P60s and payslips 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 an outstanding query. Members were still able to elect to receive a paper copy and we provided 1,422 paper annual benefit statements and 13,162 paper updates to our pensioners.
- 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 through our "mypension" service. In 2022/23 44,064 estimates were carried out by members which is an increase from around 36,000 in the previous year. This is proving to be a useful tool to help members plan for their retirement.
- The Fund launched a new public website in 2022/23, which 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.
- This helpline also facilitates members to access and use their mypension accounts.
- Calls to the helpline have continued to reduce as more members move online. We handled nearly 32,627 calls in 2022/23, which has dropped from over 38,000 in 2020/21.
- We welcome personal callers to the office and an appointment is not necessary. Historically we were visited by around 800 members a year. As result of Covid, in 2021/22 this service was restricted for all but exceptional circumstances and we only had 85 personal callers, however during 2022/23, this number increased to 296.
- 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 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:

- The Fund has a dedicated Employer Services Team who provide assistance to employers via a helpline and email.
- 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 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 Fund uses Civica UPM Pension Administration system and has done since 2003.

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.

WEBSITE WWW.TWPF.INFO

Through our public website, 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 Climate Change 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 these services, which provide 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.

BENEFIT STATEMENTS

We provided all pensioners with their annual update P60 and pension increase information in April 2022.

We also gathered all the information we needed from employers to be able provide our members with their annual benefit statements. Our deferred member statements were released in June and active member statements in July, both well ahead of the statutory deadline of 31 August.

MCCLOUD JUDGEMENT AND REMEDY

The McCloud Judgement is a ruling made in December 2018 that public sector pensions reforms unlawfully discriminated against some members on the grounds of age, by only providing protections against changes in pension arrangements for older members.

The proposed remedy to correct this position was first announced by Government in July 2020, although much of the detail has only emerged over subsequent years. Applying this remedy is a huge undertaking, requiring significant staffing resource.

In preparation for the required actions arising from the McCloud remedy, the Fund developed a plan to manage the task of collecting and validating the necessary data from the Fund's current contributing and historical employers in order to subsequently revise and correctly calculate benefits.

Fund Officers are working with the software provider, Civica, to ensure that the system is developed to enable all members benefits that fall within scope to be reviewed and adjusted, where appropriate.

The Fund has used temporary staff given the work pressures arising from the implementation of the McCloud remedy.

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, 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.

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 which 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 SCAMS

For a number of years, the Fund has been warning members of the risk of pension scams.

The Pensions Regulator is concerned about the increase in such activity, especially during the recent 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. This includes a rigorous due diligence process.

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 2022/23, the annual allowance was £40,000 (with a tapered allowance for higher earners) and the lifetime allowance was £1.073 million.

In March 2023, the Government announced that the annual allowance limit would increase to £60,000 from 6 April 2023 (with a tapered allowance for high earners). The lifetime allowance will also be abolished from 6 April 2024.

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 is currently undertaking an exercise to bring together many of its codes of practice into one new consolidated code and we are monitoring the position.

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 independent review undertaken by Aon in 2022/23.

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

Common Data – used to identify members using data such as name, address and national insurance number. In 2022 our score was consistently high at 99.8%, which is the same as the previous year.

Scheme Specific Data - used to calculate benefit entitlements. In 2022 our score was 99.3%, which reflected an increase from 98.7% in the previous year.

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.

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.

The report for 2022 identified that the Fund provided a basic service at low cost, which is the same categorisation as in previous years, demonstrating that the Fund is focusing on service improvements that are being implemented cost effectively.

OPERATIONAL EXPENSES

	2021/22	2022/23
Total Membership (No.)	172,633	179,834
Investment management expenses		
Total Cost (£'million)	**81.057**	**59.224**
Sub cost per member (£)	469.53	329.33
Administration costs		
Total Cost (£'million)	**3.045**	**3.279**
Sub cost per member (£)	17.64	18.23
Oversight and governance costs		
Total Cost (£'million)	**1.966**	**2.524**
Sub cost per member (£)	11.39	14.04
Total cost per member (£)	**498.56**	**361.60**

There is a reduced cost on investment management expenses, which relates to a decrease in performance fees earned by the alternatives managers, on the back of less positive performance than the previous year.

There is an increase in the administration costs which arises mainly from updating the pensions administration software contract.

There is an increase in the oversight and governance costs arising from reorganisation with the transfer of legal staff from South Tyneside Council into the pension service.

Overall, the reduced costs per member on investments outweighs the increased costs per member on oversight and governance and on administration.

AGE PROFILE OF FUND MEMBERSHIP AT 31ST MARCH 2023

	MEMBERSHIP TYPE					
AGE BAND	ACTIVE	DEFERRED	BENEFICIARY	PENSIONER	PRESERVED REFUNDS	TOTAL
<20	810	6	316	0	64	1,196
20-24	2,921	463	86	0	603	4,073
25-29	4,589	1,773	12	0	866	7,240
30-34	5,405	3,766	9	1	571	9,752
35-39	6,904	6,735	18	6	495	14,158
40-44	7,568	7,559	49	18	583	15,777
45-49	7,304	7,535	94	68	508	15,509
50-54	9,133	9,723	164	191	559	19,770
55-59	9,211	8,950	417	3,564	607	22,749
60-64	5,904	3,908	632	11,085	382	21,911
65-69	1,524	545	901	14,962	148	18,080
70-74	235	106	1,309	11,973	50	13,673
75-79	0	0	1,563	8,864	0	10,427
80-84	0	0	1,283	4,308	0	5,591
85-89	0	0	1,130	2,486	0	3,616
>89	0	0	685	1,063	0	1,748
	61,508	**51,069**	**8,668**	**58,589**	**5,436**	**185,270**

PERFORMANCE INDICATORS 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 2022/23, overall 80% (2021/22, 84%) of the measured processes were completed in line with the Disclosure Regulations. The Fund faced a number of challenges during the year which resulted in performance dipping. These challenges were largely due to the McCloud project, continued delays in legislation, the introduction of pensions dashboards, recruitment and staff retention challenges, and the implementation of the new structure. The impact is, however, expected to be in the short to medium term before an anticipated longer-term recovery.

ADDITIONAL 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 Additional Voluntary Contributions (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.

- **Pay Additional Pension Contributions to buy extra pension**

Members of the main section of the LGPS can purchase annual pension up to a maximum annual limit. In 2022/23 the most that a member could buy was £7,352 of extra yearly pension. This amount is increased each year in accordance with any increase applied to pensions in payment.

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

PRUDENTIAL

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

Regular meetings are held with Prudential to discuss the running of the plan. Prudential have undergone a radical transformation programme which resulted in the outsourcing of administration to a third party and a reduction in Prudential's AVC workforce.

The Fund carries out an annual review of the AVC provision. The 2022 review was undertaken by Hymans Robertson.

The review concluded that Prudential continued to be an acceptable AVC service provider. Although there had been some issues with performance, a transformation plan was implemented which resulted in significant improvement.

UTMOST LIFE & PENSIONS (FORMERLY EQUITABLE)

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 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.

PHOENIX LIFE LIMITED

Northumberland County Council Pension Fund used Phoenix Life Limited as an AVC provider prior to Equitable Life.

A very small number of members have continued to contribute to their existing AVC investments with Phoenix Life Limited.

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.

During 2022, the Committee undertook a review of the Investment Strategy alongside the 2022 Valuation. As part of the 2022 review, Hymans Robertson undertook an Asset Liability Modelling exercise and applied the results from this process across a range of different potential investment strategies.

The analysis showed that the current strategy remained appropriate. However, it also identified some opportunities to switch assets from Growth to Income assets, which is a continuation of the Fund's longer term de-risking of the strategy which commenced in 2019. The changes also provided a good opportunity to increase allocations to lower carbon asset classes, which is supportive of the Fund's carbon emission reduction targets. This included a 3% allocation to a Climate Opportunities fund from Border to Coast and increases in the allocations to Infrastructure and Private Debt.

At Pensions Committee in September 2022, the following long-term strategy for the Fund was agreed.

Growth Assets (43.0%)

- 34.5% in quoted equities
- 8.5% in private equity

Income Assets (34%)

- 9.0% in UK property
- 4.0% in global property
- 6.5% in private debt
- 6.5% in infrastructure
- 3.0% in climate opportunities
- 5.0% in multi asset credit

Protection Assets (23%)

- 22.0% in bonds
- 1.0% in cash

By the end of March 2023, the Fund had made the required changes to the long-term asset allocation and made significant progress in increasing the allocations to the private markets asset classes (climate opportunities, private debt and infrastructure). It was recognised, however, that building up these allocations out of equities would take several years to implement.

An interim health check of the strategy is planned for 2023/24 to ascertain whether the current strategy remains appropriate and whether any adjustments are needed.

QUOTED EQUITIES AND BONDS

The Fund uses a range of investment managers in relation to its quoted equity and bond assets. The mandates cover both active and passive strategies.

With regards to the Fund's active mandates, most of the assets are managed through the Fund's pooling partner, Border to Coast. Although, it should be recognised that the Fund still has some direct equity mandates with other managers.

The passive allocation is managed by Legal and General Investment Management. Whilst the passive assets with Legal and General are not formally part of the investment pool run by Border to Coast, they have been subject to a joint procurement exercise with the other ten funds in Border to Coast. This has helped deliver the benefits of pooling through reduced fees, and these assets have therefore been categorised by the Fund as "pooled assets".

In July 2020, the Fund switched 6% of assets from the market cap passive investments with Legal and General to a range of passive funds called Future World funds. These Future World funds incorporate 34 different environmental, social and governance (ESG) factors into the investment process, including carbon emissions. It is believed that, over time, tilting a portfolio towards companies scoring well on these factors should result in outperformance compared to a more traditional index.

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

MANAGER	PORTFOLIO
Under Pooling:	
Border to Coast	**Active Management** - UK Equities - Global Equities - Sterling Investment Grade Credit - Multi Asset Credit
Legal and General	**Passive Management** - 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 - Corporate Bonds **Future World Equities** - UK - Europe ex UK - US - Emerging Market - Japanese - Asia Pacific ex Japanese
Outside of Pooling:	
	Active Management
JP Morgan	Emerging Market Equities
Lazard	Japanese Equities
TT International	Asia Pacific ex Japan Equities

PROPERTY

The updated ALM study in 2022 confirmed that the long-term strategic allocation to property should be 13.0%. This is comprised of 7.0% to UK direct commercial property, 2.0% to UK residential property and 4.0% to global property.

The main UK commercial property exposure is primarily through a mandate managed by Abrdn. This was valued at £520.7 million at the year end. The Fund also inherited two property unit trusts following the merger with Northumberland County Council Pension Fund. Together these were valued at £51.9 million, bringing the total within UK commercial property to £572.6 million, representing 4.6% of the Fund. The underweight position relative to the 7.0% 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 Abrdn. Two funds managed by Hearthstone were added during 2018/19, and 2020/21 respectively. In 2021/22, a review of the residential property portfolio was undertaken, and a decision made to make commitments to two further funds. The first was the Henley Secure Income fund which specialises in supported living and the second was the CBRE Affordable Housing fund. In 2022/23 a further commitment was made to the M&G Shared Ownership fund to further diversify the portfolio. At the year end, the Fund had £166.6 million, or 1.3%, invested in residential property with a further £131.1 million of capital committed. 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, however, following the merger, the proportion of the total Fund invested in global property fell as Northumberland did not invest in global property. The programme with Partners Group includes fund of funds, direct and secondary investments. The proportion of the Fund invested through this programme was 4.3% at the year-end, valued at £536.5 million. This is a little overweight compared to the new strategic allocation of 4.0% but this will be addressed through reduced future commitments.

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.

Following the merger with Northumberland, further Infrastructure assets with Antin, GIP and Pantheon were transferred into the Fund. This helped to further diversify the programme.

In 2019/20, the Fund made its first commitments and investments in infrastructure with Border to Coast. In 2022/23, the Fund committed £250 million to the Border to Coast Infrastructure programme. Most, if not all, future commitments to infrastructure will be made through Border to Coast.

The 2022 review of the Investment Strategy increased the strategic allocation to 6.5%. At the year end, the total investment in Infrastructure was valued at £644.6 million, representing 5.2% of the Fund. The increased allocation will be built up over the next few years.

PRIVATE EQUITY

The programme is well developed and diversified across providers, geography, industry and vintage years. For many years, the main focus of the programme was investment into fund of funds with HarbourVest and Pantheon.

The Fund 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 2020, as a result of the merger with Northumberland, further assets were transferred into the Fund managed by Pantheon, Morgan Stanley and Neuberger Berman.

In 2019/20 the Fund made its first commitment to the private equity programme launched by Border to Coast. A further commitment of £225 million has been made in 2022/23. As with infrastructure, most, if not all future commitments to private equity will be made through Border to Coast.

At the year end, £1,348.4 million was invested in private equity, equal to 10.8% of the Fund. This is above the strategic weighting of 8.5%.

PRIVATE DEBT

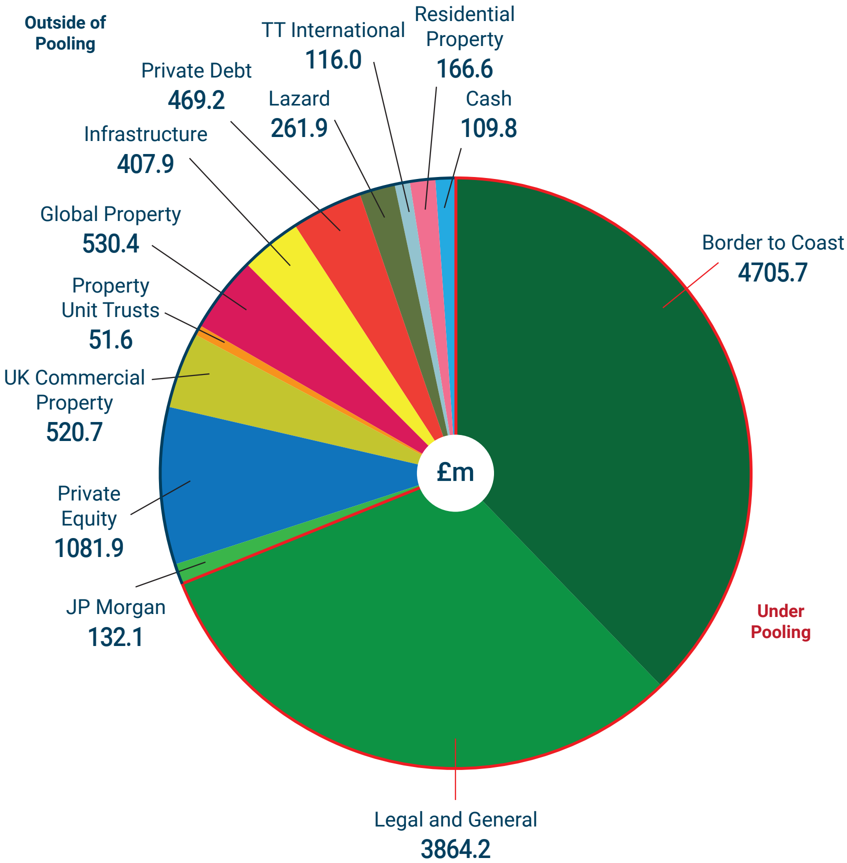
The Fund made its first investments into private debt in 2018. This was through funds managed by Pemberton and HPS. In 2019/20, the Fund also made commitments to funds managed by Pantheon and Border to Coast.

Initially the target allocation was 3.5%. The 2022 review of the Investment Strategy increased this target allocation to 6.5%.

Good progress towards building up this allocation has been made. In total, at the year end, the Fund had £749.7 million invested in private debt, being 6.0% of the total value of the Fund. In 2022/23, commitments of £300 million were made with Border to Coast to help increase the allocation to the target weighting, although it is recognised that this may take several years.

ASSETS UNDER MANAGEMENT

The value of assets with each manager 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 had for several years a target based on a long-term return of Retail Price Index plus 4%. The UK residential property portfolio had an absolute target return of 7%. However, a decision was taken to amend these targets and align them with each other. The new target for these asset classes, from 1st April 2021, is the Consumer Price Index plus 4%.

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.

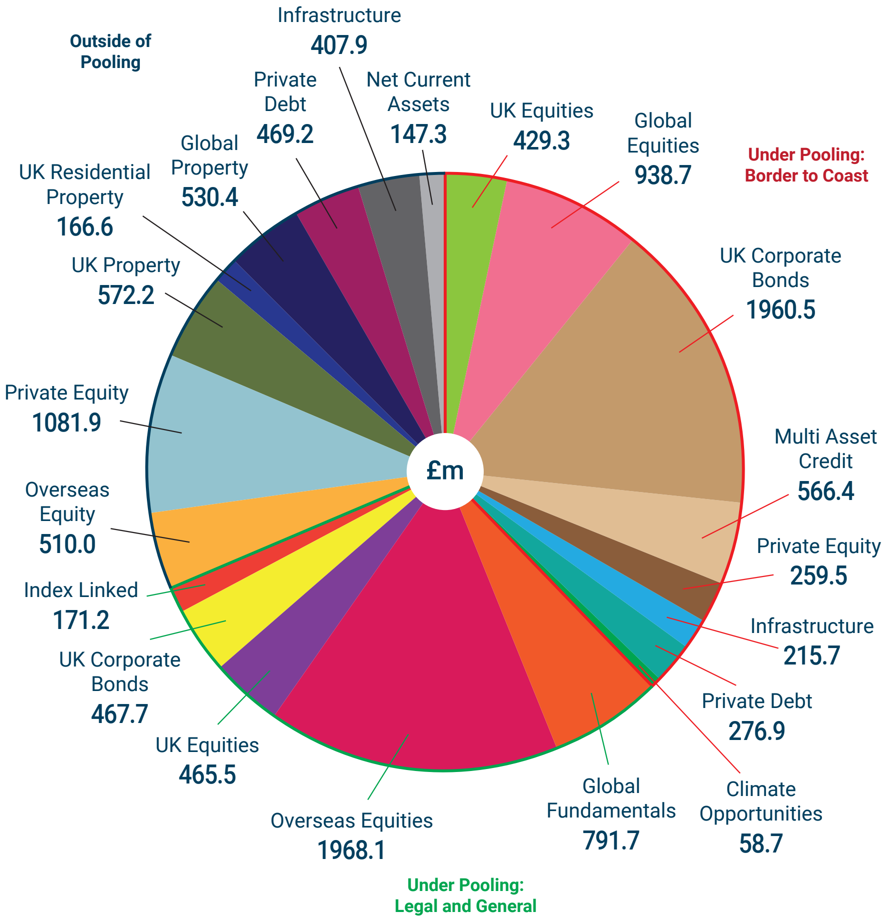
As at March 2023, Northern Trust was providing custody services for approximately £265.3 million of segregated assets held in one mandate.

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.

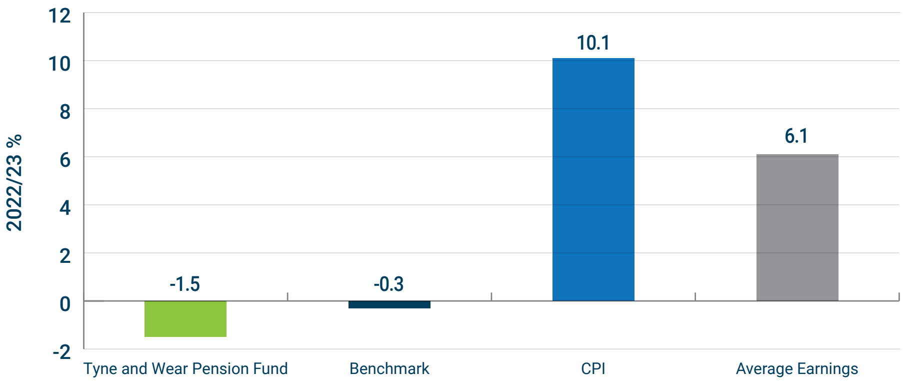
The asset allocation as at March 2023 is shown below:



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 2022/23

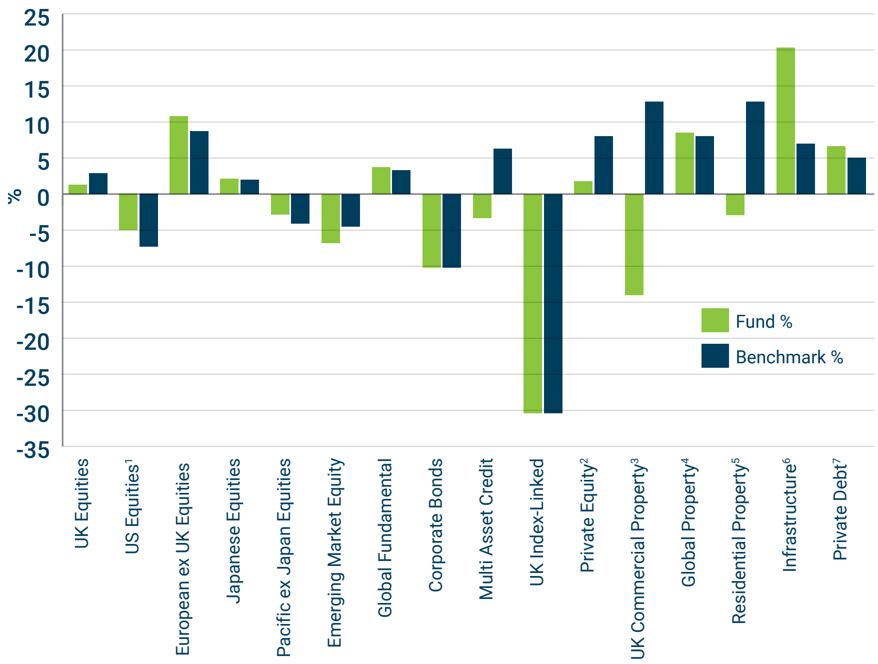
The first half of the year was negative as the implications of the Russian invasion of Ukraine led to a dramatic rise in energy prices and hence inflation which created significant economic volatility. As the year wore on, global markets stabilised but, in the UK, the LDI crisis and subsequent political fallout saw major falls in the value of lower risk assets.

Over the year it was generally a challenging investment environment with most major asset classes in negative territory but notably the expected safer assets suffered the greatest losses. There was a wide dispersion of returns across investment markets. The UK and European equities were the strongest performers with North America, Asia and Emerging Markets delivering negative returns. Globally fixed income was also negative with UK Gilts significantly underperforming. Property markets globally produced reasonable returns but the UK market, driven by higher interest rates saw a major valuation correction.

Against this market background, the Fund's total return in 2022/23 was -1.5% (after adjusting for all fees and expenses), which was 1.2% below its benchmark return of -0.3%.

Inflation, as measured by the Consumer Prices Index, which has risen in importance as a measure for the Scheme, was up by 10.1% over the year. Average Earnings increased by 6.1%.

The chart below shows the Fund's returns across the investment markets for 2022/23.



1 The return for US Equities is based on a split of 60% unhedged and 40% hedged against sterling benchmarks.
2 The return for private equity is shown against an absolute return benchmark of 8% per annum net of fees.
3 The benchmark for UK commercial is CPI 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 21.5%.
4 The benchmark for global property is shown against an absolute return of 8%.
5 The benchmark for residential property is CPI plus 4% per annum.
6 The benchmark for infrastructure is shown against an absolute return benchmark of 7% per annum net of fees.
7 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 relative to the benchmark for the year came from UK Property, notably Commercial Property. Infrastructure was the best performing asset class where valuations held up strongly across volatile markets.

A number of the quoted equity markets underperformed the benchmark. The returns from Corporate Bonds were negative in absolute terms but they did about match the benchmark, although Multi Asset Credit struggled in negative markets to reach its cash plus benchmark.

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 relative in absolute terms. It is believed that this approach is more appropriate than the use of an index-based benchmark. The positive 1.8% return for the year is materially below the 8.0% benchmark but the longer-term returns continue to be positive.

The UK property mandate produced a negative return of -14.0% which was well below the CPI based benchmark of 12.8% and significantly behind the previous year. During the year, the market return from property, as measured by the MSCI Medium Life and Pension Fund Universe, was -13.2%.

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 20.3% return is well above the 7% benchmark.

The global property programme was introduced in mid 2010 and is comprised of funds run by Partners Group. It has an 8% absolute return benchmark. It has outperformed its benchmark for the year, with a return of 8.5%. This has been a year of consolidation following strong returns in the previous year.

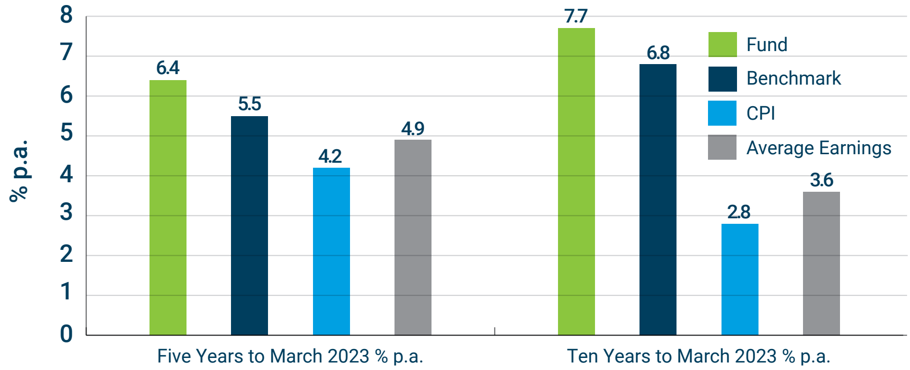
The performance figures for residential property and private debt are shown for completeness but very little reliance can be placed on these performance numbers to date due to the relatively short period that these investment programmes have been in place.

Note: The performance figures for the past three years are 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. All returns to 31st March 2020 are based on the pre-merger Tyne and Wear Fund only and the newly merged and combined Fund thereafter.

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 Benchmark and the Consumer Prices Index.



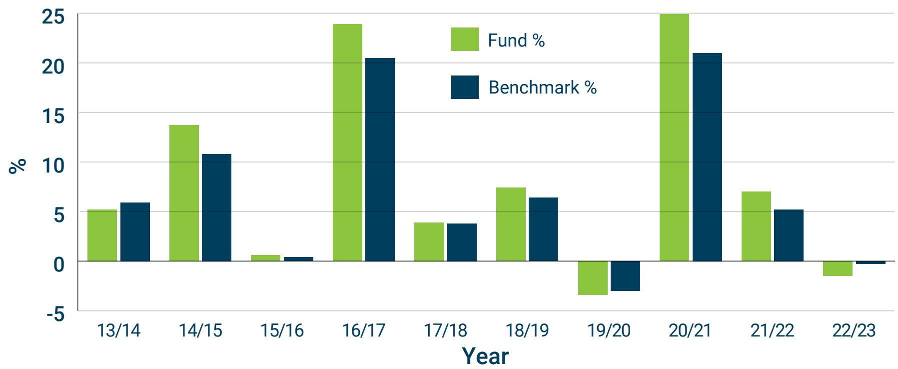
Note: All longer term return are based on the pre-merger Tyne and Wear Fund prior to 31st March 2020 and the newly merged and combined Fund thereafter.

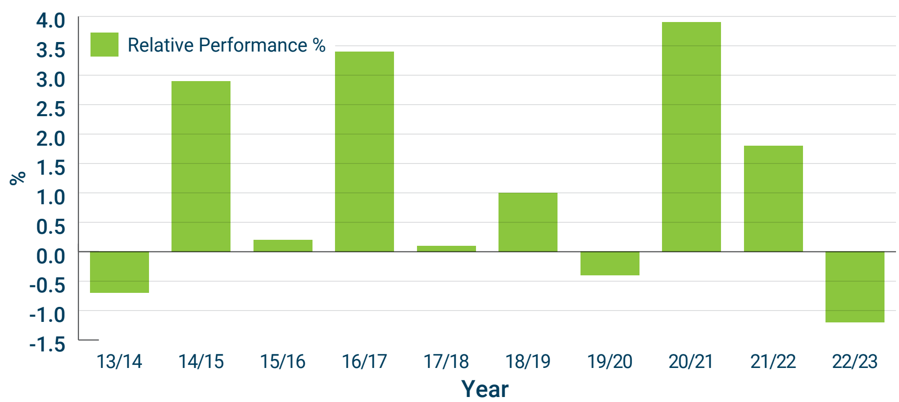
The five-year return is 6.4% per annum and is above the benchmark return of 5.5% per annum. The ten-year return is 7.7% per annum and is also above the benchmark return of 6.8% per annum.

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 underperformed its benchmark for the year but has outperformed for seven of the last ten years.





LONGER TERM PERFORMANCE OVER THE VARIOUS ASSET CLASSES

The table below shows the Fund's returns over the main investment markets for the three and five year periods up to 31 March 2023.

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.

	Note	THREE YEARS		FIVE YEARS	
		FUND %	BENCHMARK %	FUND %	BENCHMARK %
Fund		**9.6**	**8.3**	**6.4**	**5.5**
UK Equities		13.5	13.8	4.8	5.0
US Equities	1	18.4	17.5	13.4	13.1
European ex UK Equities		17.4	16.0	8.5	8.1
Japanese Equities		9.9	7.9	4.5	4.1
Pacific ex Japan Equities		13.5	15.7	5.3	6.7
Emerging Market Equities		6.6	8.3	2.5	2.0
Corporate Bonds		-2.4	-3.1	-0.2	-0.9
UK Index-Linked		-9.2	-9.2	-4.1	-4.1
Private Equity	2	24.7	8.0	20.5	8.0
UK Property	3	5.1	9.6	4.9	8.3
Global Property	4	5.5	8.0	5.8	7.8
Infrastructure	5	14.2	7.0	12.8	7.0

1 The benchmark for US equities is a mixture of hedged and unhedged against sterling indices, from 2021/22 the Fund used a position of 40% hedged against sterling and 60% unhedged. All earlier years are 100% unhedged.
2 The return for private equity is shown against an absolute return benchmark of 8% per annum net of fees.
3 The benchmark for UK property is CPI plus 4% per annum from 2021/22. Prior to this it was RPI plus 4%.
4 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.
5 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 most of the Fund's equities and bond assets have produced positive returns relative to their benchmarks. 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 24.7% per annum for three years and 20.5% per annum for five years are well ahead of the benchmark of 8.0%.

The UK property portfolio has now underperformed its inflation plus benchmark over the three year and the five year period due to the significant negative return in the most recent year.

Whilst the global property programme produced a strong return in 2022/23, over the three and five year period it is below the benchmark. This is because performance suffered due to the impact of Covid on the property markets.

Returns for the infrastructure programme were well 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 investment 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 that 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 2022 £m		Fund Account note	31st March 2023 £m
81.057	Investment Management Expenses	11	59.224
49.246	Tier 2 Fees and Expenses		39.679
130.303	**Total Investment Management Expenses**		**98.903**

The table shows that the "Tier 2" fees and expenses for 2022/23 are £39.679 million (£49.246 million for 2021/22). This gives an overall cost for Investment Management Expenses of £98.903 million for 2022/23 (£130.303 million for 2021/22).

The decrease from the previous year relates almost entirely to the Fund's private equity investments. Performance fees were significantly below those of previous years as valuations came under pressure in the face of a global slowdown. This impacted both the direct performance fees and also the "Tier 2" performance fees of the underlying managers.

Border to Coast fees increased as the amount of assets invested with them grew, and this will continue for the next few years as further private market commitments are made. Nevertheless, the Fund should see more fee savings through investing in private markets with Border to Coast rather than external managers.

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.

Whilst there were initially twelve funds (including Tyne and Wear) that created and owned Border to Coast, following the merger of the Fund with Northumberland County Council Pensions Fund, there are now only eleven funds involved.

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.

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 set-up costs noted below cover costs incurred by both Tyne and Wear Pension Fund and Northumberland County Council Pension Fund prior to merger.

The breakdown in set up costs are shown in the table below:

Set Up Costs	2022/23 Total expenditure £'000	Cumulative £'000
Recruitment	0	34
Legal	0	54
Procurement	0	72
Other Support Costs	0	4
Staff Costs	0	124
Other Costs	0	528
Total Set Up Costs	**0**	**816**

OTHER COSTS

In addition to these setup costs there were shared 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 initially, 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 resulted in a redistribution of the share ownership to reflect the fact that there were now only eleven shareholders and not twelve. As a result of this merger the Fund acquired an additional £75,728 of class B shares bringing the total holding to £908,728.

During the year, the Fund made investments into the new Climate Opportunities Fund launched by Border to Coast in April 2022.

The Fund has also made new commitments during the year totalling £650 million to the Private Equity, Infrastructure and 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 £4,705.7 million (£4,110.4 million in 2021/22) and 37.9% (32.3% in 2021/22) of the Fund. A further proportion of the Fund's assets will transfer to Border to Coast as new equity and property funds are developed.

The Fund's passively managed investments with Legal and General will remain outside of direct management of Border to Coast because the legal structure in which they are held (life policies) is considered the most cost effective currently available. The Fund has, and will continue to benefit from, collaborative procurement with other funds in Border to Coast on these passive investments. Under the definition of pooling, these assets have been classed as 'pooled' based upon the collaborative pooling approach and the use of pooled fund structures.

The total pooled assets of the Fund with Border to Coast and Legal and General is £8,569.9 million (69.0%) which is a slight decrease from 2021/22 £8,848.1 million (69.6%) due to the fall in value of listed assets over the year.

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.

	2021/22		2022/23	
	Actual		Actual	
	In Year £'000	Since Inception Cumulative to date £'000	In Year £'000	Since Inception Cumulative to date £'000
Set up costs	0	816	0	816
Ongoing operational costs	658	4,083	846	4,929
Transition Costs	0	5,725	0	5,725
Fee Savings	(4,332)	(17,171)	(5,065)	(22,236)
Net cost/(saving)	**(3,674)**	**(6,547)**	**(4,219)**	**(10,766)**

The table shows that the Fund has already benefitted from savings from pooling and these savings are forecast to increase into the future.

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. The current situation is that the Fund is already in a net saving position which is significantly ahead of schedule. This should remain the case going forward.

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 Department of Levelling Up, Housing and Communities (DLUHC) 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. DLUHC 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 taxpayers, 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: • Requires its investment managers to adopt the principles contained in the UK Stewardship Code • Is a signatory to the UK Stewardship Code • Includes a statement on its policy on responsible ownership in its Investment Strategy Statement and Corporate Governance and Responsible Investment Policy • Reports annually to members on the discharge of such responsibilities • Has developed a Climate Change Policy.
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 2022 and is available on the Fund's website: **www.twpf.info/article/10094/Investment-Strategy-Statement**.

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 aims to be an active shareholder in the exercising of its company share voting rights to promote and support good corporate governance.

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 2022.

The Policy may be viewed on the Fund's website at: **www.twpf.info/article/10098/Corporate-Governance-and-Responsible-Investment-Policy**.

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 2022/23 is shown below:

	GLOBAL EX UK	UK ONLY
Number of Meetings Attended	5,860	2,116
Resolutions	74,402	14,024
Votes For	58,238	13,129
Votes Against	16,162	895
Abstentions	898	0
Votes Not Cast	0	0

The table shows that the Fund supported management on the majority of resolutions. A resolution was opposed or there was an abstention on 17,057 occasions (20.1%).

Examples of how the Fund's external managers voted and engaged with specific companies are included in the Stewardship Report.

The Fund is a member of the Local Authority Pension Fund Forum. This is a voluntary association of ninety four 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.

The Fund is now a signatory to the UK Stewardship Code after submitting its Stewardship Report for 2022/23 to the Financial Reporting Council. Read the report on the website: **www.twpf.info/media/5661/Stewardship-Code-Report-2022-23/pdf/TWPF_UKSC_Report_2022-23.pdf?m=638211419668500000**

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 Fund has no specific policy of investing or divesting investments wholly regarding ESG issues. However, external fund managers are expected to consider ESG issues when assessing all potential investment opportunities.

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.

For assets managed by Border to Coast the Fund supports their Responsible Investment Policy and will monitor voting on these assets in accordance with the Border to Coast Corporate Governance and Voting Guidelines.

Part of the Fund's assets are 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 their corporate governance policy and to act accordingly where these may have a financial impact on investment.

The Fund's passive manager Legal and General is extremely proactive in engaging with companies on ESG factors and climate change issues. Legal and General have made a Climate Impact Pledge to support efforts to limit global carbon emissions to net zero by 2050.

Legal and General have developed an approach to scoring companies from environmental, social and governance (ESG) perspectives. These scores are updated bi-annually and allow investors to monitor ESG developments across the investment universe which will incentivise companies to make fundamental changes and drive change in the market.

Legal and General has used these scores to build a different type of index, which underweights and overweights stocks relative to a traditional index, based on their views on ESG, including climate change factors. These investments have been called Future World funds.

In July 2020 the Fund invested £650 million in the range of Future World equity funds and by the end of March 2023 these have risen in value to £816 million. 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.

Legal and General are also introducing a decarbonisation pathway to reduce the carbon emissions of the range of Future World funds. This provides for an immediate reduction in carbon emissions of 50% relative to its parent index (using 2021 as the base year), and 7% year-on-year thereafter. This change will align the fund range to net zero by 2050.

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

The Fund has been a long-standing member of LAPFF which engages directly with companies on behalf of the LGPS on a range of ESG issues from executive pay and reliable accounts to a just transition to a net zero economy.

The Forum has been engaging with major companies around climate risk for many years and works with other investors through initiatives such as Climate Action 100+ and 'Say on Climate'. More information on this work can be found on the website: **https://lapfforum.org/engagements/2023-say-on-climate/**.

CLIMATE CHANGE

Climate Change is seen as a significant financial risk and is one which the Fund has been actively managing for some time. The Fund approved a Climate Change Policy at the Pensions Committee in November 2022 which includes ambitious targets to reduce carbon emissions.

The Policy demonstrates the Fund's commitment to addressing climate change and playing its part in reducing carbon emissions and supporting climate solutions as they evolve. This includes a major commitment to implement a lower carbon approach across the Fund's investments to support the targets set by the UK Government and many other countries to achieve the aims of the Paris Agreement to limit global temperature rises to 1.5 degrees.

A summary of the agreed targets and commitments are:

- Annual review of the Climate Change Policy
- A net zero carbon target for the Investment Portfolio of 2050, or sooner
- A net zero carbon target for the administrative functions of the Fund of 2030
- A reduction in carbon emissions of 30% to 35% by 2025
- A reduction in carbon emissions of 50% to 60% by 2030
- To undertake a carbon footprint on the Fund each year
- To undertake a formal review of the targets every three years.

The Fund's Climate Change Policy may be viewed on the Fund's website at: **www.twpf.info/article/10105/Climate-change-policy**

The Fund's pooling partner Border to Coast has also established its own Border to Coast Climate Change Policy including a Net Zero target date of 2050 which the Fund supports: **www.bordertocoast.org.uk/wp-content/uploads/2023/01/Border-to-Coast-Climate-Change-Policy-2023-1.pdf**

It needs to be recognised that managing climate change risks is not just about setting decarbonisation targets or disinvesting from the Oil and Gas sector.

One of the Fund's Investment Beliefs includes the statement that there should be a focus on governance and engagement over disposal. If the Fund were to divest from the Oil and Gas sector or certain other high carbon sectors, the carbon emissions will still exist but be owned by other investors, who may be less interested in driving change going forward. An approach of disinvestment or disposal would mean that the Fund's ability to influence both the short and long term direction of individual companies would be curtailed.

In line with its Investment Beliefs the Fund has adopted an approach of engagement with companies to influence them to move towards a lower carbon future that is consistent with the Fund's own investment strategy. Whilst the Fund believes in engagement rather than a blanket divestment from entire sectors e.g. fossil fuel companies, it does believe in divesting or not owning individual companies who are not appropriately addressing climate change risks.

This policy of active engagement is strongly supported by the Fund's investment managers, including Border to Coast, Legal and General and the investment adviser, Hymans Robertson.

Carbon metrics are backward looking, and companies carbon disclosures can be up to two years out of date. Engagement with companies and policy makers is critical to get emissions reduction target commitments and also reporting on progress made against climate strategies.

The Fund's latest carbon footprint exercise was undertaken in 2022 and used 2019 as the base year. A high-level carbon footprint was also established back to 2010. The analysis shows that the carbon footprint of the Fund had fallen by 21% from 2019 to 2022 and by 34% from 2010 to 2022.

The Fund has committed to undertake climate based financial risk assessments and to report the results as part of the annual Task Force for Climate Related Financial Disclosures (TCFD) Report. The TCFD Report includes the results of the annual carbon footprint analysis and was published on the website in November 2022: **www.twpf.info/article/17227/Task-Force-for-Climate-Related-Financial-Disclosures-TCFD-Report**

As part of the Fund's Net Zero commitment it agreed to publish a Net Zero Roadmap. The Roadmap sets out the actions the Fund will undertake in the short, medium and long term to achieve its Net Zero by 2050 or sooner target and will be updated annually. The latest version of the Roadmap was published on the website in November 2022: **www.twpf.info/article/17266/Net-Zero-Roadmap-November-2022**

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 is taking a leading role on engagement, involving partner funds where appropriate. In particular, Border to Coast works closely with organisations including the UN PRI (United Nations Principles for Responsible Investment), Climate Action 100+, Workforce Disclosure Initiative (WDI), the IIGCC (Institutional Investor Group on Climate Change) and the 30% Club Investor Group which promotes diversity on boards and at senior management level.

Key engagement themes developed by Border to Coast, alongside the Tyne and Wear Pension Fund and the other Partner Funds are;

- Climate transition
- Waste and Water
- Social / supply chain
- Diversity of thought

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 eleven 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.

Copies of these policies along with the Border to Coast Annual Responsible Investment and Stewardship Report and its Task Force on Climate-related Financial Disclosure (TCFD) Report can be found on their website: **www.bordertocoast.org.uk/sustainability/.**

The resource that Border to Coast has deployed on responsible investment provides a clear and obvious benefit for the Fund from the move to pooling. 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 Border to Coast in this area. Robeco votes at shareholder meetings and engages with senior management of investee companies, holding them to account on responsible investment issues.

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

2021/22 £m		Note	2022/23 £m
	Dealings With Members, Employers and Others Directly Involved in the Fund		
(289.518)	Contributions	7	(325.157)
(10.115)	Transfers In From Other Pension Funds	8	(11.260)
(299.633)	**Total Income**		**(336.417)**
407.066	Benefits Payable	9	423.750
15.602	Payments To and On Account of Leavers	10	16.231
422.668	**Total Costs**		**439.981**
123.035	**Net (Income)/Expenditure from dealings with members**		**103.564**
86.068	**Management Expenses**	**11**	**65.027**
209.103	**Net (Income)/Expenditure including fund management expenses**		**168.591**
	Returns on Investments		
(97.052)	Investment Income	12	(125.335)
0.005	Taxes On Income	12	–
(773.266)	(Profits)/Losses on Disposals of Investments and Changes in the Market Value of Investments	13b	248.454
(870.313)	**Net Returns on Investments**		**123.119**
(661.210)	**Net (Increase)/Decrease in the Net Assets Available For Benefits During the Year**		**291.710**
12,085.899	**Net Assets of the Fund at 1st April**		**12,747.109**
12,747.109	**Net Assets of the Fund at 31st March**		**12,455.399**

NET ASSETS STATEMENT FOR THE YEAR ENDED

31 March 2022 £m		Note	31 March 2023 £m
12,723.089	Investment Assets	13	12,420.987
(8.996)	Investment Liabilities	13	(6.498)
12,714.093	**Total Net Investments**		**12,414.489**
44.403	Current Assets	16	50.085
(11.387)	Current Liabilities	16	(9.175)
12,747.109	**Net Assets of the Fund Available to Fund Benefits as at 31st March**		**12,455.399**

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 94 and 95.

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 2023 set out in pages 64 to 97 present fairly the financial position of the Tyne and Wear Pension Fund as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

Paul McCann
Head of Pensions
September 2023

Stuart Reid
Director of Business and Resources
(Section 151 Officer)
September 2023

The financial statements were approved by the Pensions Committee at its meeting on 26 September 2023.

Councillor Anne Walsh
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) Merger of Northumberland County Council Pension Fund into Tyne and Wear Pension Fund

On the 3 June 2020 the Tyne and Wear Pension Fund (the Fund) and Northumberland County Council Pension Fund merged under the Local Government Pension Scheme (Northumberland and Tyne and Wear Pension Fund Merger) Regulations 2020, the regulations back dated the merger to the 1 April 2020. The newly combined Fund continues to be called Tyne and Wear Pension Fund.

b) 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, Northumberland County Council, 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.

c) 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 nineteen members. The Council nominates eight members and the other four councils within the County area and Northumberland County Council nominate one member each. The trade unions and the employers collectively nominate three members each, who sit on the Committee in an advisory capacity.

d) 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.

e) 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 2022	31 March 2023
Number of Employers in the Fund	**314**	**323**
Number of Active Members		
South Tyneside Council	4,098	4,438
Other Employers	53,052	57,070
Total	**57,150**	**61,508**
Number of Pensioners		
South Tyneside Council	5,720	5,888
Other Employers	59,177	61,369
Total	**64,897**	**67,257**
Deferred Pensioners		
South Tyneside Council	4,222	4,210
Other Employers	46,364	46,859
Total	**50,586**	**51,069**

f) 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 2023. Employers pay contributions based on triennial funding valuations carried out by the Fund's Actuary. The last valuation was at 31 March 2022, with the next being undertaken as at 31 March 2025. It should be noted that separate valuations were undertaken on the Tyne and Wear Pension Fund and the Northumberland County Council Pension Fund prior to the merger. The contribution rates set at each of these valuations continued to apply to the employers in each fund on the valuation date..

g) 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.

h) 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 November 2022. This can be viewed on the Fund's website using the link below.

www.twpf.info/media/2519/Investment-Strategy-Statement/pdf/Investment_Strategy_Statement_291122_TW_Clean.pdf?m=638059251227270000

The Committee has delegated the management of the Fund's investments to external investment managers (see note 19) 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 2022/23 and its position as at 31 March 2023. The accounts have been prepared following the "Code of Practice on Local Authority Accounting in the United Kingdom 2022/23" (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 2022/23 and beyond as part of its going concern assessment. This included consideration of the following:

- The Fund had assets of £12.5 billion as at 31 March 2023. £8.3 billion (66%) 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 2023/24 it will pay out approximately £493 million in benefits and other out goings in the coming twelve months and is forecasting contribution income in the region of £307 million. This shortfall in contribution income verses benefits and other expenditure of £186 million will be met from other regular investment income, which is estimated to be £190 million, in 2023/24.

On this basis, management believes it is appropriate to continue to prepare the financial statements on a going concern basis, and that there are no material uncertainties in relation to this basis of preparation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts have been prepared on an accrual's 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 accrual's 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 2023 have been accrued.

Any 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 and 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 once the amounts have been agreed between the relevant Funds.

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 or expenditure and comprise all realised and unrealised profits or 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 accrual's 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 accrual's basis. All staff costs associated with oversight and governance are 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 2023 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

The Fund's shareholding in Border to Coast Pension Partnership 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. 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 employed by 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.

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 can use derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the year end the Fund did not hold any derivatives.

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 26 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 27).

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, including residential 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 – Global Standards effective from 31 January 2022. The actual valuation of each property will only be known when the Fund sells the property on the open market.

The Fund also holds assets in four residential property funds and three property unit trusts, the Fund considers the valuations received from the Investment Managers concerned are still appropriate and that the total value within these assets is not material to the Fund. 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.

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.

As none of these investments are publicly listed, there is some estimation involved in the valuations, the total of which will only be clearly known on the sale of the assets. 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. Actuarial assumptions and sensitivities are described in note 27.

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 2023 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, GLOBAL PROPERTY, PRIVATE DEBT AND CLIMATE OPPORTUNITIES (NOTE 15 AND NOTE 19)	Private equity, infrastructure, global property, private debt and climate opportunities 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 Fund has a total of £1,341.458m included for private equity, £623.741m for infrastructure, £530.370m for global property, £746.067m for private debt and £58.715 for climate opportunities. Based on the sensitivity numbers included in note 14 there is a possibility that this could be under or over stated in the accounts by £401.096m, £81.683m, £66.296m, £50.733m and £0.323m 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 £16,244.400m 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 held in residential investment funds. 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.	Based on the sensitivity number included in note 15 there is a possibility that the fair value for directly held property of £520.650m could increase or decrease by £46.858m. Similarly, residential property held in funds totalling £166.642m could increase or decrease by £17.997m and property unit trusts totalling £51.589 could increase or decrease by £4.644m.

6. EVENTS AFTER THE REPORTING DATE

There were no events after the accounting date that may need to be included within the accounts of the Fund.

7. CONTRIBUTIONS

2021/22 £m	By Type	2022/23 £m
(73.949)	**Employees' Normal Contributions**	**(81.836)**
	Employers' Contributions	
(214.125)	Normal Contributions	(234.976)
(9.687)	Deficit Recovery Contributions	(8.516)
8.243	Refund of Exit Surplus	0.171
(215.569)	**Total Employers Contributions**	**(243.321)**
(289.518)	**Total Contributions**	**(325.157)**

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

2021/22 £m	By Authority	2022/23 £m
(21.482)	South Tyneside Council (Administering Authority)	(23.393)
(159.929)	Other Councils	(175.054)
(81.981)	Other Part 1 Scheduled Bodies	(92.580)
(16.037)	Part 2 Scheduled Bodies	(17.130)
(10.089)	Admitted Bodies	(17.000)
(289.518)	**Total Contributions Receivable**	**(325.157)**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

2021/22 £m	By Category	2022/23 £m
(0.604)	Group Transfers	–
(9.511)	Individual Transfers	(11.260)
(10.115)	**Transfers in From Other Pension Funds**	**(11.260)**

An estimate of £11.000m was included in 2020/21 in relation to 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 the NCG. The Kidderminster College transfer amount has been estimated but not paid, as at the 31 March 2023.

9. BENEFITS PAYABLE

2021/22 £m	By Category	2022/23 £m
337.198	Pensions	356.148
72.223	Commutations and Lump Sum Retirement Benefits	71.683
9.464	Lump Sum Death Benefits	7.535
(11.819)	Recharges Out	(11.616)
407.066	**Total Benefits Payable**	**423.750**

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.

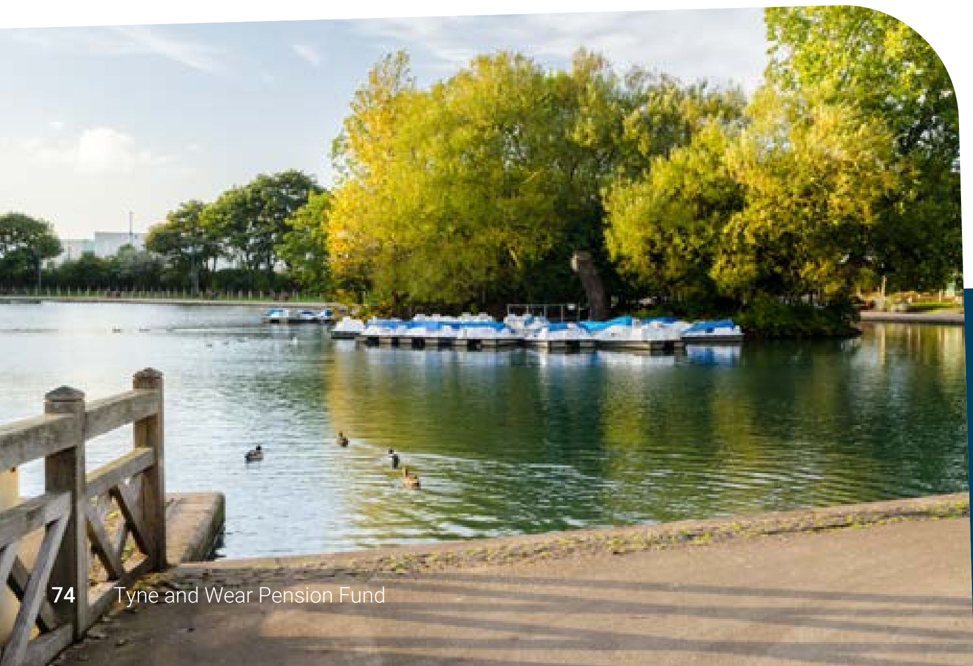
The payments can be analysed by type of member body as follows:

2021/22 £m	By Authority	2022/23 £m
32.598	South Tyneside Council (Administering Authority)	33.684
257.549	Other Councils	269.113
64.286	Other Part 1 Scheduled Bodies	65.171
13.141	Part 2 Scheduled Bodies	13.387
39.492	Admitted Bodies	42.395
407.066	**Total Benefits Payable**	**423.750**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2021/22 £m	By Category	2022/23 £m
14.741	Individual Transfers to Other Schemes	15.323
0.854	Refunds to Members Leaving Service	0.908
0.007	State Scheme Premiums	–
15.602	**Payments to and on Account of Leavers**	**16.231**

There was no group transfers out of the Tyne and Wear Pension Fund during 2021/22 or 2022/23.



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:

2021/22 £m		2022/23 £m
3.045	Administrative Costs	3.279
81.057	Investment Management Expenses	59.224
1.966	Oversight and Governance Costs	2.524
86.068	**Management Expenses**	**65.027**

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:

2021/22 £m		2022/23 £m
35.099	Management and Custody Fees	33.741
31.005	Performance Fees	(5.237)
12.572	Expenses Charged Within Pooled Vehicles	28.106
2.381	Transaction Costs	2.614
81.057	**Investment Management Expenses**	**59.224**

While Management Fees include fees 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

2021/22 £m		2022/23 £m
(6.994)	Income from Equities	(7.129)
(22.239)	Property Rents (further breakdown below)	(23.869)
(67.626)	Pooled Investments - Unit Trusts and other managed funds	(90.874)
(0.170)	Interest on Cash Deposits	(3.037)
(0.023)	Other	(0.426)
(97.052)	**Total before Taxes**	**(125.335)**
0.005	less taxes on income	–
(97.047)	**Total Investment Income**	**(125.335)**

Net Rents from Properties

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

2021/22 £m	**Property Income**	2022/23 £m
(22.232)	Rental (Income)	(23.860)
(0.007)	Direct Operating Costs/(Income)	(0.009)
(22.239)	**Net Income**	**(23.869)**

13. INVESTMENTS

31 March 2022 £m		31 March 2023 £m
	Under Pooling	
	With Border to Coast	
1.182	Equities	1.182
4,110.410	Pooled Investment Vehicles	4,705.693
4,111.592		**4,706.875**
	With Legal and General	
4,737.676	Pooled Investment Vehicles	3,864.166
8,849.268	**Total Pooled Assets**	**8,571.041**
	Outside of Pooling	
370.969	Equities	354.573
2,659.227	Pooled Investment Vehicles	2,871.686
573.900	Properties	520.650
257.938	Cash Deposits	94.043
11.787	Other Investment Balances	8.994
12,723.089	**Total Investment Assets**	**12,420.987**
	Investment Liabilities	
(8.996)	Other Investment Balances	(6.498)
(8.996)	**Total Investment Liabilities**	**(6.498)**
12,714.093	**Net Investment Assets**	**12,414.489**

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.

2022/23	Market value 1 April 2022 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change in Market Value During the Year £m	Market Value 31 March 2023 £m
Equities	372.151	65.986	(77.935)	(4.447)	355.755
Pooled Investment Vehicles	11,507.313	1,263.369	(1,181.972)	(147.166)	11,441.544
Properties	573. 900	54.957	7.401	(115.608)	520.650
	12,453.364	**1,384.312**	**(1,252.506)**	**(267.221)**	**12,317.949**
Cash Deposits	257.938				94.043
Other Investment Balances	2.791				2.497
Total investments	**12,714.093**				**12,414.489**

2021/22	Market value 1 April 2021 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change in Market Value During the Year £m	Market Value 31 March 2022 £m
Equities	390.334	65.272	(96.114)	12.659	372.151
Pooled Investment Vehicles	10,759.645	1,391.942	(1,304.376)	660.102	11,507.313
Properties	435. 640	56.128	(17.761)	99.893	573.900
	11,585.619	**1,513.342**	**(1,418.251)**	**772.654**	**12,453.364**
Cash Deposits	442.034				257.938
Other Investment Balances	5.497				2.791
Total investments	**12,033.150**				**12,714.093**

31 March 2022 £m		31 March 2023 £m
	Equities	
19.084	UK Quoted	14.169
1.182	UK Unquoted	1.182
249.187	Overseas Quoted	259.579
102.698	Overseas Unquoted	80.825
372.151	**Total Equities**	**355.755**
	Pooled Investment Vehicles	
72.608	Property Unit Trusts UK	87.311
4,737.676	Unitised Insurance Policies UK	3,864.166
5,572.235	Other Managed Funds UK	6,290.464
1,124.794	Other Managed Funds Overseas	1,199.603
11,507.313	**Total Pooled Investment Vehicles**	**11,441.544**
	Properties	
573.900	Freehold	520.650
573.900	**Total Properties**	**520.650**
	Cash Deposits	
188.975	Sterling	56.748
68.963	Foreign Currency	37.295
257.938	**Total Cash Deposits**	**94.043**
	Other Investment Balances	
(1.425)	Outstanding Trades	–
4.115	Outstanding Dividends and Tax Recoveries	4.531
7.124	Debtors	4.463
(7.023)	Creditors	(6.497)
2.791	**Total Other Investment Balances**	**2.497**
12,714.093	**Total investments**	**12,414.489**

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 2022				31st March 2023		
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			
372.151	–	–	Equities	355.755	–	–
11,507.313	–	–	Pooled Investment Vehicles	11,441.545	–	–
573.900	–	–	Properties	520.650	–	–
4.378	257.938	–	Cash Deposits	3.448	94.043	–
–	4.115	–	Other Investment Balances	–	4.531	–
–	47.697	–	Debtors	–	51.100	–
12,457.742	**309.750**	**–**	**Total Financial Assets**	**12,321.398**	**149.674**	**–**
			Financial Liabilities			
–	–	(20.383)	Creditors	–	–	(15.673)
–	**–**	**(20.383)**	**Total Financial Liabilities**	**–**	**–**	**(15.673)**
12,457.742	**309.750**	**(20.383)**	**Total Assets**	**12,321.398**	**149.674**	**(15.673)**

b. Net Gains and Losses on Financial Instruments

2021/22 £m		2022/23 £m
	Financial Assets	
773.266	Fair Value Through Profit and Loss	(248.454)
	Financial Liabilities	
–	Fair Value Through Profit and Loss	–
773.266	**Total**	**(248.454)**

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 of 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. 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 a 31st March 2023 valuations and a 31st December 2022 valuations adjusted for cash flows and rolled forward to 31st March 2023 as appropriate. With £1,282m (36.4%) valued as at 31 March 2023 and £2,238m (63.6%) valued at 31 December 2022 plus cash flows until the 31 March 2023.

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 2023	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	375.512	8,007.157	3,418.079	11,800.748
Non-Financial Assets at Fair Value through Profit and Loss	–	–	520.650	520.650
Loans and Receivables	149.674	–	–	149.674
Total Financial Assets	**525.186**	**8,007.157**	**3,938.729**	**12,471.072**
Financial Liabilities				
Financial Liabilities at Amortised Cost	(15.673)	–	–	(15.673)
Total Financial Liabilities	**(15.673)**	**–**	**–**	**(15.673)**
Net Financial Assets	**509.513**	**8,007.157**	**3,938.729**	**12,455.399**

The corresponding values at 31 March 2022 were:

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Value at 31st March 2022	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	354.211	8,771.573	2,758.058	11,883.842
Non-Financial Assets at Fair Value through Profit and Loss	–	–	573.900	573.900
Loans and Receivables	309.750	–	–	309.750
Total Financial Assets	**663.961**	**8,771.573**	**3,331.958**	**12,767.492**
Financial Liabilities				
Financial Liabilities at Amortised Cost	(20.383)	–	–	(20.383)
Total Financial Liabilities	**(20.383)**	**–**	**–**	**(20.383)**
Net Financial Assets	**643.578**	**8,771.573**	**3,331.958**	**12,747.109**

Reconciliation of Fair Value Measurement within Level 3

2022/23	Market value 1st April 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains (losses)	Realised gains (losses)	Market value 31st March 2023
Asset type	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Private Equity	1,240.849	199.193	(134.718)	(46.616)	68.581	1,327.289
Investment in BCPP	1.182	–	–	–	–	1.182
Infrastructure	468.200	139.625	(103.978)	100.288	19.401	623.536
Global Property	435.220	87.650	(38.365)	30.850	15.015	530.370
Private Debt	494.294	225.695	(44.792)	70.437	0.433	746.067
UK Residential Property	118.313	43.674	(4.242)	(26.825)	-	130.920
UK Direct Property	573.900	54.957	(7.401)	(94.073)	(6.733)	520.650
Climate Opportunities	–	61.208	0.011	(2.504)	–	58.715
	3,331.958	**812.002**	**(333.485)**	**31.557**	**96.697**	**3,938.729**

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 2023.

Asset Type	Assessed Valuation Range (+/-) %	Value at 31st March 2023 £m	Value on increase £m	Value on decrease £m
Private Equity	29.9	1,327.289	1,724.148	930.430
Investment in BCPP	0.0	1.182	1.182	1.182
Infrastructure	13.1	623.536	705.219	541.853
Global Property	12.5	530.370	596.666	464.074
Private Debt	6.8	746.067	796.800	695.334
UK Residential Property	10.1	130.920	144.143	117.697
UK Direct Property	9.0	520.650	567.509	473.792
Climate Opportunities	29.9	58.715	76.271	41.159
Total		**3,938.729**	**4,611.938**	**3,265.521**

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 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.

Climate Change Risk

The Pension Fund views climate change risk as a materially important factor that could significantly impact its long-term investment performance given its systemic nature and the effects it could have on global financial markets and has produced a climate change policy to assist in managing this risk.

To assist with this the Fund has set a range of targets and actions

- A net zero carbon target for the Investment Portfolio of 2050, or sooner
- A reduction in carbon emissions of 30% to 35% by 2025
- A reduction in carbon emissions of 50% to 60% by 2030
- To undertake a carbon footprint on the Fund each year
- To undertake a formal review of the targets every three years.

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 2023/24 financial year. The equivalent movements from 2022/23 are also shown.

Asset Type	Potential Market Movements (+/-) reported in 2022/23 %	Potential Market Movements (+/-) reported in 2023/24 %
UK Equities	17.0	14.0
Overseas Equities	13.5	13.5
Global Equities	15.5	12.8
UK Bonds	6.3	9.4
Overseas Bonds	-	-
Index-Linked Securities	12.5	16.7
UK Property	5.7	9.0
UK Residential Property	7.7	10.8
Overseas Property	11.8	12.5
Private Equity	29.8	29.9
Infrastructure	12.4	13.1
Private Debt	6.6	6.8
Cash	0.1	0.3

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.

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 2023 £m	Percentage Change %	Value on Increase £m	Value on Decrease £m
UK Equities	896.026	14.0	1,021.470	770.582
Overseas Equities	2,475.689	13.5	2,809.907	2,141.471
Global Equities	1,730.367	12.8	1,951.854	1,508.880
UK Bonds	2,428.196	9.4	2,656.446	2,199.946
Overseas Bonds	566.444	0.0	566.444	566.444
Index-Linked Securities	171.196	16.7	199.786	142.606
UK Property	572.239	9.0	623.741	520.737
UK Residential Property	166.642	10.8	184.639	148.645
Overseas Property	530.370	12.5	596.666	464.074
Private Equity	1,341.458	29.9	1,742.554	940.362
Infrastructure	623.536	13.1	705.219	541.853
Private Debt	746.067	6.8	796.800	695.334
Climate Opportunities	58.715	0	58.715	58.715
Cash and Cash Equivalents	104.090	0.3	104.402	103.778
Investment Income Due	3.454	0.0	3.454	3.454
Total	**12,414.489**		**14,022.097**	**10,806.881**

Asset Type	Value at 31st March 2022 £m	Percentage Change %	Value on Increase £m	Value on Decrease £m
UK Equities	1,115.051	17.0	1,304.610	925.492
Overseas Equities	2,765.359	13.5	3,138.682	2,392.036
Global Equities	1,992.559	15.5	2,301.406	1,683.712
UK Bonds	2,316.019	6.3	2,461.928	2,170.110
Overseas Bonds	585.868	0.0	585.868	585.868
Index-Linked Securities	247.086	12.5	277.972	216.200
UK Property	637.064	5.7	673.377	600.751
UK Residential Property	127.756	7.7	137.593	117.919
Overseas Property	435.220	11.8	486.576	383.864
Private Equity	1,259.933	29.8	1,635.393	884.473
Infrastructure	468.200	12.4	526.257	410.143
Private Debt	494.294	6.6	526.917	461.671
Cash and Cash Equivalents	267.742	0.1	268.010	267.474
Investment Income Due	3.367	0.0	3.367	3.367
Amounts Due for Sales	0.548	0.0	0.548	0.548
Amounts Payable for Purchases	(1.973)	0.0	(1.973)	(1.973)
Total	**12,714.093**		**14,326.531**	**11,101.655**

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 2022 and 31 March 2023 are set out below. These represent the interest rate risk based on underlying financial assets at fair value.

Asset Type	31st March 2022 £m	31st March 2023 £m
Cash and Cash Equivalents	267.742	104.090
Fixed Interest Securities	2,901.887	2,994.640
Index-Linked Securities	247.086	171.196
Total	**3,416.715**	**3,269.926**

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 2023	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	104.090	0.1	104.194	103.986
Fixed Interest Securities	2,994.640	6.6	3,192.286	2,796.994
Index-Linked Securities	171.196	19.7	204.922	137.470
Total	**3,269.926**		**3,501.401**	**3,038.451**

	Asset Value at 31 March 2022	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	267.742	0.1	268.009	267.475
Fixed Interest Securities	2,901.887	8.0	3,134.038	2,669.736
Index-Linked Securities	247.086	23.5	305.151	189.021
Total	**3,416.715**		**3,707.199**	**3,126.231**

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 2022 and at 31 March 2023:

	Asset Value at 31st March	
Asset Type	**2022 £m**	**2023 £m**
Overseas Fixed Interest	585.868	566.444
Overseas Quoted Equities	4,757.918	4,206.056
Overseas Unquoted Equities	102.698	80.824
Overseas Pooled Investment Vehicles	1,124.794	1,199.604
Overseas Currency	77.918	48.299
Total	**6,649.196**	**6,101.227**

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 6.6%. The following table shows the impact of a 6.6% increase or decrease in the net asset value of those assets exposed to currency risk. The value of the Fund's overseas 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 2023	Potential change	Potential market movement	Value on increase	Value on decrease
Asset Type	**£m**	**%**	**£m**	**£m**	**£m**
Overseas Fixed Interest	566.444	6.6	37.385	603.829	529.059
Overseas Quoted Equities	4,206.056	6.6	277.600	4,483.656	3,928.456
Overseas Unquoted Equities	80.824	6.6	5.334	86.158	75.490
Overseas Pooled Investment Vehicles	1,199.604	6.6	79.174	1,278.778	1,120.430
Overseas Currency	48.299	6.6	3.188	51.487	45.111
Total	**6,101.227**		**453.624**	**6,554.851**	**5,647.603**

	Value at 31st March 2022	Potential change	Potential market movement	Value on increase	Value on decrease
Asset Type	**£m**	**%**	**£m**	**£m**	**£m**
Overseas Fixed Interest	585.868	7.3	42.768	628.636	543.100
Overseas Quoted Equities	4,757.918	7.3	347.328	5,105.246	4,410.590
Overseas Unquoted Equities	102.698	7.3	7.496	110.194	95.202
Overseas Pooled Investment Vehicles	1,124.794	7.3	82.109	1,206.903	1,042.685
Overseas Currency	77.918	7.3	5.688	83.606	72.230
Total	**6,649.196**		**485.389**	**7,134.585**	**6,163.807**

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 the Fund's entire 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 31st March 2023 was £57.810m (£188.630m in 2021/22). 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 2022 £m	Value as at 31st March 2023 £m
Money market funds			
CCLA	AAA	39.750	26.000
Deutsche Global Liquidity Fund	AAA	39.750	–
Insight	AAA	39.750	–
HSBC	AAA	–	27.750
Bank deposit accounts			
Lloyds Bank	A+	4.380	4.060
Bayerische Landesbank	A-	5.000	–
Australia and New Zealand	AA-	15.000	–
Close Brothers	A-	15.000	–
National Bank of Kuwait	A	10.000	–
SMBC International PLC	A	10.000	–
Goldman Sachs	A+	5.000	–
Helaba	A+	5.000	–
Total		**188.630**	**57.810**

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 2023.

16. CURRENT ASSETS AND LIABILITIES

31st March 2022 £m		31st March 2023 £m
	Current assets	
7.590	Contributions - members	7.399
32.196	Contributions and recharges due - employers	28.888
4.378	Cash balances	3.448
0.239	Sundry debtors	10.350
44.403	**Total current assets**	**50.085**
	Current liabilities	
(3.026)	Unpaid benefits	(1.853)
(8.361)	Sundry creditors	(7.322)
(11.387)	**Total current liabilities**	**(9.175)**

17. AGENCY SERVICES

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

2021/22 £000	Payments on Behalf of:	2022/23 £000
2.264	Newcastle City Council	2.255
2.099	Northumberland County Council	2.061
1.941	Sunderland City Council	1.895
1.861	Gateshead Council	1.847
1.624	North Tyneside Council	1.577
0.732	South Tyneside Council	0.722
0.292	Nexus	0.260
0.227	Newcastle International Airport	0.225
0.224	Police and Crime Commissioner for Northumbria	0.229
0.219	Tyne and Wear Residuary Body	0.208
0.051	Tyne and Wear Fire and Rescue Service	0.052
0.049	University of Sunderland	0.048
0.048	The Durham, Gateshead, South Tyneside and Sunderland Combined Authority	0.046
0.039	Northumbria University	0.038
0.015	Magistrates' Courts	0.016
0.015	Assessment and Qualifications Alliance	0.014
0.011	Workshops for the Adult Blind	0.012
0.009	NCG	0.009
0.009	Association of North East Councils	0.009
0.009	Newcastle Theatre Royal Trust	0.009
0.008	Northern Council for Further Education	0.009
0.007	National Parks Authority	0.007
0.007	Northumberland Magistrates Courts	0.006
0.007	One North East	0.008
0.006	Northumbria Tourist Board	0.005
0.005	Wearside College	0.005
0.005	Gateshead College	0.005
0.004	Benton Grange School	0.004
0.004	North Tyneside Disability Advice	0.004
0.003	Tyne and Wear Development Company Limited	0.004
0.003	Higher Education Funding Council for England	0.003
0.003	Monkwearmouth College	0.003
0.003	South Tyneside Homes	0.003
0.003	Wallsend Hall Enterprises Limited	0.003
0.002	Catholic Care North East	0.003
0.002	Blyth Housing Company	0.002
0.002	City of Sunderland College	0.002
0.002	North Tyneside College	0.002
0.002	Sunderland Empire Theatre Trust	0.003
0.001	Age Concern Newcastle	0.001
0.001	North East Regional Employers Organisation	0.001
0.001	Northumberland Care Trust	0.001
–	Tyne and Wear Enterprise Trust	–
11.819	**Total Agency Services**	**11.616**

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 2022/23, £3.685m of contribution income was received into the AVC funds provided by The Prudential (£2.942m in 2021/22). As at 31 March 2023, these funds were valued at £18.653m (£20.588m in 2021/22).

During 2022/23, there was no contribution income received into the AVC funds provided by Utmost Life and Pensions (£0.000m in 2021/22). As at 31 March 2023, these funds were valued at £0.047m (£0.059m in 2021/22).

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 2022			31st March 2023 Market Value	
£m	**%**		**£m**	**%**
		Investment Managers		
		Under Pooling		
		With Border to Coast		
904.892	7.1%	Global Equities	938.683	7.5%
429.854	3.4%	UK Equities	429.321	3.5%
1,853.095	14.6%	Investment Grade Credit	1,960.455	15.8%
585.868	4.6%	Multi Asset Credit	566.444	4.6%
140.455	1.1%	Private Equity	259.528	2.1%
95.773	0.8%	Infrastructure	215.661	1.7%
100.473	0.8%	Private Debt	276.885	2.2%
		Climate Opportunities	58.715	0.5%
4,110.410	**32.4%**		**4,705.692**	**37.9%**
4,737.676	37.3%	**With Legal and General**	3,864.166	31.1%
8,848.086	**69.6%**	**Total Pooling**	**8,569.858**	**69.0%**
		Investments Managed Outside of the Pool		
		Outside of Pooling		
573.900	4.5%	Abrdn	520.650	4.2%
140.162	1.1%	JP Morgan Asset Management	132.080	1.1%
253.241	2.0%	Lazard Asset Management	261.939	2.1%
120.026	0.9%	TT International	116.008	0.9%
1,119.478	8.8%	Private Equity	1,081.931	8.7%
372.427	2.9%	Infrastructure	407.875	3.3%
435.220	3.4%	Global Property	530.370	4.3%
127.756	1.0%	Residential Property	166.642	1.3%
63.237	0.5%	UK Property Unit Trusts	51.589	0.4%
393.821	3.1%	Private Debt	469.182	3.8%
266.739	2.1%	Managed In-House	106.365	0.9%
3,870.385	**30.4%**		**3,848.079**	**31.0%**
12,714.093	**100.0%**	**Total Investments**	**12,414.489**	**100.0%**

20. DERIVATIVES

The Fund has in the past 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 2023 or at 31st March 2022.

Forward Currency Contracts

In past years the Fund has used Forward Currency Contracts to hedge the currency exposure on certain overseas investments. As at 31st March 2023 and 31st March 2022, the Fund did not hold any such contracts.

21. SECURITIES LENDING

The Fund operates a securities lending programme through its custodian, Northern Trust. Securities totalling £4.173 million were out on loan as at 31 March 2023. The breakdown of securities on loan was:

31st March 2022 £m		31st March 2023 £m
1.573	Overseas Equities	4.173
1.573	**Total Securities Lending**	**4.173**

The value of collateral against which the securities were lent out is £4.594m (£1.734m in 2021/22). 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 undertaken within the pooled funds and will not be shown separately.

22. PROPERTY HOLDINGS

31st March 2022 £m		31st March 2023 £m
	Direct Property Holdings	
435.640	Opening Balance	573.900
50.280	Purchases	18.535
5.242	New construction	36.299
0.325	Subsequent expenditure	0.188
(13.982)	Disposals	(6.275)
96.395	Net Increase/(Decrease) in Market Value	(101.997)
573.900	**Closing Balance**	**520.650**

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 2022 £m		31st March 2023 £m
22.593	Within One Year	25.223
78.800	Between One And Five Years	94.942
130.962	Later Than Five Years	197.432
232.355	**Minimum Due From Leases**	**317.597**

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 2023, 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 £3,864.165 million and represented 31.0% of the total net assets of the Fund. During 2022/23, the insurance contract covered fifteen individual funds, as follows:

31st March 2022 £m	LGIM Holdings	31st March 2023 £m
478.372	UK Equities	259.649
205.643	UK Equities Future World	205.874
179.333	Asia Pacific ex. Japan Equities	152.030
67.080	Asia Pacific ex. Japan Equities Future World	66.773
221.317	Emerging Markets Equities	190.621
60.161	Emerging Markets Equities Future World	57.920
625.638	Europe (ex UK) Equities	493.088
195.382	Europe (ex UK) Equities Future World	212.860
190.372	Japan Equities	152.805
59.484	Japan Equities Future World	60.013
419.764	North America Equities (hedged)	369.579
237.453	North America Equities Future World	212.333
1,087.667	Global Equities	791.683
247.086	Index-Linked Gilts	171.196
462.924	Corporate Bonds	467.741
4,737.676	**Total**	**3,864.165**

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 £3,894.903 million and represented 31.3% of the total net assets of the Fund. As at 31st March 2023, the ACS covered four individual funds as follows:

31st March 2022 £m	Border to Coast Holdings	31st March 2023 £m
429.854	UK Equities	429.321
904.892	Global Equities	938.683
1,853.095	Investment Grade Credit	1,960.455
585.868	Multi Asset Credit	566.444
3,773.709	**Total**	**3,894.903**

24. OUTSTANDING COMMITMENTS

As at 31 March 2023 the Fund had 107 outstanding commitments to investments, as shown below.

Name of Fund	Year	Value m	Drawdowns Made m	Commitment Outstanding 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	€29.7	€0.3	£0.3
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	£1.3
Lexington Capital Partners VI-B	2005	$30.0	$29.5	$0.5	£0.4
Morgan Stanley PMF III	2005	$50.0	$48.7	$1.3	£1.0
HarbourVest Partners VIII Cayman Buyout Fund	2006	$112.0	$108.6	$3.4	£2.7
HarbourVest Partners VIII Cayman Venture Fund	2006	$56.0	$54.4	$1.6	£1.3
Pantheon Europe Fund V	2006	€35.0	€33.2	€1.9	£1.6
Pantheon USA Fund VII	2006	$35.0	$32.5	$2.5	£2.0
Coller International Partners V	2006	$30.0	$23.5	$0.3	£0.2
Morgan Stanley Global Distressed Opportunities Fund	2006	$10.0	$9.9	$0.1	£0.1
HarbourVest Partners 2007 Direct Fund	2007	$30.0	$29.3	$0.7	£0.6
Pantheon Asia Fund V	2007	$20.0	$19.1	$0.9	£0.7
Pantheon Europe Fund VI	2007	€40.0	€37.9	€2.1	£1.9
Pantheon USA Fund VIII	2007	$35.0	$32.5	$2.5	£2.0
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	£1.0
Infracapital Partners I	2007	£35.0	£32.8	£2.2	£2.2
Morgan Stanley PMF IV	2007	$30.0	$29.9	$0.1	£0.1
Capital International Private Equity Fund VI	2010	$35.0	$31.4	$3.6	£2.9
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	£15.0
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	$92.3	$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
Global Infrastructure Partners II	2011	$43.0	$39.0	$4.0	£3.2
Coller International Partners VI	2012	$33.9	$31.6	$2.3	£1.8
Pantheon Asia Fund VI	2012	$40.0	$37.2	$2.8	£2.3
Pantheon Europe Fund VII	2012	€25.0	€22.5	€2.5	£2.2
Pantheon USA Fund IX	2012	$30.0	$26.9	$3.1	£2.5
Partners Group Global Infrastructure 2012	2013	€45.0	€37.1	€7.9	£6.9
Partners Group Real Estate 2014	2013	$64.0	$46.5	$17.5	£14.2
Partners Group Real Estate Income 2014	2013	€23.0	€20.9	€2.1	£1.8
Partners Group Global Real Estate 2013	2013	$130.0	$101.3	$28.7	£23.2
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	$27.6	$2.4	£1.9
HarbourVest Partners IX - Cayman Buyout Fund	2013	$60.0	$51.2	$8.9	£7.2
HarbourVest Partners IX - Cayman Venture Fund	2013	$30.0	$28.5	$1.5	£1.2
Antin Infrastructure Partners II	2013	€24.0	€22.8	€1.2	£1.1
HarbourVest Partners 2013 Cayman Direct Fund LP	2014	$30.0	$29.0	$1.0	£0.8
Lexington Capital Partners VIII	2014	$30.0	$27.4	$2.6	£2.1
Infracapital Partners II	2014	£19.6	£18.8	£0.8	£0.8

Name of Fund	Year	Value m	Drawdowns Made m	Commitment Outstanding	m
HarbourVest International Private Equity Partners VII - Partnership	2014	$70.0	$62.3	$7.7	£6.2
Neuberger Berman Crossroads Fund XX	2014	$26.0	$19.6	$6.4	£4.9
Coller International Partners VII	2015	$45.0	$31.2	$13.8	£11.1
HarbourVest Partners X - AIF Buyout Fund	2015	$50.0	$38.0	$12.0	£9.7
HarbourVest Partners X - AIF Venture Fund	2015	$25.0	$23.5	$1.5	£1.2
HarbourVest Dover Street IX LP	2016	$30.0	$26.4	$3.6	£2.9
Partners Group Direct Infrastructure 2015	2016	$140.0	$115.5	$24.5	£19.8
HarbourVest Partners Co-Investment Fund IV AIF	2016	$30.0	$27.9	$2.1	£1.7
Aberdeen UK PRS Opportunities LP	2016	£64.3	£57.5	£6.8	£6.8
Pantheon Access EUR 2016	2017	€24.3	€18.3	€6.0	£5.3
Pantheon Access USD 2016	2017	$65.0	$56.4	$8.6	£6.9
HIPEP VIII Partnership Fund	2017	$80.0	$59.8	$20.2	£16.3
Infracapital Greenfield Partners I	2017	£20.0	£17.1	£2.9	£2.9
Pantheon Global Infrastructure III	2017	$55.0	$48.9	$6.1	£5.0
Pantheon Global Infrastructure III (former NCC)	2017	$54.0	$48.2	$5.8	£4.7
Infracapital Partners III	2017	£20.0	£16.2	£3.8	£3.8
Partners Group Real Estate Secondary 2017	2017	$135.0	$81.0	$54.0	£43.7
Pantheon Access USD 2017	2017	$65.2	$49.8	$15.4	£12.4
HarbourVest Partners XI	2018	$100.0	$72.1	$27.9	£22.6
Lexington Capital Partners IX	2018	$70.0	$50.2	$19.8	£16.0
Pantheon Access EUR 2018	2018	€50.0	€27.0	€23.0	£20.2
Pantheon Access USD 2018	2018	$120.0	$99.4	$20.6	£16.7
HarbourVest Partners Co-Investment V Feeder AIF	2018	$70.0	$63.0	$7.0	£5.7
Infrabridge Global Infrastructure II	2018	$55.0	$48.9	$6.1	£5.0
Partners Group Real Estate Opportunities 2019	2018	$380.0	$198.9	$181.1	£146.5
Partners Group Global Value Real Estate 2019	2018	€165.0	€110.7	€54.3	£47.7
HPS Core Senior Lending Fund	2018	$250.0	$210.1	$40.0	£32.3
Pemberton European Debt Investments Jersey II	2018	£190.0	£170.5	£19.5	£19.5
Hearthstone Residential Fund I	2019	£60.0	£60.0	£0.0	£0.0
Coller International Partners VIII	2019	$80.0	$37.5	$42.5	£34.4
Border to Coast Private Equity S1A	2019	£80.0	£53.5	£26.5	£26.5
HarbourVest Dover Street X	2019	$80.0	$50.6	$29.4	£23.8
Border to Coast Infrastructure S1A	2019	£60.0	£37.7	£22.3	£22.3
Partners Global Infrastructure 2018	2019	€110.0	€78.1	€31.9	£28.0
Border to Coast Private Debt S1A&B	2019	£160.0	£102.7	£57.3	£57.3
Pantheon Private Debt PSD II	2019	$200.0	$128.3	$71.7	£58.0
Border to Coast Private Equity S1B	2020	£120.0	£61.5	£58.5	£58.5
Border to Coast Infrastructure S1B	2020	£90.0	£39.9	£50.1	£50.1
Hearthstone Residential Fund II	2020	£30.0	£15.7	£14.3	£14.3
Border to Coast Private Equity S1C	2021	£350.0	£121.1	£228.9	£228.9
Border to Coast Infrastructure S1C	2021	£150.0	£106.3	£43.7	£43.7
Border to Coast Private Debt S1C	2021	£348.2	£140.8	£207.4	£207.4
Partners Group Direct Infrastructure 2020	2022	$70.0	$25.6	$44.4	£35.9
Partners Group Real Estate Secondary 2021	2022	$280.0	$42.0	£238.0	£192.5
Border to Coast Private Equity S2A	2022	£225.0	£7.0	£218.0	£218.0
Border to Coast Infrastructure S2A	2022	£250.0	£26.8	£223.2	£223.2
Border to Coast Private Debt S2A	2022	£300.0	£41.3	£258.7	£258.7
Border to Coast Climate Opportunities S2	2022	£465.0	£59.9	£405.1	£405.1
Henley Secure Income PUT	2022	£40.0	£40.0	£0.0	£0.0
CBRE UK Affordable Housing Fund	2022	£70.0	£0.0	£70.0	£70.0
M&G Shared Ownership Fund	2022	£40.0	£0.0	£40.0	£40.0
Border to Coast Private Equity S2B	2023	£200.0	£0.0	£200.0	£200.0
Border to Coast Infrastructure S2B	2023	£225.0	£0.0	£225.0	£225.0
Border to Coast Private Debt S2B	2023	£225.0	£0.0	£225.0	£225.0
Total outstanding commitments					**£3,625.4**

The Sterling figures for these outstanding commitments are based on the closing exchange rates on 31st March 2023. The total outstanding as at 31st March 2023 was £3,625.400 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 four members of the Pensions Committee who were in receipt of pension benefits from the Fund, namely the Vice Chair of the Pensions Committee W. Flynn and Committee members, J. Price, R. Goldsworthy, and J. Foreman. The Chair of the Pensions Committee, A. Walsh, and Committee members R. Dodd, G. Haley and G. Thompson are deferred members of the Fund.

The Chair of the Pensions Committee, A. Walsh, was a Non-Executive Director of Border to Coast Pensions Partnership.

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 2022/23 South Tyneside Council had related party transactions with the Fund totalling £0.551 million (£0.711 million in 2021/22), analysed as follows:

- South Tyneside Council charged the Fund £0.479 million (£0.643 million in 2021/22) in respect of services provided, primarily being legal, financial, information technology services and building costs.
- The Fund charged South Tyneside Council £0.072 million (£0.068 million in 2021/22) 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, the Principal Pensions Manager and the Principal Governance and Funding Manager. Total remuneration payable to key management personnel is set out below:

31st March 2022 £,000		31st March 2023 £,000
335	Short Term benefits	361
59	Post-employment benefits	63
394	**Total**	**424**

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 2022/23 the Fund has recognised an impairment loss of £0.104 million (£0.105 million as at 31 March 2022) 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 2022 these were valued by the actuary at £16,244.400 million.

This figure was calculated using the following information supplied by the actuary. These are taken from the report: IAS 26 Results - Whole of Pension Fund Accounting 2023 – 19 May 2023. A full copy is available on request.

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 2022 £m	Value at 31st March 2019 £m
Fair value of net assets	12,747.1	8,788.1
Actuarial present value of the promised retirement benefits	16,244.4	11,763.1
Surplus / (deficit) in the Fund as measured for IAS26 purposes	(3,497.3)	(2,975.0)

The Northumberland County Council Pension Fund merged into the Tyne and Wear Pension Fund via Regulations which came into force on 3 June 2020 (effective from 1 April 2020). The IAS 26 results as at 31 March 2022 included in this report are in respect of the merged Fund. Comparative figures shown as at 31 March 2019 are in respect of the Tyne and Wear Pension Fund only.

The principal assumptions used by the Actuary were:

	31st March 2022 (% p.a.)	31st March 2019 (% p.a.)
Discount rate	2.7	2.4
CPI Inflation [1,2]	3.0	2.2
Rate of general increase in salaries [3]	4.5	3.7

1 In excess of Guaranteed Minimum Pension increases in payment where appropriate.

2 The assumption for the revaluation rate of pension accounts is set equal to the assumption for pensions increases. In the 2022 assumption we have also made allowance for higher actual CPI for the period 30 September 2021 to 31 March 2022, where 30 September 2021 is the date of the reference CPI index that the Scheme's benefits had been increased by in April 2022.

3 A promotional salary scale is assumed to apply in addition to this, at the rates assumed in the relevant valuation of the Fund.

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 2022 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 2022	31st March 2019
Males		
Future lifetime from age 65 (currently aged 65)	21.5	22.0
Future lifetime from age 65 (currently aged 45)	22.8	23.7
Females		
Future lifetime from age 65 (currently aged 65)	24.5	25.2
Future lifetime from age 65 (currently aged 45)	26.0	27.0

Different mortality assumptions have been used for other categories of member as set out in the actuary's report on the 2022 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 2022 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 2022 the Fund's assets have generally delivered lower than expected returns and inflation has been higher than expected. However, corporate bond yields have increased significantly which will have led to a reduction in the value of the defined benefit obligation (liabilities) on an accounting basis. We would expect the Funds' IAS 26 balance sheet position to have improved significantly over the year, with a lower IAS 26 deficit, at 31 March 2023 if the Fund had chosen to update the position annually.

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	(330.7)	337.5
% change in present value of defined benefit obligation	-2.0%	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	29.7	(29.4)
% change in present value of defined benefit obligation	0.2%	-0.2%
Rate of increase to pensions 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	307.8	(301.3)
% change in present value of defined benefit obligation	1.9%	-1.9%
Post retirement mortality assumption		
Adjustment to members' life expectancy	**- 1 year £M**	**+ 1 year £M**
£ change to present value of the defined benefit obligation	(701.1)	699.7
% change in present value of defined benefit obligation	-4.3%	4.3%

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 contain sensitive information and are disclosed for transparency reasons.

Expenses paid to members of the Pensions Committee totalled £0.032 million in the year to 31 March 2023 (£0.030 million in 2021/22). 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 £0.040 million (£0.027 million in 2021/22) for carrying out this audit, they received no additional income (£0.000 million in 2021/22) in respect of producing letters of assurance for auditors of other employers which need pension information for their own final accounts. These fees are included in the Administration and Oversight and Governance Cost lines in note 11.

At the end of 2021/22 the final fee for completing the audit for this year is subject to referral to the body responsible for setting audit fees for local government pension funds for adjustment as agreement has not been reached on between the Fund and Ernst & Young on additional charges being levied by them.

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF SOUTH TYNESIDE COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

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.

lgps