

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

TEESSIDE PENSION BOARD REPORT

15 APRIL 2019

STRATEGIC DIRECTOR FINANCE, GOVERNANCE & SUPPORT – JAMES BROMILEY

Investment Pooling Update

1. PURPOSE OF THE REPORT

- 1.1 To provide Members of the Teesside Pension Board (the Board) with an update on the continuing pooling of assets through Border to Coast Pensions Partnership (Border to Coast).

2. RECOMMENDATIONS

- 2.1 That Members note this report.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no specific financial implications in respect of the information contained in this report beyond those previously discussed relating to investment pooling.

4. BACKGROUND

- 4.1 Members will be aware that the Pension Fund's equity assets mainly transferred to either Border to Coast (UK equities) or State Street Global Advisers (overseas equities). Since then the Pension Fund has invested into Border to Coast's overseas equity sub-fund as well.
- 4.2 The Pension Fund has also committed to invest in Border to Coast's 'alternative' assets as they become available – initially private equity, closely followed by infrastructure.
- 4.3 The twelve Partner Funds that wholly own Border to Coast are at different stages in terms of investing within Border to Coast's sub-funds. It was always acknowledged that this would be the case, with the three internally-managed Funds (our Pension Fund, East Riding Pension Fund and South Yorkshire Pension Fund) initially moving significant assets to be invested by Border to Coast.

5. FUTURE FUND LAUNCHES

- 5.1 Border to Coast has worked with the Partner Funds to develop and agree the following indicative launch timetable for future funds (taken from the presentation given to the 13 March 2019 Pension Fund Committee):

Future fund launches

	Launched in 2018	Scheduled for 2019	2020 onwards
Equities	UK Listed Equity Overseas Developed Emerging Equities		
	UK Listed Equity Alpha	Global Equity Alpha	Emerging Markets, other TBA
Alternatives		PE, infrastructure, private debt, diversified	
Bonds		Fund range TBA	
Multi-asset		Fund range TBA	
Property			Fund range TBA

- 5.2 The Pension Fund has committed to investing £200 million (around 5% of its assets) into Border to Coast's Alternatives Fund in the first year it is available, with half being allocated to private equity and half to infrastructure. The intention is that a further £100 million a year (again split 50:50 between private equity and infrastructure) will be invested over the subsequent 4 years.

6. SHAREHOLDER RESOLUTIONS

- 6.1 As well as being an investor in Border to Coast, the Pension Fund together with the other eleven Partner Funds jointly owns the company and exercises rights as a shareholder. The Pension Fund's shareholding is exercised by the Chair of the Pension Fund under power delegated from the Mayor.
- 6.2 The following two shareholder resolutions have recently been agreed to by the Chair on behalf of the Pension Fund:
- Alternatives Structure - a resolution allowing Border to Coast to set up limited partnership agreements to facilitate the efficient structuring of the alternatives investment arrangements – this required (and obtained) unanimous agreement of the shareholders.
 - Strategic Plan (including budget and capital adequacy) – a resolution agreeing Border to Coast's proposed budget and activity for 2019/20 – this required (and obtained) agreement from at least 75% (nine) of the shareholders.

7. JOINT COMMITTEE MEETING

7.1 The Joint Committee that oversees Border to Coast, whose voting members comprise the twelve chairs of the Pension Committees of each Partner Fund, met on 11 March 2019. Agenda items were as follows:

- Result of the election for a scheme member observer and substitute to the Joint Committee
- Elections for the Role of Chair and Vice Chair of the Joint Committee and Nominee for the Directorship of Border to Coast Pensions Partnership Limited ("the Company")
- Joint Committee Budget
- Governance Arrangements
- MHCLG - Statutory Guidance on Asset Pooling
- Feedback on National Working Groups
- Update from Border to Coast Chair
- CEO Report
- Border to Coast Transition Planning 2019-2021
- Border to Coast ACS Global Equity Alpha Fund
- Border to Coast Alternatives Capability
- Border to Coast ACS - Future Fixed Income Fund Offerings

7.2 Points of note from the meeting include:

- Scheme member observer and substitute: Nicholas Wirz from Tyne and Wear was elected as the scheme member observer on the Joint Committee with Dierdre Burnet from Cumbria Pension Fund as substitute – their term of office will cover the March 2019 meeting and the forthcoming municipal year.
- Legal advice is being sought as to whether any potential conflicts of interest exist with regard to a member of a Pension Fund Committee also being a non-executive director of Border to Coast.

7. NEXT STEPS

7.1 Further updates on developments in Border to Coast will be provided periodically.

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