

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 18 June 2025.

PRESENT: Councillors J Kabuye (Chair), J Rostron (Vice-Chair), J Ewan, D Branson, D Coupe, T Furness, D Jackson, J Beall, M Fairley, Ms J Flaws and Mr T Watson

ALSO IN ATTENDANCE: W Bourne (Independent Adviser), A Owen (CBRE), D Knight (Border to Coast), H Chambers (South Tyneside), E Ezeah (CBRE) and Rutter (CBRE)

OFFICERS: Wendy Brown, Claire Jones and Andrew Humble

APOLOGIES FOR ABSENCE: M Saunders and M Scarborough

25/1 WELCOME AND FIRE EVACUATION PROCEDURE

The Chair welcomed all present to the meeting and read out the Fire Evacuation Procedure.

25/2 DECLARATIONS OF INTEREST

Name of Member	Type of Interest	Item / Nature of Business
Councillor Beall	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Branson	Non-Pecuniary	Spouse – Member of Teesside Pension Fund
Councillor Coupe	Non-Pecuniary	Non-Executive Director of Border to Coast Pensions Partnership LTD.
Councillor Ewan	Non-Pecuniary	Member of Teesside Pension Fund and Member of South Tyneside Pension Fund.
Councillor Jackson	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non-Pecuniary	Member of Teesside Pension Fund
B Foulger	Non-Pecuniary	Member of Teesside Pension Fund

25/3 MINUTES - TEESSIDE PENSION FUND COMMITTEE - 12 MARCH 2025 AND 11 DECEMBER 2024

The minutes of the meetings of the Teesside Pension Fund Committee held on 12 March 2025 and 11 December 2024 were taken as read and approved as correct records.

25/4 INVESTMENT ACTIVITY REPORT

A report of the Director of Finance was presented to inform Members of how the Investment Advisors' recommendations were being implemented and provided a detailed report on transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's Valuation. The treasury management of the Fund's cash balances and the Forward Investment Programme were also presented.

The Fund continued to favour growth assets over protection assets. For the period under discussion, bonds were still not considered value for the Fund. The cash level at the end of March 2025 was 8.22%.

The Fund purchased a Sainsbury Store in Wantage at a price of £38.1m in February. Investment in Alternatives, such as infrastructure and private equity, offer the Fund diversification from equities and bonds. They came with additional risks of being illiquid, traditionally they have costly management fees and investing capital could be a slow process.

An amount of 19.1m was invested in the quarter.

It was a requirement that all transactions undertaken were reported to the Committee. Appendix A of the report detailed transactions for the period January – March 2025; there were net purchases of £58.9m in the period.

As of 31 March 2025, the Fund had £455.9m invested with approved counterparties. This was a decrease of £49.6m over the last quarter. Delegated authority was given to the Director of Finance and Transformation by the Teesside Pension Fund Committee to authorise/approve any changes made to the Treasury Management Principles (TMPs), with subsequent reporting to the committee.

The Fund Valuation detailed all the investments of the Fund as at 31 March 2025, and was prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, was £5,539 million. This compared with the last reported valuation, as at 31 December 2024 of £5,565 million.

As at 31 March 2025 the Fund's equity weighting was 52.83% compared to 53.11% at the end of December 2024.

At the December 2024 Committee it was agreed that the Fund's Direct Property would transfer to Border to Coast, when the transfer was complete, the Fund would own units in Border to Coast's UK Real Estate Main Fund.

Members queried if the fund had investments in tobacco products and arms, stating that there are a number of Pension Funds in the country who have disinvested due to their requirements of ethical investment. Members were advised that as of 31 March 2024, 2.86% of investments were in these categories; further information would be provided to the Committee.

AGREED that the information provided was received and noted

25/5

PENSION FUND BUSINESS PLAN 2025-2028

A report of the Director of Finance and Transformation was presented to Members of the Teesside Pension Fund Committee which sought approval of the Business Plan including the 2025/26 Pension Fund budget.

The 2025/26 forecast income and expenditure were set out in the Business Plan. The Director of Finance and Transformation advised that the report was delayed due to the inquorate meeting of the Committee in March 2025 and some figures may have changed slightly.

In order to comply with the recommendations of the Myners Review of Institutional Investment, it was agreed that an annual Business Plan would be presented to Members for approval. The Business Plan contained financial estimates for the Fund, including the budgeted costs for investment and management expenses.

The Teesside Pension Fund Business Plan had been designed to set out how the Pension Fund Committee operated, what powers were delegated and provided information on key issues. The Business Plan sat alongside the Fund's other governance documents, which set out the delegated powers and responsibilities of officers charged with the investment management function.

The Business Plan for 2025/28 was attached and included:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise.
- The current governance arrangements for the Fund.
- The performance targets for the Fund for 2025/26, and a summary of the performance for 2024/25.
- The arrangements in place for managing risk and the risk register for the Fund.
- Membership, investment and funding details for the Fund.
- An estimated outturn for 2024/25 and an estimate for income and expenditure for 2025/26.
- An annual plan for key decisions and a forward work programme for 2025/26 and an outline work plan for 2027 – 2028.

ORDERED: that the Business Plan including the 2025/26 Pension Fund budget be approved.

25/6

GOVERNMENT FIT FOR THE FUTURE CONSULTATION UPDATE

A report of the Director of Finance and Transformation was presented to advise Members of the response to the Government's Fit for the Future consultation.

The government confirmed on 4 September 2024 that it would carry out a pensions review. A call for evidence relating to defined contribution schemes and the LGPS was issued that covered:

- Scale and consolidation
- Costs vs Value
- Investing in the UK

Within the document reference was made to Asset Pooling and following this, the Government issued the "Fit for the Future" consultation in November 2024. The Head of Pensions Governance and Investments had submitted a response on behalf of the Fund, they also worked with Border to Coast and partner funds to agree a collective response.

The Government published its response to the consultation at the end of May 2025. Border to Coast, as part of their 2030 strategy, had been working on developing new capabilities to deliver the requirements of the consultation relating to:

- Advisory Services
- Management of legacy assets
- Local Investment

As well as responding to the consultation, all pools were required to submit their proposals indicating how they would develop their current arrangements to meet Government requirements of a pool as set out in the "Fit for the Future" consultation.

In April 2025 the Government announced that the responses from two pools, ACCESS and Brunel, did not meet the requirements of their proposed pooling model, the 21 Funds within these pools now need to find a new pool.

Within the Border to Coast 2030 Strategy there were three strands: 1) delivering its current remit as efficiently and effectively as possible, 2) developing additional capabilities to further support Partner Funds, and 3) enabling Partner Funds to take advantage of, and manage potential risks of, additional scale opportunities. Strand 3 – "enabling Partner Funds to take advantage of, and manage potential risks of, additional scale opportunities" covered the possibility of additional funds joining the partnership. Border to Coast and Partner Fund officers were engaging with several potential additional partners. The 21 funds from Access and Brunel had until September 2025 to agree "in principle" which Pool they would join.

Officers would continue to work with Border to Coast on the development of new capabilities to meet the requirements of the Government's consultation response. Officers would also be involved in ongoing discussions with regards to additional funds joining Border to Coast.

Members expressed concerns in regard to potential valuations and the effects this would have on the credits of the Teesside Pension Fund within the pool.

A Member queried how the pooling may impact the governance and the Committee going forward. It was agreed that a discussion paper may be required and this would be included in this year's work programme, for consideration.

AGREED that the information was received and noted.

25/7

EXTERNAL MANAGER REPORTS

A report of the Director of Finance and Transformation was presented to provide Members with Quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited.

At 31 March 2025 the Fund had investments in the following three Border to Coast listed

equity sub-funds:

- The Border to Coast UK Listed Equity Fund, which has an active UK equity portfolio aiming to produce long term returns of at least 1% above the FTSE All Share index.
- The Border to Coast Overseas Developed Markets Equity Fund, which has an active overseas equity portfolio aiming to produce total returns of at least 1% above the total return of the benchmark (40% S&P 500, 30% FTSE Developed Europe ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan).
- The Border to Coast Emerging Markets Equity Fund, which has an active emerging markets equity portfolio aiming to produce long term returns at least 1.5% above the FTSE Emerging markets indices. Part of the Fund is managed externally (for Chinese equities) by FountainCap and UBS, and part managed internally (for all emerging markets equities excluding China) by the team at Border to Coast.

The Fund also had investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. To date, total commitments of £900 million had been made to these sub-funds (£500m to infrastructure and £400m to private equity). In addition, a commitment to invest £80 million over a three-year period to the Border to Coast Climate Opportunities Fund had been made.

The Border to Coast report showed the market value of the portfolio at 31 March 2025 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast's UK Listed Equity Fund's returns were 2.43% below benchmark over the last year, the Overseas Developed Markets Equity Fund's return was 0.78% below benchmark over the last year. Since inception, the UK fund has delivered performance of 0.18% a year above benchmark, and the overseas fund has delivered performance of 1.26% above benchmark. The performance of the Emerging Markets Equity Fund has been below benchmark throughout much of the period of our Fund's investment. The recent position remains disappointing, with performance over the quarter and the year to 31 March 3.94% below benchmark. Since inception the Fund is 1.81% a year behind benchmark.

ORDERED that the information provided was received and noted.

25/8

BORDER TO COAST PRESENTATION

The Committee received a summary and update on the Fund's investments with Border to Coast.

The presentation provided information on the following:

- Listed Investments as at 31st March 2025:
 - UK Listed Equity £610m
 - Overseas Developed Markets £2,087m
 - Emerging Markets Equity £228m
- Commitment to Border to Coast's private market strategies
- Macro outlook – as at end Q1 2025
- Listed investments – performance to Q1 2025
- Private Equity
- Infrastructure
- Climate Opportunities
- Notable Exits

ORDERED that the information provided was received and noted.

25/9

INVESTMENT ADVISOR REPORTS

The Independent Investment Advisors had provided reports on current capital market conditions to inform decision-making on short-term and longer-term asset allocation, which were attached as Appendices A and B to the submitted report.

Further commentary was provided at the meeting.

William Bond commented that a significant amount had occurred over the past three months, particularly in the United States. There were clear signs that globalisation was in retreat, which was notable given that global prosperity is largely underpinned by trade. Another key

emerging theme was the increase in taxation. Looking ahead, low economic growth alongside higher bond yields was anticipated. Despite this outlook, the resilience of equity markets had been somewhat unexpected. It was considered inevitable that some pressure point, potentially inflation would materialise, and it was likely that governments would need to increase their financing activity in response.

AGREED that the information provided was received and noted.

25/10 CBRE PROPERTY REPORT

A report of CBRE was submitted that provided an overview of the current property market and informed Members of the individual property transactions relating to the Fund.

As of 25th March 2025, the portfolio comprised of 35 properties located throughout the UK, with a combined value of £524.7m. This reflected an overall Net Initial Yield of 5.57%, and an Equivalent Yield of 5.76%. High Street retail, retail warehouse, food stores and industrial comprised 98.6% of the Portfolio by capital value. There were 92 demises and a total net lettable area of 2,813,264 sq ft. The portfolio had a current gross passing rent of £31,161,368 per annum against a gross market rental value of £29,309,722 per annum. The weighted average unexpired lease term was 9.4 years to the earlier of the first break or expiry and 10.1 years to expiry, ignoring break dates.

The Fund had successfully completed the simultaneous Regear and Acquisition of Sainsbury, Limbrough Road, Wantage — a dominant, index-linked food store in Oxfordshire. The acquisition was completed at a purchase price of £38,100,000, equating to a Net Initial Yield of 4.50%.

The Chair and Committee Members noted that this would be the final Committee meeting that CBRE would attend. Members thanked representatives for their work and updates at meetings, during their time of working with the Fund.

AGREED that the information provided was received and noted.

25/11 AUDIT REPORT

The Director of Finance and Transformation presented a report on behalf of Mazars. It was noted that the Draft Audit Strategy Memorandum - Teesside Pension Fund – Year ending 31 March 2025 had been provided as part of the agenda pack, for information only and that update reports would be presented to the Committee at a later date.

The report included:

- Engagement and responsibilities summary
- Your audit team
- Audit scope, approach, and timeline
- Materiality and misstatements
- Significant risks and other key judgement areas
- Audit fees and other services
- Confirmation of our independence

A Member raised a query in respect of Mazar's correspondence with Internal Audit. It was proposed that Mazar's attend the July meeting of the Teesside Pension Fund Committee to provide further information.

AGREED that the information provided was received and noted.

25/12 ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED

None.

25/13 EXCLUSION OF PRESS AND PUBLIC

ORDERED that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as

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defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

25/14 **EXEMPT - FUND ACTUARY PRESENTATION - 2025 ASSUMPTION SETTING**

Deferred

25/15 **EXEMPT - REAL ESTATE TRANSFER UPDATE**

A report was presented to update Members on the progress of the transfer of the Fund's direct property portfolio to the Border to Coast (Real Estate) UK Main Fund.

AGREED that the information provided was received and noted.

25/16 **EXEMPT - PENSION ADMINISTRATION REPORT**

A report was presented to update Members on issues relating to the production of Annual Benefit Statements.

AGREED that the information provided was received and noted.