Middlesbrough
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Legal and Governance

TEESSIDE PENSION FUND COMMITTEE

Date: **Wednesday 18th June, 2025**
Time: **11.00 am**
Venue: **Mandela Room (Municipal Buildings)**

AGENDA

14. Exclusion of Press and Public

To consider passing a Resolution Pursuant to Section 100A (4) Part 1 of the Local Government Act 1972 excluding the press and public from the meeting during consideration of the following items on the grounds that if present there would be disclosure to them of exempt information falling within paragraphs 3 of Part 1 of Schedule 12A of the Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

15. Exempt - Fund Actuary Presentation - 2025 Assumption Setting — 285 - 314

16. Exempt - Real Estate Transfer Update — 315 - 324

17. Exempt - Pension Administration Report — 325 - 326

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Tuesday 10 June 2025

MEMBERSHIP

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

Assistance in accessing information

Should you have any queries on accessing the Agenda and associated information please contact Claire Jones, 01642 729112/01642 729712, claire_jones@middlesbrough.gov.uk/susan_lightwing@middlesbrough.gov.uk

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 12 March 2025.

PRESENT:	Councillors John Kabuye, J Rostron, J Ewan, D Branson, D McCabe and M Fairley
ALSO IN ATTENDANCE:	W Bourne (Independent Adviser) and Baillie (Hymans Robertson)
OFFICERS:	Nick Orton, Wendy Brown and Claire Jones
APOLOGIES FOR ABSENCE:	D Coupe, D Jackson, J Young, J Beall, M Scarborough and Ms J Flaws

24/58 **WELCOME AND FIRE EVACUATION PROCEDURE**

A formal notice had been issued to all concerned of a meeting of the Teesside Pension Fund Committee to be held on 12 March 2025.

Part 3, Paragraph 16, of the Council's Constitution states that if at the start of the meeting there is not a quorum present, then if after a period of five minutes there is still not a quorum, the meeting will be abandoned. The business will be considered at a rescheduled meeting.

The quorum for meetings of the Teesside Pension Fund Committee is eight (with at least five of the members present being Middlesbrough Councillors) as the quorum of the meetings was not achieved the Chair declared there was not a quorum present, and abandoned the meeting, with the remaining business to be considered at the next meeting of the Teesside Pension Fund Committee, date to be confirmed.

24/59 **DECLARATIONS OF INTEREST**

Deferred.

24/60 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 11 DECEMBER 2024**

Deferred.

24/61 **CONTRIBUTION RATE REVIEW REQUEST**

Deferred.

24/62 **INVESTMENT ACTIVITY REPORT (INCL. TM REPORT, VALUATION & FORWARD INVESTMENT PROGRAMME)**

Deferred.

24/63 **EXTERNAL MANAGERS' REPORTS (BORDER TO COAST & STATE STREET GLOBAL ADVISORS) WITH BORDER TO COAST ESG REPORTS**

Deferred.

24/64 **PENSION FUND BUSINESS PLAN 2025-28**

Deferred.

24/65 **PENSIONS REGULATOR GENERAL CODE OF PRACTICE REVIEW - UPDATE**

Deferred.

24/66 **FUND ACTUARY PRESENTATION - 2025 VALUATION**

Deferred.

24/67 **BORDER TO COAST PRESENTATION**

Deferred.

24/68 **INVESTMENT ADVISORS' REPORTS**

Deferred.

24/69 **CBRE PROPERTY REPORT**

Deferred.

24/70 **XPS PENSIONS ADMINISTRATION REPORT**

Deferred.

24/71 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

Deferred.

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 11 December 2024.

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

ALSO IN ATTENDANCE: W Bourne (Independent Adviser), P Moon (Independent Adviser)
D Knight (Border to Coast), T Manuel (Border to Coast)
A Owen (CBRE), R Quinn (CBRE), G Rutter (CBRE)
M Rutter (Ernst Young),
J Baillie (Hymans Robertson)
L Pelmear (XPS)

OFFICERS: N Orton, C Jones and D Middleton

APOLOGIES FOR ABSENCE: Councillors D Branson, T Furness and S Hill

24/39 **WELCOME AND FIRE EVACUATION PROCEDURE**

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

24/40 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item / Nature of Business
Councillor Beall	Non-Pecuniary	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
Councillor Rostron	Non-Pecuniary	Member of Teesside Pension Fund

24/41 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 25 SEPTEMBER 2024**

The minutes of the meeting of the Teesside Pension Fund Committee held on 25 September 2024 were taken as read and approved as a correct record.

24/42 **FINAL AUDIT RESULTS REPORTS - YEAR ENDING 31 MARCH 2022 AND YEAR ENDING 31 MARCH 2023**

A report was presented by Ernst & Young (EY) which summarised the audit conclusion in relation to the audit of Teesside Pension Fund for 2021/22. The audit was designed to express an opinion on the 2021/22 financial statements and addressed current statutory and regulatory requirements. The report contained the findings of EY, related to the areas of audit emphasis, their views on Teesside Pension Fund's accounting policies and judgements and material internal control findings.

The report identified key areas of focus for the audit of the Pension Fund's financial statements, and set out the Auditor's observations and conclusions, including their views on areas which might be conservative, and where there was potential risk and exposure. The consideration of these matters, and any others identified, were summarised in the "Areas of Audit Focus" section of the report.

The following Areas of Audit Focus were discussed for the 2021/22 report:

- Misstatements due to fraud or error (fraud risk)
  As reported in the Outline Audit Planning Report, audit planning procedures identified a large unexpected increase in investment income which increased from £13.7m in 2020/21 to £176.4m in 2021/22. Initial enquiries of management identified this as erroneous and EY recognised a significant risk in relation to investment income. This matter had been corrected within the financial statements, and Auditors were satisfied it arose as a result of error rather than fraud.

  As at 31 March 2022, the Pension Fund's financial statements included a £26.5m investment in a start-up challenger bank. Management asserted that the valuation at 31 March 2022, which significantly exceeded the Pension Fund's share of the net assets of the bank at that date, was reasonable and reflected the anticipated future profitability of the bank. It was noted that at 31 March 2022, the bank was still going through licensing and was not yet actively trading. However, the financial statements for the year ended 31 March 2023 included a significant impairment of this investment to reflect changes in management's expectations for recoverability of the Pension Fund's investment. It was the view of Auditors that the Pension Fund should also have impaired its investment. As at 31 March 2022, Auditors were reporting an uncorrected misstatement of £19.9m in relation to this investment.

- Valuation of pooled investment vehicles
  The agreement of investment valuations to third party confirmations from investment managers identified a number of errors in the recording of investment valuations, including incorrectly recording investments denominated in foreign currencies without converting amounts to sterling and omission of purchases made in the final quarter of the year. The net impact of these misstatements overstated investment assets by net £35.8m, which management had corrected the financial statements for. However, the size of the gross misstatement, overstatements of investments assets by £71.4m and understatement of investment assets by £35.6m, indicated that controls over the recording of investment valuations were not operating effectively. In addition, without impacting the overall valuation of investment assets, Auditors identified £52.5m of classification errors between the categories of investments disclosed within the notes to the financial statements. Management have corrected the financial statements for these classification misstatements. Following correction of the majority of identified misstatements, Auditors were satisfied that the valuation of pooled investment vehicles was not materially misstated.

- Valuation of private market investments
  Additional audit procedures over private market investments identified that one of the Fund's external investment managers had provided valuations to the Pension Fund which were based on historic cost, rather than market value which was required for reporting in the Pension Fund's financial statements. The Pension Fund had not identified as part of their review processes that valuations were not being provided on the correct basis. As a result of the incorrect valuation methodology being used by the fund manager, investment assets were understated by £7.7m. Management had opted not to correct the financial statements for this matter.

- Valuation of directly held property
  The analysis of the valuation of the Pension Fund's property assets as at 31 March 2022 identified 12 individual property valuations which were considered to exhibit indicators of having a higher risk of misstatement. Factors indicative of a higher risk of misstatement included: changes in valuations from the prior year; valuations which were out-of-line with similar assets; assets with a high proportion of tenants on expiring leases; and assets whose tenants were more exposed to adverse financial impacts of the Covid-19 pandemic. These 12 assets covered 41% of the total balance by value and EY Real Estate specialists were asked to review the valuations of these assets. The EY Real Estate specialists concluded that, other than a clearly trivial variance on one property, all valuations were within a reasonable range. There were no other observations to report in relation to directly held property. EY were therefore satisfied that directly held property was not materially misstated.

The conclusions of the 2022/23 report were:

- Valuation of pooled investment vehicles

Pooled Investment Vehicles reported in the financial statements were £10.1 million lower than confirmations received from fund managers. Of this, £8.1 million relates information from fund managers not being available until after the financial statements were prepared. The two investments totalling £7.3 million were noted as being incorrectly classified as level 3 instead of level 1 related to Pooled Property Investments. Movements between audited financial statements and the year-end valuations were not significantly different to wider market indices. No control observations were noted from the review of investment manager control report.

- Valuation of private market investments

It was identified that for two investments totalling £18.6 million, fund managers provided valuations on cost rather than on a revaluation basis. This understated the investments reported by £7.3 million. The Fund held investments in a limited company with a reported value of £40.1 million. It was noted that the Fund had continued to value this at the cost of the investment, rather than revaluing its investment at 31 March 2023. The value reported was in excess of the Fund's share of the net book value of the company by £30.3 million (£9.8 million total). This had been adjusted by management. Movements between audited financial statements and the year-end valuations were not significantly different to wider market indices.

- Valuation of directly held property

The Fund's valuer was appropriately objective, competent and capable. It was noted that the principal signatory of the valuation report had performed the valuation since 2012, in excess of suggested timings under RICS recommendations. It was identified that properties were mostly valued at the upper end of expected valuation ranges. From properties reviewed, expected valuations were not significantly different to underlying lease agreements and wider market indices and costs. No audit differences were identified.

During discussion, Members queried follow-up actions to the audit findings. The Director of Finance directed Members to Appendix C: The Management Representation Letter and advised the Committee that updates were routinely reported to Middlesbrough Council's Audit Committee. It was further advised that Mazars would complete an Audit Report of 2023/24 with an update provided on the recommendations set out in the 2022/23 report.

ORDERED that the information was received and noted.

24/43 **INVESTMENT ACTIVITY REPORT (INCL. TM REPORT, VALUATION & FORWARD INVESTMENT PROGRAMME)**

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 and the Fund had no investment in bonds at this time.

Cash level at the end of September 2024 was 5.97%.

Investment in direct property where the property had a good covenant, yield and lease terms would continue. There were no purchases or sales in the quarter.

Investment in Alternatives, such as infrastructure and private equity, offered the Fund diversification from equities and bonds. They came with additional risks of being illiquid, traditionally they had costly management fees and investing capital could be a slow process. An amount of £34m was invested in the quarter.

Appendix A of the report detailed transactions for the period 1 July 2024 – 30 September 2024. There were net sales of £147m in the period.

As at 30 September 2024, the Fund had £326m invested with approved counterparties. This was an increase of £135m over the last quarter. Appendix B of the report showed a graph of the maturity profile of cash invested. It also showed the average rate of interest obtained on the investments for each time period.

The Fund Valuation detailed all the investments of the Fund as at 30 September 2024, and was prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, was £5,483 million. The detailed valuation was attached to the report at Appendix C. This compared with the last reported valuation, as at 31 March 2024 of £5,524 million.

A summary analysis of the valuation showed the Fund's percentage weightings in the various asset classes as at 30 September 2024 compared with the Fund's customised benchmark.

As at 30 September 2024, the Fund's equity weighting was 57.49% compared to 60.26% at the end of June 2024. It has been agreed between the Investment Advisers and the Head of Pensions Governance & Investments that the Fund would disinvest from State Street (SSGA) Passive Equity Funds.

In the quarter July – September £435m was redeemed, of that, £330m was re-invested in the Border to Coast Overseas Developed Equity Fund with the remainder held as cash at the Fund. A summary of equity returns for the quarter 1 July 2024 – 30 September 2024 was set out at paragraph 8.4 of the report.

The Fund had no investments in bonds at this time, the level of cash invested was 5.97%. Discussions were held within the Committee Meeting regarding investment in bonds. Although there was no directive to invest at this time, the Advisers had since indicated the levels at which they felt investment would be appropriate. Officers were monitoring the situation, when the levels come into range, there would be further discussion with the advisers. At present, it was considered was that an investment via the Border to Coast Sterling Index Linked Bond Fund would be the most appropriate vehicle.

To date the Fund had agreed 4 Local Investments:

- GB Bank – £20m initial investment called in full in September 2020. £6.5m was paid to the bank in December 2021. £13.5m paid August 2022 as the bank received regulatory approval to exit mobilisation. £4m was agreed at the September 2023 Committee and paid to GB Bank in October. £5m agreed at March 2024 Committee and paid May 2024.
- Ethical Housing Company - £5m investment of which £765k had been called.
- Waste Knot - £10m investment agreed at the June 2021 Committee, payment made in full December 2021.
- FW Capital – At the September Committee meeting, agreement was given for an investment of £20m into the Teesside Flexible Investment Fund. The money would be called down as and when investments were made.

As at 31 October 2024 total commitments to private equity, infrastructure and other debt were £1,920m, as set out at paragraph 8.8 of the report.

ORDERED that the information provided was received and noted.

24/44 **EXTERNAL MANAGER REPORTS (BORDER TO COAST & STATE STREET GLOBAL ADVISORS) WITH BORDER TO COAST ESG REPORTS**

A report of the Director of Finance was presented to provide Members with Quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited ('Border to Coast') and with State Street Global Advisers ('State Street')

At 30 September 2024 the Fund had investments in the following three Border to Coast listed equity sub-funds:

- The Border to Coast UK Listed Equity Fund, which had 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 had 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 had 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 was 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.

For all three sub-funds, the return target was expected to be delivered over rolling three-year periods, before calculation of the management fee.

State Street had a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report, shown at Appendix B showed the market value of the State Street passive equity portfolio and the proportions invested in each region at 30 September 2024. Performance figures were also shown in the report over a number of time periods and from inception.

State Street continued to include additional information with their report this Quarter, giving details of how the portfolio compared to the benchmark in terms of environmental, social and governance factors including separate sections on climate and stewardship issues.

Border to Coast had worked with its reporting providers to develop reporting which covered the Environmental Social and Governance (ESG) issues and impact of the investments it managed, together with an assessment of the carbon exposure of these investments.

Appendix C contained the latest available ESG and carbon exposure in relation to the three Border to Coast listed equity sub-funds the Fund invests in: UK Listed Equity, Overseas Developed Markets Equity and Emerging Markets Equity. Amongst other information, the reports included information on the highest and lowest ESG-rated companies within those Border to Coast sub-funds, together with an analysis of the carbon exposure of the sub funds on a number of metrics. The sub-funds' ESG position and carbon exposure was also compared to benchmarks representing the 'average' rating across the investment universe of that particular benchmark.

ORDERED that the report was received and noted.

24/45 **GOVERNANCE POLICIES REVIEW**

A report of the Director of Finance was presented to provide Members with updated versions of a number of governance policies for comment / noting, as appropriate.

Most of the Pension Fund's governance policies were required to be formally updated every three years. At the last review, in December 2021, an overarching review of Local Government Pension Scheme (LGPS) governance had been expected for over a year, as a follow-on from work carried out on behalf of the Scheme Advisory Board. This review, which was expected to introduce the "Good Governance" proposals, had not yet taken place, but the governance issues fund and pool level were a key element of the Government's recently issued LGPS (England and Wales) 'Fit for the Future' consultation.

The latest consultation was expected to mean further guidance on LGPS governance, and would be published in the New Year. In addition, the Fund was due to be working with a different pensions administrator from June 2025. Consequently, this was a 'light touch' review of the Fund's governance policies, as further changes were likely to be required for some of them during 2025.

The following documents had been reviewed and updated (where necessary) based on the existing regulations and guidance:

- Governance Policy and Compliance Statement.
- Training Policy.
- Conflict of Interest Policy.
- Risk Management Policy.
- Procedures for Reporting Breaches of Law.

- Communication Policy.
- Pension Administration Strategy and Charging Policy.
- Fund Officers' Scheme of Delegation.

The documents were shown at Appendices A to H of the report.

ORDERED that:

- The information provided was received and noted.
- The revised governance policies would take immediate effect.

24/46 **LGPS NATIONAL KNOWLEDGE ASSESSMENT OUTCOME**

A report of the Director of Finance was presented to inform Members of the outcome of the National Knowledge Assessment recently undertaken by Teesside Pension Board and Pension Fund Committee members, and to discuss a potential training plan to address gaps in knowledge identified by the assessment.

The National Knowledge Assessment (NKA) allowed a direct insight into the knowledge and skills of their key decision makers and oversight body. Participants answered a series of questions covering a broad spectrum of topics, for which they should be familiar to effectively perform their role. Based on responses, a score was recorded for each member, and also collectively for both the Committee and Board.

The report included benchmarking against the results of all other participating Funds. The assessment would help the Fund assess and report on the Knowledge and Skills of Committee and Board members, demonstrating that they had met the requirements laid out in The Pensions Regulator's General Code of Practice.

The performance of the Board (average overall score of 76.4 %) was stronger than that of the Committee (average overall score of 53.5 %). The performance for the Committee and Board diverged the most in the Financial Markets and Product Knowledge section, when Board were 40.7 % higher than the Committee. The Committee performed most strongly in the areas of Pensions Governance and Investment Performance and Risk Management. The Board areas of strongest knowledge were Pensions Governance and Investment Performance and Risk Management.

Based on the results from the assessment, potential training sources had been prepared based on what would be most valuable to the Fund at the present time.

A discussion took place whereby the training budget was reflected on; a Member suggested that all Members offer firm commitment to the Committee because of this. It was further highlighted by the Director of Finance that there was great value in having stability on the Pension Fund and would encourage members to remain on the Committee.

ORDERED that the report was received and noted.

24/47 **PRESENTATION FROM THE ACTUARY - 2025 VALUATION PREPARATION**

A presentation on the 2025 Valuation Preparation was provided by the Actuary. The presentation included:

- How the Fund works.
- Role of the Actuary.
- Reasons behind a valuation.
- How a valuation is completed.
- 2022 valuation results.
- What has happened since 2022.
- Key funding decisions.

The presentation highlighted areas of what the actuary carried out for stakeholders, with the main focus on carrying out fund valuations. It was noted that there was a statutory requirement to complete a valuation every three years with assumptions and estimations also included. The actuary also performed ongoing health checks to ensure there were enough funds set aside.

The information provided showed a funding level of 116%, with a total average employer rate of 14.8%. Funding had improved since 2022, with assets returns positive. There had been rising interest rates and high inflation with a higher expected return on the Fund's assets.

For 2025 there were key funding decisions that the Fund should make; how much should be collected in contributions, and how much in investment returns.

The Actuary highlighted the results of national assessment as a useful resource, with on-demand learning which could be revisited multiple times. It was advised that Committee Members complete modules 7: Financial Markets and Product Knowledge and 8: Actuarial Methods, Standards and Practices, and Board Members should complete modules 4: Pensions Accounting and Audit Standards and 8: Actuarial Methods, Standards and Practices.

A Member queried the timeline for the valuation preparation and how this aligned with Local Authority's budget planning. The Actuary advised that in March 2025 a comprehensive set of assumptions would be compiled, conversations with Officers would begin in June and discussions with Employers in Autumn. The Director of Finance advised that there would be an expectation that this would be available for September when most Local Authorities commenced budget planning.

ORDERED that the information was received and noted.

24/48 **BORDER TO COAST RESPONSIBLE INVESTMENT POLICY, CORPORATE GOVERNANCE & VOTING GUIDELINES AND CLIMATE CHANGE POLICY**

A report was presented which advised the Committee of recent changes made by Border to Coast Pensions Partnership Limited ('Border to Coast') to its Responsible Investment Policy, Corporate Governance and Voting Guidelines and Climate Change Policy.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) required the Fund to have a policy on:

- Environmental, social and governance (ESG) considerations. The policy was required to take into account the selection, non-selection, retention and realisation of assets.
- The exercise of rights, including voting rights attached to investments.

To allow a practical and consistent approach to pooled investments, Border to Coast developed a Responsible Investment (RI) Policy and a Corporate Governance and Voting Guidelines document for all its Partner Funds to approve that applied across all the investments it held on their behalf. In 2021, Border to Coast also introduced a standalone Climate Change Policy. The latest version of all three documents (as approved at the 13 December 2023 Pension Fund Committee) could be found on Border to Coast's website at the following link:

https://www.bordertocoast.org.uk/publications/?_sfm_publication_document_type=Responsible%20Investment%20Policies

Border to Coast would continue to work with its Partner Funds to develop and update its approach to Responsible Investment (including Climate Change) and Corporate Governance.

A Member raised the issue of Responsible Investment and tobacco exclusion being considered as part of the policy. Border to Coast advised that further exclusions will be considered more fully in 2025 and will bring forward tobacco as part of that discussion.

ORDERED that Members noted and approved the changes made to the Border to Coast documents – relevant extracts were included as Appendices A, B and C to the report.

24/49 **PRESENTATION FROM BORDER TO COAST - RESPONSIBLE INVESTMENT**

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 30 September 2024.
- Macro outlook Q3 2024.
- Listed Investments: Performance Q3, 2024.
- Private Equity.
- Infrastructure.
- Responsible Investment Update.

ORDERED that the information provided was received and noted.

24/50 **GOVERNMENT CONSULTATION - LGPS (ENGLAND AND WALES) FIT FOR THE FUTURE**

A report of the Director of Finance was presented to inform Members of the consultation issued by the Government intended to make the Local Government Pension Scheme (LGPS) in England and Wales 'fit for the future', outline some key points from that consultation, how the Teesside Fund could be impacted and the timetable, and process for responding to the consultation. The report also asked Members to agree that the Head of Pensions Governance and Investments (in consultation with the Chair and Vice Chair) could draft and submit a consultation response on behalf of the Fund / the Council as administering authority for the Fund.

The Government confirmed on 4 September 2024 that it would carry out a pensions review, which it described as follows: "The Chancellor has launched a landmark pensions review to boost investment, increase saver returns and tackle waste in the pensions system. The Chancellor has appointed the Minister for Pensions to lead the review. The review will focus on defined contribution workplace schemes and the Local Government Pension Scheme."

The Government issued a 'call for evidence' which focussed on the following three topics; some questions under those topics related to defined contribution schemes, others purely related to the LGPS, and some potentially covered both:

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

In addition, the document referred to the consultation carried out by the previous Government last year and stated, "Asset pooling policy in the Local Government Pension Scheme in England & Wales (LGPS) was consulted on in 2023. In addition to the below request for evidence, the review will engage extensively on next steps with regard to LGPS consolidation, with funds, pools and representative groups including the LGA and trade unions."

There was a three-week deadline for responses. The Head of Pensions Governance and Investments had worked with colleagues in Border to Coast and its Partner Funds to produce a response that emphasised:

- The benefits of scale provided by the Fund's participation in Border to Coast.
- The extent to which the Fund already invested in the UK.

Consideration was also given as to whether potential pool or fund consolidation would of itself lead to greater investment in UK assets, as the call for evidence seemed to imply.

On 14 November 2024, Chancellor of the Exchequer Rachel Reeves announced as part of her Mansion House speech that she would be "publishing the interim report of the Pensions Investment Review. It sets out our plans to create Canadian and Australian style-"megafunds" to power growth in our economy… underpinned by a clear commitment to legislate for these changes for the first time in the Pension Scheme Bill next year." and that the Government would "legislate on measures to consolidate the Local Government Pension Scheme… and require that the 86 Local Government Pension Scheme administering authorities consolidate all their assets into 8 pools."

This was followed by the publication of a set of documents including a consultation "Local Government Pension Scheme (England and Wales): Fit for the future" which would close on 16 January 2025.

Some significant points from the consultation included:

- LGPS Pool companies would need to be regulated by the Financial Conduct Authority (FCA) and able to offer internal management (Border to Coast was already FCA regulated and offers internal management in some asset classes).
- Funds/Administering Authorities would need to transfer all their listed assets to their Pool by 31 March 2025 and would be expected to transfer legacy assets to the management of the Pool by 31 March 2026.
- Pool companies would be expected to be the principal source of investment advice to Funds/Administering Authorities.

During discussion, a Member suggested that it would be more inclusive if large employer stakeholders were able to contribute directly to the consultation. The Head of Pensions, Governance and Investments advised that it was an open consultation, allowing anyone to respond. However, the draft response of the Teesside Pension Fund Committee would be shared with S151 Officers in the neighbouring authorities.

ORDERED:

- That the Committee agreed that consultation responses would be drafted and submitted.
- The Committee had the opportunity to provide any suggestions in relation to the Fund's consultation response at this meeting or, over the following weeks, through feedback to the Chair or Vice Chair.

24/51 **INVESTMENT ADVISORS' 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.

Both Advisors spoke of the United States, with the focus on what a Trump administration meant for the economy, in particular the expectation of substantial trade tariffs.

ORDERED that the information provided was received and noted.

24/52 **CBRE PROPERTY REPORT**

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

The report included:

- Economic Commentary.
- Direct Portfolio Analysis.
- Property Portfolio Returns.
- Investment and Asset Management Updates.
- Portfolio Arrears Update.
- Lending Update.
- Existing Loan Portfolio.
- Responsible Investment Initiatives.

As of 30 November 2024, the portfolio comprised of 34 properties located throughout the UK, with a combined value of £485.1m. This reflected an overall Net Initial Yield of 5.5%, and an Equivalent Yield of 5.88%. The portfolio comprised of principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprised 94% of the Portfolio by capital value. There were 91 demises and a total net lettable area of 2,751,651 sq. ft. The portfolio had a current gross passing rent of £28,613,928 per annum against a gross market rental value of £27,578,437 per annum. The weighted average unexpired lease term was 8.9 years to the earlier of the first break or expiry and 9.6 years to expiry, ignoring break dates.

The portfolio highlight was that the Fund was negotiating a £25m Bridge Loan Facility to Verdant Regeneration Limited. The loan would aid the borrower with infrastructure and enabling works at the 176-acre site in Ilkeston, Derbyshire. On completion, the Fund's loan book would reach the current target allocation of £100m.

A member raised a query in respect of the portfolio arrears, in particular a tenant's total arrears of £108,123 (27.3% of the collectable arrears). CBRE confirmed that this was due to the reporting cycle and that some tenants preferred to pay monthly rather than quarterly. It was noted that the rent collection figure was more meaningful to the Fund.

ORDERED that the information provided was received and noted.

24/53 **XPS PENSIONS ADMINISTRATION REPORT**

A report was presented to provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

The report provided information on the following:

- Overview.
- Membership Movement.
- Errors and Complaints.
- Membership Engagement.
- Data Quality.
- Regulations and Guidance.
- SLAs.
- Administration Team.

The report was taken as read with further commentary provided at the meeting.

ORDERED that the information provided was received and noted.

24/54 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

24/55 **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 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.

24/56 **PROPERTY MANAGEMENT**

A report was presented to request that Members consider a revised approach to the management of the Pension Fund's directly held property portfolio, in the light of the requirements set out in the Government's recently issued "LGPS (England and Wales): Fit for the Future" consultation.

ORDERED that option one, as detailed in the report, was approved.

24/57 **PROCUREMENT UPDATE**

A report was presented which provided Members of the Teesside Pension Fund Committee (the Committee) with an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

ORDERED that the information provided was received and noted.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 5

PENSION FUND COMMITTEE REPORT

18 JUNE 2025

DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE

INVESTMENT ACTIVITY REPORT

1. PURPOSE OF THE REPORT

1.1 To inform Members how the Investment Advisors' recommendations are being implemented.

1.2 To provide a detailed report on transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's Valuation.

1.3 To report on the treasury management of the Fund's cash balances.

1.4 To present to Members the latest Forward Investment Programme.

2. **RECOMMENDATION**

2.1 That Members note the report and pass any comments.

3. **FINANCIAL IMPLICATIONS**

3.1 Decisions taken by Members, in light of information contained within this report, will have an impact on the performance of the Fund.

4. **IMPLEMENTATION OF INVESTMENT ADVICE FOR THE PERIOD JANUARY – MARCH 2025**

4.1 The Fund continues to favour growth assets over protection assets. For the period under discussion here, bonds were still not considered value for the Fund.

<u>The Fund has no investments in Bonds at this time.</u>

4.2 At the June 2018 Committee it was agreed that a maximum level of 20% of the Fund would be held in cash.

<u>Cash level at the end of March 2025 was 8.22%</u>

4.3 The Fund purchased a Sainsbury Store in Wantage at a price of £38.1m in February.

4.4 Investment in Alternatives, such as infrastructure and private equity, offer the Fund diversification from equities and bonds. They come with additional risks of being illiquid, traditionally they have costly management fees and investing capital can be a slow process.

An amount of 19.1m was invested in the quarter.

5. TRANSACTION REPORT

5.1 It is a requirement that all transactions undertaken are reported to the Committee. Appendix A details transactions for the period January – March 2025.

5.2 There were net purchases of £58.9m in the period.

6. TREASURY MANAGEMENT

6.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice (the Code) sets out how cash balances should be managed. The Code states that the objective of treasury management is the management of the Authority's cash flow, its borrowings and investments, in such a way as to control the associated risks and achieve a level of performance or return consistent with those risks. The security of cash balances invested is more important than the interest rate received.

6.2 Middlesbrough Council adopted the Code on its inception and further determined that the cash balances held by the Fund should be managed using the same criteria. The policy establishes a list of counterparties (banks, building societies and others to whom the Council will lend) and sets limits as to how much it will lend to each counterparty.
The counterparty list and associated limits are kept under constant review by the Director of Finance.

6.3 Although it is accepted that there is no such thing as a risk-free counterparty, the policy has been successful in avoiding any capital loss through default.

6.4 As at 31 March 2025, the Fund had £455.9m invested with approved counterparties. This is a decrease of £49.6m over the last quarter.

6.5 The attached graph (Appendix B) shows the maturity profile of cash invested. It also shows the average rate of interest obtained on the investments for each time period.

6.6 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 this committee.

7. FUND VALUATION

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

7.3 A summary analysis of the valuation (attached with the above), shows the Fund's percentage weightings in the various asset classes as at 31 March 2025 compared with the Fund's customised benchmark.

8. FORWARD INVESTMENT PROGRAMME

8.1 The Forward Investment Programme provides commentary on activity in the current quarter and looks ahead for the next three to five years.

8.2 At the September 2024 Pension Fund Committee a revised Strategic Asset Allocation was agreed:

Asset Class	Long Term Target SAA	Current 31/03/25	Minimum	Maximum
GROWTH ASSETS	70%	65.27%	50%	90%
UK Equities	10%	11.05%	5%	20%
+Overseas Equities	45%	41.78%	30%	60%
Private Equity	15%	12.44%	0%	10%
PROTECTION ASSETS	30%	34.45%	10%	50%
Bonds / Other debt / Cash	10%	11.34%	0%	20%
Property	10%	11.20%	0%	20%
Infrastructure	10%	11.91%	0%	20%

(Local Investments account for the missing 0.28% in the "current" totals - there is no allocation within the SAA for these assets)

8.4 EQUITIES

As at the 31 March 2025 the Fund's equity weighting was 52.83% compared to 53.11% at the end of December 2024
Summary of equity returns for the quarter January – March 2025:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	-2.09%	-1.21	-0.88%
BCPP Overseas	4.14%	4.51%	-0.35%
BCPP Emerging Market	-1.79%	-0.86%	-0.93%

(BCPP – Border to Coast Pensions Partnership – Active Internal Management)

8.5 **BONDS + CASH**

The Fund has no investments in bonds at this time, the level of cash invested is 8.22%. Discussions were held within the Committee Meeting re investing in bonds, although there was no directive to invest at this time the Advisers have since indicated the levels at which they feel investment would be appropriate. Officers are monitoring the situation, when the levels come into range we will have a further discussion with the advisers, current thinking is that an investment via the Border to Coast Sterling Index Linked Bond Fund would be the most appropriate vehicle.

8.6 **PROPERTY**

At the December 2024 Committee it was agreed that the Fund's Direct Property would transfer to Border to Coast, when the transfer is complete, the Fund will own units in Border to Coast's UK Real Estate Main Fund.
An update paper will be presented to Committee today.

8.7 **LOCAL INVESTMENT**

To date the Fund has 3 Investments classified as "Local":

Ethical Housing Company - £5m investment of which £765k has been called.

Waste Knot - £10m investment agreed at the June 2021 Committee, payment made in full December 2021.

FW Capital – At the September Committee agreement was given for an investment of £20m into the Teesside Flexible Investment Fund.
£2.8m has been called to date.

8.8 **ALTERNATIVES**

As at 31 January 2025 total commitments to private equity, infrastructure and other debt were £2,002m, as follows:

	Total committed	Total Invested
Border to Coast Infrastructure	£550m	£291m
Other Infrastructure Managers	£429m	£380m
Border to Coast Private Equity	£450m	£218m
Other Private Equity Managers	£414m	£346m
Other Debt	£159m	£150m
Totals	**£2,002m**	**£1,385m**

CONTACT OFFICER: Wendy Brown – Acting Head of Pensions Governance and Investments

TEL NO.: 01642 729630

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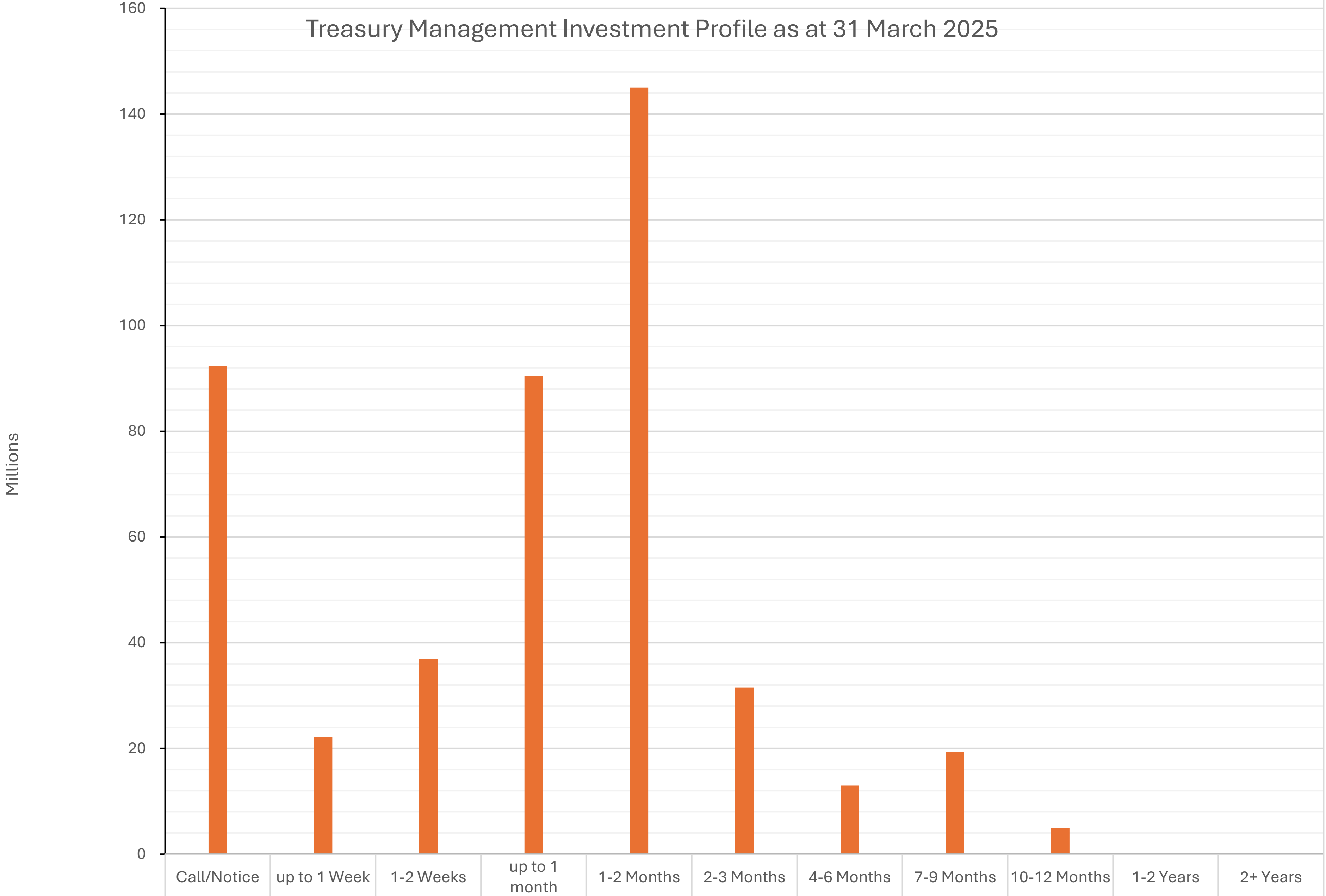
Settlement Date	Buy / Sell	Stock Name	Country/Category	Sector/Country	Nominal Amount of Shares	Price	CCY	Purchase Cost / Sale Proceeds £	Book Cost of Stock Sold	Profit/ (Loss) on Sale
						(P)		(£)	(£)	(£)
03 January 2025	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	190,312.05	190,312.05	0.00
03 January 2025	P	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	104,672.82	104,672.82	0.00
03 January 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	255,748.34	255,748.34	0.00
03 January 2025	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-21,250.62	-21,250.62	0.00
14 January 2025	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	138,014.01	138,014.01	0.00
14 January 2025	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-56,426.83	-56,426.83	0.00
15 January 2025	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-186,665.85	-186,665.85	0.00
15 January 2025	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	165,373.01	165,373.01	0.00
15 January 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	434,455.76	434,455.76	0.00
17 January 2025	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	937.71	937.71	0.00
17 January 2025	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	287,914.30	287,914.30	0.00
21 January 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	1,893.16	1,893.16	0.00
17 January 2025	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	-143,198.78	-143,198.78	0.00
21 January 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	229,335.63	229,335.63	0.00
21 January 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	688,433.47	688,433.47	0.00
23 January 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	1,527,374.17	1,527,374.17	0.00
23 January 2025	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-1,527,374.17	-1,527,374.17	0.00
24 January 2025	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-91,422.76	-91,422.76	0.00
24 January 2025	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	85,831.54	85,831.54	0.00
24 January 2025	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	38,952.24	38,952.24	0.00
24 January 2025	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-64,875.59	-64,875.59	0.00
27 January 2025	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-147,323.81	-147,323.81	0.00
27 January 2025	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	47,024.13	47,024.13	0.00
29 January 2025	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	-52,729.37	-52,729.37	0.00
23 January 2025	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-1,017,623.25	-1,017,623.25	0.00
30 January 2025	S	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	-200,822.79	-200,822.79	0.00
03 February 2024	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	GBP	164,107.60	164,107.60	0.00
03 February 2024	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	709,592.46	709,592.46	0.00
10 February 2025	P	Foresight Energy Infrastructure Partners	Infrastructure	Infrastructure	~	~	EUR	1,399,502.39	1,399,502.39	0.00
03 February 2025	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	-322,429.64	-322,429.64	0.00
06 February 2025	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	69,734.62	69,734.62	0.00
14 February 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	544,647.33	544,647.33	0.00
18 February 2025	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	3,278,160.06	3,278,160.06	0.00
18 February 2025	S	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	-231,770.08	-231,770.08	0.00
19 February 2025	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-288,759.26	-288,759.26	0.00
26 February 2025	P	Capital Dynamics Clean Energy UK	Infrastructure	Infrastructure	~	~	GBP	1,340,000.00	1,340,000.00	0.00
19 February 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	233,556.00	233,556.00	0.00
27 February 2025	P	Blackrock Global Renewable Power Infrastructure III	Infrastructure	Infrastructure	~	~	USD	288,264.15	288,264.15	0.00
27 February 2025	S	Blackrock Global Renewable Power Infrastructure III	Infrastructure	Infrastructure	~	~	USD	-339,844.27	-339,844.27	0.00
20 February 2025	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	EUR	-101,122.70	-101,122.70	0.00
24 February 2025	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	-85,343.46	-85,343.46	0.00
25 February 2025	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-4,966.81	-4,966.81	0.00
14 February 2025	P	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	87,455.07	87,455.07	0.00
14 February 2025	S	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	-284,979.55	-284,979.55	0.00
25 February 2025	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	EUR	-139,027.38	-139,027.38	0.00
25 February 2025	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	EUR	8,850.84	8,850.84	0.00
26 February 2025	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-363,717.98	-363,717.98	0.00
26 February 2025	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-285,493.39	-285,493.39	0.00
26 February 2025	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	47,050.45	47,050.45	0.00
27 February 2025	P	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	496,452.71	496,452.71	0.00
28 February 2025	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	6,687.47	6,687.47	0.00
05 March 2025	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	-195,144.36	-195,144.36	0.00
05 March 2025	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	31,897.47	31,897.47	0.00
05 March 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	13,349.37	13,349.37	0.00
05 March 2025	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-272,370.94	-272,370.94	0.00
06 March 2025	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	GBP	-2,063.44	-2,063.44	0.00
06 March 2025	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	144,564.15	144,564.15	0.00
06 March 2025	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-91,710.87	-91,710.87	0.00
07 March 2025	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	656.77	656.77	0.00
07 March 2025	S	ACIF Infrastructure LP	Infrastructure	Infrastructure	~	~	EUR	-308,072.13	-308,072.13	0.00
10 March 2025	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	EUR	380,811.14	380,811.14	0.00
03 March 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	574,584.28	574,584.28	0.00

03 March 2025	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	183,721.36	183,721.36	0.00
13 March 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	GBP	175,670.59	175,670.59	0.00
14 March 2025	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-138,541.88	-138,541.88	0.00
14 March 2025	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	100,743.69	100,743.69	0.00
12 March 2025	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	28,823.50	28,823.50	0.00
19 March 2025	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	545,175.87	545,175.87	0.00
19 March 2025	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	-88,635.66	-88,635.66	0.00
19 March 2025	P	Border to Coast Private Equity Series 1A	Infrastructure	Infrastructure	~	~	USD	47,291.35	47,291.35	0.00
20 March 2025	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	457,253.02	457,253.02	0.00
20 March 2025	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-55,910.80	-55,910.80	0.00
21 March 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	334,123.75	334,123.75	0.00
21 March 2025	P	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	102,143.60	102,143.60	0.00
21 March 2025	S	Border to Coast Climate Opportunities Series 2A	Infrastructure	Infrastructure	~	~	USD	-21,487.91	-21,487.91	0.00
26 March 2025	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	756,397.22	756,397.22	0.00
26 March 2025	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-14,592.27	-14,592.27	0.00
27 March 2025	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	356,293.84	356,293.84	0.00
27 March 2025	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-17,197.21	-17,197.21	0.00
31 March 2025	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	5,453.81	5,453.81	0.00
26 March 2025	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-1,661,372.46	-1,661,372.46	0.00
31 March 2025	S	Amedeo Air Four Plus Fund	Infrastructure	Infrastructure	-666,666.43	0.64	GBP	-426,866.24	-569,187.51	-142,321.27
								7,858,153.76		
24 January 2025	P	Teesside Flexible Investment Fund	Local Investments	Local Investments	~	~	GBP	58,561.64	58,561.64	0.00
27 March 2025	P	Bridges Evergreen TPF Housing Co-Investment	Local Investments	Local Investments	~	~	GBP	14,043.48	14,043.48	0.00
								72,605.12		
20 January 2025	S	Greyhound Retail Park, Chester	Other Debt	Other Debt	~	~	GBP	-109,375.00	-109,375.00	0.00
20 January 2025	S	St Arthur Homes	Other Debt	Other Debt	~	~	GBP	-439,511.00	-439,511.00	0.00
24 January 2025	S	Pantheon Private Debt PSD II	Other Debt	Other Debt	~	~	USD	-289,492.06	-289,492.06	0.00
03 March 2025	S	Pantheon Private Debt PSD II	Other Debt	Other Debt	~	~	USD	-351,528.93	-351,528.93	0.00
28 March 2025	S	Pantheon Private Debt PSD II	Other Debt	Other Debt	~	~	USD	-248,588.89	-248,588.89	0.00
31 March 2025	S	St Arthur Homes	Other Debt	Other Debt	~	~	GBP	-437,506.14	-437,506.14	0.00
								-1,876,002.02		
03 January 2025	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	597,343.05	597,343.05	0.00
15 January 2025	P	Foresight Regional Investment IV	Private Equity	Private Equity	~	~	GBP	25,152.90	25,152.90	0.00
10 January 2025	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-56,306.24	-56,306.24	0.00
23 January 2025	P	Crown Global Opportunities VII	Private Equity	Private Equity	~	~	USD	325,317.51	325,317.51	0.00
23 January 2025	S	Crown Global Opportunities VII	Private Equity	Private Equity	~	~	USD	-145,661.34	-145,661.34	0.00
17 January 2025	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	181,257.74	181,257.74	0.00
08 January 2025	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	566,928.86	566,928.86	0.00
21 January 2025	S	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	-21,019.70	-21,019.70	0.00
21 January 2025	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	12,630.70	12,630.70	0.00
21 January 2025	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	130,597.86	130,597.86	0.00
23 January 2025	P	Capital Dynamics LGPS Collective Private Equity for Pools 18/19	Private Equity	Private Equity	~	~	GBP	150,000.00	150,000.00	0.00
23 January 2025	S	Capital Dynamics LGPS Collective Private Equity for Pools 18/19	Private Equity	Private Equity	~	~	GBP	-161,600.00	-161,600.00	0.00
16 January 2025	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	2,278,806.80	2,278,806.80	0.00
16 January 2025	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	-2,277,201.88	-2,277,201.88	0.00
28 January 2025	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	710,588.29	710,588.29	0.00
24 January 2025	S	Crown Secondaries Special Opportunities II	Private Equity	Private Equity	~	~	USD	-36,784.16	-36,784.16	0.00
29 January 2025	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-6,697.94	-6,697.94	0.00
29 January 2025	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-727,224.83	-727,224.83	0.00
29 January 2025	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	94,303.06	94,303.06	0.00
30 January 2025	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	988,531.47	988,531.47	0.00
30 January 2025	S	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	-151,541.20	-151,541.20	0.00
30 January 2025	S	Hermes GPE Innovation Fund	Private Equity	Private Equity	~	~	GBP	-119,411.81	-119,411.81	0.00
30 January 2025	P	Hermes GPE Innovation Fund	Private Equity	Private Equity	~	~	GBP	504,562.97	504,562.97	0.00
31 January 2025	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	EUR	104,679.72	104,679.72	0.00
31 January 2025	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	192,980.67	192,980.67	0.00
31 January 2025	S	Crown Co-Investment Opportunities II	Private Equity	Private Equity	~	~	USD	-262,859.52	-262,859.52	0.00
04 February 2025	S	Pantheon Global Co-Investment Opportunities IV	Private Equity	Private Equity	~	~	USD	-275,922.40	-275,922.40	0.00
04 February 2025	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-30,897.30	-30,897.30	0.00

04 February 2025	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-295,565.70	-295,565.70	0.00
04 February 2025	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	403,326.34	403,326.34	0.00
06 February 2025	S	Unigestion Direct II - Europe	Private Equity	Private Equity	~	~	EUR	-198,466.42	-198,466.42	0.00
05 February 2025	S	Unigestion Direct II - North America	Private Equity	Private Equity	~	~	EUR	-103,521.74	-103,521.74	0.00
07 February 2025	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	400,951.32	400,951.32	0.00
07 February 2025	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-15,933.01	-15,933.01	0.00
11 February 2025	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	-799,326.39	-799,326.39	0.00
11 February 2025	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	276,041.28	276,041.28	0.00
11 February 2025	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-23,358.47	-23,358.47	0.00
12 February 2025	S	Crown Growth Opportunities Global III	Private Equity	Private Equity	~	~	EUR	-531,627.58	-531,627.58	0.00
12 February 2025	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	~	~	EUR	247,268.64	247,268.64	0.00
12 February 2025	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-3,998,942.95	-3,998,942.95	0.00
12 February 2025	S	Capital Dynamics Global Secondaries V	Private Equity	Private Equity	~	~	USD	-284,585.53	-284,585.53	0.00
17 February 2025	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	1,113.33	1,113.33	0.00
18 February 2025	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	105,245.17	105,245.17	0.00
21 February 2025	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	4,639.03	4,639.03	0.00
21 February 2025	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	397,424.46	397,424.46	0.00
21 February 2025	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	-338.48	-338.48	0.00
28 February 2025	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-110,995.06	-110,995.06	0.00
28 February 2025	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	78,068.83	78,068.83	0.00
28 February 2025	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	2,897,723.15	2,897,723.15	0.00
28 February 2025	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	-2,207,705.32	-2,207,705.32	0.00
04 March 2025	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	GBP	73,901.42	73,901.42	0.00
04 March 2025	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	GBP	**-337,362.46**	-337,362.46	0.00
07 March 2025	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	1,470,039.05	1,470,039.05	0.00
07 March 2025	S	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	-86,247.25	-86,247.25	0.00
03 March 2025	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	782,173.98	782,173.98	0.00
12 March 2025	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	475,332.65	475,332.65	0.00
12 March 2025	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	2,108,081.13	2,108,081.13	0.00
12 March 2025	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	-211,479.57	-211,479.57	0.00
03 March 2025	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	669,816.63	669,816.63	0.00
14 March 2025	P	Hermes GPE Innovation Fund	Private Equity	Private Equity	~	~	GBP	332,629.77	332,629.77	0.00
18 March 2025	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	568,445.62	568,445.62	0.00
19 March 2025	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	20,868.71	20,868.71	0.00
20 March 2025	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	808,679.34	808,679.34	0.00
20 March 2025	S	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	-142,372.25	-142,372.25	0.00
21 March 2025	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	798,127.19	798,127.19	0.00
21 March 2025	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	-8,551.12	-8,551.12	0.00
24 March 2025	P	Blackrock Private Opportunities Fund IV	Private Equity	Private Equity	~	~	USD	243,392.20	243,392.20	0.00
18 March 2025	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	17,826.21	17,826.21	0.00
18 March 2025	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	-195.35	-195.35	0.00
21 March 2025	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	761,923.82	761,923.82	0.00
26 March 2025	P	Pantheon Global Co-Investment Opportunities IV	Private Equity	Private Equity	~	~	USD	116,024.54	116,024.54	0.00
26 March 2025	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	492,299.51	492,299.51	0.00
27 March 2025	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-465,808.36	-465,808.36	0.00
31 March 2025	P	GB Bank Ltd	Private Equity	Private Equity	307,220.00	13.02	GBP	4,000,004.40	4,000,004.40	0.00
31 March 2025	P	GB Bank Ltd	Private Equity	Private Equity	138,249.00	13.02	GBP	1,800,001.98	1,800,001.98	0.00
								13,119,539.95		
07 February 2025	P	Sainsbury's Wantage	Property Unit Trusts/Direct Property	Direct Property	~	~	GBP	39,766,450.17	39,766,450.17	0.00
								39,766,450.17		
Periods January, February and March 2025 (Cumulative) Total								**58,940,746.98**		
Total Profit - ***NB: Losses are shown with a ( )***										**-142,321.27**



	Call/Notice	up to 1 Week	1-2 Weeks	up to 1 month	1-2 Months	2-3 Months	4-6 Months	7-9 Months	10-12 Months	1-2 Years	2+ Years
Average Rate											
Amount Invested	92,400,000	22,200,000	37,000,000	90,500,000	145,000,000	31,500,000	13,000,000	19,300,000	5,000,000	0	0
Proportion of Cash	20.27%	4.87%	8.12%	19.85%	31.81%	6.91%	2.85%	4.23%	1.10%	0.00%	0.00%

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Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Equities						
Common stock						
Australia						
Common Stock FINEXIA FINL GROUP NPV SEDOL : BMY4539	0.00	AUD	85.000	0.000	0.27500000	11.290
Common Stock YOUNG AUSTRALIAN MINES LTD SEDOL : 6741626	0.00	AUD	225,391.000	283,349.800	0.06900000	7,508.210
Total Australia	**0.00**		**225,476.000**	**283,349.800**		**7,519.500**
Europe Region						
Common Stock ACIF INFRASTRUCTURE FUND LP CUSIP : 9936FC996	0.00	EUR	20,518,496.950	18,228,554.740	1.03226290	17,725,475.940
Total Europe Region	**0.00**		**20,518,496.950**	**18,228,554.740**		**17,725,475.940**
Guernsey, Channel Islands						
Common Stock AMEDEO AIR FOUR PL RED ORD NPV SEDOL : BQKNKR7	0.00	GBP	3,999,998.000	3,338,588.500	0.61400000	2,455,998.770
Total Guernsey, Channel Islands	**0.00**		**3,999,998.000**	**3,338,588.500**		**2,455,998.770**
United Kingdom						
Common Stock AFREN ORD GBP0.01 SEDOL : B067275	0.00	GBP	1,000,000.000	1,089,449.060	0.01785000	17,850.000
Common Stock CARILLION PLC ORD GBP0.50 SEDOL : 0736554	0.00	GBP	436,400.000	0.000	0.14200000	61,968.800
Common Stock NEW WORLD RESOURCE ORD EUR0.0004 A SEDOL : B42CTW6	0.00	GBP	250,000.000	1,294,544.760	0.00150000	375.000
Total United Kingdom	**0.00**		**1,686,400.000**	**2,383,993.820**		**80,193.800**
Total Common stock	**0.00**		**26,430,370.950**	**24,234,486.860**		**20,269,188.010**
Funds - common stock						
Guernsey, Channel Islands						
Funds - Common Stock VISTRA FD SERVICES DARWIN LEISURE DEV D GBP SEDOL : BD41T35	0.00	GBP	15,000,000.000	15,000,000.000	0.82650000	12,397,500.000
Total Guernsey, Channel Islands	**0.00**		**15,000,000.000**	**15,000,000.000**		**12,397,500.000**
United Kingdom						
Funds - Common Stock BORDER TO COAST PE UK LISTED EQUITY A GBP ACC SEDOL : BDD86K3	0.00	GBP	426,407,606.190	481,176,070.580	1.43030000	609,890,799.130
Total United Kingdom	**0.00**		**426,407,606.190**	**481,176,070.580**		**609,890,799.130**

Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Equities						
Total Funds - common stock	**0.00**		**441,407,606.190**	**496,176,070.580**		**622,288,299.130**
Unit trust equity						
Guernsey, Channel Islands						
Unit Trust Equity DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION SEDOL : 4A8UCZU	0.00	GBP	14,359,563.469	15,000,000.000	1.30830000	18,786,616.890
Total Guernsey, Channel Islands	**0.00**		**14,359,563.469**	**15,000,000.000**		**18,786,616.890**
Luxembourg						
Unit Trust Equity ABERDEEN STANDARD EUR PPTY GROWTH FD LP SEDOL : 8A8TB3U	0.00	EUR	324.970	20,636,888.600	96,972.12000000	26,372,554.760
Total Luxembourg	**0.00**		**324.970**	**20,636,888.600**		**26,372,554.760**
United Kingdom						
Unit Trust Equity CANDOVER INVSTMNTS PLC GBP0.25 SEDOL : 0171315	0.00	GBP	60,000.000	321,939.430	0.00000000	0.000
Unit Trust Equity LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY SEDOL : 0521664	0.00	GBP	1,368,174.000	1,282,865.490	2.82354200	3,863,096.750
Total United Kingdom	**0.00**		**1,428,174.000**	**1,604,804.920**		**3,863,096.750**
Total Unit trust equity	**0.00**		**15,788,062.439**	**37,241,693.520**		**49,022,268.400**
Total Equities	**0.00**		**483,626,039.579**	**557,652,250.960**		**691,579,755.540**

Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Real Estate						
Real estate						
Europe Region						
Real Estate CAPITAL DYNAMICS MID-MARKET DIRECT V CUSIP : 993RBZ993	0.00	EUR	16,968,371.510	14,617,168.260	1.69560350	24,078,338.220
Real Estate La Salle Real Estate Debt Strategies IV CUSIP : 9944J7997	0.00	EUR	19,446,973.730	16,997,818.540	0.94720100	15,415,450.370
Total Europe Region	**0.00**		**36,415,345.240**	**31,614,986.800**		**39,493,788.590**
United Kingdom						
Real Estate HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP CUSIP : 9936FD994	0.00	GBP	10,000,000.010	10,000,000.010	1.00413120	10,041,312.010
Real Estate HEARTHSTONE RESIDENTIAL FUND 2 CUSIP : 9942CJ992	0.00	GBP	20,000,000.000	20,000,000.000	0.87601950	17,520,390.000
Real Estate TEESSIDE PENSION FUND - DIRECT PROPERTY CUSIP : 9936HG995	0.00	GBP	488,512,883.480	488,512,883.480	1.08183730	528,491,458.880
Total United Kingdom	**0.00**		**518,512,883.490**	**518,512,883.490**		**556,053,160.890**
Total Real estate	**0.00**		**554,928,228.730**	**550,127,870.290**		**595,546,949.480**
Funds - real estate						
United Kingdom						
Funds - Real Estate DARWIN LEISURE PRO UNITS CLS 'C' SEDOL : B29MQ57	0.00	GBP	6,493,057.480	10,611,644.050	1.82170000	11,828,402.810
Funds - Real Estate DARWIN LEISURE PROPERTY FUND UNITS K GBP INC SEDOL : 4A9TBEU	0.00	GBP	34,527,436.047	35,000,000.000	0.51240000	17,691,858.230
Funds - Real Estate HERMES INVEST MNGM HERMES PROPERTY UNIT TRUST SEDOL : 0426219	0.00	GBP	2,589,184.000	15,720,126.330	6.14400000	15,907,946.500
Total United Kingdom	**0.00**		**43,609,677.527**	**61,331,770.380**		**45,428,207.540**
Total Funds - real estate	**0.00**		**43,609,677.527**	**61,331,770.380**		**45,428,207.540**
Total Real Estate	**0.00**		**598,537,906.257**	**611,459,640.670**		**640,975,157.020**

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships						
Partnerships						
Europe Region						
Partnerships ACCESS CAPITAL FUND INFRASTRUCTURE II - EUR CUSIP : 993QEX997	0.00	EUR	16,246,143.350	14,208,128.870	1.22832610	16,700,366.540
Partnerships ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE CUSIP : 993KDB999	0.00	EUR	19,344,311.760	16,688,178.810	1.55867650	25,233,140.890
Partnerships ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2) CUSIP : 993SRL995	0.00	EUR	11,879,229.120	10,239,508.740	1.16383120	11,570,184.820
Partnerships ACCESS CAPITAL, CO-INVESTMENT FUND BUY-OUT EUROPE II CUSIP : 993SRM993	0.00	EUR	14,016,986.070	11,997,760.900	1.09430820	12,836,787.070
Partnerships Darwin Bereavement Services Fund, Incomeunits CUSIP : 993XBG992	0.00	GBP	30,000,000.000	30,000,000.000	0.96365710	28,909,713.000
Partnerships FORESIGHT ENERGY I NFRASTRUCTURE PARTNERS - EUR CUSIP : 995KLQ995	0.00	EUR	14,199,071.660	13,533,793.120	1.17732100	13,989,973.240
Partnerships UNIGESTION DIRECT III - EUR CUSIP : 994RLP993	0.00	EUR	16,454,474.920	14,269,533.320	1.38716660	19,101,817.590
Total Europe Region	**0.00**		**122,140,216.880**	**110,936,903.760**		**128,341,983.150**
Global Region						
Partnerships CAPITAL DYNAMICS GLOBAL SECONDARIES V (FEEDER) SCSP CUSIP : 995F09997	0.00	USD	8,032,050.190	10,430,018.980	2.68496210	16,707,920.730
Partnerships CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD CUSIP : 993BRL992	0.00	USD	8,210,130.030	6,211,108.320	3.35634980	21,348,879.450
Partnerships INSIGHT IIFIG SECURED FINANCE FUND II (GBP) CUSIP : 9946P0990	0.00	GBP	50,000,000.000	50,000,000.000	1.01852180	50,926,090.000
Partnerships LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS2018/19 - GBP CUSIP : 993LRK992	0.00	GBP	8,067,950.000	8,067,950.000	1.42248240	11,476,516.880
Partnerships PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV CUSIP : 993FYQ994	0.00	USD	21,004,956.000	16,502,178.570	1.74349570	28,372,688.450
Partnerships UNIGESTION DIRECT II - EUR CUSIP : 993MTE992	0.00	EUR	20,212,828.800	17,431,981.920	1.51716780	25,663,906.030
Total Global Region	**0.00**		**115,527,915.020**	**108,643,237.790**		**154,496,001.540**
Luxembourg						
Partnerships Crown Growth Opportunities Global III fund CUSIP : 995NRV992	0.00	EUR	27,621,357.140	21,469,267.890	1.61746190	37,388,764.550
Partnerships UNIGESTION SA CUSIP : 995NRW990	0.00	EUR	32,926,944.380	26,424,348.320	1.55166480	42,757,409.020
Total Luxembourg	**0.00**		**60,548,301.520**	**47,893,616.210**		**80,146,173.570**
United Kingdom						

**Generated by Northern Trust from periodic data on 15 Apr 25*

◆ Asset Detail - Customizable

Asset Subcategory	Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships							
Partnerships							
United Kingdom							
Partnerships	ANCALA INFRASTRUCTURE FUND II SCSP CUSIP : 993FSE998	0.00	EUR	18,708,347.540	16,419,513.000	1.21608600	19,039,772.730
Partnerships	BORDER TO COAST CLIMATE OPPORTUNITIES SERIES 2A CUSIP : 994MVX996	0.00	GBP	35,497,025.940	35,497,025.940	0.99578150	35,347,281.740
Partnerships	BORDER TO COAST EMERGING MARKET HYBRID FUND - GBP CUSIP : 9942CC997	0.00	GBP	246,131,815.690	246,131,815.690	0.92358720	227,324,194.480
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 1 CUSIP : 993FT4999	0.00	USD	95,099,813.820	75,446,012.590	0.99594200	73,378,959.090
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 1B CUSIP : 993KGJ999	0.00	USD	44,891,768.000	35,153,286.150	1.15648530	40,222,092.390
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 1C CUSIP : 9942A6992	0.00	GBP	39,141,653.700	39,141,653.700	1.13216210	44,314,696.850
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 2 A (GBP) CUSIP : 994NWK991	0.00	GBP	79,283,645.500	79,283,645.500	1.02573580	81,324,073.540
Partnerships	BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A CUSIP : 993BRK994	0.00	GBP	1,500,180,187.320	1,500,180,187.320	1.43082730	2,146,498,766.940
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1 CUSIP : 993FYP996	0.00	USD	85,839,941.890	66,918,285.780	1.43548380	95,465,300.360
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1B CUSIP : 993U46998	0.00	USD	42,485,611.660	33,732,971.650	1.39111990	45,789,328.110
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1C CUSIP : 993XGK998	0.00	GBP	42,129,602.822	42,129,602.820	1.03751350	43,710,031.680
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 2A- GBP CUSIP : 994JQY997	0.00	GBP	37,669,585.934	37,669,585.930	0.98838830	37,232,178.000
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 2B CUSIP : 994WH4994	0.00	GBP	17,998,200.270	17,998,200.270	1.03586060	18,643,626.530
Partnerships	Capital Dynamics Clean Energy Infrastructure Uk - GBP CUSIP : 995J65991	0.00	GBP	5,110,000.000	5,110,000.000	0.96673190	4,940,000.010
Partnerships	CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP CUSIP :	0.00	GBP	9,367,043.720	9,367,043.720	1.04245080	9,764,682.220
Partnerships	CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp CUSIP : 993FP0991	0.00	GBP	18,734,087.400	18,734,087.400	1.07516770	20,142,285.660
Partnerships	DARWIN LEISURE PROPERTY FUND T ,INCOME UNITS CUSIP : 995NZ7996	0.00	GBP	5,000,000.000	5,000,000.000	0.72390000	3,619,500.000
Partnerships	FORESIGHT REGIONAL INVESTMENT LP CUSIP : 994JXS992	0.00	GBP	1,609,471.000	1,609,471.000	0.82982850	1,335,584.910
Partnerships	GB Bank Limited CUSIP : 993QJB990	0.00	GBP	54,043,721.940	54,043,721.940	0.62993020	34,043,772.570
Partnerships	GRESHAM HOUSE BSI HOUSING FUND LP CUSIP : 993FP6998	0.00	GBP	19,546,066.490	19,546,066.490	1.09999480	21,500,571.500
Partnerships	GRESHAM HOUSE BSI INFRASTRUCTURE LP CUSIP : 993FP5990	0.00	GBP	17,533,330.700	17,533,330.700	1.35214900	23,707,675.570

◆ Asset Detail - Customizable

Asset Subcategory	Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships							
Partnerships							
United Kingdom							
Partnerships	GRESHAM HOUSE, BRITISH SUSTAINABLE INFRASTRUCTURE FUND II CUSIP : 994FXD993	0.00	GBP	24,740,491.880	24,740,491.880	1.17113460	28,974,446.060
Partnerships	GREYHOUND RETAIL PARK, CHESTER CUSIP : 9948YV998	0.00	GBP	19,059,613.000	19,059,613.000	0.00000010	1.910
Partnerships	HERMES GPE INNOVATION FUND CUSIP : 993NEB992	0.00	GBP	15,716,676.800	15,716,676.800	1.28273870	20,160,389.570
Partnerships	INNISFREE PFI CONTINUATION FUND CUSIP : 9936FE992	0.00	GBP	8,672,972.000	8,672,972.000	1.09617250	9,507,073.400
Partnerships	INNISFREE PFI SECONDARY FUND 2 CUSIP : 9936FF999	0.00	GBP	7,728,331.000	7,728,331.000	1.14373280	8,839,145.650
Partnerships	St Arthur Homes CUSIP : 994NJF997	0.00	GBP	17,825,605.330	17,825,605.330	0.94879670	16,912,875.510
Partnerships	Teesside Flexible Investment Fund - GBP CUSIP : 995EFQ996	0.00	GBP	2,850,019.000	2,850,019.000	1.04155890	2,968,462.650
Partnerships	TITAN - PRESTON EAST CUSIP : 995NRY996	0.00	GBP	18,776,850.000	18,776,850.000	1.00634100	18,895,914.010
Partnerships	Titan- investors loan for Hogmor House,Templars way,bordon CUSIP : 995EEZ997	0.00	GBP	10,983,472.000	10,983,472.000	1.00000000	10,983,472.000
Partnerships	TPF CO-INVESTMENT BSI LP - WASTE KNOT GBP CUSIP : 994FFL995	0.00	GBP	10,000,000.000	10,000,000.000	1.21991620	12,199,162.000
Partnerships	Verdant Regeneration Ltd - GBP CUSIP : 995J64994	0.00	GBP	25,000,000.000	25,000,000.000	1.00000000	25,000,000.000
Total United Kingdom		**0.00**		**2,577,354,952.346**	**2,517,999,538.600**		**3,181,785,317.640**
United States							
Partnerships	BLACKROCK GLOBAL ENERGY AND POWER INFRASTRUCTURE FUND III CUSIP :	0.00	USD	16,478,695.000	12,978,274.990	1.11875570	14,282,884.010
Partnerships	BLACKROCK GLOBAL RENEWABLE POWER FUND III CUSIP : 993QHY992	0.00	USD	21,124,248.850	16,696,254.950	0.99131200	16,223,683.720
Partnerships	BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL CUSIP : 993FYK997	0.00	USD	19,453,684.000	14,751,961.430	1.34536000	20,276,743.200
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 2B- GBP CUSIP : 9952EV992	0.00	GBP	42,835,479.290	42,835,479.290	0.95777260	41,026,648.370
Partnerships	BRIDGES EVERGREEN TPF HOUSING CO-INVEST LP CUSIP : 993XEU998	0.00	GBP	806,792.760	806,792.760	0.95760220	772,586.520
Partnerships	CROWN CO-INVEST OPPORTUNITIES III CUSIP : 993XBM999	0.00	USD	22,380,000.000	17,552,726.180	1.22796140	21,291,322.100
Partnerships	CROWN GLOBAL OPPORTUNITIES VII CUSIP : 993FYN991	0.00	USD	22,473,741.800	17,841,584.300	1.34494380	23,417,328.960
Partnerships	LGT CAPITAL CROWN SECONDARIES SPECIAL OPPORTUNITIES II CUSIP : 993QEY995	0.00	USD	19,857,837.380	15,487,203.770	1.30387640	20,059,781.910

Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships						
Partnerships						
United States						
Partnerships						
PANTHEON SENIOR DEBT SECONDARIES II CUSIP : 993UAP999	0.00	USD	23,986,331.440	18,899,195.930	0.80535640	14,966,139.100
Total United States	**0.00**		**189,396,810.520**	**157,849,473.600**		**172,317,117.890**
Total Partnerships	**0.00**		**3,064,968,196.286**	**2,943,322,769.960**		**3,717,086,593.790**
Total Venture Capital and Partnerships	**0.00**		**3,064,968,196.286**	**2,943,322,769.960**		**3,717,086,593.790**

◆ Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Hedge Fund						
Hedge equity						
Global Region						
Hedge Equity IIF UK I LP CUSIP : 993FP3995	0.00	USD	96,854,761.450	80,595,460.340	1.07806470	80,895,364.140
Total Global Region	**0.00**		**96,854,761.450**	**80,595,460.340**		**80,895,364.140**
Total Hedge equity	**0.00**		**96,854,761.450**	**80,595,460.340**		**80,895,364.140**
Total Hedge Fund	**0.00**		**96,854,761.450**	**80,595,460.340**		**80,895,364.140**

*Generated by Northern Trust from periodic data on 15 Apr 25

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
All Other					
Recoverable taxes					
Recoverable taxes GBP - British pound sterling	97,715.75	0.000	0.000	0.00000000	0.000
Recoverable taxes DKK - Danish krone	284,703.76	0.000	0.000	0.00000000	0.000
Recoverable taxes EUR - Euro	1,077,616.07	0.000	0.000	0.00000000	0.000
Recoverable taxes CHF - Swiss franc	2,362,552.68	0.000	0.000	0.00000000	0.000
Total	**3,822,588.26**	**0.000**	**0.000**		**0.000**
Total Recoverable taxes	**3,822,588.26**	**0.000**	**0.000**		**0.000**
Total All Other	**3,822,588.26**	**0.000**	**0.000**		**0.000**

**Generated by Northern Trust from periodic data on 15 Apr 25*

◆ Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Cash and Cash Equivalents					
Cash					
Cash AUD - Australian dollar	0.60	3,808.510	3,808.510	1.00000000	3,808.510
Cash GBP - British pound sterling	0.00	701.900	701.900	1.00000000	701.900
Cash THB - Thai baht	0.00	4,932.780	4,932.780	1.00000000	4,932.780
Cash USD - United States dollar	68.45	71,177.570	71,177.570	1.00000000	71,177.570
Total	**69.05**	**80,620.760**	**80,620.760**		**80,620.760**
Total Cash	**69.05**	**80,620.760**	**80,620.760**		**80,620.760**
Cash (externally held)					
Cash (externally held) GBP - British pound sterling	0.00	455,300,690.980	455,300,690.980	1.00000000	455,300,690.980
Cash (externally held) EUR - Euro	0.00	0.330	0.330	1.00000000	0.330
Total	**0.00**	**455,300,691.310**	**455,300,691.310**		**455,300,691.310**
Total Cash (externally held)	**0.00**	**455,300,691.310**	**455,300,691.310**		**455,300,691.310**
Funds - short term investment					
Funds - Short Term Investment GBP - British pound sterling	3,320.93	2,000.000	2,000.000	1.00000000	2,000.000
Total	**3,320.93**	**2,000.000**	**2,000.000**		**2,000.000**
Total Funds - short term investment	**3,320.93**	**2,000.000**	**2,000.000**		**2,000.000**
Total Cash and Cash Equivalents	**3,389.98**	**455,383,312.070**	**455,383,312.070**		**455,383,312.070**
Report Total:	**3,825,978.24**	**4,699,370,215.642**	**4,648,413,434.000**		**5,585,920,182.560**

**Generated by Northern Trust from periodic data on 15 Apr 25*

◆ Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value

ASSET	BOOK COST	PRICE	MARKET VALUE	FUND %
GROWTH ASSETS				
UK EQUITIES				
AFREN ORD GBP0.01	1,089,449.06	0.02	17,850.00	0.00%
AMEDEO AIR FOUR PLUS LTD	3,907,776.01	0.02	2,455,998.77	0.04%
BORDER TO COAST PE UK LISTED EQUITY A GBP ACC	520,974,766.24	1.26	609,890,799.13	11.01%
CANDOVER INVESTMENTS PLC GBP0.25	321,939.43	0.00	0.00	0.00%
CARILLION ORD GBP0.50	0.00	0.14	61,968.80	0.00%
NEW WORLD RESOURCE ORD EUR0.0004 A	1,294,544.76	0.00	375.00	0.00%
TOTAL UK EQUITIES			**612,426,991.70**	**11.05%**
OVERSEAS EQUITIES				
BORDER TO COAST EMERGING MARKET HYBRID FUND	246,131,815.69	0.97	228,153,919.06	4.12%
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	1,638,336,692.28	1.19	2,086,661,312.75	37.67%
FINEXIA FINL GROUP NPV	85.00	0.29	11.29	0.00%
YOUNG AUSTRALIAN MINES LTD	225,391.00	0.07	7,508.21	0.00%
TOTAL OVERSEAS EQUITIES			**2,314,822,751.31**	**41.78%**
TOTAL EQUITIES			**2,927,249,743.01**	**52.84%**
PRIVATE EQUITY				
ACCESS CAPITAL CO INVESTMENT FUND BUY OUT EUROPE II	7,858,117.11	0.98	12,836,787.07	0.23%
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE	14,502,844.73	1.43	25,233,140.89	0.46%
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	15,821,278.95	1.20	20,276,743.20	0.37%
BORDER TO COAST PRIVATE EQUITY SERIES 1A	65,530,115.76	1.09	103,091,523.00	1.86%
BORDER TO COAST PRIVATE EQUITY SERIES 1B	28,741,211.36	0.99	45,789,328.11	0.83%
BORDER TO COAST PRIVATE EQUITY SERIES 1C	21,162,341.01	1.04	43,710,031.68	0.79%
BORDER TO COAST PRIVATE EQUITY SERIES 2A	4,957,913.17	0.76	37,232,178.00	0.67%
BORDER TO COAST PRIVATE EQUITY SERIES 2B	6,508,313.21	0.98	18,643,626.53	0.34%
CAPITAL DYNAMICS GLOBAL SECONDARIES V	11,042,925.55	1.66	16,707,920.73	0.30%
CAPITAL DYNAMICS LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS 18/19	6,979,550.00	1.36	11,476,516.88	0.21%
CAPITAL DYNAMICS MID-MARKET DIRECT V	13,201,080.63	1.25	24,078,338.22	0.43%
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	12,309,133.55	2.04	21,348,879.45	0.39%
CROWN CO INVESTMENT OPPORTUNITIES III	10,447,059.01	1.14	21,291,322.10	0.38%

CROWN GLOBAL OPPORTUNITIES VII	15,563,768.96	1.31	23,417,328.96	0.42%
CROWN GROWTH OPPORTUNITIES GLOBAL III	20,496,138.42	1.52	37,388,764.55	0.67%
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	13,140,741.71	1.34	20,059,781.91	0.36%
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	15,000,000.00	1.10	12,397,500.00	0.22%
DARWIN LEISURE PRO UNITS CLS 'C'	10,611,644.05	2.53	11,828,402.81	0.21%
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	35,000,000.00	0.70	17,691,858.23	0.32%
DARWIN LEISURE PROPERTY FUND, T INCOME UNITS	5,000,000.00	1.00	3,619,500.00	0.07%
FORESIGHT REGIONAL INVESTMENTS IV LP	777,508.40	0.85	1,335,584.91	0.02%
GB BANK LIMITED	50,043,721.94	1.00	23,445,973.32	0.42%
HERMES GPE INNOVATION FUND	13,341,398.86	1.32	20,160,389.57	0.36%
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	19,141,292.79	1.63	28,372,688.45	0.51%
UNIGESTION DIRECT II	14,547,379.23	1.33	25,663,906.03	0.46%
UNIGESTION DIRECT III	7,213,426.37	0.90	19,101,817.59	0.34%
UNIGESTION SA	22,917,577.35	1.35	42,757,409.02	0.77%
PRIVATE EQUITY			**688,957,241.21**	**12.44%**
FW CAPITAL TEESSIDE FLEXIBLE INVESTMENT FUND	2,850,019.00	0.00	2,968,462.65	0.05%
PRIVATE EQUITY - LOCAL INVESTMENT			**2,968,462.65**	**0.05%**
TOTAL PRIVATE EQUITY			**691,925,703.86**	**12.49%**
PROPERTY				
DIRECT PROPERTY				
TEESSIDE PENSION FUND - DIRECT PROPERTY	399,152,598.72	1.03	524,725,000.00	9.47%
TOTAL DIRECT PROPERTY			**524,725,000.00**	**9.47%**
PROPERTY FUNDS				
ABERDEEN STANDARD LIFE EUROPEAN PROPERTY GROWTH FUND	20,636,888.60	120,966.80	26,372,554.76	0.48%
GRESHAM HOUSE BSI HOUSING LP	15,638,997.82	1.10	21,500,571.50	0.39%
HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP	10,000,000.01	0.96	10,041,312.01	0.18%
HEARTHSTONE RESIDENTIAL FUND 2	13,740,773.16	0.91	17,520,390.00	0.32%
HERMES PROPERTY PUT	15,720,126.33	6.37	15,907,946.50	0.29%
LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY	1,282,865.49	2.87	3,863,096.75	0.07%
TOTAL PROPERTY FUNDS			**95,205,871.52**	**1.72%**
BRIDGES EVERGREEN TPF HOUSING CO-INVESTMENT LP	765,180.38	0.93	772,586.52	0.01%
PROPERTY FUNDS - LOCAL INVESTMENT			**772,586.52**	**0.01%**
TOTAL PROPERTY			**620,703,458.04**	**11.20%**

PROTECTION ASSETS

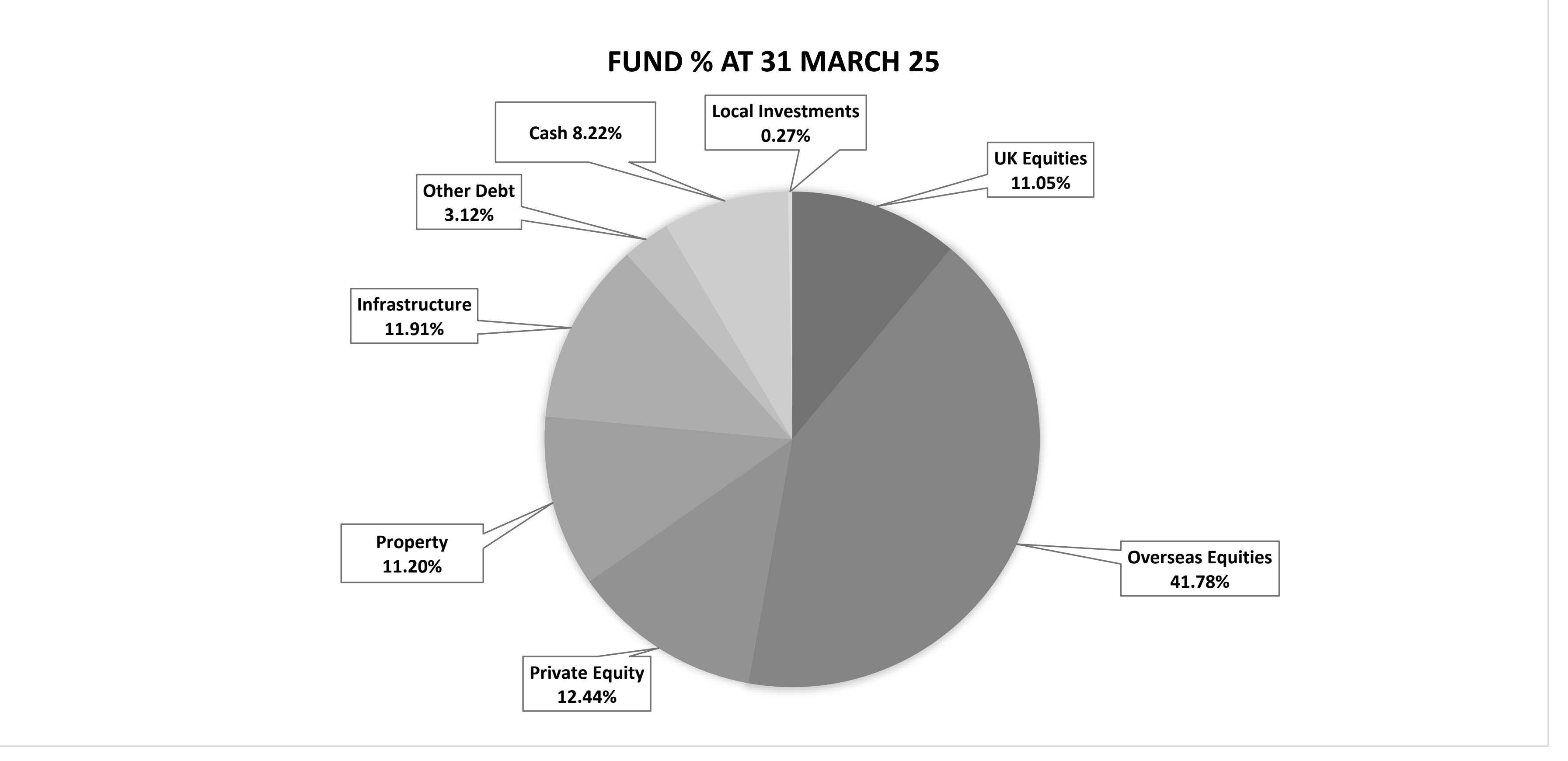
INFRASTRUCTURE				
ACCESS CAPITAL FUND INFRASTRUCTURE II	13,946,299.76	1.11	16,700,366.54	0.30%
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2)	7,629,082.71	1.02	11,570,184.82	0.21%
ACIF INFRASTRUCTURE FUND LP	13,421,191.08	0.74	17,725,475.94	0.32%
ANCALA INFRASTRUCTURE FUND II SCSP	16,729,179.08	1.12	19,039,772.73	0.34%
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	15,874,716.01	0.98	14,282,884.01	0.26%
BLACKROCK GLOBAL RENEWABLE POWER FUND III	11,308,739.08	1.06	16,223,683.72	0.29%
BORDER TO COAST CLIMATE OPPORTUNITIES SERIES 2A	12,551,872.31	1.02	35,347,281.74	0.64%
BORDER TO COAST INFRASTRUCTURE SERIES 1A	67,321,263.18	0.87	73,378,959.09	1.32%
BORDER TO COAST INFRASTRUCTURE SERIES 1B	24,942,901.60	0.89	40,222,092.39	0.73%
BORDER TO COAST INFRASTRUCTURE SERIES 1C	33,456,001.70	1.08	44,314,696.85	0.80%
BORDER TO COAST INFRASTRUCTURE SERIES 2A	32,109,979.63	0.98	81,324,073.54	1.47%
BORDER TO COAST INFRASTRUCTURE SERIES 2B	6,540,791.64	1.00	41,026,648.37	0.74%
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp	17,500,754.07	1.01	20,142,285.66	0.36%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE UK	3,770,000.00	1.00	4,940,000.01	0.09%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP	8,750,377.05	1.04	9,764,682.22	0.18%
DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION	15,000,000.00	1.27	18,786,616.89	0.34%
DARWIN BEREAVEMENT SERVICES FUND, INCOME UNITS	30,000,000.00	1.01	28,909,713.00	0.52%
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS	8,516,087.18	0.93	13,989,973.24	0.25%
GRESHAM HOUSE BRITISH SUSTAINABLE INFRASTRUCTURE FUND II	18,010,845.93	1.07	28,974,446.06	0.52%
GRESHAM HOUSE BSI INFRASTRUCTURE LP	19,070,660.40	1.21	23,707,675.57	0.43%
IIF UK I LP	80,595,460.34	1.05	80,895,364.14	1.46%
INNISFREE PFI CONTINUATION FUND	8,672,972.00	1.20	9,507,073.40	0.17%
INNISFREE PFI SECONDARY FUND 2	7,728,331.00	1.17	8,839,145.65	0.16%
INFRASTRUCTURE			**659,613,095.58**	**11.91%**
CO-INVESTMENT BSI LP - WASTE KNOT	10,000,000.00	1.11	12,199,162.00	0.22%
INFRASTRUCTURE - LOCAL INVESTMENT			**12,199,162.00**	**0.22%**
TOTAL INFRASTRUCTURE			**671,812,257.58**	**12.13%**
OTHER DEBT				
GREYHOUND RETAIL PARK CHESTER	19,715,863.00	0.98	19,715,863.00	0.36%
INSIGHT IIFIG SECURED FINANCE II FUND	50,000,000.00	0.98	50,926,090.00	0.92%
LA SALLE REAL ESTATE DEBT STRATEGIES IV	7,833,117.70	0.95	15,415,450.37	0.28%

PANTHEON SENIOR DEBT SECONDARIES II	18,185,235.62	0.60	14,966,139.10	0.27%
ST ARTHUR HOMES	18,265,116.33	1.00	16,912,875.51	0.31%
TITAN - PRESTON EAST	18,776,850.00	1.00	18,895,914.01	0.34%
TITAN - TEMPLAR'S WAY	10,983,472.00	1.00	10,983,472.00	0.20%
VERDANT REGENERATION LTD	25,000,000.00	1.00	25,000,000.00	0.45%
TOTAL OTHER DEBT			**172,815,803.99**	**3.12%**
CASH				
	71,874.10	1.00	71177.57	0.00%
	5,541.86	1.00	4510.74	0.00%
	8,000.00	1.00	6,933.00	0.00%
CUSTODIAN CASH			**82,621.31**	**0.00%**
INVESTED CASH	198,539,861.68	1.00	**455,300,690.98**	**8.22%**
TOTAL CASH			**455,383,312.29**	**8.22%**
TOTAL FUND VALUE - 31st March 2025			**5,539,890,278.77**	**100.00%**

Market Value timing differences	**Market Value**
Overseas Equities	
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	-59,837,454.19
	-59,837,454.19
Private Equity	
GB BANK LIMITED	-10,597,799.25
BORDER TO COAST PRIVATE EQUITY SERIES 1A	7,626,222.64
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	1,478,057.82
	-10,597,799.25
Infrastructure	
BORDER TO COAST INFRASTRUCTURE SERIES 1A	9,909,888.91
BORDER TO COAST INFRASTRUCTURE SERIES 1C	3,130,872.15
INNISFREE PFI SECONDARY FUND 2	6,160,854.35
IIF UK I LP	2,443,848.12
	21,645,463.53

Total	**-48,789,789.91**

Asset Allocation Summary	Actual	
UK Equities	612,426,991.70	11.05%
Overseas Equities	2,314,822,751.31	41.78%
Private Equity	688,957,241.21	12.44%
Property	620,703,458.04	11.20%
Infrastructure	659,613,095.58	11.91%
Other Debt	172,815,803.99	3.12%
Cash & Bonds	455,383,312.29	8.22%
Local Investments - Private Equity, Other Alternatives & Infrastructure	15,167,624.65	0.27%
	5,539,890,278.77	100.00%



TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 6

PENSION FUND COMMITTEE REPORT

18 JUNE 2025

DIRECTOR OF FINANCE AND TRANSFORMATION, ANDREW HUMBLE

PENSION FUND BUSINESS PLAN 2025/28

1. PURPOSE OF THE REPORT

1.1 To present to Members of the Teesside Pension Fund Committee (the Committee) the annual Business Plan for the Fund.

2. RECOMMENDATION

2.1 That Members approve the Business Plan including the 2025/26 Pension Fund budget.

3. FINANCIAL IMPLICATIONS

3.1 The 2025/26 forecast income and expenditure is set out in the Business Plan, and is summarised below (expenditure in brackets):

	£ millions
Income from employers / members	134.7
Expenditure to members	(213.7)
Administration and management expenses	(13.8)
Estimated net investment income	151.0*
Net increase (decrease) in net assets available for benefits	**58.2**

**Assumes the Fund chooses to take £70 million in dividends from Border to Coast equity pooled funds.*

4. BACKGROUND

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

4.2 The Teesside Pension Fund Business Plan is designed to set out how the Pension Fund Committee operates, what powers are delegated and to provide information on key issues. The Business Plan sits alongside the Fund's other governance documents, which set out the delegated powers and responsibilities of officers charged with the investment management function.

4.3 The Business Plan for 2025/28 is attached (Appendix 1). The Business Plan includes:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (see Appendix A);
- 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 (latest available) (see Appendix B);
- The arrangements in place for managing risk and the risk register for the Fund (see Appendix C);
- Membership, investment and funding details for the Fund;
- An estimated outturn for 2024/25 and an estimate for income and expenditure for 2025/26 (see Appendix D and page 22 of Appendix 1); and
- An annual plan for key decisions and a forward work programme for 2025/26 and an outline work plan for 2027 – 2028.

CONTACT OFFICER: Wendy Brown – Acting Head of Pensions Governance and Investments

TEL NO.: 01642 729630

Appendix 1

Business Plan

2025 – 2028

Teesside Pension Fund

EXECUTIVE SUMMARY

The purpose of this Business Plan is to outline the Fund's objectives and provide a plan of action as to how key priorities will be achieved in order to further these objectives.

Over the last few years the Fund has faced increasing complexities and there has been and continues to be new legislation that has fundamentally changed the way in which we work and our relationship with our stakeholders. The complexities have stemmed from but are not limited to the following;

- Asset Pooling
- The Public Service Pensions Act 2013
- Increased risk monitoring
- Funding pressures resulting from longevity risk and volatile financial markets
- Overriding HMRC legislation
- Increased diversity of scheme employers resulting from alternative service provision models
- Changing Local Government Pension Scheme regulations

To manage these challenges the Fund needs to be flexible and responsive to adapt in a timely and effective manner.

This Business Plan also outlines the expected non-investment related Fund receipts and payments for the financial year 2024-25, and projections for 2025-26, as well as the administration and investment expenses.

The Business Plan also details the key performance indicators by which the Fund's performance will be measured. A full listing of these indicators can be found in section 5.

Officers will update the Pensions Committee and the Pension Board on the progress made against aspects of the Business Plan in update reports presented at future meetings.

INTRODUCTION

Middlesbrough Borough Council is the Administering Authority for the Teesside Pension Fund (the Fund). The Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit pension scheme providing ongoing benefits on a career average revaluated earnings (CARE) basis, with most benefits earned before April 2014 calculated on a final salary basis. It is funded primarily by contributions from its constituent employers and members and by investment income.

The Fund currently has over 82,000 scheme members from around 150 employer bodies, including four Local (Unitary) Authorities.

The results of the latest actuarial valuation, as at March 2022 showed the assets worth £5.036 billion, were sufficient to meet 116% of the Fund's liabilities. The formal result of the next valuation (based on asset and liability figures as at 31 March 2025) is due by 31 March 2026 with employer contribution rates being set to reflect the outcome of this valuation for the three year period starting 1 April 2026.

PURPOSE OF THE FUND

Mission Statement

"To provide an efficient and effective pension scheme for all scheme members and employers in accordance with the requirements of the regulations and legislation for the Local Government Pension Scheme."

Purpose

The Fund is a vehicle by which scheme benefits are delivered. The purpose of the Fund is to:

- Receive monies in respect contributions from employers and employees, transfer values and investment income.
- Pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations 2013 and as required in the LGPS (Management and Investment of Funds) Regulations 2016.

Aims

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due.
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to

taxpayers, and the employing bodies, while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the fund and employers, and the risk exposure policies of the administering authority and employers alike.

- Seek returns on investments within reasonable risk parameters.

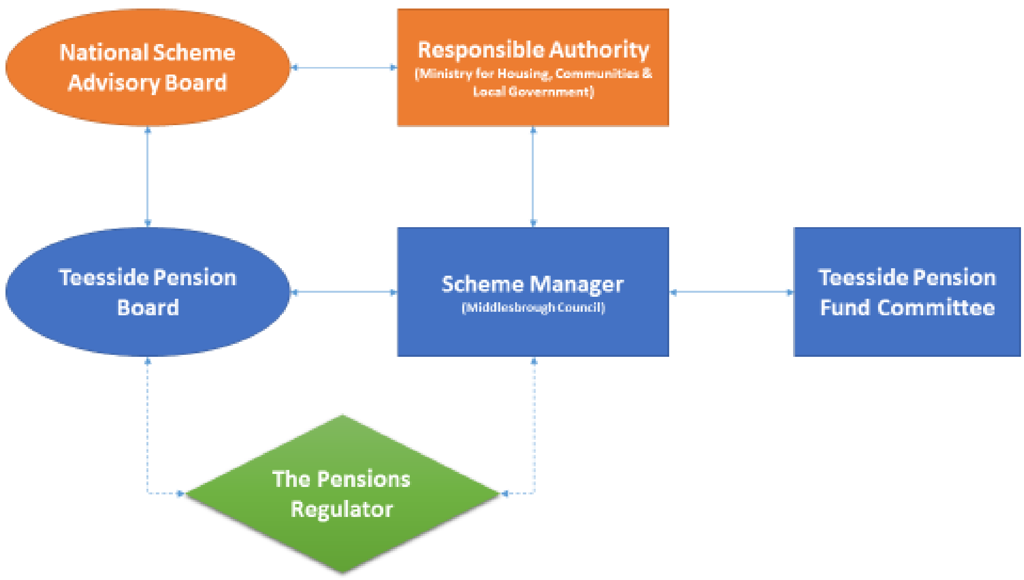
Service Promise

"We will provide a customer-focused pension service meeting the needs of members and employers, and manage the investments of the Fund to achieve solvency and long-term cost efficiency for our customers."

The full service promise is attached as Appendix A, and sets out the promises to the four key stakeholders of the Fund.

GOVERNANCE ARRANGEMENTS

The Public Service Pensions Act 2013 updated the national and local governance framework for all public sector pension schemes, including the LGPS. The interaction of the various bodies is shown below.



Responsible Authority

For the LGPS, this is the Ministry of Housing, Communities & Local Government (MHCLG); its primary roles being:

- The LGPS Scheme 'sponsor';
- Ensuring affordability of the LGPS for members and employing authorities;

- Developing policy for the operation of the LGPS to reflect government policy and LGPS specific experience; and
- Commissioning and updating legislation and actuarial guidance.

More information can be found on MHCLG at the following website:
https://www.gov.uk/government/organisations/ministry-of-housing-communities-local-government

The Local Government Pension Scheme Advisory Board – England and Wales

The Local Government Pension Scheme Advisory Board (SAB):

- Advises on policy, best practice, and governance issues;
- Reporting responsibility;
- Single source of information for LGPS stakeholders on general and specific health of the LGPS; and
- Liaison role with the Pensions Regulator.

Further information on the Scheme Advisory Board, its role and operation can be found at the SAB website: http://www.lgpsboard.org/ .

The Pensions Regulator

The statutory objectives of the Pension Regulator that are relevant to the LGPS are:

- Protect member benefits (although they accept that in the LGPS these are effectively guaranteed); and
- Promote and improve understanding of good administration.

Please visit The Pensions Regulator website for more information:
https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes

In addition to the national bodies, each individual LGPS Fund has a single employing authority designated as the administering authority for its geographic area. Middlesbrough Council was appointed the Administering Authority for the Teesside Pension Fund by the Secretary of State, replacing the former Cleveland County Council Fund following Local Government Reorganisation in 1996.

Each administering authority is responsible for the financial and administrative functions of their Fund. For the Teesside Fund, this function is delegated to the Teesside Pension Fund Committee, which is assisted by the Teesside Pension Board.

Teesside Pension Fund Committee

The Pension Fund Committee's principal aim is to carry out the functions of Middlesbrough Council as the Scheme Manager and Administering Authority for the Teesside Pension Fund in accordance with Local Government Pension Scheme and any other relevant legislation.

In its role as the administering authority, Middlesbrough Council owes fiduciary duties to the employers and members of the Teesside Pension Fund and must not compromise this with its own particular interests. Consequently this fiduciary duty is a responsibility of the Pension Fund Committee and its members must not compromise this with their own individual interests.

The Pension Fund Committee will have the following specific roles and functions, taking account of advice from the Chief Finance Officer and the Fund's professional advisers:

a) Ensuring the Teesside Pension Fund is managed and pension payments are made in compliance with the Local Government Pension Scheme Regulations, His Majesty's Revenue & Customs (HMRC)'s requirements for UK registered pension schemes and all other relevant statutory provisions.

b) Ensuring robust risk management arrangements are in place.

c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Teesside Pension Fund.

d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:

    i) Governance – approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Middlesbrough Council and making recommendations to Middlesbrough Council about any changes to that framework.

    ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and any interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.

    iii) Investment strategy - approving the Fund's Investment Strategy Statement and Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.

    iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.

v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.

vi) Discretions – determining how the various administering authority discretions are operated for the Fund.

e) Monitoring the implementation of these policies and strategies on an ongoing basis.

f) In relation to the Border to Coast Pensions Partnership ('Border to Coast'); the Asset Pooling Collaboration arrangements:

i) Monitoring of the performance of Border to Coast and recommending actions to the Joint Committee, The Mayor or the Mayor's Nominee (in their role as the nominated person to exercise Shareholder rights and responsibilities), Officers Groups or Border to Coast, as appropriate.

ii) Undertake the role of Authority in relation to the Border to Coast Inter Authority Agreement, including but not limited to:

- Requesting variations to the Inter Authority Agreement
- Withdrawing from the Inter Authority Agreement
- Appointing Middlesbrough Council officers to the Officer Operations Group.

g) Considering the Fund's financial statements and the Fund's annual report.

h) Selection, appointment, dismissal and monitoring of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, independent professional advisers and Additional Voluntary Contribution (AVC) provider.

i) Liaison with internal and external audit, including providing or agreeing recommendations in relation to areas to be covered in audit plans, considering audit reports and ensuring appropriate changes are made following receipt of audit findings

j) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.

k) Agreeing the terms and payment of bulk transfers into and out of the Fund.

l) Agreeing Pension Fund business plans and monitoring progress against them.

m) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.

n) Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.

o) Receiving ongoing reports from the Chief Finance Officer, the Head of Pensions Governance and Investments and other relevant officers in relation to delegated functions.

No matters relating to Middlesbrough Council's responsibilities as an employer participating within the Teesside Pension Fund are delegated to the Pension Fund Committee.

Teesside Pension Board

The Board is responsible for assisting the Administering Authority:

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

The Council considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund. The Board makes recommendations and provides assurance to assist in the management of the Fund.

Teesside Pension Officer Support

In order to support the Teesside Pension Fund Committee and Teesside Pensions Board and enable them to fulfil their obligations under the LGPS investment regulations administering authorities are required to take proper advice. "*Proper advice*" is defined in the LGPS Investment Regulations 2016 as "*the advice of a person whom the authority reasonably considers to be qualified by their ability in and practical experience of financial matters*." Advice is taken from internal and external sources:

- Internal advice comes from the **Director of Finance and Transformation**, who has Section 151 responsibilities. It is the Director who is responsible for ensuring that adequate expertise is available internally and, where the Director deems that not to be the case, they will advise when external advice should be sought. Internal expertise and advice is provided by:
    - The **Head of Legal Services** on legal matters pertaining to the Fund.
    - The **Head of Pensions Governance and Investments** on pensions, investments and LGPS governance issues.
    - The **Client Manager / Client Director** of the Fund's partners on administration and regulatory issues.

- The **Head of Corporate Finance** on issues relating to the Statement of Accounts.

- External advice is provided by:
  - The **Fund's Investment Advisors** on asset allocation and investment matters.
  - The **Fund's Actuary**, Hymans Robertson LLP, on actuarial matters.
  - The **Fund's Solicitors**, Nabarro, on regulatory and administrative matters, and Freeths LLP, on legal matters relating to the Fund's property investments.
  - The **Fund's Auditor**, Forvis Mazars LLP, regarding auditing the accounts and internal controls and systems.
  - Other external advisors as the Director of Finance shall see fit to recommend.

PROCEDURE FOR THE REVIEW OF MANAGERS AND ADVISORS

The Fund's management arrangements, the arrangements for the appointment of advisors and other external service providers and the regular review of those arrangements have been determined by the Committee.

- The LGPS (Management and Investment of Funds) Regulations 2016 include the requirement for all LGPS Funds to pool their assets. The Fund is one of eleven Funds who are shareholder partners in Border to Coast Pension Partnership Limited ('Border to Coast') and has now moved to a position where Border to Coast manages the majority of investment assets for the Fund. A recent Government consultation "LGPS (England and Wales): Fit for the Future" strongly suggests investment oversight of all the Fund's assets (with the exception of cash) will move to the pool (Border to Coast) over the next few years.

- Initial asset transfers took place during 2018-19 which resulted in all the Fund's UK equities being transferred to be under Border to Coast's management. During 2021 most of the Fund's overseas equities were also transferred from being managed passively by State Street Global Advisers to being managed by Border to Coast. During 2024-25 the passive Equity holdings with State Street were sold and partly reinvested with Border to Coast's (internally managed) overseas equity fund. All of the Fund's liquid assets (except cash) are now invested through Border to Coast.

- There are a number of investment assets which currently remain with the Fund to manage, either because they are unlikely to transfer to Border to Coast, e.g. cash, or because it is not practical or cost-effective to do so, such as existing private markets investments. Following the recent Government consultation it looks likely that while ownership of these private markets investments will remain with the Pension Fund (because of the cost and complexity of transferring this), in future the investment oversight of the assets may transfer be the responsibility of Border to Coast. In addition, following a decision taken at the December 2024 Pension Fund Committee, the Fund is looking to transfer the management of its own UK Real Estate portfolio to Border to Coast, to be managed as part of Border to Coast's UK Real Estate Fund. This decision reversed an early Committee decision and was taken in the knowledge that the Government's direction of travel is now clearly towards greater asset pooling in the LGPS.

- Fund Investment Advisor arrangements were reviewed during 2018-19 and following a procurement exercise two independent Investment Advisors were appointed.
- The contract to provide Custodian Services to the Fund is carried out by Northern Trust – the contract started on 1 May 2019, was reawarded to Northern Trust following a procurement exercise from 1 June 2022 and is due to be reviewed in 2026.
- Pension Administration Services are provided by Tyne and Wear Pension Fund under the terms of a contract commencing 1 June 2025. In 2024 an open procurement exercise was carried out with South Tyneside Council (the administering authority for the Tyne & Wear Pension Fund) being the successful bidder.
- The contract to provide Actuarial Services to the Fund was put out to tender towards the end of 2021 and a new actuary, Hymans Robertson LLP, was appointed with effect from 1 January 2022. The contract is for six years (covering two valuation periods) with an option to extend for a further three years.
- Fund Additional Voluntary Contribution (AVC) provision was reviewed by the Investment Panel on 12 July 2002 and the Prudential Assurance Company Ltd were appointed. The long-term nature of AVC provision does not lend itself to the regular review of providers.

PERFORMANCE TARGETS

Targets are set for each of these key areas to monitor the performance of the Fund.

Funding

The Funding Strategy Statement sets out a comprehensive strategy for the whole Fund, balancing and reconciling the many interests which arise from the nature of the Scheme and the requirements to fund benefits now and in the future. The Funding Strategy Statement was updated in line with the production of the most recent triennial valuation and was published in March 2023.

The funding target of the Fund is to achieve fully funded status, i.e. the assets of the Fund match, exactly, its liabilities. This is expressed as a percentage, with fully funded status represented as 100% funded. The Fund's Actuary carries out a full actuarial valuation every three years, with the last valuation undertaken based on the assets and membership at 31 March 2022 – the final valuation report was published on 30 March 2023. The next valuation will be carried out based on assets, membership and financial conditions as at 31 March 2025 with the final report due by the end of March 2026.

Investments

The Investment Strategy Statement outs out the Fund's strategy asset allocation (also known as the customised benchmark), a tailor made mix of investments which is reached after an Actuarial Valuation and subsequent Asset/Liability Study. The strategic asset allocation was last updated in 2024, and an updated Investment Strategy Statement was published in December 2024.

Monitoring investment performance is one way in which Members can assess how well the Fund is being managed. Performance is measured against the tailor-made mix of investments which should produce returns over the medium and long term to meet the Fund's liabilities; the strategic asset allocation and customised benchmark.

The Fund's investment performance is measured by Hymans Robertson following their acquisition of Portfolio Evaluation Limited (PEL), a leading provider of performance services to public and private sector pension schemes. Investment performance is reported as part of the Fund's Annual Report & Accounts and to the Pension Fund Committee each year.

Investment performance is measured against the customised benchmark over three time periods; one year, three year and ten year (i.e. short, medium and long term performance).

Pensions Administration

Key Performance Indicators (KPIs) relating to pensions administration are included within the terms of the contract, performance against those KPIs is monitored as part of that contract.

Results against these KPIs are reported to each meeting of the Pension Fund Committee and the Pension Board.

Accounting

The Fund's Annual Report and Accounts are prepared in line with the current guidelines and reported to the Teesside Pension Fund Committee. The Annual Report and Accounts are audited by the Fund's External Auditors (Forvis Mazars LLP). Forvis Mazars present their audit findings to the Teesside Pension Fund Committee and provide their audit opinion based on the findings of the report. The target is for the External Auditors to report that the Annual Report & Accounts show a true and fair view of the transactions the Fund.

To ensure there are adequate internal controls in place to manage and administer the Fund effectively, Internal Audit carry out an independent audit review every year, and the final reports are presented to the Teesside Pension Fund Committee and the Teesside Pension Board. Internal Audit report their findings and an audit assurance level. The target for both internal audits is to receive an assurance level of a strong control environment.

Governance

In addition to the Funding Strategy Statement and Investment Strategy Statement, the Fund is required to have in place a number of other key governance documents to allow the Fund to run effectively and smoothly. These additional governance documents are:

- Governance Policy and Compliance Statement
- Training Policy
- Conflicts of Interest Policy
- Risk Management Policy
- Procedures for Reporting Breaches of the Law
- Communication Policy
- Pension Administration Strategy and Employer Guide
- Discretions Policy and Fund Officers' Scheme of Delegation

All governance documents should be reviewed at least every three years to ensure they are still relevant and represent best practice.

A summary of performance against all targets is presented in Appendix B of this report.

RISK MANAGEMENT

The Fund's Risk Management Policy details the risk management strategy for the Fund, including:

- The risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk.
- How risk management is implemented.
- Risk management responsibilities.
- The procedures that are adopted in the Fund's risk management process.
- The key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

Effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, the Fund can:

- Demonstrate best practice in governance.
- Improve financial management.
- Minimise the risk and effect of adverse conditions.
- Identify and maximise opportunities that might arise.
- Minimise threats.

The Fund adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance of the Fund at a strategic and operational level.

In relation to understanding and monitoring risk, the Administering Authority aims to:

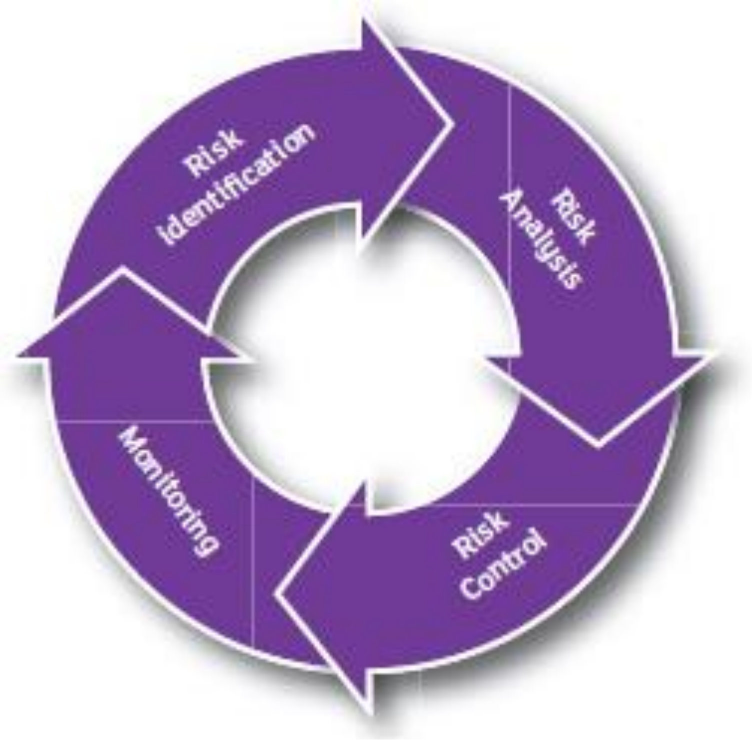
- Integrate risk management into the culture and day-to-day activities of the Fund.
- Raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners).
- Anticipate and respond positively to change.
- Minimise the probability of negative outcomes for the Fund and its stakeholders.
- Establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice.
- Ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- The CIPFA Managing Risk publication.

- The Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

The Fund's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections:



Risk Identification

The risk identification process is both a proactive and reactive one: looking forward i.e. horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organisation.

Risk Analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the impact if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating.

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

Risk Control

Risk control specifies actions taken to reduce the likelihood of a risk event happening, the frequency it could happen and reducing the impact if it does occur. Possible courses of action against risk:

- **Tolerate** – the exposure of a risk may be tolerable without any further action being taken; this is partially driven by the Administering Authority's risk 'appetite' in relation to the Pension Fund;
- **Treat** – action is taken to constrain the risk to an acceptable level;
- **Terminate** – some risks will only be treatable, or containable to acceptable levels, by terminating the activity;
- **Transfer** - for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action.

Risk Monitoring

Risk monitoring is the final part of the risk management cycle and is the responsibility of the Pension Fund Committee. In monitoring risk management activity, the Administering Authority / Committee considers whether:

- The risk controls taken achieved the desired outcomes
- The procedures adopted and information gathered for undertaking the risk assessment were appropriate
- Greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- There are any lessons to be learned for the future assessment and management of risks.

Risk Reporting

Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided at least on an annual basis to the Pension Fund Committee – see attached Appendix C. The Pension Fund Committee will be provided with updates on a quarterly basis in relation to any changes to risks and any newly identified risks and a formal review will be carried out at least twice a year.

As a matter of course, the Teesside Pension Board will be provided with the same information as is provided to the Pension Fund Committee and they will be able to provide comment and input to the management of risks.

In order to identify whether the objectives of this policy are being met, the Administering Authority will review the delivery of the requirements of this Policy on an annual basis taking into consideration any feedback from the Teesside Pension Board.

The risks identified are of significant importance to the Pension Fund. Where a risk is identified that could be of significance to the Council it will be included in the Risk Register.

Risk Matrix

The risk matrix is adapted from the one used by the Council and the External Auditor's assessment of materiality (for the 2022/23 audit £50 million) is used as the high value for the purposes of scoring the identified risks.

Likelihood	5	**Almost Certain >80%**	Low (5)	Medium (10)	Medium (15)	High (25)	High (35)
	4	**Likely 51% - 80%**	Low (4)	Low (8)	Medium (12)	High (20)	High (28)
	3	**Possible 21% - 50%**	Low (3)	Low (6)	Medium (9)	Medium (15)	High (21)
	2	**Unlikely 6- 20%**	Low (2)	Low (4)	Low (6)	Medium (10)	Medium (14)
	1	**Rare <6%**	Low (1)	Low (2)	Low (3)	Low (5)	Low (7)
			1	**2**	**3**	**5**	**7**
			Insignificant	**Minor**	**Moderate**	**Major**	**Extreme**

TRAINING PLAN

The Fund has adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills. It is a requirement of the Code that an annual statement on compliance must be included in the Fund's Statement of Accounts.

Investment Officers are required to acquire, by examination, the Investment Management Certificate (IMC) or relevant qualification. Officers without the relevant qualification and with less than five years relevant experience must undergo a minimum of twenty hours relevant training.

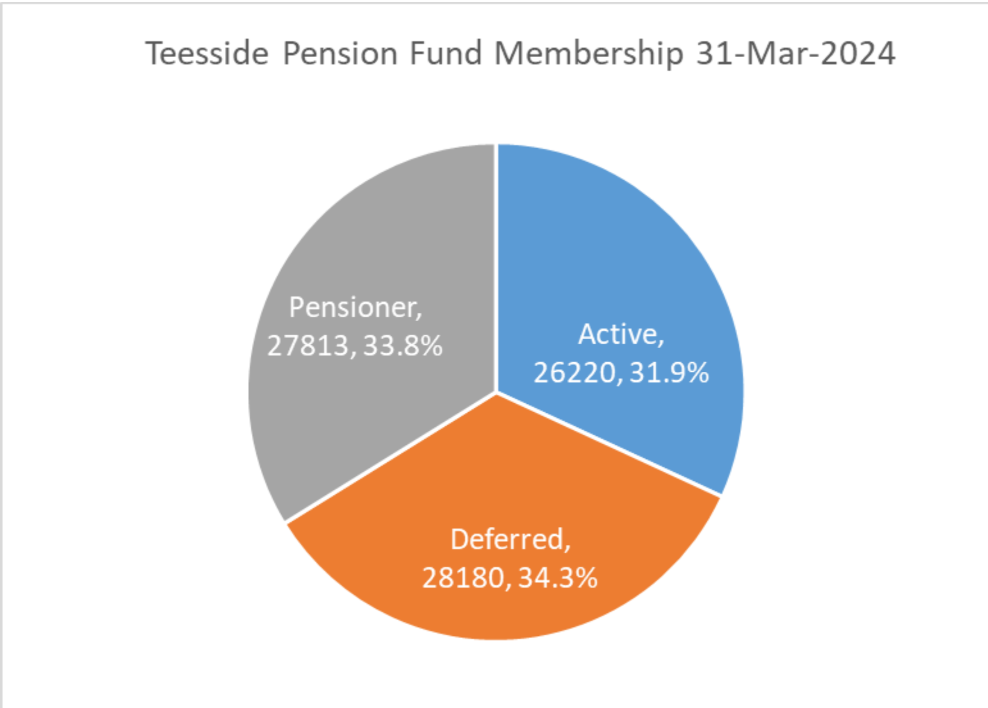
The Principles included in the Myners Review of Institutional Investment included a requirement under "Effective Decision Making" that Trustees should have sufficient expertise and be offered appropriate training.

It is a requirement that all Members serving on the Teesside Pension Fund Committee and those who may act as substitute received adequate training. This facility is extended to also include non-Middlesbrough Council members of the Committee. All Teesside Pension Board Members have received training and are encouraged to undertake the Pension Regulator's toolkit.

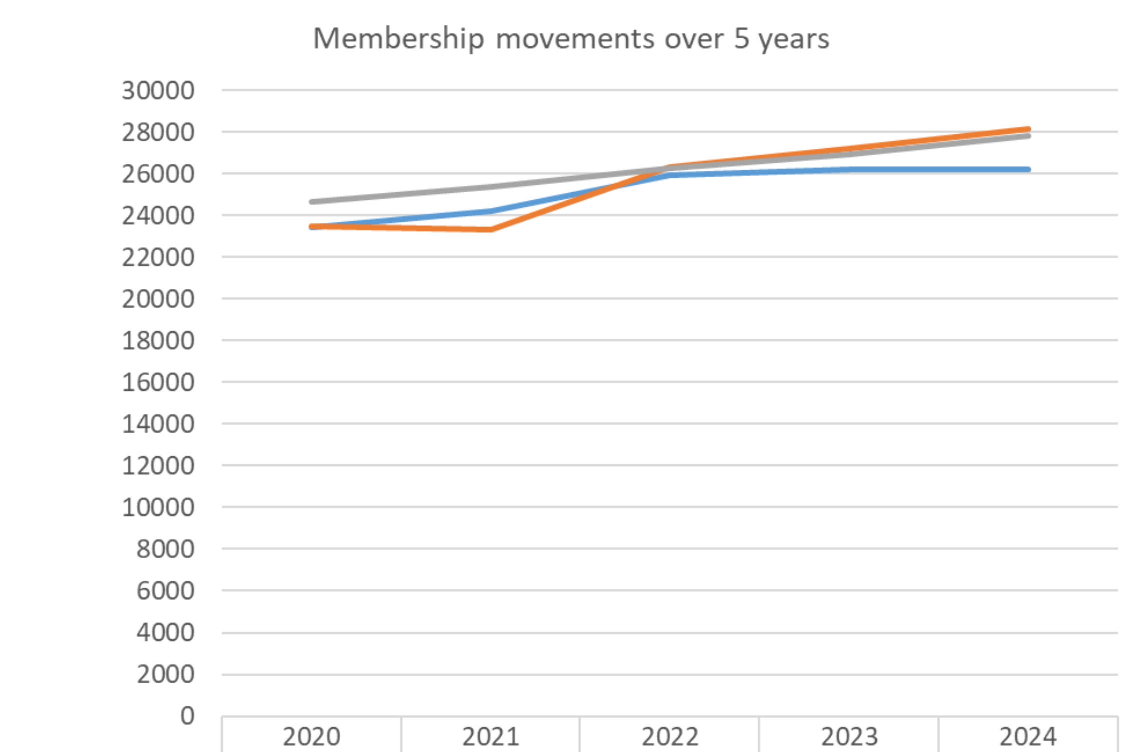
Training for Members and the staff employed by the Fund is essential as the Fund is moving to a position where its primary role will be managing two critically important outsourcing contracts / partnership arrangements with Border to Coast managing the majority of the Fund's investment assets, and South Tyneside Council managing the Fund's pension administration service.

MEMBERSHIP DATA

The total scheme membership for the Fund as at 31 March 2024 was 82,213 made up of the following membership types:



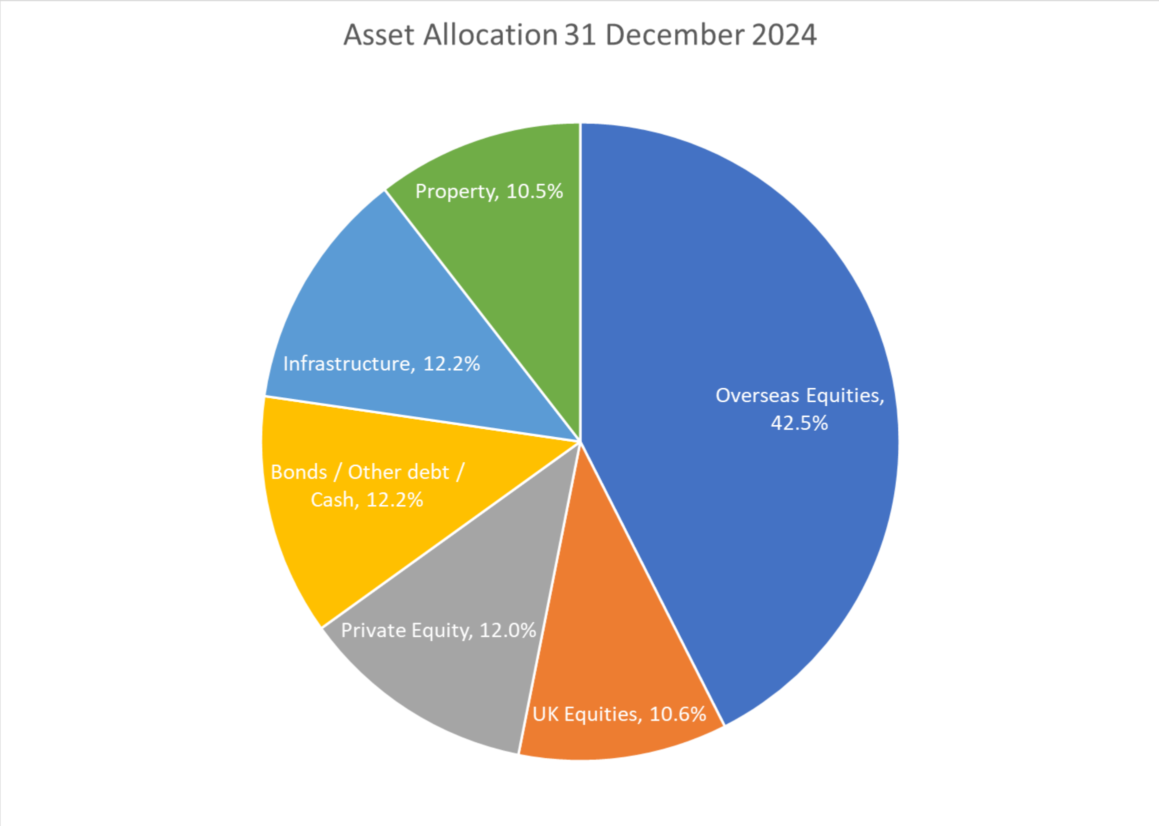
The changes to the scheme membership types over the last five years are shown below. While the total membership has increased by approx. 10,600 members over the period, the numbers of deferred members have fluctuated but increased, whereas the numbers of actives and pensioner members have increased more steadily over the period.



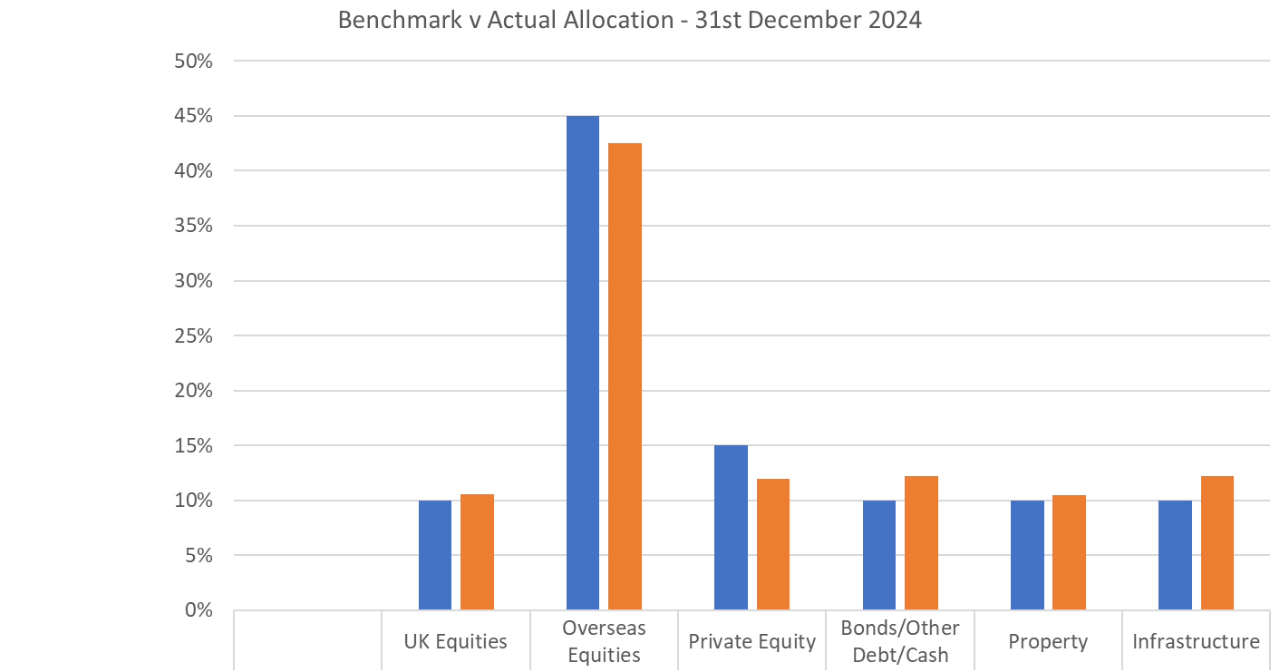
	2020	2021	2022	2023	2024
Active	23438	24238	25937	26198	26220
Deferred	23488	23322	26350	27225	28180
Pensioner	24651	25366	26254	26915	27813

INVESTMENTS AND FUNDING

The Pension Fund invests in a wide range of asset classes and regularly reviews its asset allocation policy to ensure that it remains appropriate for the Fund.



The Fund's Investment Strategy Statement sets out the Asset Allocation Strategy. This strategy is set for the long term and is reviewed at least every three years as part of the Fund's Asset/Liability study to ensure that it remains appropriate to the Fund's liability profile. As part of the strategy the Administering Authority has adopted a strategic benchmark representing the mix of assets best able to meet the long term liabilities of the Fund. A revised strategic benchmark was agreed by the Pension Fund Committee at its September 2024 meeting, and this revised benchmark was used to update the Investment Strategy Statement in December 2024. As at 31 December 2024 the actual assets compared to the revised strategic benchmark as follows:



	UK Equities	Overseas Equities	Private Equity	Bonds/Other Debt/Cash	Property	Infrastructure
Benchmark Allocation	10.0%	45.0%	15.0%	10.0%	10.0%	10.0%
Actual Allocation	10.6%	42.5%	12.0%	12.2%	10.5%	12.2%

Actuarial valuations are carried out every three years with the last completed valuation dated 31 March 2022. These valuations calculate the value of the Fund's liabilities and compare them to the market value of the assets to determine a funding ratio. At the 2022 valuation, there was a surplus of £684 million, which corresponded to a funding ratio of 116%.

The next triennial valuation (as at 31 March 2025) will be published by 31 March 2026. The result of that valuation will be implemented from 1 April 2026, with any changes to employer contribution rates due to take effect then.

FUND ACCOUNT, INVESTMENT AND ADMINISTRATION COSTS

The following table provides a summary of the fund account, investment and administration income and expenditure:

Description	2023-24 Actual £'000s	***2024-25 Forecast £'000s***	***2025-26 Estimate £'000s***
Contributions	-116,328	-120,886	-123,302
Transfers in from other pension funds	-8,055	-5,931	-5,931
Other income	-2,060	-5,418	-5,418
Total income from members	**-126,443**	**-132,235**	**-134,651**
Benefits payable	182,512	194,150	197,991
Payments to and on account of leavers	12,318	15,697	15,697
Total expenditure to members	**194,830**	**209,847**	**213,688**
Management expenses	12,126	11,295	13,795
Total income less expenditure	**80,513**	**88,907**	**92,832**
Investment income	-70,293	-104,000	-151,000*
Change in Asset Market Value	-467,735	0	0
Net return on investments	**-538,028**	**-104,000**	**-151,000**
Net (increase) / decrease in net assets available for benefits during the year	**-457,515**	**-15,093**	**-58,168**

*Assumes the Fund takes £70 million dividend income from Border to Coast equity funds.

Further detail behind the above summary is attached in Appendix D.

ANNUAL PLAN FOR RECEIVING REPORTS

The Teesside Pension Fund Committee meets four times each year, with an additional (July) meeting to approve the Annual Report & Accounts. These should be before the end of:

- June;
- July;
- September;
- December; and
- March.

This allows for the presentation of key reports, which are needed to meet statutory deadlines:

June	Fund Performance Report
July	Annual Report & Accounts
	Audit Report
September	Interim Actuarial Valuation Report (where relevant)
December	Shareholder Governance Annual Report
March	Business Plan
	Annual External Audit Plan

FORWARD PLAN FOR KEY DECISIONS

A number of reviews and reports have been scheduled as a result of earlier Pension Fund Committee decisions and the requirement to put out to external tender services provided to the Fund. It may be necessary to delay non-contractual elements of the Plan, depending on resources available.

2025/26:	Pooling of Investment Assets: ➢ Where appropriate, taking into account Investment Advisors' views, continue to commit assets to Border to Coast's private equity, infrastructure and climate opportunities funds as they become available. ➢ Receive regular reports and presentations from Border to Coast in relation to the assets the Fund has committed to the pool.

- Work with Border to Coast to consider whether / how investment oversight of the 'legacy' private market assets that the Fund owns can transfer to Border to Coast.
- Work with Border to Coast and its Partner Funds to continue to develop the investment oversight and (as appropriate) company oversight of Border to Coast.

Pension Fund Governance:

- Assess the Fund against the Scheme Advisory Board's recommended governance standards (due to become statutory guidance).
- Monitor progress against full compliance with Pensions Regulator's General Code of Practice, including best practice areas.
- Prepare UK Stewardship Code submission.

Pension Investments:

- Review / restate Fund's investment beliefs, in the context of ensuring these are appropriately understood and taken into account by Border to Coast.
- Complete the transfer of property assets to Border to Coast, subject to reasonable agreement being reached over asset values.
- Implement the asset allocation instructions from the Pension Fund Committee.
- Monitor and report investment performance of the Fund, as measured against the Fund's customised benchmark.
- Assess any local investment opportunities that arise, with a view to making recommendations to the Pension Fund Committee where appropriate.
- Monitor Fund's liquidity and consider whether / when to invest in fixed income.

Pension Administration:

- Complete onboarding of new pensions administration partner.
- Review business continuity plans / cyber security arrangements of new provider
- Work to identify potential efficiencies and improvements possible through new partnership arrangement.
- Complete implementation of 'McCloud' changes, including retrospective review of leavers since 2014 - this is an additional check on leaving / drawing benefits to give certain scheme members the better of benefits under the current CARE scheme or under the old final salary rules for service from 1 April 2014 to 31 March 2022.
- Implement outcome of GMP reconciliation exercise.

- Prepare data and system functionality for compliance with Pensions Dashboard requirements and for the 31 October 2025 connection date.

Funding:

- Review and update the Funding Strategy Statement and Investment Strategy Statement if required.
- Work with actuary on production of 31 March 2025 valuation.
- Ensure data is prepared for submission to actuary for 31 March 2025 triennial valuation. Work with actuary on reviewing assumptions.
- Notify employers of required contribution rates for three year period from 1 April 2026 onwards. Ensure Committee is kept informed of progress and outcome of valuation exercise.

<u>2026/27</u>:

- Depending on outcome of Government consultation exercise:
- Work with Border to Coast and Partner Funds to agree process for transferring oversight of ‘legacy’ private market assets to Border to Coast.
- Consider how Border to Coast can be principal source of investment advice for the Fund.
- Review role of independent advisor in the light of expected regulation / legislation – agree how to source independent advice.

<u>2027/28</u>:

- Evaluate process for oversight of the Pool company – on investment performance, investment advice and ensure governance structures are appropriate.
- Re-assess compliance with Pension Regulator’s Code of Practice
- Evaluate partnership approach to delivery of pensions administration function – ensure efficiencies and opportunities are being identified and delivered.

Middlesbrough
moving forward

Teesside Pension Fund

Our Service Promise

We will provide a customer-focused pension service meeting the needs of members and employers, and manage the investments of the Fund to achieve solvency and long-term cost efficiency for our customers.

Contact:
Nick Orton, Head of Pensions Governance and Investments
nick_orton@middlesbrough.gov.uk / 01642 729040.

Scheme Members

- Payment of pension payments/retirement grants
- New entrants to the LGPS processed
- Accurate transfer values calculated and paid
- Provide annual benefit statements

Scheme Employers

- Accurate contribution calculated and collected
- Pension costs accurately calculated and recharged
- Cash flow data supplied to the Actuary for IAS19/FRS17 reports

Pension Fund Committee

- Safe custody of the Fund's assets
- Invest the Fund's monies in accordance with LGPS Regulations and Pension Fund Committee instructions
- Manage the relationship with the Fund's pooling asset management company (Border to Coast Pensions Partnership)
- Report the Fund's investment transactions & asset valuations
- Produce a Business Plan for approval
- Hold accurate scheme membership data
- Statutory and selected non-statutory returns will be completed.

Pension Board

- Annual Report & Accounts produced in accordance with the latest CIPFA LGPS Code of Practice.

What we'll do for you:

- We will administer and manage the Fund in accordance with the relevant statute and regulations.
- We will process transactions and payments listed in this Service Promise in line with the timescales stipulated.
- We will provide annual benefit statements to all scheme members, in accordance with the LGPS Regulations by 31 August every year.
- We will provide Rates & Adjustment Certificates to scheme employers following the triennial valuation of the Fund's assets and liabilities, in accordance with the LGPS Regulations by 31 March the year following the valuation.

What you can do for us:

- Scheme employers provide all required information within the timeliness required for the task and in the format required.
- Scheme employers make contribution payments on time and in line with the Regulations and their Admission Agreements.
- Scheme employers provide a bond or other guarantee required by their Admission Agreements.
- All scheme members and scheme employers provide updated information relevant to the general upkeep of the data needed to maintain their records accurately.

APPENDIX B

SUMMARY OF PERFORMANCE AGAINST TARGETS

Funding:

	Target	Actual
2022 Triennial Actuarial Valuation	100%	116%

Investments:

	As at 30 September 2024		
	Benchmark	Actual	Excess Return
Performance Return – 1 Year	10.8%	9.8%	**-1.0%**
Performance Return – 3 Year (per annum)	4.2%	6.4%	**2.3%**
Performance Return – 5 Year (per annum)	5.0%	7.0%	**2.0%**
Performance Return – 10 Year (per annum)	7.1%	8.0%	**0.9%**

Pensions Administration:

	As at 31 December 2021	
	Target	Actual
All new entrant processed within twenty working days of receipt of notification being received by pensions.	98.50%	100.00%
Transfer Values - To complete the process within ten working days of the date of receipt/request for payment.	98.50%	100.00%
Refund of contributions - correct refund to be paid within ten working days of the employee becoming eligible and the correct documentation being received.	98.75%	100.00%
Statements issued within ten working days - Estimate of benefits (of receipt of request) and Deferred Benefits (of receipt of all relevant information).	98.25%	99.23%
Pension costs to be recharged monthly to all employers.	98.75%	100.00%
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	98.75%	88.92% (shortfall relates to missing pay information from employers)

	As at 31 December 2021	
	Target	**Actual**
Payment of retirement grant payment to be made within 6 working days of the later of the payment due date and the date of receiving all of the necessary information.	98.75%	99.54%
Pay eligible pensioners a monthly pension on the dates specified by the Council.	100.00%	100.00%
All calculations and payments are correct.	98.75%	100.00%

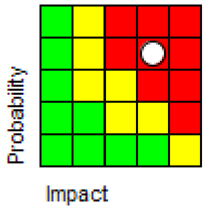
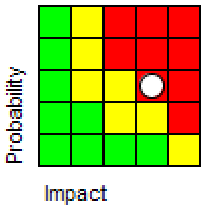
Accounting:

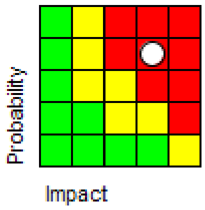
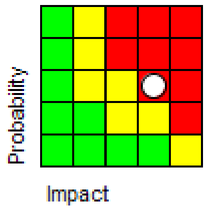
	Target	Actual
External Auditor Opinion	True & Fair View	True & Fair View 2021/22 and 2022/23 accounts. The 2023/24 accounts were 'disclaimed' by the auditor, principally owing to lack of time to complete the necessary work.
Internal Audit Opinion – Investments	Strong Control Environment	Strong Control Environment
Internal Audit Opinion – Administration	Strong Control Environment	Strong Control Environment

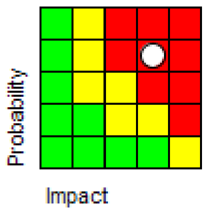
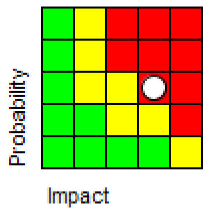
Governance:

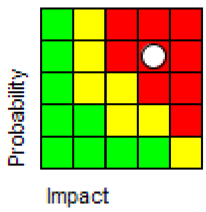
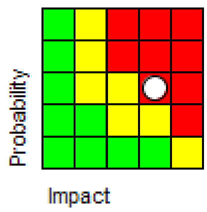
	Target	Actual
Funding Strategy Statement	Last 3 Years	March 2023
Investment Strategy Statement	Last 3 Years	December 2024
Governance Policy & Compliance Statement	Last 3 Years	December 2024
Training Policy	Last 3 Years	December 2024
Conflict of Interest Policy	Last 3 Years	December 2024
Risk Management Policy	Last 3 Years	December 2024
Procedures for Reporting Breaches of Law	Last 3 Years	December 2024
Communication Policy	Last 3 Years	December 2024
Pension Administration Strategy & Employer Guide	Last 3 Years	December 2024
Fund Officers' Scheme of Delegation	Last 3 Years	December 2024

Appendix C - Teesside Pension Fund Risk Register

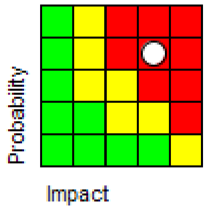
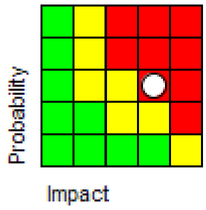
Code	Title		Original Score	Current Score
TPF001	INFLATION Price inflation is significantly more than anticipated: an increase in long-term CPI inflation of 0.2% a year will increase the liability valuation by 3%. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-5		 20	 15
Current Mitigation			**Future Mitigation**	**Responsible Officer**
In assessing the member liabilities, the triennial Fund Actuary assumptions made for inflation are "conservatively" set based on independent economic data, and hedged against by setting higher investment performance targets.				Head of Pensions Governance and Investments

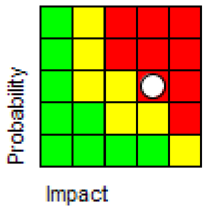
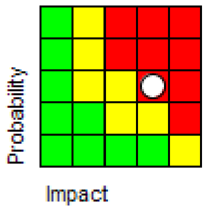
Code	Title		Original Score	Current Score
TPF002	ADVERSE ACTUARIAL VALUATION Impact of increases to employer contributions following the actuarial valuation. Fund & Reputation Impact-3 Employers Impact-5 Member Impact-1		 20	 15
Current Mitigation			**Future Mitigation**	**Responsible Officer**
Interim valuations provide early warnings. Actuary has scope to smooth impact for most employers.				Head of Pensions Governance and Investments

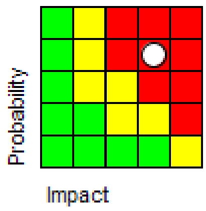
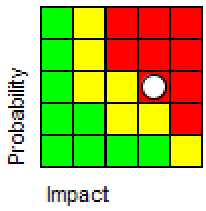
Code	Title		Original Score	Current Score
TPF003	GLOBAL FINANCIAL INSTABILITY Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		 20	 15
Current Mitigation			**Future Mitigation**	**Responsible Officer**
Increasing investment diversification will allow the Fund to be better placed to withstand this type of economic instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				Head of Pensions Governance and Investments

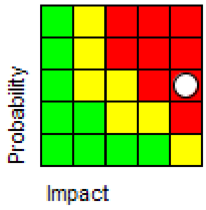
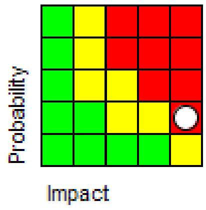
Code	Title		Original Score	Current Score
TPF004	POLITICAL RISK Significant volatility and negative sentiment in investment markets following the outcome of adversely perceived political changes. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		 20	 15
Current Mitigation			**Future Mitigation**	**Responsible Officer**

Increasing investment diversification will allow the Fund to be better placed to withstand this type of political instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.		Head of Pensions Governance and Investments

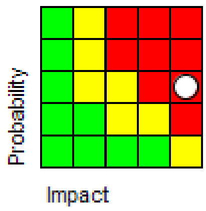
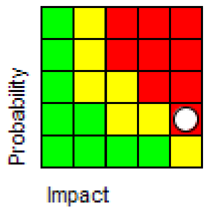
Code	Title	Original Score	Current Score
TPF005	INVESTMENT CLASS FAILURE A specific industry investment class/market fails to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 20	 15
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Increasing investment diversification will allow the Fund to be better placed to withstand this type of market class failure. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF012	POOLING INVESTMENT UNDERPERFORMANCE Investments in the investment pool not delivering the required return. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 15
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Ongoing monitoring by officers and advisors			Head of Pensions Governance and Investments

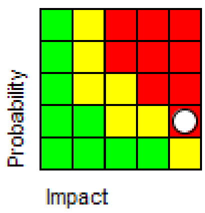
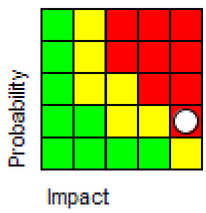
Code	Title	Original Score	Current Score
TPF053	CLIMATE CHANGE The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors. The Fund's policy in relation to how it takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Responsible Investment Policy	 20	 15
Current Mitigation		**Future Mitigation**	**Responsible Officer**
In relation to the funding implications, the administering authority keeps the effect of climate change on future returns and demographic experience, eg. longevity, under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF009	HIGHER THAN EXPECTED COSTS OF INVESTMENT POOLING Higher setup and ongoing costs of Border to Coast and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs). Fund & Reputation Impact-7 Employers Impact-2 Member Impact-1	 21	 14

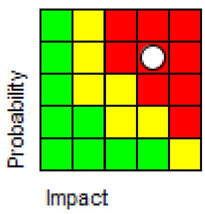
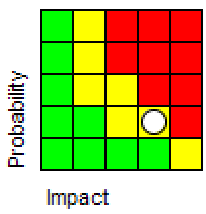
Current Mitigation	Future Mitigation	Responsible Officer
Border to Coast's budget is set annually with the agreement of at least 9 of the 11 partner funds. Expenditure is monitored and reported to the Officer Group and Joint Committee meetings. Tenders for suppliers ensure value for money ethos applies.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF010	INADEQUATE POOLING TRANSPARENCY Lack of transparency around investment pooling arrangements. Fund & Reputation Impact-7 Employers Impact-1 Member Impact-1	 21	 14

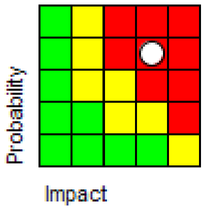
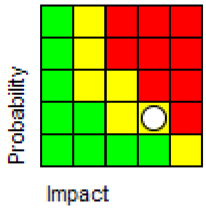
Current Mitigation	Future Mitigation	Responsible Officer
With the pooling of investment assets TPF staff work closely with Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity of performance, with training provided to TPF staff as required.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF021	INAPPROPRIATE INVESTMENT STRATEGY Mismatching of assets and liabilities, inappropriate long term asset allocation of investment strategy, mistiming of investment strategy. Fund & Reputation Impact-7 Employers Impact-7 Member Impact-1	 14	 14

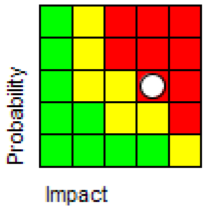
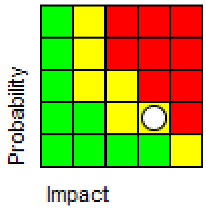
Current Mitigation	Future Mitigation	Responsible Officer
This is mitigated by the Triennial Valuation and the engagement of Two Independent Investment Advisors.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF007	KEY PERSON RISK Concentration of knowledge & skills in small number of officers and risk of departure of key staff - failure of succession planning. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1	 20	 10

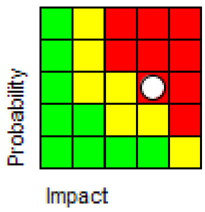
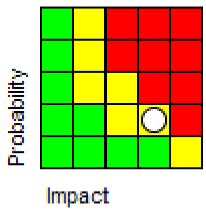
Current Mitigation	Future Mitigation	Responsible Officer
Two Deputy positions were created in 2018/19 (although one remains to be filled). These act to support deputise as required for the Head of Investments, Governance and Pensions.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF008	INSUFFICIENT STAFF Causes failure to have time to adopt best practice by properly developing staff and processes. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 20	 10

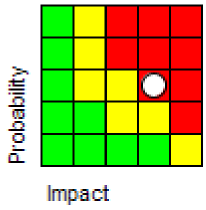
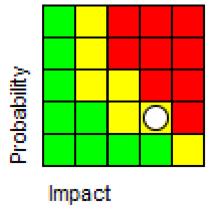
Current Mitigation	Future Mitigation	Responsible Officer
In preparation for the pooling of investment assets to Border to Coast, the team was expanded and has a total complement of 9 staff (albeit with two current vacancies). With a new investment strategy of passive rather than active management, investment transaction volumes have significantly reduced.		Head of Pensions Governance and Investments

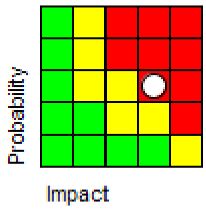
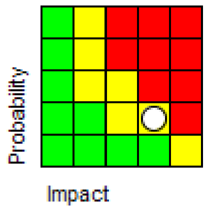
Code	Title	Original Score	Current Score
TPF011	UNANTICIPATED PAY RISES Increases are significantly more than expected for employers within the Fund. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 10

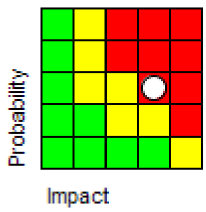
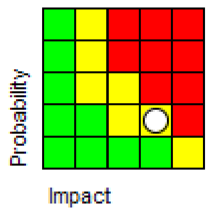
Current Mitigation	Future Mitigation	Responsible Officer
1) Fund employers will monitor own experience. 2)Triennial Actuarial valuation Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) will be long term assumptions, any employer specific assumptions above the actuaries long term assumption would lead to further review. 3) Employers are made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits. 4) Over time, a diminishing proportion of LGPS liabilities are linked to final salary following the introduction of the career average scheme from April 2014.		Head of Pensions Governance and Investments

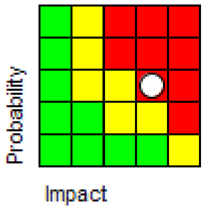
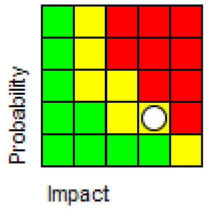
Code	Title	Original Score	Current Score
TPF013	POOLING SYSTEMIC RISKS Systemic and other investment risks not being properly managed within the investment pool; for example appropriate diversification, credit, duration, liquidity and currency risks. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 10

Current Mitigation	Future Mitigation	Responsible Officer
Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review Border to Coast sub-fund investment elements on an on-going basis, and report to TPF Committee and Board.		Head of Pensions Governance and Investments

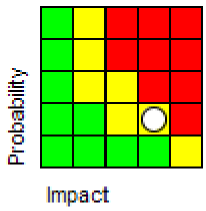
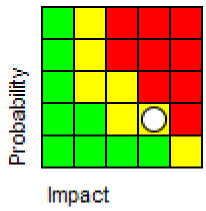
Code	Title	Original Score	Current Score
TPF014	LONGEVITY Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8%. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 10
Current Mitigation		**Future Mitigation**	**Responsible Officer**
In assessing the member longevity and pension liabilities, the Triennial Actuary assumptions made for longevity are "conservatively" set based on the latest life expectancy economic data. They are reviewed and updated at each three-year Actuarial valuation. If required, further investigation can carried out of scheme specific/employer longevity data.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF017	BULK TRANSFER VALUE DISPUTE Failure to ensure appropriate transfer is paid to protect the solvency of the fund and equivalent rights are acquired for transferring members. Fund & Reputation Impact-3 Employers Impact-5 Member Impact-1	 15	 10
Current Mitigation		**Future Mitigation**	**Responsible Officer**
A mechanism exists within the regulations to resolve such disputes - this should reduce the financial impact of any such event.			Head of Pensions Governance and Investments

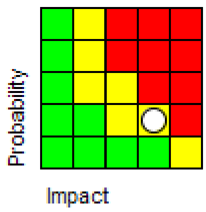
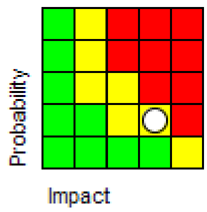
Code	Title	Original Score	Current Score
TPF018	TPF INVESTMENT UNDERPERFORMANCE Investment Managers fail to achieve performance targets over the longer term: a shortfall of 1% on the investment target will result in an annual impact of £50m. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 10
Current Mitigation		**Future Mitigation**	**Responsible Officer**
1) The asset allocation made up of equities, bonds, property, alternatives, cash etc. funds, is sufficiently diversified to limit exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal asset allocation. 3) Actuarial valuation and asset/liability study take place every three years. 4) Interim valuation data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance of a measure over CPI over gilts is regarded as achievable over the long-term when compared with historical data.			Head of Pensions Governance and Investments

Code	Title	Original Score		Current Score	
TPF019	TPF GOVERNANCE SKILLS SHORTAGE Lack of knowledge of Committee & Board members relating to the investment arrangement and related legislation and guidance. Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1		15		10

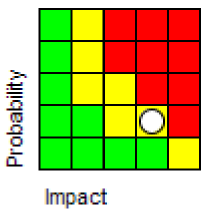
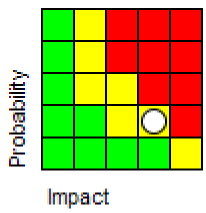
Current Mitigation	Future Mitigation	Responsible Officer
Pension Fund Committee new members have an induction programme and have access to on-line training based on the requirements of CIPFA Knowledge and Skills Framework including Pooling.		Head of Pensions Governance and Investments

Code	Title	Original Score		Current Score	
TPF025	OUTSOURCED MEMBER ADMIN FAILURE XPS Administration service fails to the point where it is unable to deliver its contractual services to employers and members. Fund & Reputation Impact-1 Employers Impact-1 Member Impact-5		10		10

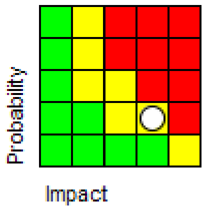
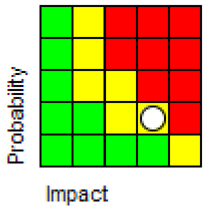
Current Mitigation	Future Mitigation	Responsible Officer
XPS Administration is a well-resourced established pensions administration provider which is not in financial difficulty.		Head of Pensions Governance and Investments

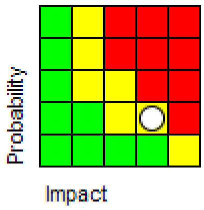
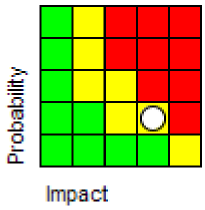
Code	Title	Original Score		Current Score	
TPF026	INSECURE DATA Failure to hold personal data securely - i.e data stolen. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-5		10		10

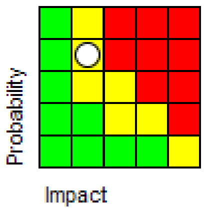
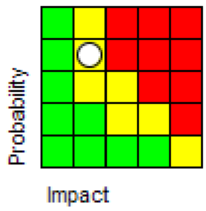
Current Mitigation	Future Mitigation	Responsible Officer
XPS Administration have advised they have robust data security and are not aware of any attempted hacking events.		Head of Pensions Governance and Investments

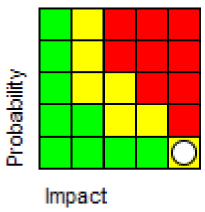
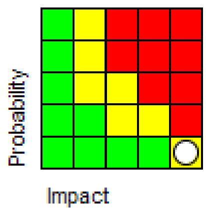
Code	Title	Original Score		Current Score	
TPF028	INADEQUATE POOLING INVESTMENT EXPERTISE Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		10		10

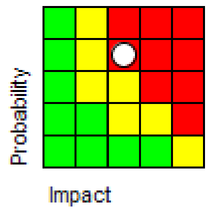
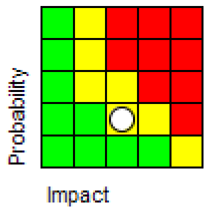
Current Mitigation	Future Mitigation	Responsible Officer
Border to Coast has completed recruitment of experienced and capable management team, alongside its expanding complement of over 100 staff.		Head of Pensions Governance and Investments

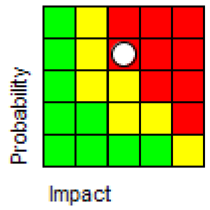
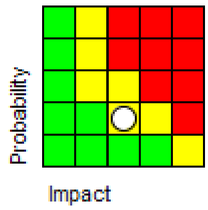
Code	Title	Original Score	Current Score
TPF029	INSUFFICIENT RANGE OF POOLING ASSET CLASSES Insufficient range of asset classes or investment styles being available through the investment pool. Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1	 10	 10
Current Mitigation		**Future Mitigation**	**Responsible Officer**
There is in place a roll-out plan of different asset classes and engagement with Border to Coast to identify relevant future asset classes			Head of Pensions Governance and Investments

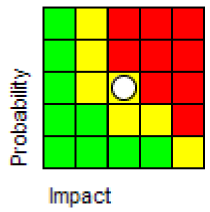
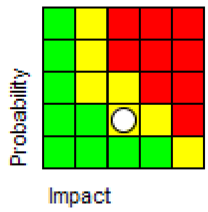
Code	Title	Original Score	Current Score
TPF031	INTERNAL COMPLIANCE FAILURES Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1	 10	 10
Current Mitigation		**Future Mitigation**	**Responsible Officer**
The Head of Pensions Governance and Investments attends all Committee and Board meetings and acts as a conduit between the two, ensuring any Board recommendations are relayed to the Committee.			Head of Pensions Governance and Investments

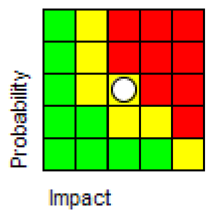
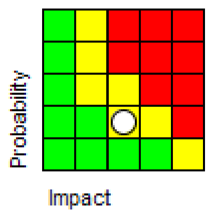
Code	Title	Original Score	Current Score
TPF030	COMMITTEE MEMBERSHIP CHANGE Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 8	 8
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Officers and advisers provide continuity and training following changes to Committee membership.			Head of Pensions Governance and Investments

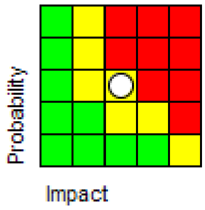
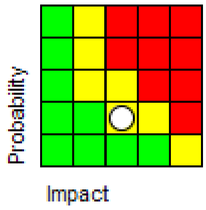
Code	Title	Original Score	Current Score
TPF039	BORDER TO COAST FAILURE Failure of the operator itself, or its internal risks and controls failure of corporate governance, responsible investment, or the failure to exercise voting rights according to policy. Fund & Reputation Impact-7 Employers Impact-4 Member Impact-1	 7	 7
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Ongoing oversight and close working with Border to Coast and the other Partner Funds will provide advance warning of any issues in this area and an opportunity to rectify them.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF015	EMPLOYER FAILURE An employer ceasing to exist with insufficient funding, or being unable to meet its financial commitments, adequacy of bond or guarantee. Any shortfall would be attributed to the fund as a whole. Fund & Reputation Impact-2 Employers Impact-3 Member Impact-3	 12	 6
Current Mitigation		**Future Mitigation**	**Responsible Officer**
1) Fund employers should monitor own experience. 2) Triennial Actuarial Assumptions will account for the possibility of employer(s) failure (for the purposes of IAS19/FRS102 and actuarial valuations). Any employer specific assumptions above the actuaries long-term assumption, would lead to further review. 3) Employers rates are set taking into account the strength of an employer and any underwriting by other employers in the Fund.			Head of Pensions Governance and Investments

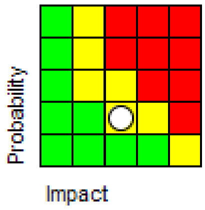
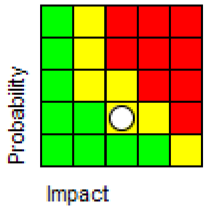
Code	Title	Original Score	Current Score
TPF016	ADVERSE LEGISLATIVE CHANGE Risk of changes to legislation, tax rules etc.; resulting in increases required in employer contributions. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-3	 12	 6
Current Mitigation		**Future Mitigation**	**Responsible Officer**
The process of legislative change and the actuarial valuation cycle means any such change would be flagged up well in advance. The actuary has scope to mitigate any contribution increase in respect of most Fund employers.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF022	GDPR COMPLIANCE Non-compliance with GDPR regulations. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	 9	 6
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Data protection privacy notices have been distributed by XPS Administration. The Council has established GDPR-compliant processes and procedures.			Head of Pensions Governance and Investments

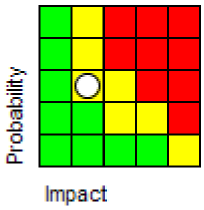
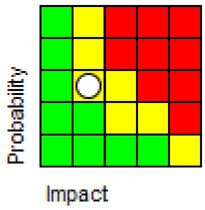
Code	Title	Original Score	Current Score
TPF023	INACCURATE DATA RECORD COLLATION Failure to maintain proper, accurate and complete data records leading to increased errors and complaints. Fund & Reputation Impact-1 Employers Impact-3 Member Impact-3	 9	 6
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Administration data quality is being assessed as part of the triennial valuation process, as well as being assessed regularly in order to meet Pensions Regulator requirements on scheme data.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF024	STRUCTURAL CHANGES TO EMPLOYER MEMBERSHIP Risk that TPF are unaware of structural changes to an employer's membership, or changes (e.g. closing to new entrants) meaning the individual employer's contribution level becomes inappropriate. Fund & Reputation Impact-2 Employers Impact-3 Member Impact-2	 9	 6

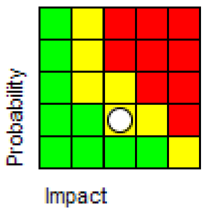
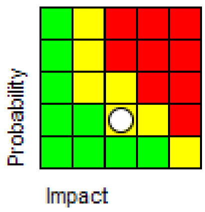
Current Mitigation	Future Mitigation	Responsible Officer
The XPS Administration employer liaison team will improve this by working closely with employers.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF032	INADEQUATE POOLING DATA Inability to gather robust, quality or timely information from Border to Coast. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	 6	 6

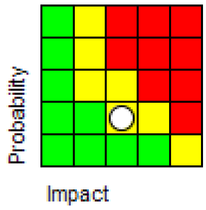
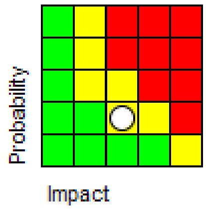
Current Mitigation	Future Mitigation	Responsible Officer
TPF staff work closely with Border to Coast sub- fund asset managers and Border to Coast management to gain full clarity and reporting of performance, with training provided to TPF staff as required.		

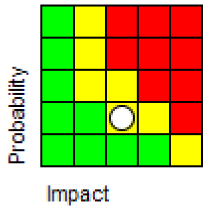
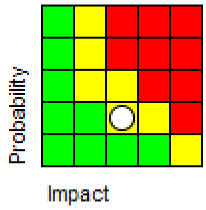
Code	Title	Original Score	Current Score
TPF033	ESG REPUTATIONAL DAMAGE Insufficient attention to environmental, social and governance (ESG) leads to reputational damage. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 6	 6

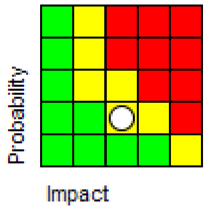
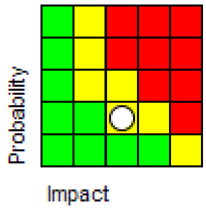
Current Mitigation	Future Mitigation	Responsible Officer
Border to Coast provides increased focus on Responsible Investment.		Head of Pensions Governance and Investments

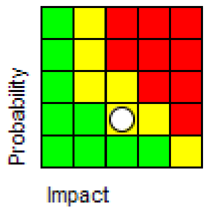
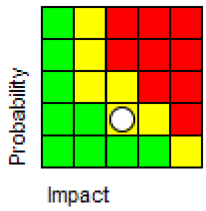
Code	Title	Original Score	Current Score
TPF034	THIRD PARTY SUPPLIER FAILURE Financial failure of third party supplier results in service impairment and financial loss. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 6	 6

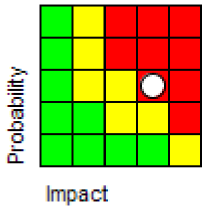
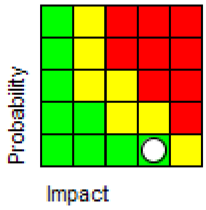
Current Mitigation	Future Mitigation	Responsible Officer
New supplier’s financial strength is assessed through the procurement process. Existing suppliers are obliged to report any issues.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF035	PROCUREMENT PROCESS CHALLENGES Procurement processes may be challenged if seen to be non-compliant with procurement regulations. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non-compliant process. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	 6	 6
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Advice sought from Council's procurement specialist on regulatory compliance,			Head of Pensions Governance and Investments

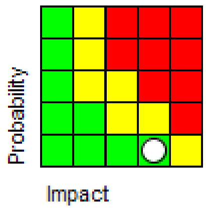
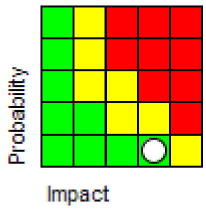
Code	Title	Original Score	Current Score
TPF036	ASSET POOLING TRANSITION RISK Loss or impairment as a result of Asset transition. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 6	 6
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Listed assets already transferred			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF037	COMPLIANCE FAILURES Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests, Code of Practice 14. Fund & Reputation Impact-3 Employers Impact-2 Member Impact-0	 6	 6
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Advice sought where needed on compliance e.g. ISS, FSS			Head of Pensions Governance and Investments

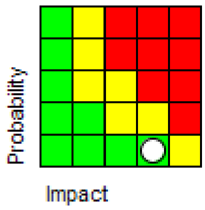
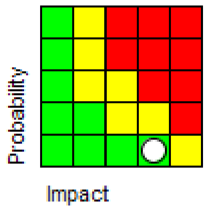
Code	Title	Original Score	Current Score
TPF038	CUSTODY DEFAULT The risk of losing economic rights to pension fund assets, when held in custody or when being traded. The risk might arise from missed dividends or corporate actions (e.g. rights issues) or problems arising from delays in trade settlements. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 6	 6
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Issues are now largely historic and relate to withholding tax claims or corporate actions in relation to assets previously held by the Fund.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF020	INADEQUATE BORDER TO COAST OVERSIGHT Insufficient resources to properly monitor pooling & Border to Coast. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 5

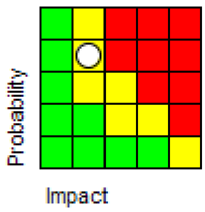
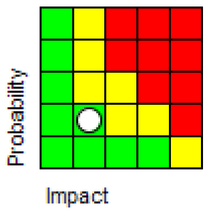
Current Mitigation	Future Mitigation	Responsible Officer
Sufficient resources exist within the team to oversee and monitor Border to Coast. External providers are also involved, such as Portfolio Evaluation Limited and the two independent investment advisors.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF042	DECISION MAKING FAILURES Failure to take difficult decisions inhibits effective Fund management. Fund & Reputation Impact-5 Employers Impact-2 Member Impact-1	 5	 5

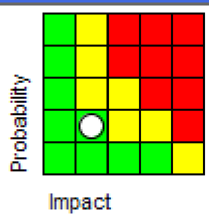
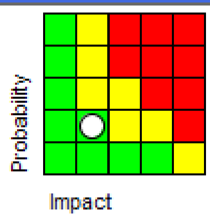
Current Mitigation	Future Mitigation	Responsible Officer
Ongoing challenge and advice from two independent advisors		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF043	CASH INVESTMENT FRAUD Financial loss of cash investments from fraudulent activity. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 5	 5

Current Mitigation	Future Mitigation	Responsible Officer
Approval processes and systems		Head of Pensions Governance and Investments

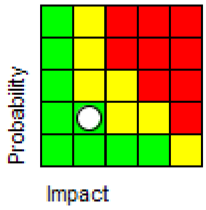
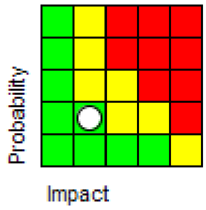
Code	Title	Original Score	Current Score
TPF027	SCHEME MEMBER FRAUD Fraud by scheme members or their relatives (e.g. identity, death of member). Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2	 8	 4

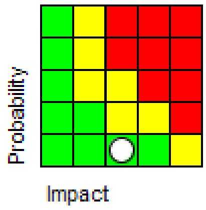
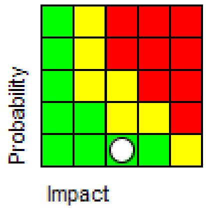
Current Mitigation	Future Mitigation	Responsible Officer
XPS checking processes – e.g. mortality screening		Head of Pensions Governance and Investments

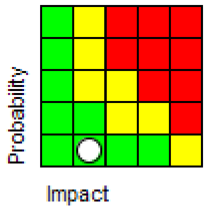
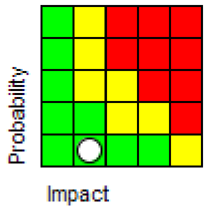
Code	Title	Original Score	Current Score
TPF040	INACCURATE FUND INFORMATION In public domain leads to damage to reputation and loss of confidence. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	 4	 4

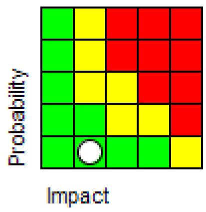
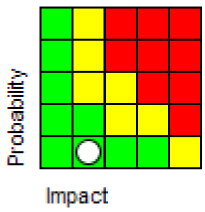
Current Mitigation	Future Mitigation	Responsible Officer

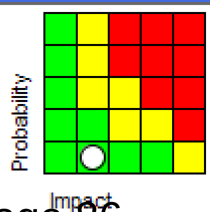
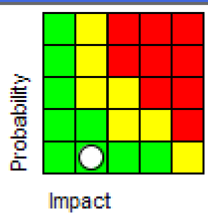
Checking and reviewing processes, internal and external audit		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF041	LIQUIDITY SHORTFALLS Risk of illiquidity due to difficulties in realising investments and paying benefits to members as they fall due. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 4	 4
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Daily monitoring of cash position, cash-flow planning			Head of Pensions Governance and Investments

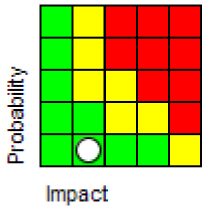
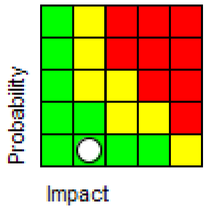
Code	Title	Original Score	Current Score
TPF044	ICT SYSTEMS FAILURE Prolonged administration ICT systems failure. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-3	 3	 3
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Disaster recovery plans			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF045	CONTRIBUTION COLLECTION FAILURE Failure to collect employee/er member pension contributions. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-1	 2	 2
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Ongoing monitoring of contribution collection at employer level			Head of Pensions Governance and Investments

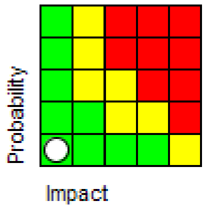
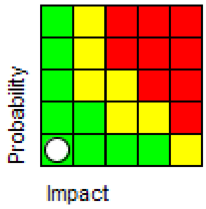
Code	Title	Original Score	Current Score
TPF046	INADEQUATE DISPUTES RESOLUTION PROCESS Failure to agree and implement an appropriate complaints and disputes resolution process. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-2	 2	 2
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Process is in place and operating effectively.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF047	BORDER TO COAST CESSATION Partnership disbands or fails to produce a proposal deemed sufficiently ambitious. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	 2	 2

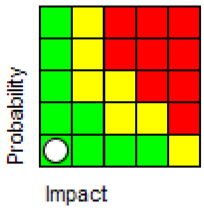
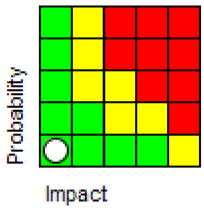
Current Mitigation	Future Mitigation	Responsible Officer
Border to Coast in place – Fund has oversight and jointly owns the company.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF048	POOLING CUSTODIAN FAILURE Failure to ensure safe custody of assets. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	 2	 2

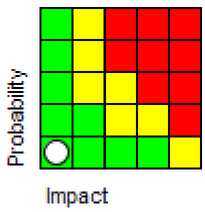
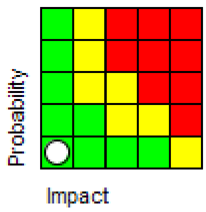
Current Mitigation	Future Mitigation	Responsible Officer
Border to Coast's custodian is financially secure and keeps pool's assets segregated.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF049	OFFICER FRAUD Fraud by administration staff. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1	 1	 1

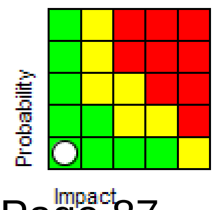
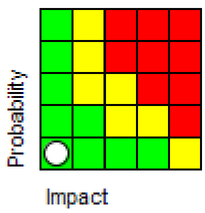
Current Mitigation	Future Mitigation	Responsible Officer
Approval processes, verification on transactions, restricted options in place re payments		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF050	EXCESSIVE ADMIN COSTS Excessive costs of member benefit administration leads to lack of VFM and loss of reputation. Fund & Reputation Impact-1 Employers Impact-1 Member Impact-1	 1	 1

Current Mitigation	Future Mitigation	Responsible Officer
		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF051	ERRONEOUS MEMBER BENEFIT CALCS Risk of incorrect calculation of members benefits. Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2	 1	 1

Current Mitigation	Future Mitigation	Responsible Officer
		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF052	INADEQUATE MEMBER COMMS Increased workload for pensions team or increased opt-outs if communications inadequate or misunderstood. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 1	 1

Current Mitigation	Future Mitigation	Responsible Officer
		Head of Pensions Governance and Investments

Appendix D

Fund account, investment and administration - detailed analysis

	2023-24 Actual £'000s	2024-25 Forecast £'000s	2025-26 Estimate £'000s
Income from members			
Employers’ contributions normal	-79,548	-84,067	-85,748
Employers’ contributions additional	-16	-6	-6
Employers’ contributions deficit recovery	-50	-70	-70
Members’ contributions	-36,714	-36,743	-37,478
Transfers in from other schemes	-8,055	-5,931	-5,931
Other income	-2,060	-5,418	-5,418
	-126,443	**-132,235**	**-134,651**

	2023-24 Actual £'000s	2024-25 Forecast £'000s	2025-26 Estimate £'000s
Expenditure to members			
Pensions paid	150,993	162,608	165,860
Commutations and lump sum retirement benefits	27,950	29,477	30,066
Lump sum death benefits	3,569	2,065	2,065
Payments to and on account of leavers	12,318	15,697	15,697
	194,830	**209,847**	**213,688**

Appendix D

	2023-24 Actual £'000s	2024-25 Forecast £'000s	2025-26 Estimate £'000s
Management expenses:			
Administration costs	**2,234**	**2,500**	**2,500**
Investment management expenses			
Custody fees	19	25	25
External investment management expenses	8,671	7,500	10,000
Internal investment management expenses	579	600	600
Transaction costs	0	0	0
Total Investment management expenses	**9,269**	**8,125**	**10,625**
External audit cost	112	120	120
Oversight & governance costs	511	550	550
Total Management Expenses cost	**12,126**	**11,295**	**13,795**

	2022-23 Actual £'000s	2023-24 Forecast £'000s	2024-25 Estimate £'000s
Investment Income			
Investment income from pooled investment vehicles	-32,278	-60,000	-130,000*
Other investment income	0	0	0
Property gross rental income	-30,641	-29,000	-7,500
Property expenses	3,010	2,000	1,500
Interest on cash deposits	-10,384	-17,000	-15,000
	-70,293	**-104,000**	**-151,000**

Change in Asset Market Value	**-457,515**	**tbc**	**tbc**

*Assumes the Fund chooses to take £70 million in dividends from Border to Coast equity pooled funds.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

PENSION FUND COMMITTEE REPORT

18 JUNE 2025

DIRECTOR OF FINANCE AND TRANSFORMATION – Andrew Humble

GOVERNMENT FIT FOR THE FUTURE CONSULTATION

1. PURPOSE OF THE REPORT

1.1 To advise Members of the response to the Government's Fit for the Future consultation.

2. RECOMMENDATION

2.1 That Members note the report.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications resulting from this report.

4. BACKGROUND

4.1 The new government confirmed on 4 September 2024 that it would carry out a pensions review which it described as follows:

"The Chancellor has launched a landmark pensions review to boost investment, increase saver returns and tackle waste in the pensions system. The Chancellor has appointed the Minister for Pensions to lead the review. The review will focus on defined contribution workplace schemes and the Local Government Pension Scheme."

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:

"Asset pooling policy in the Local Government Pension Scheme in England & Wales (LGPS) was consulted on in 2023. In addition to the below request for evidence, the review will engage extensively on next steps with regard to LGPS consolidation, with funds, pools and representative groups including the LGA and trade unions."

4.2 Following this the Government issued the “Fit for the Future” consultation in November 2024.

4.3 The Head of Pensions Governance and Investments submitted a response on behalf of the Fund, they also worked with Border to Coast and partner funds to agree a collective response.

5. GOVERNMENT RESPONSE TO CONSULTATION

5.1 The Government published its response to the consultation at the end of May 2025, (Appendix A). Headline changes for the Fund include:

- Administering Authorities, (AA), will delegate implementation of their investment strategy to the pool, and will take their principal investment advice from them.
- AAs will be required to transfer management of all assets to the pool.
- A strategy for Local Investments will be included in the Investment Strategy Statement and reported on in the annual report. Pools will carry out due diligence, decide whether to invest and manage the investments.
- Requirement for an independent governance review every three years.

5.2 Border to Coast, as part of their 2030 strategy, are working on developing new capabilities to deliver the requirements of the consultation relating to:

- Advisory Services
- Management of legacy assets
- Local Investment

6. GOVERNMENT RESPONSE RE POOLING COMPANIES

6.1 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.

6.2 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.

6.3 Within the Border to Coast 2030 Strategy there are 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.

6.4 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 are engaging with several potential additional partners. The 21 funds from Access and Brunel have until September 2025 to have “in principal” agreed which Pool they will join.

7. NEXT STEPS

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

CONTACT OFFICER: Wendy Brown – Acting Head of Pensions Governance and Investments

TEL NO.: 01642 729630

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Ministry of Housing,
Communities &
Local Government

Consultation outcome

Local Government Pension Scheme (England and Wales): Fit for the future – government response

Updated 29 May 2025

Contents

This publication is available at https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future/outcome/local-government-pension-scheme-england-and-wales-fit-for-the-future-government-response

1. Summary and introduction

1. The Local Government Pension Scheme in England and Wales (LGPS) is set to grow to £1 trillion by 2040. It is critical that strong and sustainable foundations are embedded, and assets invested effectively to deliver a sustainable scheme in the best interest of scheme members, employers and local taxpayers. Pension funds are also critical as a major source of domestic investment, and the local nature of the LGPS means that the scheme has a unique role to play in supporting the economic development of local communities.

2. In July 2024 the government launched a landmark Pensions Review of workplace defined contribution pensions schemes and the LGPS. The Pensions Review's objectives for the LGPS are to consider how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through asset consolidation and enhanced governance, while strengthening the focus on local investment.

3. On 14 November 2024 the government launched its consultation on proposals to reform the LGPS and put it on a clearer, firmer trajectory to scale and consolidation. The consultation included proposals in three areas:

- **reforming asset pooling** by mandating certain minimum standards deemed necessary to strengthen the foundations of the scheme in line with international best practice. These minimum standards are:
  - a requirement on administering authorities (AAs) to delegate the implementation of their investment strategy to their asset pool
  - a requirement for AAs to take their principal advice on their investment strategy from their pool
  - a requirement on asset pools to be investment management companies authorised and regulated by the Financial Conduct Authority (FCA) with the expertise and capacity to implement investment strategies
  - a requirement for all AAs to transfer all investments to the management of their pool
  - a requirement for pools to develop the capability to carry out due diligence on local investments and to manage such investments
- **boosting investment in local areas and regions** of the UK by requiring that:
  - AAs set out their approach to local investment in their investment strategy including a target range for the allocation, and to have regard to local growth plans and priorities in developing their investment strategy

    - AAs work with strategic authorities (Combined Authorities, Mayoral Combined Authorities, Combined County Authorities and the Greater London Authority), or in areas where there are none of the above another designated authority, to identify local investment opportunities. In Wales, AAs would work with relevant Corporate Joint Committees on their proposed economic development priorities and plans, and with local authorities more broadly to identify investment opportunities
    - pools conduct appropriate due diligence on potential local investments and make the final decision on whether to invest
    - AAs set out their local investment and its impact in their annual reports
- **strengthening the governance of LGPS AAs and LGPS pools** in the following ways, building on the recommendations of the Scheme Advisory Board (SAB) in their 2021 Good Governance Review:
    - committee members would be required to have the appropriate knowledge and skills
    - AAs would be required to publish a governance and training strategy (including a conflicts of interest policy) and an administration strategy, to appoint a senior LGPS officer, and to undertake independent biennial reviews to consider whether AAs are fully equipped to fulfil their responsibilities
    - pool boards would be required to include representatives of their shareholders and to improve transparency. The consultation also asked for views on how best to ensure the views of scheme members are taken into account by the pools

4. A total of 220 responses were received, including from all 86 AAs and 8 pools, as well as scheme members, trade unions, advisors, industry representatives, and campaign groups. The government is grateful for all the responses received and has considered these carefully in arriving at the conclusions set out in this document.

5. The government notes that many of the scheme members who responded to the consultation were concerned about the security of their pensions. For the avoidance of doubt and to reassure members, LGPS members' benefits and pensions are guaranteed in law and will not be affected by these policy measures.

6. Responses to the proposals on pooling were varied. Many were supportive of the government's vision for pooling, but responses ranged from significant concern over the direction of travel to those who felt the proposals did not go far enough. Particular areas of concern were loss of local autonomy on investments, the requirement for AAs to take their principal investment advice from their pool, a perceived lack of ways for AAs to hold an underperforming pool to account, and transition costs. Among respondents who did not agree with the direction of travel there was

nonetheless general agreement that the minimum standards proposed are an appropriate way of delivering the government's vision.

7. There was strong support for the proposals on local investment. Most respondents felt that local investment was an important part of the LGPS's role and were supportive of protecting it, though there were some concerns raised regarding conflicts of interest and fiduciary duty. In the context of the reforms to pooling, there was a broad acceptance that pools should have the ability to make such investments and to carry out due diligence on such projects. Some were concerned that the pools may be less likely to take account of the non-financial benefits of local investment than AAs when making allocations. Most responses were supportive of active collaboration between the LGPS and strategic authorities.

8. The proposals on fund governance were welcomed. Respondents generally supported the move to bring the governance standards of the whole scheme up to a common baseline and were pleased that government had listened to the recommendations of the SAB. Similarly, respondents agreed that asset pools should report consistently and transparently on performance and costs, and shareholders should be appropriately represented in pool governance.

Final policy measures

9. Following consideration of the consultation responses and engagement with stakeholders during the course of consultation, the government will implement the proposals as set out below.

Pooling

10. The following proposals will be implemented as consulted upon:

- Requirement on AAs to delegate the implementation of their investment strategy to their pool in line with the illustration at Figure 1. The investment strategy set by AAs may include a high-level strategic asset allocation (SAA) that is no more detailed than the template in Figure 3, which government intends to publish in guidance.
- Requirement on AAs to take their principal investment advice from the pool.
- Requirement for pools to be established as investment management companies authorised and regulated by the FCA, with the expertise and capacity to implement investment strategies.
- Requirement for AAs to transfer all assets to the management of their pool.

11. Following consideration of consultation responses the government will not now require that listed assets are managed through collective investment vehicles. Instead, it will require that all LGPS investments, listed and unlisted, are transferred to the management of the pool. This means that the pool has full oversight of the assets and will make all investment decisions including on whether to buy, hold or sell. It will be the responsibility of the pool to determine how the investment strategies of its partner AAs are implemented, including consideration of whether assets are managed via pooled vehicles or otherwise. The government's strong expectation is that the default position will be management through pooled or collective investment vehicles.

12. The minimum standards for pooling will be introduced in the Pension Schemes Bill. Subsequent regulations and statutory guidance will provide further detail on implementation.

Local investment
13. The following proposals will be implemented as consulted upon:

- Requirement on AAs to set out their approach to local investment, including a target range for investment, in their Investment Strategy Statement, and to have regard to local growth plans and local economic priorities in setting their investment strategy.
- Requirement on AAs to work with relevant Strategic Authorities (Combined Authorities, Mayoral Combined Authorities, Combined County Authorities, and the Greater London Authority) or Corporate Joint Committees to identify suitable local investment opportunities.
- Requirement for the pools to develop the capability to carry out due diligence on local investment opportunities, take the final decision on whether to invest and manage those investments.
- Requirement on AAs to include in their annual report a report on the extent and impact of their local investments.

14. Following consideration of the consultation responses pools will now be required to report annually on total local investments made on behalf of their AAs and their impact. This will simplify reporting for AAs, who will not need to undertake or commission their own report on their local investments but can draw on the pool's report.

Fund governance
15. The following proposals will be implemented as consulted upon:

- Requirement to appoint a senior LGPS officer with overall delegated responsibility for the management and administration of the Scheme.
- Requirement to prepare and publish an administration strategy.

- Changes to the way in which strategies on governance and training, funding, administration and investments are published.
- Requirement for pension committee members, the senior officer, and officers to have the appropriate level of knowledge and understanding for their roles, with requirements for pension committee members and local pension board members aligned.
- Requirement for AAs to set out within their government and training strategy how they will ensure that any committee, sub-committee, or officer will meet the new knowledge requirements within a reasonable period from appointment.
- Requirement for AAs to participate in an independent governance review and, if applicable, produce an improvement plan to address any issues identified.

16. Following consideration of consultation responses, the government has decided to:

- require an independent governance review to take place once in every three-year period rather than every two years. This will align the reviews with the valuation cycle
- require AAs to have an independent advisor without voting rights, rather than an independent member of the committee
- require AAs to prepare strategies on governance, knowledge and training (replacing the governance compliance statement), and administration, and publish these either as separate strategies or as a single document. The knowledge and training strategy will be required to include a conflicts of interest policy

17. The Pension Schemes Bill will include provision for the independent governance review. The other governance policy measures will be dealt with under existing powers. Subsequent regulations and statutory guidance will provide further detail on implementation of all the new requirements.

Pool governance

18. The government intends to proceed with the requirement for pools to publish performance and transaction costs and will work with the SAB, the Government Actuary's Department (GAD) and others to explore ways to deliver this.

19. On the question of how pool shareholders are represented in pool governance the government will not require a specific number or model for shareholder representation on pool boards. This is in recognition of concerns raised that the different composition of the various asset pools means that a single model for how shareholders are represented in the governance of their pool is not in the scheme's best interest. Instead, pools will be required to establish a governance model that works for their

shareholders and any clients, with flexibility in how this is delivered. Government has received requests from AAs for greater clarity on how to hold their pools to account as shareholders in a pool company, and will work with the SAB, pools and AAs to develop guidance.

20. The government has also considered the responses it received on the issue of member representation on pool boards. The government does not intend to introduce requirements for scheme members to be represented on pool boards and agrees that it is for pools and AAs to work together to ensure member views are taken into account by pools.

Implementation

21. The forthcoming Pension Schemes Bill will put asset pooling on a statutory basis, and will mandate the minimum standards for pooling whilst providing for the detail to be set out in regulations. Those powers will enable regulations to be made requiring all AAs to participate in an asset pool either as a shareholder or as a client, and for AAs to delegate the implementation of their investment strategy to the asset pool.

22. The requirement for AAs to work with relevant strategic authorities, local authorities, or Corporate Joint Committees will be implemented through regulations made under new, mandatory powers in the Pension Schemes Bill, while a reciprocal duty on strategic authorities will be delivered under the English Devolution Bill. The Pension Schemes Bill will also include powers for regulations to make provision about triennial independent governance reviews of AAs. Regulations will put the detail of the proposals into legislation and we will consult on draft regulations in due course.

23. Respondents to the consultation flagged two potential barriers to maximising the benefits of scale through asset pooling and collaboration across pools. Firstly, that Stamp Duty Land Tax (SDLT) has implications for transferring property investments from an AA to a pool investment vehicle where the seeding relief period for that vehicle has closed. The government acknowledges the concerns regarding SDLT and tax officials will engage with pools shortly to discuss this in further detail.

24. Secondly, that the Procurement Act 2023 prevents pools from collaborating to their full potential by requiring demonstration that a significant majority of a single pool's activity is in the interest of its own partner Authorities only. Government legislation should not act as a barrier to pool collaboration especially where it can benefit multiple groups of AAs. As such, the Pension Schemes Bill will include provision such that the relevant procurement exemptions are satisfied as long as a pool is acting in the interests of any LGPS AA. This means that a pool will no longer be

limited when investing through another pool, thereby harnessing even greater benefits of scale.

25. Finally, the Pension Schemes Bill will also clarify the existing provision in the Public Service Pensions Act 2013 to allow for the winding-up of pension funds so that it explicitly includes the merger, including compulsory merger, of pension funds. This will ensure there are sufficient powers in place to facilitate the merger of pension funds if needed, for example any mergers that are needed as a consequence of local government reorganisation. The government's strong preference is that mergers take place by agreement between AAs, but the power to merge pension funds will allow government to intervene in the event that local decision making is not effective in bringing about satisfactory arrangements.

26. The government's intention is to lay regulations and guidance to come into force at the same time as the powers in the Pensions Scheme Bill. We will consult on draft regulations in due course.

Progress on pooling proposals

27. Alongside the consultation process asset pools were invited to submit transition proposals setting out how they would seek to meet the proposed minimum standards. The government recognises that this was a significant undertaking and thanks all the pools and their partner AAs for their extensive engagement.

28. The proposals were assessed against a set of clear criteria including the benefits of scale, resilience, value for money, viability of meeting the proposed implementation deadline, and an options analysis of different means of meeting the minimum standards. Delivering the benefits of scale is not simply about the size of assets under management but includes accessing a wider range of asset classes including private markets, the ability to bring investment capacity in-house and make investments directly rather than via an intermediary, and the opportunity to negotiate lower management and performance fees.

29. Following this assessment the government has expressed support for the proposals from six pools and has invited the AAs of two pools to engage with other pools to determine which they wish to form a new partnership with. The government stands ready to support these decisions and will help to facilitate as required. The decision on which pool to work with is for each affected AA to make individually. The government recognises that AAs may wish to move to a new pool together with their existing pool partners, or may wish to move to different pools, and this is a decision for each AA.

30. The government recognises the significant upheaval and resource involved in moving pools. The current reforms are intended to shape the scheme for the long term and the government has no plans to intervene to reduce the number of pools further.

31. Government has asked the affected AAs to provide an in-principle decision between themselves and the pool they wish to work with by 30 September 2025. Government will continue to engage with AAs and all the pools over the coming months to discuss progress. The government's firm preference is for pool membership to be determined on a voluntary basis at a local level. In order to ensure the process of moving from eight LGPS pools to six does not result in any AA being left without a pool, and to protect the scheme in the long term, the government will take a power in the Pension Schemes Bill to direct an AA to participate in a specific pool.

Timing

32. The Pension Schemes Bill will be introduced during this parliamentary session, and secondary legislation will follow in due course. The government's expectation is that, for all asset pools that are continuing with their existing partner AAs, the minimum standards and all other requirements will be met by the end of March 2026. The government will be in touch with each pool to commission data on progress against this deadline.

33. For those AAs seeking a new asset pool and for pools taking on new partner AAs, the government expects the deadline to be adhered to as closely as possible, with new partnerships to aim to have shareholder or client agreements in place by March 2026. The government recognises that the process of developing new pool arrangements will take time and may allow some limited flexibility on this deadline for those AAs and pools affected, if required. However, decisions on timing will be balanced with the need to keep the period of disruption across the LGPS to a minimum.

34. The government is grateful for the ongoing input and expertise of the SAB in developing proposals. The government will continue to engage with the SAB and wider LGPS stakeholders as it implements the consultation proposals.

2. Pooling

35. The government believes that to deliver successfully for members and employers, LGPS asset pools will need to develop further as powerful global and local investors, able to deliver strong performance, value for money and resilience over the long term. The proposals in this chapter drew on the evidence and experience of the benefits and drawbacks of the differing models of pooling developed in the LGPS to date, as well as international best practice.

36. This chapter considers the responses to those proposals, taking each consultation question in turn.

Question 1: Do you agree that all pools should be required to meet the minimum standards of pooling set out above?

37. The consultation proposed that all AAs and pools should be required to adopt an operating model that meets the following minimum standards:

- AAs would remain responsible for setting an investment strategy for their fund and would be required to delegate the implementation of that strategy to the pool.
- AAs would be required to take principal advice on their investment strategy from the pool.
- Pools would be required to be established as investment management companies, authorised and regulated by the Financial Conduct Authority (FCA), with the expertise and capacity to implement investment strategies.
- AAs would be required to transfer legacy assets to the management of the pool.
- Pools would be required to develop the capability to carry out due diligence on local investments and to manage such investments.

Summary of responses
38. There were 197 responses to this question, of which 42% were supportive of the proposal and 35% were opposed.

39. Responses to this question were varied, with some being supportive of the proposals, some believing they should go further, and others being opposed to the government's proposed vision for pooling. Nonetheless, even among respondents who opposed the pooling model put forward by government there was often an acceptance of the direction of travel expressed and a willingness to comply with policy direction.

40. A number of AAs welcomed the clarity and supported the direction of travel, but often with caveats on particular proposals. The standard most opposed by respondents was the proposal for AAs to be required to take principal advice on their investment strategy from their pool, citing conflict of interest concerns. Many responses noted that overhauls to fund and pool governance would be crucial to the success of the new model, with those opposed often pointing to a lack of recourse options in the event of pool underperformance.

41. While the delegation of investment strategy implementation was mostly supported, some were concerned that the proposal would result in a loss of

local control and would undermine democratic accountability for the performance of investments. Some respondents felt the investment strategy and SAA template should be more granular: in particular, many wanted decisions on the use of passive or active management to remain with AAs. Some respondents, especially campaign groups, also questioned how pools would be able to effectively deliver varied environmental, social and governance (ESG) or responsible investment (RI) strategies set by their partner AAs if these diverged significantly within a pool.

42. The proposal for legacy illiquid investments to be under the management of the pool was unpopular, with many struggling to see the benefits and expressing doubt that pools would be able to deliver the capacity and capability needed to manage all these investments. Some external advisors and pressure groups also raised concerns that greater scale could reduce local investment, and expressed doubt that pools would be able to deliver local investment as effectively as AAs.

43. The deliverability of the timeline was another key concern of respondents, especially those in non-FCA regulated pools. Some suggested a staged approach to implementation.

Our response

44. The government recognises that the proposed reforms represent a significant cultural shift for some in the LGPS, and that delegating the implementation of the investment strategy to pools will markedly change the focus of many local pension committees. Nonetheless, the government does not agree that this undermines democratic accountability or diminishes local control. Instead, it frees up the capacity of pension committees to focus on the overarching objectives for their funds, rather than implementation decisions to achieve their aims.

45. These reforms are necessary to build on the success of pooling in the LGPS to date, and to strengthen its foundations to enable the scheme to reach its full potential as an institutional investor globally, domestically, and in local communities. The government acknowledges that for some pools and their AAs meeting the proposed minimum standards will require significant upheaval and additional transition costs in the short-term but believes that this is justified by the longer-term benefits of increased scale and greater efficiency.

46. Detailed responses to concerns raised in response to this question can be found in response to the following questions below, including Questions 2 and 4 on the investment strategy and SAA, Question 5 on advice, Questions 7 and 8 on the requirement for investments to be managed by the pool, and Question 10 on the implementation timeline.

47. The government intends to legislate to enact the proposals as consulted on, with the exception that it will be for the asset pool to decide the best way of implementing an AA's investment strategy. The pool will decide for both

listed and unlisted assets whether to invest through collective investment vehicles, or through other arrangements. The government expects that the default investment type will be collective investment vehicles.

Question 2: Do you agree that the investment strategy set by the AA should include high-level investment objectives, and optionally, a high-level strategic asset allocation, with all implementation activity delegated to the pool?

48. The consultation proposed that AAs delegate investment implementation activity to the pool, and retain responsibility for setting a high-level investment strategy for their fund, defined as an investment strategy consisting of:

- the high-level investment objectives including on:
  - funding, for example target funding level, return and risk objectives, income requirements and stability of contributions
  - ESG matters and RI
  - local investments, with a target range

49. In addition, this could include a high-level SAA – although the government believes that expertise in the pools makes them best placed to set the SAA and that funds may wish to delegate this to the pool.

50. The division of responsibilities proposed is illustrated in figure 1:

Figure 1: The division of responsibilities between administering authority and pool

	Task	Impact on overall investment outcome of the fund	AA Role	Pool role	Definitions
Strategy	Investment objectives	High	Decide	Advise	Return objectives, risk tolerances, investment preferences, constraints and limitations, and the approaches to local investment and responsible investment.
	Strategic asset allocation		Decide (optional)	Advise/ Decide	Long-term, stable allocation based on overall investment objectives and risk tolerance
Implementation	Tactical asset allocation		Monitor	Decide	Adjustments to the asset mix, such as in respect of geographic allocation, consistent with the asset allocation strategy.
	Investment manager selection		Monitor	Decide	Appointment of external (or in-house) managers of specific investment mandates
	Stock selection		Monitor	Decide	Choosing individual investment opportunities based on detailed analysis of the opportunity
	Investment stewardship		Monitor	Decide	Engagement with the invested companies in line with Investment Objectives.
	Cashflow management	Low	Monitor	Decide	Management of the disinvestment (or investment of contributions) in collaboration with administrators and Fund Actuary

Figure 1: The division of responsibilities between administering authority and pool - accessible version

Task	Strategy or Implementation	Impact on overall investment outcome of the Fund	Administering Authority role	Pool role
Investment objectives	Strategy	High	Decide	Advise

Task	Strategy or Implementation	Impact on overall investment outcome of the Fund	Administering Authority role	Pool role
Strategic asset allocation	Strategy	High	Decide or Monitor	Advise or Decide
Tactical asset allocation	Implementation	Med	Monitor	Decide
Investment manager selection	Implementation	Med	Monitor	Decide
Stock selection	Implementation	Med	Monitor	Decide

Task	Strategy or Implementation	Impact on overall investment outcome of the Fund	Administering Authority role	Pool role
Investment stewardship	Implementation	Low	Monitor	Decide
Cashflow management	Implementation	Low	Monitor	Decide

Summary of responses

51. There were 194 responses to this question, of which 41% were supportive of the proposal and 39% were opposed.

52. It was widely agreed that setting investment objectives, including the overall return target and risk appetite/budget, and SAA are the most impactful decisions affecting overall investment outcomes and should remain with the AA. However, views varied on delegating the implementation of the investment strategy to the pool. Some respondents supported full delegation of all investment strategy implementation decisions beyond this, while others, typically the AAs, believed AAs need to retain greater control over strategy implementation. These respondents often argued that investment strategy implementation reflects the ultimate accountability resting with the pension committee or equivalent decision-makers, and felt that it was necessary for pension committees to be taking these decisions directly.

53. Some respondents considered that fund decision-makers would need the ability to control or influence investment management style (i.e. active management styles and index-tracking decisions) and the implementation of RI and ESG preferences and constraints. Some respondents felt control over these factors was necessary for effective risk management and alignment with the fund's unique objectives.

54. Some respondents also raised concerns with delegating cashflow management to the pool, observing that AAs would need oversight in order to ensure that they can pay pensions on time. It was noted that pools would need to be able to respond quickly to AAs changing cashflow needs, and that cashflow management was an area that would require regular engagement between pool and AA.

55. A minority of respondents acknowledged the potential role of effective and consistent delegation in reducing fragmentation across the 86 authorities and creating favourable outcomes for the scheme as a whole.

Our response

56. The government has considered responses to this question carefully and agrees with respondents that the high-level investment objectives, including the overall return and risk appetite, and the SAA are the most impactful decisions for a pension fund because they have the greatest bearing on the investment return achieved by the fund overall. By clearly defining the financial goals and long-term asset mix these decisions ensure that the portfolio is aligned with fund objectives, ultimately driving its sustainability and stability.

57. The government has considered representations on the issue of whether decisions on investment management style (for example the split between passive and active management) should sit with the AA or with the pool. It remains the view of the government that choices of investment management style, including active or passive, are a function of the required rates of return and risk appetite, and are therefore an implementation rather than strategic decision. For these reasons decisions on investment management style, including decisions on active or passive management, should be the responsibility of the pool rather than the AA.

58. On the topic of cashflow management, the government wishes to clarify that what it intends to be delegated to the pool is the consideration of income from investments and whether this is sufficient to meet the cashflow requirements of the funds. It is for the funds to set their cashflow requirements in the income section of their investment strategy and to manage the income from contributions and investment income received via the pool.

59. The government intends to legislate to require AAs to set an investment strategy in accordance with the model consulted on, and to delegate the implementation of that strategy to the pool. AAs will be required to include a

SAA in their investment strategy statement in line with the template provided. AAs may choose to complete the SAA themselves or delegate this responsibility to their pool to set allocations in line with their investment strategy (see also Question 4). This is in keeping with the delegation model illustrated in the above table.

Question 3: Do you agree that an investment strategy on this basis would be sufficient to meet the AA’s fiduciary duty?

60. This question asked whether the AA’s fiduciary duty would be met by retaining responsibility for an investment strategy, including the high-level objectives on:

- funding, for example funding level, return, risk, income and stability of contributions
- environmental, social and governance (ESG) matters and responsible investment (RI)
- local investments, with a target range (further discussed in chapter 3)
- optionally, a high-level SAA

Summary of responses

61. There were 182 responses to this question, of which 29% were supportive of the proposal and 51% were opposed.

62. Some respondents agreed with the model proposed and observed that it is widely used in the private pensions sector in the UK and globally, as well as within some parts of the LGPS.

63. Many respondents raised concerns that AAs had limited ability to hold the pools to account for their performance, and that their options were limited if the performance of the pool meant they were not able to discharge their fiduciary duty. Pool partnerships were perceived by some as fixed and inflexible compared to private sector equivalents who can more easily end contracts with their investment managers.

64. A number of respondents felt that the investment strategy and SAA framework proposed were too high-level, and that to be able to satisfy their fiduciary duty AAs needed to be able to decide additional details. These included cashflow and liquidity requirements, investment style choices, whether index-tracking investments should be “conventional” or “ESG enhanced”, whether to set “red lines” on investment types that the AA did not want held in its name, and a position on RI and net zero.

65. Some respondents were concerned that there was a potential tension between AAs having differing or contradictory ESG and RI policies and pools seeking to minimise the number of products they offered. Proposed solutions to this included allowing AAs to allocate to sub-funds with specific ESG profiles, by the pool balancing investments between sub-funds with different ESG profiles in order to meet each AAs specific stance on average (e.g. on net zero), or by the pools explicitly meeting divergent ESG stances by tailoring products to groups of partner AAs with similar stances.

66. Some respondents believed that AAs needed to be free to seek external advice on their investment strategy as they saw necessary in order to satisfy their fiduciary duty, and others raised concerns about reliance on advice provided by the pool before the pools had developed experience in providing this service.

67. A number of respondents felt they needed to consider legal advice on the issue of fiduciary duty in order to be reassured and noted that the SAB had sought such advice on behalf of the scheme.

Our response

68. The government notes the concerns raised in responses to this question, but remains of the opinion that the proposals are sufficiently flexible to allow AAs to meet their fiduciary duty to scheme members and employers.

69. Many of the additional factors that respondents told us they would need to be able to include in the investment strategy in order to satisfy their fiduciary duty already form part of the proposed investment strategy (e.g. cashflow and liquidity requirements, which form a part of the high-level objectives on funding, and a position on ESG matters, RI and net zero). Other factors derive directly from the investment strategy (e.g. the decision on whether index-linked investments should be conventional or modified to take account of ESG considerations derives from the ESG stance in the investment strategy).

70. As outlined in response to Question 2, the government has considered the question of whether the investment style (active, style of active management, index-tracking, what index to track etc) should form part of the investment strategy set by AAs. The government remains of the opinion that the investment style is an implementation decision that derives from the investment strategy and that pools are best placed to consider alongside other implementation decisions. The government is therefore of the opinion that the high-level stance set out in the investment strategy is sufficient for an AA to satisfy its fiduciary duty to scheme members and employers.

71. In order to enable the pool to invest at scale it is important that pools are not expected to create bespoke arrangements for each AA's ESG and RI requirements. This is in the interest of AAs, who should endeavour to work with their pool to reach a common approach and thereby maximise the

benefits of scale. Government expects each pool will facilitate discussions among their partner AAs to establish a common approach. However, the government recognises that this will not always be possible, for example where there are particularly divergent or conflicting stances between AAs in a pool. In these cases pools may need to consider alternative options such as offering more than one ESG standard. The appropriate solution may depend on the number of AAs in a pool and the degree of divergence between ESG and RI stances. The government does not intend to proscribe a single solution, but does not expect to see bespoke arrangements for each AA.

72. The government has considered the point that AAs feel they have limited recourse options if their pool fails to implement their investment strategy effectively. AA shareholder and client groups have a much greater influence on their pools than private sector schemes have on their fiduciary managers. Indeed, as pools are not profit generating organisations, their interests are much better aligned with their shareholders and clients than their private sector counterparts. It is for pool shareholders to ensure that their governance arrangements are sufficiently robust to enable them to adequately hold their pool to account, noting that pool shareholders have previously been able to effect leadership changes in LGPS pools. A fiduciary oversight service may provide additional assurance to AAs – government would expect that where shareholder/client groups are interested in procuring an oversight service that they do so collectively as a group of partner AAs and in conversation with their pool to ensure the service provided meets the needs of the group and avoid unnecessary duplication of costs and effort.

73. In response to concerns that the proposed requirement for AAs to take principal advice on their investment strategy from their pool would be insufficient for AAs to satisfy their fiduciary duty, the government notes that the proposals do not preclude AAs from taking advice from external sources ‘in exceptional circumstances’, nor does it prevent pools from considering or procuring advice from other sources if they wish to rather than solely providing it using an internal function. This could include situations where the pool may wish to seek specialist advice on a specific asset class or a pool wishes to seek a second opinion. The key point is that the government believes that these situations should be the exception, rather than the norm, given that pools are set-up to meet their shareholder’s needs and do not stand to benefit financially from poor quality advice. The government is therefore satisfied that AAs will have access to the ‘proper advice’ needed to satisfy their fiduciary duty. More detailed discussion of the proposed requirement for AAs to take principal advice on their investment strategy from their pool can be found in the response to Question 5 below.

74. The government notes that many respondents said that they wanted to consider legal advice on the issue of fiduciary duty and suggested that this should be sought on behalf of the scheme. The LGA sought advice on this issue which was published on the SAB website on 15 January 2025: LGPS

Scheme Advisory Board - Legal Opinions (https://lgpsboard.org/index.php/legal-opinions). The SAB have also published a document summarising their understanding of the advice (https://lgpsboard.org/images/LegalAdviceandSummaries/20250325_SAB_Summary_of_Advice.pdf).

Question 4: What are your views on the proposed template for strategic asset allocation in the investment strategy statement?

75. The question asked for views on the following template for SAA which would be used in the investment strategy statement:

Figure 2: Proposed SAA template in consultation

Asset class	Strategic asset allocation (%)	Tolerance range (± %)
Listed equity		
Private equity		
Private credit		
Property / Real estate		
Infrastructure		
Other alternatives		
Credit (i)		
UK Government bonds		
Cash (ii)		

(i) Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds.

(ii)For the purposes of this table this refers to cash held by the pool. AAs would still be expected to hold cash for the purpose of paying benefits outside the pool.

76. AAs would have the option of completing the template themselves or delegating to the pool to choose an appropriate allocation in line with their investment strategy.

Summary of responses

77. There were 165 responses that expressed a view on the template for SAA.

78. Many were supportive of the template, arguing that high-level asset classes were adequate to fulfil AA needs while enabling pools to develop scale, and that further granularity would be an unhelpful distraction. Many respondents also agreed with the approach of allowing tolerance ranges alongside each, as this allows pools to take advantage of short-term, tactical investment opportunities and mitigate the risk of excessive trading to stick closely to the long-term SAA.

79. Some respondents argued that AAs should not set allocations to specific asset classes but instead wanted a template that would allow the AA to set objectives around categories such as growth, income and diversification. It was argued that this would allow the AA to more accurately express its objectives to the pool without being overly prescriptive on asset allocations.

80. Most responses requested additional granularity to the SAA, with some arguing that the high-level approach was incompatible with an AA's ability to discharge its fiduciary duty and would not accommodate different responsible investment policies. Some respondents requested the flexibility to set more detailed categories, though some of the suggested categories already form part of the proposed investment strategy, such as ESG policies and local investment. Other respondents proposed including active and passive equity allocations; geographical allocations including UK, global, and regional allocations; liability related investments such as buy-in policies; and more detailed breakdowns of private credit, private equity, alternatives, property, and UK government bonds categories. Many responses also set out their view that cash is not a strategic allocation and should not be included in the table.

81. A small number of respondents were concerned that the table may have an unintended consequence on the calculation of the discount rate used for funding purposes, which could lead to increased contributions. Some responses observed that fostering meaningful collaboration between partner AAs was the most important factor to make pooling work, and that a strict table would not be a shortcut to this end.

82. Some respondents requested that the government should set out its approach towards reviewing the table.

Our response

83. As set out in response to Question 2, the government intends to proceed with its proposal to require AAs to include a SAA in their investment

strategy statement. AAs would be able to set this themselves or delegate to their pool to choose an appropriate allocation based on their investment strategy.

84. The government has carefully considered views on whether the proposed template is appropriate and will bring forward guidance to establish an SAA template in line with Figure 3. This breakdown of asset classes is a clear and recognisable set of categories, which provides a common vocabulary for AAs and pools to use when considering their investment strategy. However, if there is collective agreement between a pool and their AAs, it will also be permitted to use a less granular asset allocation such as allocations to growth and matching assets only. The government agrees that AAs will need to foster strong working relationships with their pool in order to make a success of pooling. The government does not see the SAA template as an alternative to this and expects that AAs and their pool will work closely in the development of each SAA.

85. The government notes the feedback about cash and intends to describe this category as 'investment cash' to be clear that this refers to cash for investment purposes which the pool requires to meet portfolio demands. This is different to operational cash for paying pensions which remains within the purview of the AA.

86. In terms of the additional detail requested in the template, the government is of the view that everything requested either already forms part of the proposed investment strategy, or represents investment strategy implementation decisions which should be the remit of the pool rather than the AA. This includes decisions on geographic allocation within each asset class including global and UK exposure. As outlined in the response to Question 3 above, the government does not believe it is necessary for AAs to have decision making power at this more granular level in order to satisfy its fiduciary duty to its members. Therefore, the government will be requiring the SAA agreed between AAs and pools to be no more granular than that in the template at Figure 3 below.

87. The government does not agree that the template needs to impact the discount rate. The funding strategy should reflect the investment strategy, and these should be considered together in calculation of the discount rate. The government also wishes to emphasise that pool investment vehicles or sub funds do not need to map to the template SAA; these can be created, continued and closed as the pool considers necessary to deliver on the investment objectives and SAAs set by the partner AAs.

88. The government will publish guidance on the SAA that will include the following template:

Figure 3: Template SAA to be published in guidance

Asset class	Strategic asset allocation (%)	Tolerance range (± %)
Listed equity		
Private equity		
Private credit		
Property / Real estate		
Infrastructure		
Other alternatives		
Credit (i)		
UK Government bonds		
Investment cash		

(i) Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds.

Question 5: Do you agree that the pool should provide investment advice on the investment strategies of its partner AAs? Do you see that further advice or input would be necessary to be able to consider advice provided by the pool – if so, what form do you envisage this taking?

89. The consultation proposed that pools should be required to provide advice on investment strategies of their partner AAs, and asked whether AAs may wish to seek additional advice, and what form this might take. The consultation proposed that AAs take the principal advice on investment strategy from their pool, although they could seek additional advice from external investment advisors in exceptional circumstances to help them consider the advice given to them by the pool.

Summary of responses

90. There were 185 responses to the first part of this question, of which 30% were supportive of the proposal and 54% were opposed. 155 respondents commented on whether it would be necessary to take further advice or input, of which 87% of responses were in favour of further advice. Many respondents were concerned that the proposed changes could create an unmanageable conflict of interest, potentially disincentivising pools from acting in the best interests of partner funds.

91. Many respondents emphasised the importance of pension committees having the necessary ability, knowledge, and information to effectively hold their investment managers, and therefore the pool, accountable. It was noted that independent investment consultants and advisors currently play a crucial role in this function. The majority saw this as a vital measure to provide checks and balances if the pool were to become the principal advisor. Some respondents also highlighted the success of the current investment consulting framework, citing its modest costs and long track record of delivering results. They expressed concerns about the risks of adopting an untested model, given that capability and capacity are not yet well established across the current pools.

92. A minority of respondents held a contrary view, believing that conflicts of interest could be effectively managed. They pointed to examples from UK corporate defined benefit schemes and international cases where such models are operating successfully.

Our response

93. The government remains of the view that there is no conflict of interest in the pools advising on the investment strategies of partner AAs, because the pools are solely owned by LGPS AAs, exist to provide services in their interest, and do not stand to gain financially from the partner funds taking their advice nor from providing poor quality advice.

94. The government agrees that it is important for Pension Committee members to have appropriate ability and knowledge to effectively hold their pools to account for their advice. It is envisaged that it will be part of the role of the independent advisor to the pensions committee (see response to Question 26) to support pension committees in challenging and testing the advice from the pool. The government recognise that there will be situations where AAs may feel that the advice of the pools needs supplementing with or testing against advice from other sources, however the government is clear that these cases should be exceptional rather than routine. In the vast majority of circumstances the pool should be the sole source of the AA's investment advice.

95. Pools will have the option of procuring investment advice if they wish to, but the government expects that most will wish to establish their own advisory services. Advisory services are one area where pools may wish to collaborate or procure from each other, as noted in response to Question 11.

Question 6: Do you agree that all pools should be established as investment management companies authorised by the FCA, and authorised to provide relevant advice?

96. The consultation proposed that all pools should be established as investment management companies, with the full range of expertise and capacity to deliver the following requirements as envisaged by our proposals:

- Implementation of the investment strategies of their partner AAs, including any SAA
- Provision of advice on investment strategies
- Management of legacy assets
- Due diligence on local opportunities and management of such investments.

97. All such companies would require FCA authorisation for regulated activities. They would need to meet the threshold conditions for authorisation and demonstrate that staff have relevant skills and competence.

Summary of responses

98. There were 186 responses to this question, of which 59% were supportive of the proposal and 26% were opposed.

99. There were a wide range of responses to this question. Support was stronger on the general issue of pools being FCA-regulated than it was on the specific issue of pools being authorised to provide relevant advice.

100. Some respondents thought FCA regulation was a positive move that would align standards across the LGPS, and that it would provide reassurance of the quality of services provided to partner AAs. Many, whether or not they agreed with the government's wider proposals on pooling, felt that FCA regulation was a necessary and appropriate step to facilitate those aims effectively.

101. Conversely, a small number of respondents felt that it was possible for the pools to achieve the government's minimum standards without FCA regulation, and believed the government should focus on the wider objectives of pooling rather than the models through which they are achieved. It was also suggested by a small number of respondents that FCA regulation would inhibit local investment.

102. On the question of whether pools should be authorised to provide advice, some respondents commented that pools should be able to provide advice, but that it should be for AAs to decide where they take advice from. Others felt that pools should not provide advice at all.

103. Many respondents were concerned about the timetable for the pools to achieve FCA authorisation and for them to develop capability to provide advice. Respondents felt a March 2026 deadline would be unachievable, and that attempting to achieve authorisation within this timeframe would lead to poorly thought through decisions and increased costs.

Our response

104. The government notes the majority support for the pools to be authorised by the FCA, and intends to legislate to require this in order to support the wider pooling proposals. Government is of the view that FCA authorisation provides a robust platform for managing the growing volume of assets in the LGPS. FCA authorisation and supervision provides vital assurance to members and employers that very large pools of capital will be properly managed.

105. The government notes that most of the opposition to the pools being authorised to provide advice is grounded in opposition to the general principle of pools providing advice, rather than whether FCA regulation is appropriate. As set out in the response to Question 5 above, the government intends to implement the requirement for AAs to take their principal advice on their investment strategy from their pool, and as such intends to require that the pools are authorised to provide this advice. AAs will not be prohibited from seeking supplementary advice from other sources in exceptional circumstances where there is an appropriate justification for doing so, but the pools should be the default source of advice.

106. The government rejects the suggestion that FCA-regulation will prevent the LGPS from investing locally. This is evidenced by the existing FCA-regulated pools successfully investing locally. FCA regulation does not prevent the pools from considering the non-financial benefits of investment nor from accepting lower returns in order to invest in projects with a local impact, provided the investment is in line with the investment strategy of the AA. As set out in response to question 15, AAs will be responsible for setting their objectives on local investment, including a target range, in their investment strategy, which pools will then be required to implement.

107. The government notes the concerns over timing. The government has sought assurance from the FCA and is confident that pools will be able to achieve authorisation within the required timeframe. Each pool seeking authorisation is in touch with the relevant FCA team for pre-application discussions.

Question 7: Do you agree that AAs should be required to transfer all listed assets into pooled vehicles managed by their pool company?

108. The consultation proposed that AAs should be required to transfer any remaining listed assets invested outside the pool to pooled vehicles (collective investment vehicles with assets from multiple AAs in a pool) managed by their pool. This follows on from an expectation set out by the previous government in November 2023, that AAs should pool all listed assets as a minimum, by March 2025, on a comply or explain basis.

Summary of responses

109. There were 177 responses to this question, of which 36% were supportive of the proposal and 50% were opposed.

110. Most respondents were supportive of the idea of AAs investing listed assets via their pool. Many noted the benefits that could be derived from the pools, including economies of scale leading to reduced fees. Some were supportive of government compulsion for listed assets to be transferred, as this would drive quicker change towards establishing investment at the appropriate scale for the LGPS.

111. Some were concerned that the compulsion to pool listed assets would be incompatible with an AA's fiduciary duty, as pool products may perform worse than their existing products after costs. More broadly, some felt that requiring assets to be pooled amounted to government mandating investment decisions, which was considered inappropriate since it because it would undermine local democratic accountability for paying benefits.

112. Many were concerned that this proposal could compromise the RI policies of AAs. They argued that to achieve scale, AAs would have to meet common agreement on RI, which may in practice lead to a lowest common denominator solution, inhibiting the AAs with the most ambitious targets. There were concerns that it might not always be possible to accommodate AA-specific requirements on responsible investment in a pooled vehicle.

113. Many respondents were broadly supportive of the policy intent, but were concerned that pools do not have suitable products or operational readiness to be able to take on all listed assets, especially given the March 2026 deadline. Respondents argued that being required to invest all listed assets in pooled vehicles could lead to the forced liquidation or sale of assets without corresponding benefits to justify the costs incurred. A common concern was the treatment of index-tracking equity funds, where costs are already very low outside the pool. Some respondents noted that in some cases there are small-scale local investments that are listed.

Our response
114. The government's view is that it is preferable for listed assets to be invested in pooled investment vehicles, that is collective investment vehicles with assets from more than one investor.

115. The government does not agree this is incompatible with the AA holding fiduciary duty or that it undermines local democratic accountability. As outlined in response to Question 3, the government considers that setting the parameters in the high-level investment strategy is sufficient for AAs to satisfy their fiduciary duty to scheme members and employers. Deciding how the investment mandate should be delivered is an implementation decision rather than a strategic one and should sit with the pool. AAs remain responsible for their investment strategy and for their role as a pool shareholder or client, and therefore remain accountable for the management of their pension fund.

116. The government also recognises that balancing individual AAs' responsible investment positions, and particularly specific exclusions, can present challenges when seeking to invest at scale. However, the government does not believe these challenges are insurmountable, or should be a barrier to investing via the pool, or require investments to be held outside the pool. Indeed, existing pools are already achieving an effective balance between scale and delivering differing ESG/RI objectives through pragmatic discussions with their partner AAs.

117. During the course of the consultation further evidence from stakeholders indicated that there are some exceptional circumstances in addition to those noted above where it is not value for money for listed assets to be transitioned into pooled vehicles. This includes where transition costs are sufficiently high to erode savings in the longer term, where pooled vehicles cannot achieve the same risk-adjusted return as could be achieved through an alternative implementation route, or where transitioning assets by the March 2026 deadline would require multiple sales in a short period of time.

118. The government therefore no longer intends to require that all listed assets are invested in pooled investment vehicles. Instead it will require that all LGPS investments, listed and unlisted, are transferred to the management of the pool. This means that the pool has full oversight of the assets and will make all investment decisions including on whether to buy, hold or sell. It will be the responsibility of the pool to determine how the investment strategies of its partner AAs are implemented in their collective best interests, including consideration of whether assets are managed via pooled vehicles or otherwise. The government's strong expectation is that the default position will be management through pooled or collective investment vehicles, with the vast majority of assets managed in this way. However, the government believes it is appropriate for the pool to have responsibility for determining the best implementation route in the interests of its partner AAs, and for making changes to implementation over time if

needed. The March 2026 deadline for all assets to be under the management of the pool will still apply.

Question 8: Do you agree that AAs should be required to transfer legacy illiquid investments to the management of the pool?

119. This consultation proposed that funds transfer legacy illiquid investments to the management of their pool, but not necessarily into pooled vehicles managed by the pool.

Summary of responses

120. There were 177 responses to this question, of which 25% were supportive of the proposal and 54% were opposed.

121. The majority of respondents to this question disagreed with transferring the management of legacy illiquid assets to the pool or argued that certain assets should be excluded from pool management. Suggestions included assets that do not meet a minimum size threshold and assets that have a specific link to fund liabilities such as assets in runoff and direct property investments. One respondent also raised the issue of investments where the pension fund is not the outright owner of the investment, and therefore not able to legally transfer the management of the investment to the pool.

122. It was frequently commented that these are a diverse range of niche investments that would take the pools significant resource and expertise to manage, but which are a small proportion of total LGPS assets, many of which are in run-off. It was argued that there would not be cost savings from the pools managing these assets, and that transition costs could be high. There were some concerns raised about the potential SDLT implications of transferring property investments to the pool following the close of seeding relief windows in pool real estate sub-funds.

123. Some respondents were concerned that having the pools manage these assets would lead to a loss of asset diversification within the LGPS as pools would seek to simplify their portfolios and make them more efficient over time. There were also concerns raised about a loss of local accountability for these assets, and the ability of AAs to exercise their fiduciary duty due to a perceived lack of recourse options should the pools fail to manage these assets in the interest of the fund. Some were concerned that pools may underperform relative to existing arrangements. Some respondents were concerned that the loss of autonomy could inhibit a fund’s ability to implement their responsible investment policies.

Our response

124. The government recognises the difficulties highlighted by responses to this question. The government wishes to clarify that it does not intend to mandate that legacy illiquid assets should be sold and transferred to pool ownership, but rather that they should be managed by the pool. This means that the pool has full oversight of the asset and is responsible for making the decision on whether to buy, sell or reinvest. This should create efficiencies at the pool level as all of the AAs' illiquid assets can be managed by the pool, instead of each illiquid investment being managed by individuals at the AAs.

125. Some of the concerns raised were to do with the pool selling an asset when it was not in the AA's interest to do so. The government does not recognise this concern; pools are acting in the sole interest of their shareholders and clients and it is difficult to see what the pool would gain from selling an asset when it was not in the AA's best interest to do so.

126. The government does not agree with the concern of respondents around a lack of asset diversification if the investments are to be managed by the pool. The pools will seek sufficient diversification within their illiquid investments to meet their risk tolerances as they do for liquid investments. Indeed, by virtue of the pool having larger mandates than the individual AAs, more diversification of illiquid investments may be possible.

127. As with the response to Question 7 above, the government does not agree that the requirement for investments to be managed by the fund will undermine local accountability or an AA's fiduciary duty. AAs will retain responsibility for their investment strategy and will be responsible for their role as shareholder or client of their pool, giving sufficient flexibility for them to satisfy their fiduciary duty and to be democratically accountable for the management of their fund.

128. The government recognises that transferring the management of niche illiquid investments is not straightforward, and that there may not always be an immediate cost efficiency from doing so. However, the government believes that while managing assets in the pool might incur initial costs, continuing to manage them outside the pool will limit efficiency in the long term by reducing scale and limiting the pool's comprehensive oversight of a fund's assets. The costs of management would also still be incurred, but by the AAs instead of the investment experts at the pool. Some increase in costs may be due to managing assets within an FCA-regulated environment but the government's view is that this is justifiable to ensure appropriate standards and assurance.

129. The government acknowledges the concerns regarding SDLT in the context of real estate asset pooling. Tax officials will engage with pools shortly to discuss this matter in further detail.

Question 9: What capacity and expertise would the pools need to develop to take on management of legacy assets of the partner funds and when could this be delivered?

130. This question asked what capacity and expertise the pools would need to develop to take on management of legacy assets from the partner funds, and asked about timelines for delivery recognising that pools vary in the capacity and expertise that they currently have to take on this role. As set out in response to Question 8, the government's requirement is that the pool will be responsible for managing all assets which includes being responsible for decisions on whether to buy, sell or reinvest legacy illiquid assets.

Summary of responses

131. The majority of respondents said that pools would need to develop additional capabilities, although a minority felt that their pool already had the capability and expertise but would have to increase capacity. The additional capabilities required included specialist expertise in diverse illiquid asset classes and the processes for managing them, including significant relationship management capabilities. Other issues raised included the ability to manage cashflow requirements and to be able to handle cash calls on legacy investments, the need to upgrade or enhance IT systems to manage these assets, the need to improve data sharing, and the need to develop legal agreements between the pools and AAs that clearly set out roles and responsibilities of each in managing legacy investments. Many respondents also flagged that historic knowledge of specific investments would be required to manage these asset classes well.

132. A number of respondents raised concerns that developing appropriate capabilities and capacity would incur substantial additional costs but that there was little benefit to the AA of transferring management of these assets to the pool. Concerns were also raised that insufficient understanding of legacy assets would increase risk.

133. Some respondents were concerned that the pools would be in competition with each other for appropriately skilled staff, which could both drive up salaries and leave pools unable to recruit in time. Conversely, others were confident there were sufficient appropriately skilled individuals in the pensions sector. Many respondents also suggested the most workable solution would be for the pools to outsource management of niche asset classes to specialist investment management companies, at least in the short-term, rather than attempting to develop these capabilities in house.

134. A number of respondents proposed a model in which legacy assets would remain allocated to the individual AA until such a time as they mature and are transferred to pooled solutions. The pool would appoint a pool officer with responsibility for legacy assets, who would decide on the appropriate timing and means of disposal in consultation with the asset owner, specialist consultants, and the pool's investment managers.

135. Some respondents felt the timeline for implementation should be extended to allow the AAs more time to ensure that they had appropriate expertise and capability before taking on the management of assets, to avoid competition in recruiting, and to stagger the administrative demands on AAs so that it does not coincide with the valuation. Some felt that government should not set a deadline and allow AAs and pools to agree a date for transition, whilst others suggested dates in 2027.

Our response

136. The government recognises that managing legacy illiquid assets will require pools to develop new capacity and capabilities, however, as set out in response to Question 8 it believes that achieving the broader benefits of pooling requires that legacy assets are managed by the pool. The government encourages the pools to consider whether this is a potential area where they can collaborate with each other, with different pools establishing specialisms on different types of illiquid asset and offering management services to each other. Alternatively, pools may wish to procure services for the management of some illiquid asset types to specialist investment management companies. This enables flexibility in how this requirement is delivered to ensure these investments are managed with sufficient expertise.

Question 10: Do you have views on the indicative timeline for implementation, with pools adopting the proposed characteristics and pooling being complete by March 2026?

137. The consultation proposed an indicative timeline to become compliant with all the minimum standards by March 2026. The government requested each pool to consider the viability of meeting this timescale in their pooling proposal. The timescale is broadly aligned with the point at which reviews of investment strategy would be completed following the 2025 fund valuations. It also takes account of the timescale over which the FCA may consider applications for investment management companies and authorisation to provide investment advice.

Summary of responses

138. There were 175 responses to this question, of which 5% were supportive of the proposal and 65% were opposed.

139. The significant majority of respondents to this question disagreed with the implementation timeline and expressed concerns about the proposed pace of transition, commenting that there were additional costs and risks associated with it. They argued that the substantial governance and resource demands on AAs of delivering this transition alongside other projects like the 2025 fund valuation risks rendering the proposal unrealistic.

140. Many respondents commented that typical timeframes required for FCA authorisation were longer than the proposed implementation deadline allowed for, which would impact the plans for non-FCA authorised asset pools to develop the necessary capabilities.

141. Alternative implementation timelines proposed by respondents included modifying the proposal to allow the new capabilities to be phased in over several years or adopting a "comply or explain" approach for the March 2026 deadline.

Our response

142. The government has carefully considered the proposed implementation timeline in the light of responses but has concluded that meeting this the March 2026 deadline is critical to drive progress in the scheme, and to minimise the period of disruption. Government believes the deadline should be achievable given that it has previously communicated its expectations on asset pooling and stated that it would consider legislating if insufficient progress was made by March 2025 (Chancellor vows 'big bang on growth' to boost investment and savings (https://www.gov.uk/government/news/chancellor-vows-big-bang-on-growth-to-boost-investment-and-savings)).

143. The government recognises that it may take time for those pools that do not already have an advisory capability to develop it in order to be able to advise on investment strategy. As set out in the response to Question 5, pools may procure advisory capacity in the immediate term if necessary to meet this requirement.

144. In terms of the timeline for achieving FCA authorisation, the government is liaising with the FCA and is confident that authorisation can be achieved by March 2026 for the pools seeking to apply.

145. Following receipt of the pooling proposals requested alongside the consultation the government has expressed support for the proposals from six pools and has invited the AAs of two pools to engage with other pools to determine which they wish to form a new partnership with. The government stands ready to support these decisions and will help to facilitate as required. The decision on which pool to work with is for each affected AA to make individually. The government recognises that the AAs may wish to

move to a new pool together with their existing pool partners, or may wish to move to different pools, and this is a decision for each AA.

146. The government's expectation is that, for all asset pools that are continuing with their existing partner AAs, the minimum standards and all other requirements will be met by the end of March 2026. The government will be in touch with each pool to commission data on progress against this deadline.

147. For those AAs seeking a new asset pool and for pools taking on new partner AAs, the government expects the deadline to be adhered to as closely as possible, with new partnerships aiming to have shareholder or client agreements in place by March 2026. The government recognises that the process of developing new pool arrangements will take time and may allow some limited flexibility on this deadline - for those AAs and pools affected - if required. However, decisions on timing will be balanced with the need to keep the period of disruption across the LGPS to a minimum.

148. Failure to comply with legal requirements by the deadline and subsequently on an ongoing basis, could lead to AAs being directed by the Secretary of State to undertake a governance review with immediate effect. In cases where the governance review process and any peer support are not successful at delivering change, it would be open to the Secretary of State to make use of powers under the Public Service Pensions Act 2013 and the Investment Regulations 2016 to issue a direction or to wind up a fund.

Question 11: What scope is there to increase collaboration between pools, including the sharing of specialisms or specific local expertise? Are there any barriers to such collaboration?

149. This question asked about the scope to increase collaboration between pools, and about potential barriers. Areas where specialisation or collaboration may be particularly attractive include in specialist assets such as private equity, private debt and venture capital, as well as infrastructure and specific local or regional investments.

Summary of responses

150. The majority of respondents who answered this question were enthusiastic about increasing collaboration between pools and felt it would benefit the scheme as a whole. The main areas flagged for potential collaboration were developing "centres of excellence" in specialist asset classes such as private equity and infrastructure, particularly where it would be detrimental to the scheme as a whole for pools to develop separate

capabilities. Some respondents also suggested there could be pool-led centres of excellence on local investment, so that non-regional pools could benefit from the local knowledge of regional pools, or a single local investment capability jointly owned by all pools. The sharing of advice capabilities was another area of potential collaboration raised.

151. Potential barriers to collaboration raised included both structural and cultural factors. Some respondents flagged that the governance arrangements of a cross-pool investment vehicle need to be carefully considered and noted that the perceived increased distance between AAs and fund managers could make it harder to hold managers to account for performance. Respondents had differing views as to whether AAs of a pool investing in the vehicle of another pool should be treated equally to those of the ‘lead’ pool, for example in terms of fees. They commented that pools were setup in the long-term interests of shareholders, and that it could be detrimental to the lead pool’s partner AAs if the partner AAs of another pool influenced mandates in the interest of their short-term objectives.

152. Some respondents were concerned that the Procurement Act 2023 could be a barrier to pool collaboration. Respondents were concerned that a pool they own investing in a vehicle owned by a different pool could potentially contravene the Act, and some respondents raised questions around how pools and AAs should interpret the Act’s joint control test when considering their governance structures.

153. Some respondents raised concerns that the government’s focus on pooling standards risked slowing or disincentivising collaboration. It was suggested that the focus on pooling standards had introduced a sense of competitiveness between pools, and that pools may be concerned that investing in the vehicle of another pool could be perceived as them being a weaker pool, or that it could result in them being targeted for a merger into another pool. It was also suggested that timelines meant pools were focussed on meeting the minimum pooling standards by the deadline rather than considering collaboration options which were harder to deliver.

Our response

154. The government welcomes the interest and enthusiasm from respondents for collaboration between pools. The government agrees that each pool developing as a centre of excellence in particular specialist asset classes would be beneficial to the scheme as a whole, and that further joint ventures such as for example GLIL and the London Fund could help unleash the full potential of the scheme to invest in UK assets.

155. The government agrees that the Procurement Act 2023 should not be a barrier to collaboration between pools. The existing FCA-regulated pools were all established under the Teckal exemption (set out in the Public Contracts Regulations 2015 and relevant to the “vertical arrangements exemption” within the 2023 Procurement Act), which allows public authorities to award contracts to entities they control without going through

full procurement procedures. The vertical arrangements exemption currently allows AAs to procure contracts from their pool without going through full procurement exercises, provided that the contract satisfies a number of tests. To meet the vertical arrangements exemption's activities test LGPS pools must demonstrate that 80% of their activity is undertaken for the benefit of their own partner AAs only (as per paragraph 2(2)(c) of Schedule 2 to the Procurement Act 2023). Government recognises this may prevent pools from collaborating to their full potential especially where it can benefit multiple groups of AAs.

156. The Pension Schemes Bill will therefore include measures to modify the Procurement Act 2023 for the LGPS, so that the vertical arrangements exemption is satisfied as long as 80% of the pool's activity is undertaken for the benefit of any LGPS Authority (rather than solely their partner Authorities). This means that a pool will no longer be limited when investing through other pools' investment vehicles, to the benefit of both groups of AAs. This change further enables close collaboration between pools and possible specialisation by pools in certain asset classes, thereby harnessing even greater benefits of scale. Government will also provide guidance in due course to support interpretation of the vertical arrangements exemption's joint control test, as outlined in paragraph 2(2)(d) of Schedule 2 to the Procurement Act 2023.

157. It is understood that the deadline for meeting the minimum standards of March 2026 may be the focus over collaborating in the short term, but over the medium term putting pools on a consistent footing should make collaboration easier. The government is clear that that pools should be working together wherever this can improve outcomes for scheme members, employers, and the taxpayer.

Question 12: What potential is there for collaboration between partner funds in the same pool on issues such as administration and training? Are there other areas where greater collaboration could be beneficial?

158. This question asked for views on whether there potential for collaboration between partner AAs in the same pool in the administration of the LGPS, or whether there could be greater collaboration and cooperation between AAs on any other issues, for example shared service arrangements and the training of officers, councillors, and pension board members.

Summary of responses
159. There were 151 responses to this question, of which 83% were supportive of the proposal and 7% were opposed.

160. The majority of respondents who answered this question were supportive of the benefits of collaboration between partner funds in the same pool on issues such as administration and training. Many also considered that there was potential for collaboration in shared back-office services and other areas such as governance, investment strategy, environmental, social and governance matters and actuarial services. Others flagged that integrating technology and artificial intelligence (AI) tools into these systems had the potential to enhance data analysis and improve decision-making processes.

161. Many respondents highlighted the potential benefits of collaboration between funds including the potential for improved service quality, shared expertise, the potential for cost savings and for better collective negotiating capability.

162. Many highlighted existing collaborations between funds that are already delivering cost savings and efficiencies beneficial to both funds and their pools. These included collaboration models such as the “Tri-Borough” arrangement in London, and outsourced administration services provided by West Yorkshire Pension Fund. Others commented that there is already considerable informal collaboration within local pension officer groups where administration issues are discussed and good practice shared. In addition, collaboration occurs through membership of the Local Government Association and the Pensions and Lifetime Savings Association (PLSA), and briefings organised by the SAB.

163. A minority of respondents commented that there were barriers locally to further cooperation and integration of shared services and resources. These could occur where there were differing governance arrangements or differing local priorities and objectives.

Our response

164. The government was pleased to see the level of support for collaboration between AAs and believes that this is a valuable tool for reducing duplication, sharing best practice, and fostering innovation across the scheme. The government wishes to encourage and support collaboration initiatives across the scheme wherever possible.

165. It is anticipated that standardising the model of pooling and governance across the scheme will help to remove some local barriers to collaboration. However, government will remain alert to any remaining barriers and will seek to identify what action can be taken to remove them.

166. The government is looking at ways to make it easier to setup standalone pensions authorities, which it anticipates may be useful in cases of Local Government Reorganisation where new authorities do not map straightforwardly to underlying AAs.

3. Local investment

167. The LGPS already invests approximately 30% of its assets in the UK, as part of its duty to invest to pay pensions. The government believes that as an institutional investor the LGPS can make a distinctive contribution to UK and local growth, building on its local role and networks, through increasing its long-term investment in what matters to local communities. The LGPS can play an important role in providing anchor investment in local and regional projects, which can make them more attractive to private sector investors including pension schemes. This includes affordable housing, clean energy, physical and digital infrastructure, and support for new and established local enterprises, which can deliver positive local impacts, as well as financial return. ‘Local investment’ has been used throughout this chapter to refer to both local and regional investment.

168. Many AAs have already deeply embedded these wider considerations into their investments. They recognise that it is in the interest of the 6.7 million hard-working LGPS members that LGPS investments support the prosperity and wellbeing of their local communities, just as members did throughout their working lives.

169. This consultation focussed on local investment by LGPS funds, but there are other aims which AAs may wish to pursue, including boosting UK economic growth and taking into account other environmental, social and governance issues. These may contribute to the government’s key missions including making Britain a clean energy superpower and accelerating to net zero.

Question 13: What are your views on the appropriate definition of ‘local investment’ for reporting purposes?

170. This question invited views on the appropriate definition of ‘local investment’, for the purposes of reporting by AAs in their annual report on the extent and impact of their local investments.

Summary of responses

171. There were a range of views from respondents on the appropriate definition of ‘local investment’ for reporting purposes. A number of respondents considered that ‘local investment’ should be defined geographically as investment within an administering authority area or region. Others considered that the definition should be set at a UK-wide

scale that includes investments that benefit local economies regardless of geographic location.

172. A number of respondents said that a broad and flexible definition could enable AAs to maximise investment opportunities and avoid limiting returns. Other respondents felt that the definition should not be based on pool areas, as defining local as the pool area could potentially restrict opportunities. They also noted that a wider definition could be helpful as AAs may wish to invest in projects in a neighbouring authority area which is outside the pool area. Some respondents also considered that the definition should accommodate investments outside pool areas which have a clear economic, environmental or social impact on the region by delivering regeneration, employment or supply chain benefits.

Our response
173. The government has considered the responses and believes that local investment should be defined as broadly local or regional to the AA or pool. It should have some quantifiable external benefits to the area in question, including economic growth, environmental benefits or positive social impacts. Such investment may include investment in affordable housing, small and medium size enterprises, clean energy investment, local infrastructure, and physical regeneration. AA should work with their pool to agree any specific requirements in order to ensure their strategy can be implemented effectively.

174. The government expects most local investments will be made through private markets, although the use of external fund managers specialising in local or regional investments may be appropriate in some cases. The government will work with the SAB to develop guidance.

Question 14: Do you agree that AAs should work with their Combined Authority, Mayoral Combined Authority, Combined County Authority, Corporate Joint Committee or with local authorities in areas where these do not exist, to identify suitable local investment opportunities, and to have regard to local growth plans and local growth priorities in setting their investment strategy? How would you envisage your pool would seek to achieve this?

175. The consultation proposed that AAs work with Combined Authorities (CAs), Mayoral Combined Authorities (MCAs), Combined County Authorities (CCAs) or the Greater London Authority (GLA), or local authorities in other

areas, with a view to identifying potential local investment opportunities for consideration by their pool. In Wales, AAs would be required to work with the relevant Corporate Joint Committee or Committees and with local authorities more broadly to identify investment opportunities.

Summary of responses

176. There were 177 responses to this question, of which 56% were supportive of the proposal and 26% were opposed.

177. Many responses pointed to existing joint work on investment opportunities. Examples given included the South Yorkshire Pensions Authority, Durham, Tyne and Wear, and Greater Manchester, who work closely with CAs in those areas. Respondents were generally supportive as the new requirement would establish an important route for AAs to connect with opportunities which are the most beneficial to their region. Some respondents argued that pools, rather than AAs, should be working with strategic authorities to identify investment opportunities. Many argued that a clear and consistent process for pools to evaluate such proposals would be important.

178. Some respondents were concerned about resource pressures and argued that pools and AAs should be allowed to decide where to focus resource rather than being compelled to work with strategic authorities. Some were concerned that this proposal could lead to the LGPS investing in projects which have failed to raise finance from private sector investors and might be unsuitable, or considered that local growth is not a relevant consideration for a pension fund. Some were concerned that pools would be less able to take account of non-financial factors than their AAs.

Our response

179. Government has considered responses to this question, noting that there was broad support overall mixed with some concerns. The government's view is that the new requirement will be important in building collaboration between strategic authorities and AAs and pools across the scheme to deliver local and regional investment which aligns with local growth plans and local priorities growth.

180. The government agrees that pools may be well placed to work with strategic authorities on behalf of their AAs to identify investment opportunities. It will be for pools and their partners AAs to decide whether AAs will approach strategic authorities directly or work through their pool.

181. With regard to the pool conducting due diligence on local opportunities, government recognises that each pool will wish to consider the process with their partner AAs. In particular, in order to ensure the pool's resources are deployed effectively, AAs should work with their pool to agree criteria for determining which local investment opportunities will be prioritised for due diligence.

Question 15: Do you agree that AAs should set out their objectives on local investment, including a target range in their investment strategy statement?

182. The consultation proposed that AAs should be required by regulations to set out their high-level objective on local investment in their investment strategy statement, including a target range for local investment as a proportion of the fund.

Summary of responses

183. There were 171 responses to this question, of which 66% were supportive of the proposal and 24% were opposed.

184. The majority of respondents were supportive of the proposals, and noted that it was a sensible approach for AAs to ensure their local investment objectives are incorporated into their strategy and delegated to the pool. Many responses agreed that AAs should not be required to set a minimum or target level of investment in local projects. Others proposed that AAs should be able to set a minimum level of local investment, or an interim or indicative target range of 0%, pending identification of suitable local investments. A number of responses suggested that asset pools should take on the role of setting objectives and targets.

185. A number of respondents raised concerns about fiduciary duty, suggesting that setting target ranges could potentially lead to undue pressure to prioritise local investments over other opportunities with higher returns or lower risk. They argued that AAs have had mixed levels of success investing locally, and that local investment was not appropriate for all AAs. There were also comments that where AAs cover multiple local authorities, there is the potential for differing local and economic growth priorities for local investment.

Our response

186. The government has considered the points raised and notes that the proposal was broadly supported. The purpose of this proposal and the others on local investment is not to direct investments, but to ensure that local investment continues and is strengthened under the new minimum standards for pooling. The government will require AAs to set a target range for local investment, but will not restrict the ability of AAs to set a target of their choice.

Question 16: Do you agree that pools should be required to develop the capability to carry out due diligence on local investment opportunities and to manage such investments?

187. The consultation proposed that pools be required to build capability to assess the suitability of local investments, as well as to manage such assets.

Summary of responses
188. There were 181 responses to this question, of which 62% were supportive of the proposal and 22% were opposed.

189. Most responses agreed that it would be important for the pools to develop capability to carry out due diligence on local investments. Many responses said that this capability could be outsourced to fund managers with expertise in local investments, or that a clear, standardised process at the pool level would be important for greater efficiency. Some argued that collaboration between pools would be beneficial. Many were concerned that AAs should still have a role in recommending local projects to their pool.

190. Some were concerned that this would be highly resource intensive for pools to carry out, and that imposing this requirement would divert capacity away from more important pool functions. They argued that it should be up to pools and AAs to allocate resources.

191. Some argued that this function should be at AA level, given they are the ultimate risk-taker and bear fiduciary responsibility. They were concerned that pools could invest in local assets against the AA's wishes, or that pools would be less able to take account of non-financial benefits of local investment, particularly given the proposed requirement for pools to be FCA regulated.

Our response
192. The government has noted the points raised by respondents, and that the proposal was broadly supported. The government's view is that it is essential for all pools to have the capacity to conduct due diligence on local projects to enable the LGPS to deliver on its potential to contribute to local growth. Pools may use external managers, where appropriate, to assist, but in the long run value will be added by using internal management. AAs should leverage their local knowledge and networks by passing on potential investment opportunities to their pool.

193. The government does not consider FCA regulation as an obstacle to pools making decisions to invest in local assets with benefits for the local

area. Impact investing is an established practice among regulated investors, including existing LGPS asset pools, and pools exist to deliver the investment strategy of their partner AAs, including in relation to local investment, which may include lower requirements on risk and return. Pools will need to ensure they deliver the outcomes set by their partner AAs on local investment.

Question 17: Do you agree that AAs should report on their local investments and their impact in their annual reports? What should be included in this reporting?

194. The consultation proposed that AAs include in their annual report, as part of the report on the fund's investments, the extent and impact of their local investments and asked what should be included in this reporting. The government intends to work with the SAB to include guidance on reporting of local investment reporting in statutory guidance on annual reports.

Summary of responses
195. There were 165 responses to this question, of which 76% were supportive of the proposal and 19% were opposed.

196. The majority of respondents were supportive of proposals that AAs should report on their local investments and their impact in annual reports. Respondents considered that the proposal could provide greater consistency, transparency and accountability across the scheme. They also provided a range of views on what should be included in reports.

197. Some respondents considered that AAs could report on key local metrics on economic impact of local investments such as the numbers of affordable homes provided, number of local jobs created, new businesses set up, and the units of renewable electricity generated. Some respondents pointed to examples of impact metrics already in use, such as the Good Economy's annual assessment of the place-based impact of Greater Manchester Pension Fund's local investment portfolio. Some respondents were concerned that imposing a requirement to report against metrics would be unnecessarily costly, and asked that any additional reporting should be for a clear audience, a specific purpose, and with adequate funding. A number of respondents suggested that AAs could publish qualitative case studies as part of their reporting on local investment.

198. Other respondents raised concerns on local variation in reporting by AAs and suggested that this reporting should be done by the pools. They suggested that it may be more appropriate for pools to produce a single report for all their constituent funds, as pools may be better placed to develop and apply a standardised methodology.

Our response
199. The government will require AAs to report on their local investments, including the total in relation to their target range, and on their impact in their annual reports, as proposed. However, following consideration of responses, pools will now be required to report annually on total local investments made on behalf of their AAs and their impact. The government does not intend to prescribe metrics or other methods for assessing and reporting local impact by either pools or AAs. This will simplify reporting for AAs, who will not need to undertake or commission their own report on their local investments but can draw on the pool's report. It will also enable costs associated with impact reporting to be shared.

4. Governance of funds and pools

Fund governance

Question 18: Do you agree with the overall approach to governance, which builds on the SAB's Good Governance recommendations?

200. This question asked for views on the government's overall approach to governance, which aims to ensure that the LGPS has robust and resilient governance appropriate to its scale and continues to deliver to a high standard for members and employers in every AA. It builds on the recommendations of the SAB's 2021 Good Governance Review.

Summary of responses
201. There were 159 responses to this question, of which 86% were supportive of the proposal and 12% were opposed. The majority of respondents who answered this question supported the overall approach to governance building on the SAB's 2021 Good Governance review.

202. The main request was for more detail about the proposals. In particular, respondents asked for detailed guidance and for that guidance to be developed in collaboration with the SAB and the sector. A minority of respondents asked for further proposals to reflect the new pooling landscape. There were also questions about when the new requirements would come into force, and some made points about the additional resources that would be required to meet new governance standards.

Our response
203. The government welcomes the broad support for the governance proposals and intends to proceed, with adjustments to the governance and training strategy (Question 19), the independent governance review (Question 23) and the independent member proposal (Question 26).

204. The government understands the call for more detail and will collaborate with the SAB and the Pensions Regulator as appropriate to develop and publish statutory guidance, covering many of the points raised at consultation. In particular, the government believes that the proposals take account of the new pooling landscape, but recognises that there are further specific governance issues, such as how AAs hold their pools to account in the new arrangement, where additional guidance would be helpful. We intend to provide further clarity on those points through guidance, working with the SAB.

205. On timing, our ambition is put the new framework in place as soon as possible so that new requirements are in place for the 2026-27 scheme year. We aim to introduce legislation on the independent governance review later this year, followed by regulations and guidance on all of the proposals that are being implemented.

206. On the cost of the governance proposals, the government's view is that good governance has financial and wider benefits through a governance premium for well governed pension schemes, which benefit from sustained and resilient returns compared to less well governed schemes. Well governed schemes are likely to be more effective and agile, and therefore better managing risk and picking up opportunities. Research from the Pensions Policy Institute (https://www.pensionspolicyinstitute.org.uk/media/t2djkxca/201702-bn89-db-the-role-of-governance.pdf) suggests that this premium could be as high as 2% greater returns a year.

Question 19: Do you agree that AAs should be required to prepare and publish a governance and training strategy, including a conflict of interest policy?

207. The government proposed that AAs should be required to prepare and publish a governance and training strategy, to replace the governance compliance statement. This new strategy would set out the AAs' approach to governance, knowledge and training, member representation, and conflicts of interest; and set out objectives and planned actions in these areas, to be reviewed at least once every valuation period.

Summary of responses
208. There were 170 responses to this question, of which 94% were supportive of the proposal and 4% were opposed. Many respondents said that the proposals were best practice, and many AAs have already started to implement them. The conflict of interest policy was highlighted as being particularly important. Some respondents asked how governance and training strategies would be monitored and how AAs would report against them.

209. Some respondents were concerned about the administrative burden of creating a strategy, and many thought that a single document would be too long and unwieldy. Most respondents agreed with the proposal that the strategy must be updated at least once in every valuation period, although many said that it should not clash with the triennial revaluation. Opinion was divided between requests for a central template or guidance and the desire for local flexibility on format. Respondents requested that new strategies align with current reporting requirements where possible.

210. Many respondents said that the training strategy should cover both Local Pension Boards and pension committees. Some also asked for the requirement to extend to pools, particularly the conflict of interest policy. Some individuals and campaign groups asked for a focus on climate issues and ESG in training.

Our response
211. The government welcomes the broad support for this proposal and intends to proceed. Recognising the concerns about the potential length of a single document, the government will require a strategy for governance (including member representation), a training strategy, and a conflicts of interest policy, which may be combined. We recognise that AAs will want to carry out the review of strategies at a different time to the triennial revaluation and will not prescribe when reviews should happen during a valuation cycle.

212. As to extending the requirements to pools, the government does not believe this is necessary. Pool governance is a matter for partner AAs subject to the framework set by government. All LGPS pools will be established as investment management companies, regulated and authorised by the FCA. FCA regulation already requires pools to consider conflicts of interest and disclose these to their partner AAs.

Question 20: Do you agree with the proposals regarding the appointment of a senior LGPS officer?

213. The government proposed that every AA must have a single named officer (the senior LGPS officer) who has overall delegated responsibility for the management, strategy and administration of the fund. The role of the senior officer would be set out in the AA's governance and training strategy, and would be expected to ensure that the LGPS function has sufficient resourcing to meet its duties, including through the administering authority's budget-setting process.

Summary of responses

214. There were 157 responses to this question, of which 92% were supportive of the proposal and 6% were opposed. Many respondents asked for more detail, in particular about the responsibilities of the senior officer role, as well as how the role would fit into existing structures. Questions were also asked about how the new role would interact with the statutory role of the section 151 (s151) officer, as well as how the new role would interact with the pool.

215. Several respondents were concerned about the statement in the consultation that the senior LGPS officer should be involved in the AA's budget-setting process, given the separation between the pension fund's budget and the AA's budget. There were also concerns about the time and cost of creating and appointing to these roles. This was a particular concern for smaller authorities.

Our response

216. Considering the broad support, the government intends to proceed with this proposal, through an update to the 2013 LGPS Regulations, with accompanying statutory guidance. This will include guidance on the responsibilities of the role in relation to the s151 officer and the pool.

217. The government's view is that pension fund budget-setting should be seen as separate from that of the AA as a whole and should not be subject to resource restrictions which may apply across other functions. The government intends to set this out in the guidance.

218. The government recognises the resource impacts of creating and appointing to the senior LGPS officer role. These are high profile roles with overall responsibility for the management, business planning, strategy and administration of the fund. That will require a robust appointment process and adequate renumeration, but as set out in the consultation, we consider the potential benefits to be much greater than the cost of investing in better governance.

Question 21: Do you agree that AAs should be required to prepare and publish an administration

strategy?

219. The government proposed that AAs should be required to prepare and publish an administration strategy, reviewing it at least every three years (once in every valuation period), in line with the requirement for other strategies.

Summary of responses

220. There were 154 responses to this question, of which 82% were supportive of the proposal and 11% were opposed. The proposals were largely welcomed, with responses highlighting the importance of transparency and a focus on member experience. Most respondents said that their fund already had an administration strategy.

221. There was a mix of views on how prescriptive guidance should be. Many respondents called for consistency across the scheme, but some asked for flexibility to reflect that each fund has its own portfolio of employers and members. Several respondents called for the administration strategy to set out how employers would be held to account for their role in providing good quality data on time.

222. There was also a mix of views on the proposal for the administration strategy to be reviewed at least once every three years. Most respondents supported this, but some were concerned about the cost and time required.

Our response

223. The government intends to proceed with this proposal, through an update to the 2013 LGPS Regulations. As with the governance and training strategy, we will not prescribe when a review of the administration strategy must happen in a valuation cycle. The government intends to work with the SAB to develop accompanying guidance, taking account of points made in consultation.

Question 22: Do you agree with the proposal to change the way in which strategies on governance and training, funding, administration and investments are published?

224. The government proposed that, in line with the LGPS in Scotland, AAs should no longer be required to include the full texts of any strategy, including the governance and administration strategies proposed in the consultation, in their annual reports, but should ensure accessibility.

Summary of responses

225. There were 149 responses to this question, of which 87% were supportive of the proposal and 11% were opposed. Respondents were supportive of this proposal to improve accessibility and reduce the complexity of annual reports. Some AAs are already using hyperlinks and have already removed the requirement for policies and strategies to be included in full within the annual report.

226. Some respondents requested a single set of guidance on reporting, noting existing guidance from both The Pension Regulator and the SAB. Some respondents went further, requesting a further review by the Department and SAB of the contents of annual reports, with a view to providing guidance on a summary or streamlined annual report with the metrics of most interest to members. The removal of pension fund accounts from main local authority accounts was also mentioned as a means to improve the accessibility of information to members. Respondents who were opposed suggested that there is no issue with the current publications, or that the changes would be unlikely to lead to improved readability or transparency.

Our response
227. The government intends to proceed with this proposal, and will continue to work with the SAB to provide and maintain guidance.

Question 23: Do you agree with the proposals regarding biennial independent governance reviews? What are your views on the format and assessment criteria?

228. The government proposed that each AA should participate in an independent governance review every two years, carried out by independent experts with a good understanding of the LGPS. The consultation proposed that the draft report would go to the senior LGPS officer, pensions committee and local pension board. The pension committee would be required to add commentary and an action plan in the final report. AAs would be required to publish a summary of the final report and submit it to MHCLG.

Summary of responses
229. There were 159 responses to this question, of which 76% were supportive of the proposal and 19% were opposed. The consensus was that a review every two years was unrealistic. Most respondents asked for a three-year cycle in line with the valuation cycle, whilst a few asked for a three or five-year cycle.

230. Several respondents commented on the burden of such a review, both in terms of cost and time. There was a strong desire for the review to be peer-led, rather than by consultants. Many respondents asked for more detail of what the reviews would include, as well as an agreed template. There were also some concerns on the possible use of the Secretary of State's powers to issue directions following a review. A minority of respondents thought that the review might duplicate work already undertaken, or clash with the role of the local pension board.

Our response

231. The government welcomes the strong support for the proposal and intends to proceed. However, the government recognises the strength of feeling about the interval between reviews and intends to require the reviews to take place on a three-year cycle, rather than every two years. AAs will have the flexibility to carry out the review at any point during each valuation period, unless subject to a new power that the government will take, which allows for the Secretary of State to direct that a governance review is carried out of an AA at a specific time. This power will be exercised if there is concern that an AA has significant weaknesses in governance or is not in compliance with scheme regulations.

232. The government accepts that such a review requires time and money, but, as with all the governance proposals, believes the investment in better governance is in the best interest of the scheme and its stakeholders. We are aware that some AAs already carry out governance reviews and intend to ensure consistency across the scheme.

233. After the reviews are completed and submitted to MHCLG, the government envisages that for most AAs, the review will have identified recommendations to be taken forward locally. For some, the LGA's peer support offer, which is currently being developed, may be appropriate. If government has concerns about certain cases, they may bring them to the attention of TPR, who will consider the information in line with their usual approach. For the most serious cases, intervention may come through direction by the Secretary of State under the Public Service Pensions Act 2013, including the power clarified in the Pensions Bill to allow for compulsory merger.

234. The government intends to take a new power in the Pension Schemes Bill to make regulations relating to the independent governance review. The government intends to publish statutory guidance to accompany regulations, including on the points raised in consultation. The government will work with the SAB, the Pensions Regulator and AAs as appropriate to design the review process in detail.

Question 24: Do you agree with the proposal to require pension committee members to have appropriate knowledge and understanding?

235. The government proposed to require that pension committee members, the senior officer and officers should have the appropriate level of knowledge and understanding for their roles, and that the requirements for pension committee members and local pension board members should be aligned.

Summary of responses

236. There were 172 responses to this question, of which 95% were supportive of the proposal and 5% were opposed. Many respondents had views on what training would be included, and who would provide it. As with other governance proposals, there was a mix of views between a desire for local flexibility and a desire for a standardised programme. Specific skill gaps were raised – climate risks in particular – and many respondents highlighted existing resources, most notably the Pensions Regulator toolkit.

237. Respondents agreed that the requirement on knowledge and understanding should apply after a reasonable period of time, such as six months. Many respondents said that the turnover of members was a particular problem and suggested any knowledge requirement be based on the committee as a whole rather than individual members.

238. More detail was requested on what a minimum standard of knowledge would be, to ensure consistency between AAs, and there were questions about how 'appropriate' would be defined. Some respondents wanted more clarity about what level of training substitute members would require before being allowed to take part in decision making.

239. Some respondents said that the training requirement should only apply to s.151 officers and the senior LGPS officer, with the senior LGPS officer responsible for setting the training requirement for other officers. Some of those opposed to the proposal were concerned that the requirements might be too onerous and discourage councillors from serving on pensions committees.

240. Many respondents wanted more detail on how members would be held accountable and what action would be taken if a committee member failed to gain or maintain a level of knowledge and understanding. Some suggested that the training undertaken by members should be published each year.

Our response

241. Considering the broad support, the government intends to proceed with this proposal but recognises that there are a range of views on implementation.

242. Government considers that it is important that all members of the pension committee are held to account and have a high level of knowledge and understanding to contribute to the decision making of the committee. Therefore, we will continue with a knowledge and training requirement that applies to individuals, rather than the committee as a whole. We will consider further how this will apply to substitute members, and how members can be held to account for non-compliance. We intend to work with the SAB on guidance, which will address the points raised at consultation.

Question 25: Do you agree with the proposal to require AAs to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met?

243. The government proposed to require AAs to set out within their governance and training strategy how they will ensure that any committee, sub-committee, or officer will meet the new knowledge and understanding requirements.

Summary of responses
244. There were 161 responses to this question, of which 95% were supportive of the proposal and 4% were opposed. The overall response was very supportive of this proposal, especially welcoming improved accountability for AAs through a published strategy, although Similar concerns were raised to those in response to question 24.

Our response
245. Considering the broad support, the government intends to implement this proposal, through an update to the 2013 LGPS Regulations. The government's response to the concerns raised is covered in the response to Question 24. The government will work with the SAB to develop guidance.

Question 26: What are your views on whether to require AAs to appoint an independent person as

adviser or member of the pension committee, or other ways to achieve the aim?

246. The government invited views on securing professional and independent expertise for AAs and pension committees, including through requiring AAs to appoint an independent person who is a pensions professional, whether as a voting member of the pensions committee or as an adviser. The role would encompass supporting the committee on investment strategy, governance and administration.

Summary of responses
247. There were 157 responses to this question, of which 71% were supportive of the proposal and 18% were opposed. Almost all respondents saw the value of independent expertise, but for most of those opposed to the proposal, their view was that it should be for AAs to decide themselves what expertise they require.

248. There was also significant concern about the suggestion in the consultation that an independent person could be appointed as a voting member. Many respondents thought that having an independent person as a voting member on a pension committee would undermine the principle of democratic accountability in the LGPS. Opinion was divided on whether an adviser would have little or no influence on the voting members of the committee, or too much. Others felt that there was an inconsistency in approach with the proposals to increase knowledge and understanding for members of pension committees.

249. Several respondents said that they were not sure if there were enough qualified people to be independent members, or expressed the view that the market for professional trustees in private sector schemes was much more developed. If there were a lack of available talent, some respondents made the point that funds would have to pay a premium to retain an independent member. Some also asked for more detail about the criteria for people to qualify as independent members.

Our response
250. The government recognises that, of the governance proposals, this proposal received the least support, although the majority of those who responded were supportive. In particular, the point about voting rights was raised by almost all respondents.

251. The government has concluded that AAs should be required to have an independent adviser without voting rights rather than an independent member, as some funds already do. This advisor would be required to have one or more of the following qualifications and experience: qualifications from Pensions Management Institute (PMI) – the award in pension trusteeship, diploma in professional trusteeship, certificate in professional trusteeship, accreditation for professional trustee; member of, and

accredited by, the Association of Professional Pension Trustees (APPT); and significant experience of pensions and/or investments.

252. Noting the perceived clash between this requirement and that on knowledge and understanding of committee members, the government's view is that the adviser as a qualified pensions professional would have a different role to the members of the committee.

Pool governance

Question 27: Do you agree that pool company boards should include one or two shareholder representatives?

253. The government proposed that in addition to meeting the requirements of the FCA, boards should also include one or two representatives of the group of shareholder AAs, such as the chair of the shareholder committee or equivalent. These representatives would require the appropriate skills and training.

Summary of responses
254. There were 156 responses to this question, of which 68% were supportive of the proposal and 12% were opposed. There was a strong consensus on the necessity of partner AA representation on pool boards to ensure accountability and alignment of interests. While many agreed that shareholder representatives could fulfil this role, opinions varied on whether shareholder representatives should be nominated as external non-executive directors or should be councillors and officers from the partner AAs. Several responses noted the requirement for executive directors to comply with the FCA's Senior Managers and Certification Regime.

255. Concerns were primarily focused on whether shareholder representation alone might be insufficient to hold pools accountable to partner AAs. Respondents suggested that additional measures would be needed to enhance transparency and build trust among stakeholders, including the government and scheme members. Responses indicated that different solutions might be appropriate for different pools, particularly where the number of partner AAs varies significantly (e.g., London CIV with 33 funds, LPP with 3).

Our response

256. The government has concluded that it is not necessary to impose a single model for how pool shareholders should be represented on the board, recognising that different models will work for different pools and partner AAs. In particular, variation in the number of partner AAs in each pool may require that pools adopt differing governance models to ensure that AA views are adequately represented. Further, while the government believes that in the majority of cases AAs will want to be shareholders of a pool, there may situations where it is preferable for an AA to participate in a pool as a client. In these cases governance arrangements will need to ensure both shareholder and client views are adequately represented.

257. The government notes that in many cases a valid governance arrangement will be to have non-executive directors with appropriate professional expertise on the pool board who have responsibility for representing shareholder interests, as such professionals can bring considerable expertise and experience to the benefit of all AAs. This may be preferable to having AA pensions committee members from a couple of shareholder AAs to represent the full body of partner AAs.

258. The government will not therefore require a specific model of pool governance, but will work with the SAB, pools and AAs to develop guidance on ensuring that governance works for pool shareholders and clients.

Question 28: What are your views on the best way to ensure that members' views and interests are taken into account by the pools?

259. The government sought views on the best way of ensuring that scheme members' views and interests are properly understood and taken into account by the pools. Scheme members must be represented on the local pension boards, and in many cases they also participate in decision making through the pension committee or sub-committees, but this is not mandatory.

Summary of responses
260. There were 141 responses to this question. There was a split between those who believed that this should be achieved at least in part by scheme member representation at the pool (45%) and those who explicitly stated that member representation at the participating AAs was sufficient (34%).

261. Among those who believed scheme members should be involved in pool governance, views differed on how this should be achieved. Although some respondents felt that scheme members or trade union representatives should have a place on the board with full voting rights, this was not the majority view. The SAB and others suggested that member representation

would be more appropriate in the oversight of the pool, rather than the board itself.

262. Some responses from pools described how scheme members are part of their existing governance structures. This includes through oversight boards which have non-voting member representatives, pension committee members attending some pool meetings as observers, or the pool holding public meetings that scheme members can attend. Other suggestions from respondents included establishing a pool advisory body with member representatives or having a representative of the local pensions boards of partner AAs as a voting or non-voting member of the pool board. Some respondents raised the issue of how to ensure that any decision making body – even if it does not have direct member representation – reflects the diversity of the scheme membership.

263. Many of those who did not agree with members being part of the pool governance or decision making felt that the appropriate place for scheme member and trade union representation was at the local pension board and pension committee level in the partner AAs, because these are the bodies responsible for holding the pool to account and for setting the investment strategy. Some respondents also requested that the government implement a recommendation from the SAB Good Governance Review to require AAs to publish a policy setting out how scheme members and employers are represented.

264. The importance of good communication between pools and AAs was raised by many respondents. Pools actively engaging with AAs by attending committee meetings was highlighted as a good example. Many scheme members who responded said that active engagement by the pools with members was important to them, both so they could offer their views to the pools, and to understand what the pools were delivering. It was noted that it requires work and resource to do this well.

265. Most responses from AAs suggested that members would predominantly continue to communicate with the AA rather than the pool, although some said that questions on investment implementation should be addressed to and answered directly by the pool. There were concerns from some respondents that the extension of pooling arrangements would distance scheme members further from decision making and could weaken the relationship between members and the AAs.

266. A number of responses expressed disappointment that there was not a question that explicitly asked about how scheme employer views and interest should be accounted for given that, unlike the benefits received by members, their contribution rates would be sensitive to the investment decisions of the pool. Similarly, some responses noted that the ultimate owner of the assets remains the AAs.

Our response

267. The government notes that member representation in the governance of AAs provides an important route for scheme member views to be part of the process of developing investment strategies, and that AAs will continue to hold their pool to account for the implementation of investment strategies. The government has concluded pools and AAs should work together to ensure that scheme members' views are understood and taken into account by the pools, and should publish their policy on how this is done. We will work with the SAB to highlight good practice and provide guidance.

Question 29: Do you agree that pools should report consistently and with greater transparency including on performance and costs? What metrics do you think would be beneficial to include in this reporting?

268. The government proposed to introduce new requirements for pool transparency and reporting, including publication of performance and costs. This question also asked for views on other data which could be included in this reporting requirement.

Summary of responses

269. There were 171 responses to this question, of which 95% were supportive of the proposal and 5% were opposed.

270. There was strong support for enhanced transparency and consistency to facilitate effective oversight of asset pools. Many highlighted the importance of clarity and the ability to compare like-for-like performance and costs across pools as crucial, allowing AAs to monitor the performance of their pool compared to others. Some respondents also said that the pools collaborating in achieving consistency would be a good outcome.

271. In terms of the standards and content of reports, some respondents pointed to existing reporting frameworks such as the SAB Cost Transparency Initiative. Many suggested reporting total fees as a proportion of assets under management, including internal and external management fees and transaction costs, along with administration costs. They also emphasised the need for performance reporting over various time horizons, both net and gross of fees. A significant minority also called for reporting against climate targets, for example by making disclosures compliant with the Taskforce on Climate-related Financial Disclosures guidance.

Our response

272. The government notes the strong support for consistent and transparent reporting by pools and is grateful for the suggestions received as to what should be included in reporting requirements.

273. The government will work with the SAB to develop guidance on pool reporting to support transparency and accountability to scheme members, employers and others, including on cost and performance metrics. The government will continue to engage with the pools, AAs, and other users of these metrics in the development of this guidance.

274. The government is also considering formalising its existing voluntary data collection from asset pools, with the intention that this will include performance data. This will not be implemented for the 2024/25 reporting year, and MHCLG intends to collect data on a voluntary basis as usual this year.

5. Equality impacts

Question 30: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

275. The government invited views on the impact of the proposals on people who share a protected characteristic.

Summary of responses
276. The majority of respondents considered that no particular groups with protected characteristics would either benefit or be disadvantaged by any of the proposals.

277. Some responses pointed out the impact of climate change on protected groups, which may be affected by pensions investments. Others noted that the proposals could impact on intergenerational equity within the pension system. Some respondents commented that the government should take account of the interests of Welsh speakers when considering its response.

Our response
278. The government considers that the package of reforms will not affect any particular group with protected characteristics adversely. It has considered carefully all of the responses and the specific concerns raised. There will be no change to member contributions or benefits as a result of the proposals in the consultation.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

PENSION FUND COMMITTEE REPORT

18 JUNE 2025

DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE

EXTERNAL MANAGERS' REPORTS

1. PURPOSE OF THE REPORT

1.1 To provide Members with Quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited ('Border to Coast').

2. RECOMMENDATION

2.1 That Members note the report.

3. FINANCIAL IMPLICATIONS

3.1 Any decisions taken by Members, in light of information contained within this report, will have an impact on the performance of the Fund.

4. PERFORMANCE

4.1 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.

For all three sub-funds the return target is expected to be delivered over rolling 3 year periods, before calculation of the management fee.

The Fund also has 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 have 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 has been made. These investments are not reflected within the Border to Coast report (at Appendix A) but are referenced in the Border to Coast presentation later in the agenda.

4.2 The Border to Coast report shows 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 were 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.

4.3 Members will be aware that the Fund holds equity investments over the long term, and performance can only realistic be judged over a significantly longer time-frame than a single quarter. However, it is important to monitor investment performance regularly and to understand the reasons behind any under of over performance against benchmarks and targets.

5. BORDER TO COAST – QUARTERLY CARBON AND ESG REPORTING

5.1 Border to Coast has worked with its reporting providers to develop reporting which covers the Environmental Social and Governance (ESG) issues and impact of the investments it manages, together with an assessment of the carbon exposure of these investments. This is easier with some asset classes than others, and Border to Coast has initially focussed on reporting on listed equities as this is the asset class where most information is available, and this type of reporting is more advanced.

5.2 Appendix B contains the latest available ESG and carbon exposure in relation to the three Border to Coast listed equity sub-funds the Fund invests in: UK Listed Equity, Overseas Developed Markets Equity and Emerging Markets Equity. Amongst other information, the reports include information on the highest and lowest ESG-rated companies within those Border to Coast sub-funds, together with an analysis of the carbon exposure of the sub-funds on a number of metrics. The sub-funds' ESG position and carbon exposure is also compared to benchmarks representing the 'average' rating across the investment universe of that particular benchmark.

5.3 A colleague from Border to Coast will be available at the meeting to answer any questions Members may have on the information shown in the Quarterly ESG Reports.

CONTACT OFFICER: Wendy Brown – Head of Pensions Governance and Investments

TEL NO.: 01642 729630

Teesside Pension Fund

Quarterly Investment Report - Q1 2025

Contents

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,949,039,051
Inflows	£0
Outflows	£0
Net Inflows / Outflows	£0
Realised / Unrealised gain or loss	£(24,333,020)
Value at end of the quarter	£2,924,706,031

Note
1) Source: Northern Trust & Border to Coast
2) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
3) Inflows and outflows may include income paid out and/or reinvested.
4) Values do not always sum due to rounding.

Portfolio Analysis - Teesside Pension Fund
at 31 March 2025

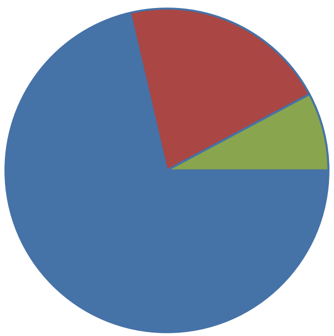
Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Overseas Developed Markets	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	2,086,661,312.75	71.35
Emerging Markets Equity	FTSE Emerging Markets (Net)[2]	228,153,919.06	7.80
UK Listed Equity	FTSE All Share GBP	609,890,799.13	20.85

Available Fund Range

Fund
Global Equity Alpha
Overseas Developed Markets
Emerging Markets Equity
Emerging Markets Equity Alpha
UK Listed Equity
UK Listed Equity Alpha
Listed Alternatives
Sterling Investment Grade Credit
Sterling Index-Linked Bond
Multi-Asset Credit

Teesside Pension Fund - Fund Breakdown



Note
1) Source: Northern Trust
2) S&P Emerging Markets BMI (Net) between 22nd October 2018 to 9th April 2021. Benchmark equal to fund return between 10th April to 28th April 2021 (Performance holiday for fund restructure).

Portfolio Contribution - Teesside Pension Fund
at 31 March 2025

Fund	Portfolio weight (%)	Fund return (net) over the quarter (%)	Benchmark return over the quarter (%)	Excess return (%)	Contribution to performance over the quarter (%)
Overseas Developed Markets	71.35	(2.08)	(1.21)	(0.87)	(1.47)
Emerging Markets Equity	7.80	(1.79)	(0.86)	(0.93)	(0.14)
UK Listed Equity	20.85	4.14	4.51	(0.36)	0.78
Total	**100.00**	**(0.83)**			

Note
1) Source: Northern Trust & Border to Coast
2) Performance shown is investor-specific, calculated using a time-weighted methodology which accounts for the impact of investor flows, whereby investments held for a longer period of time will have more of an impact than those held for a shorter time.
3) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
4) Performance shown is net of charges incurred within the ACS, such as depository, audit and external manager fees. For the period to 31st March 2024, performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan. Effective 1st April 2024, performance is net of any fees paid to Border to Coast which are paid directly through the Funds via an Annual Management Charge (AMC).

Valuation Summary
at 31 March 2025

Fund	Market value at start of the quarter GBP (mid)	Total weight (%)	Purchases (GBP)	Sales (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter GBP (mid)	Total weight (%)
Overseas Developed Markets	2,131,089,472.44	72.26			(44,428,159.69)	2,086,661,312.75	71.35
Emerging Markets Equity	232,321,372.25	7.88			(4,167,453.19)	228,153,919.06	7.80
UK Listed Equity	585,628,206.34	19.86			24,262,592.79	609,890,799.13	20.85
Total	**2,949,039,051.03**	**100.00**			**(24,333,020.09)**	**2,924,706,030.94**	**100.00**

Note
1) Source: Northern Trust
2) Purchases and sales may include income paid out and/or reinvested.
3) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
4) Values do not always sum due to rounding.

Summary of Performance - Funds (Net of Fees) Teesside Pension Fund
at 31 March 2025

	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Overseas Developed Markets	9.35	8.09	1.26	(2.09)	(1.21)	(0.88)	1.11	1.88	(0.78)	7.80	6.45	1.35	14.35	13.01	1.34
Emerging Markets Equity	3.72	5.53	(1.81)	(1.79)	(0.86)	(0.93)	5.80	9.74	(3.94)	2.67	3.57	(0.90)	6.28	8.56	(2.27)
UK Listed Equity	5.34	5.15	0.18	4.14	4.51	(0.36)	8.03	10.46	(2.43)	6.79	7.22	(0.43)	11.53	12.04	(0.51)

Note
1) Source: Northern Trust
2) Performance shown is for the pooled fund, which may differ to the investor-specific performance.
3) Performance inception dates are shown in the appendix.
4) Performance for periods greater than one year are annualised.
5) Performance shown is net of charges incurred within the ACS, such as depository, audit and external manager fees. For the period to 31st March 2024, performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan. Effective 1st April 2024, performance is net of any fees paid to Border to Coast which are paid directly through the Funds via an Annual Management Charge (AMC).
6) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Summary of Performance - Funds (Gross of Fees) Teesside Pension Fund at 31 March 2025

	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
Fund	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Overseas Developed Markets	9.37	8.09	1.28	(2.06)	(1.21)	(0.85)	1.20	1.88	(0.68)	7.84	6.45	1.39	14.38	13.01	1.37
Emerging Markets Equity	3.89	5.53	(1.64)	(1.71)	(0.86)	(0.85)	6.12	9.74	(3.62)	2.92	3.57	(0.65)	6.50	8.56	(2.06)
UK Listed Equity	5.35	5.15	0.20	4.16	4.51	(0.35)	8.10	10.46	(2.36)	6.82	7.22	(0.40)	11.54	12.04	(0.50)

Note
1) Source: Northern Trust
2) Performance shown is for the pooled fund, which may differ to the investor-specific performance.
3) Performance inception dates are shown in the appendix.
4) Performance for periods greater than one year are annualised.
5) Performance shown is gross of all fees.
6) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Overseas Developed Markets Fund - Overview at 31 March 2025

Overseas Developed Markets Fund

During the first quarter the fund lost -2.10% compared to the composite benchmark that lost -1.46%; resulting in a relative underperformance of -0.64%.

The fund's overweight allocation to US and underweight to European equities was a material contributor to the underperformance over the quarter. The inauguration of President Trump triggered a significant rotation across markets as investors worried that his unorthodox policies could undermine the growth of the US economy. In Europe in sharp contrast there were a sign of growing optimism that the economy might be stabilising. This was supported by commitments to increase defence and infrastructure spending and a softening of inflation which could pave the way for further interest rate cuts by the European Central Bank.

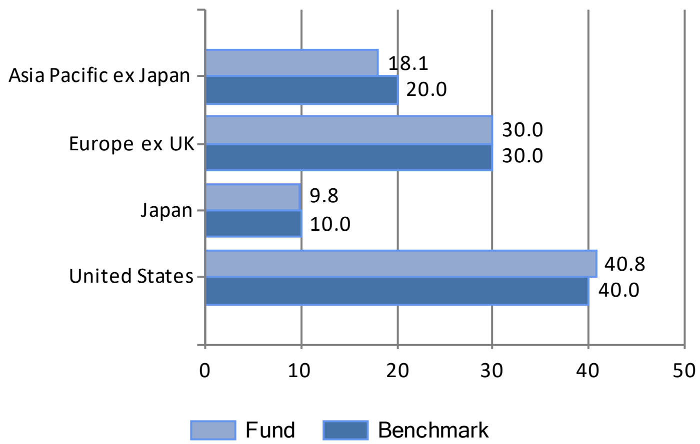
Despite strong absolute performance, the Financials sector was the largest detractor from fund performance over the quarter. This was caused by a strong resurgence in performance from European financials, especially those in the peripheral countries such as Spain and Italy as growth expectations improved. The Technology sector was the epicentre of weakness across equity markets, furthermore we underperformed within the sector. The announcement that Deep Seek, a Chinese artificial intelligence company, had managed to develop comparable technology to that of the US leaders, undermined confidence in the technological leadership of US companies such as Alphabet and Microsoft. The fact they managed to achieve their breakthrough despite restrictions on the transfer of the most advanced technology also raised concerns over potential future demand for Nvidia's latest chips.

The Trump administration has injected a new level of uncertainty into equity markets. The adjustment to the lack of predictability from the world's most influential superpower will take time and the consequences will be felt across the globe. The equity market correction has been healthy and has started to deflate some of the prior excesses in concentration and valuation. Despite a softening in investment confidence, we do not see signs that it has been undermined to such an extent as to precipitate a more material impact on global growth. Provided this remains the case we remain optimistic that this is a short-term correction, and markets should return to their positive trajectory for 2025.

Note
1) Source: Border to Coast

Overseas Developed Markets Fund
at 31 March 2025

Regional Breakdown



Overseas Developed Markets Fund

The Border to Coast Overseas Developed Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the Benchmark (*) by at least 1% per annum over rolling 3 years period (before calculation of the management fee).

The Fund will not generally make active regional allocation decisions and the majority of its performance will arise from stock selection.

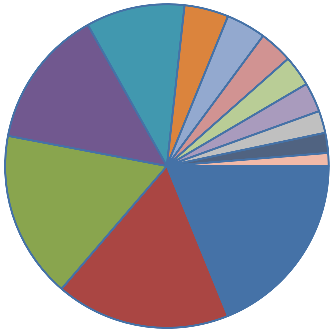
(*) The Benchmark is a composite of the following indices:
•40% S&P 500
•30% FTSE Developed Europe ex UK
•20% FTSE Developed Asia Pacific ex Japan
•10% FTSE Japan

	Inception to Date			Quarter			1 Year			3 Years			5 Years		
Fund	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Overseas Developed Markets	**9.35**	**8.09**	**1.26**	**(2.09)**	**(1.21)**	**(0.88)**	**1.11**	**1.88**	**(0.78)**	**7.80**	**6.45**	**1.35**	**14.35**	**13.01**	**1.34**
United States	13.64	12.30	1.34	(7.92)	(7.21)	(0.71)	6.41	5.52	0.89	10.99	9.28	1.71	18.41	17.11	1.30
Japan	7.03	4.45	2.59	(2.36)	(2.21)	(0.14)	(2.56)	(3.72)	1.16	8.38	6.02	2.36	11.06	7.86	3.19
Europe ex UK	7.98	6.78	1.19	7.02	7.57	(0.54)	0.81	2.88	(2.07)	9.66	7.69	1.97	13.71	12.10	1.61
Asia Pacific ex Japan	3.57	2.64	0.93	(2.03)	(1.89)	(0.14)	(7.24)	(5.90)	(1.34)	(1.92)	(1.85)	(0.07)	8.36	7.73	0.62

Note
1) Please note that only the total Overseas Developed Equity Fund performance line is net of ACS charges such as depository and audit fees.
Investment management fees have not been included in the performance.

Overseas Developed Markets Fund
at 31 March 2025

Sector Portfolio Breakdown



- Technology 18.9% (18.8%)
- Industrials 17.4% (15.3%)
- Financials 16.7% (19.4%)
- Consumer Discretionary 13.9% (13.0%)
- Health Care 9.9% (10.7%)
- Consumer Staples 4.4% (5.2%)
- Telecommunications 4.0% (4.2%)
- Basic Materials 3.3% (4.0%)
- Common Funds 3.1% (0.0%)
- Energy 2.9% (3.1%)
- Utilities 2.2% (3.1%)
- Real Estate 2.0% (3.0%)
- Cash 1.3% (0.0%)

Overseas Developed Markets Fund

Sector Weights:

Common Stock Funds (o/w) – Exposure to smaller companies via collective vehicles, specifically in the US.

Industrials (o/w) – Regional divergences in valuation and expectations mean that high relative exposure in Europe and Pacific ex-Japan more than compensate for underweights in the US and Japan.

Consumer Discretionary (o/w) – Long-term changing consumption patterns provide access to structural growth and the potential to benefit from exposure to differentiated investment opportunities.

Utilities (u/w) – Significant headwinds due to sizeable capital deployment needed to meet the energy transition whilst high interest rates increase the required rate of return.

Real Estate (u/w) – High leverage leaves the sector vulnerable to a higher interest rate regime, and concerns around the impact of home/flexible working on the longer-term demand for office space remain.

Financials (u/w) – Improved returns haven't materialised despite higher interest rates. Elevated credit cycle risk (non-performing, or defaulted loans) should recessionary pressures mount.

Note
1) Source: Northern Trust
2) The pie-chart shows the sector allocation of the fund . The benchmark sector allocation is shown in brackets.

Overseas Developed Markets Fund Attribution at 31 March 2025

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Tesla	0.23	(37.69)	0.61	(37.73)	0.20
Alphabet C	0.00	0.00	0.62	(20.33)	0.14
Deutsche Telekom	0.96	20.08	0.41	19.89	0.09
BNP Paribas	0.75	31.21	0.28	31.45	0.09
Intesa Sanpaolo	0.77	23.95	0.27	24.04	0.08

Tesla (u/w) – Investors flocked to Tesla shares in the aftermath of last year's election, believing the company would emerge a relative winner following the new administration's sweeping changes. This more than reversed as Elon Musk's closer political ties caused concern overseas, and orders for Tesla electric cars plummeted. While the valuation has contracted somewhat, the shares still appear to price in some unlikely scenarios relating to autonomous vehicles, robotics and AI.

Alphabet Class C (u/w) – AI excitement died down during the quarter after indications some of the Hyper-scaler's were reconsidering the scale of their infrastructure spending. An AI digestion period was inevitable, but the market began to fear indigestion. Alphabet is also still feeling the effects of the DOJs increased attention with a ruling over its search dominance still pending. The positive contribution from the class C underweight was more than offset by the class A overweight.

Deutsche Telekom (o/w) – The German telecoms company performed strongly following better than expected end of year results. Growth in its US subsidiary T-Mobile US saw strong subscriber growth and more home internet customers as well as strong performance from the domestic German market following the announcement of the German infrastructure plan with expectations that some of the expenditure would be allocated to the telecoms space.

BNP Paribas (o/w) – The French bank exceeded expectations with strong year-end earnings, boosting its stock. European banks performed well in Q1 due to increased confidence and sector rerating. Growth expectations improved with Germany's infrastructure plan and defence spending, enhancing economic activity and bank lending. Higher growth may keep inflation slightly elevated, slowing interest rate declines and supporting bank profitability.

Intesa Sanpaolo (o/w) – The Italian bank performed well helped by similar factors as BNP and other European banks. Intesa Is a well-run, capital light Italian bank focussed on organic growth. The group is generating excess capital which is being returned to shareholders in the form of buybacks.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund Attribution Continued at 31 March 2025

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet A	1.78	(20.70)	0.76	(20.67)	(0.27)
Broadcom	1.07	(29.72)	0.66	(29.78)	(0.18)
Rheinmetall	0.00	0.00	0.21	117.22	(0.12)
Banco Santander	0.00	0.00	0.34	40.47	(0.11)
Amazon	2.02	(15.84)	1.51	(15.85)	(0.11)

Alphabet Class A (o/w) –As above, Alphabet was dragged down by a broader calming of AI excitement, as well as the continued overhang from its outstanding DOJ investigation.

Broadcom (o/w) – After a remarkable 2024, Broadcom's shares retreated in the first quarter in line with all AI-related technology names. As the leading supplier of custom-built semiconductors for large hyperscale cloud operators, investors became fearful that an infrastructure buildout slowdown would hurt Broadcom's revenue growth. We remain confident in Broadcom's long-term position within this crucial part of overall compute infrastructure.

Rheinmetall (u/w) – The German defence company performed very strongly on the announcement of the German infrastructure spending of which a large part will be allocated to increased defence spending plus the relaxation of debt calculation rules to allow Germany to increase its spending on defence substantially over the next decade.

Banco Santander (u/w) – The Spanish bank delivered record profits for the full year and a further buyback of stock boosting the shares. It has been helped by higher interest rates boosting lending margins. Banco Santander also benefits from similar themes to BNP Paribas.

Amazon (o/w) –Amazon was caught up in the broader AI sentiment deterioration despite posting robust results.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund
at 31 March 2025

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.09
Alphabet A	+1.03
Microsoft	+0.67
Deutsche Telekom	+0.55
Amazon	+0.51
Alphabet C	-0.62
Westpac Bank	-0.49
Exxon Mobil	-0.44
Tesla	-0.38
Zurich Insurance Group	-0.34

Top 5 Holdings Relative to Benchmark:

Vanguard Mid-Cap ETF – The ETF provides exposure to smaller companies in the US, although the portfolio has an underweight exposure to smaller companies overall.

Alphabet Inc Class A – The parent company of Google has two share classes. While the fund doesn't own the class C shares, our net position in the business is still overweight. Google enjoys a strong and profitable internet advertising market position while also benefitting from a fast-growing cloud computing infrastructure business. Investors are concerned that AI will disrupt the company's core search business, but we believe that is overly discounted in the share price, and that Alphabet will emerge a strong AI player.

Microsoft Corp – Microsoft is well positioned to benefit from growth within its cloud hosting business and is executing its cloud strategy well. MSFT has the flexibility to manage its capital spending plans and has demonstrated a deft touch in this regard, able to pivot rapidly when demand trends shift. Overall Microsoft is one of our favourite long-term investments.

Deutsche Telekom – Deutsche Telekom is one of the largest telecom operators in Europe. It owns a 50% stake in T-Mobile US, a US mobile network operator, which provides exposure to a market with higher growth and profitability than Europe. In addition, it is the incumbent operator in the German market which has lower price competition than other European markets enabling higher profitability.

Amazon – Amazon's AWS is the world's largest public cloud business, and with cloud transition still below 50% penetration, the company should benefit from years of future growth, whether AI continues to supercharge cloud growth or not. Additionally, the company's retail business has consistently lowered costs and expanded margins.

Bottom 5 Holdings Relative to Benchmark:

Alphabet Class C – The large holding in the A share class results in an overweight exposure overall.

Westpac Banking Corp – The Fund has a preference for the other major Australian banks, given they achieve better returns, are better provisioned, and are considered better run.

Exxon Mobil Corp – We prefer Chevron and ConocoPhillips to Exxon Mobil. Both companies have demonstrated more consistent energy transition engagement.

Tesla Inc – Tesla's shares have retraced most of the post-election gains from last year. And while the shares now reflect a slightly more realistic set of outcomes for the company, we still feel they are expensive. Tesla's governance practices remain problematic too.

Zurich Insurance – The Swiss reinsurance company trades on a high valuation relative to peers, especially considering what we believe are overly ambitious profitability targets. We prefer Munich Re, which commands a lower valuation.

Note
1) Source: Northern Trust

Summary of Performance - Funds (Net of Fees) Emerging Markets Equity Fund at 31 March 2025

	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Emerging Markets Equity	**3.72**	**5.53**	**(1.81)**	**(1.79)**	**(0.86)**	**(0.93)**	**5.80**	**9.74**	**(3.94)**	**2.67**	**3.57**	**(0.90)**	**6.28**	**8.56**	**(2.27)**
Border to Coast	4.89	5.69	(0.80)	(6.91)	(6.09)	(0.82)	(1.45)	(0.44)	(1.00)	4.52	3.74	0.78	--	--	--
FountainCap	(8.41)	(6.28)	(2.13)	10.70	10.93	(0.23)	24.91	36.41	(11.50)	0.14	3.43	(3.30)	--	--	--
UBS	(9.34)	(6.28)	(3.06)	9.52	10.93	(1.41)	23.51	36.41	(12.90)	(0.62)	3.43	(4.05)	--	--	--

Manager/Strategy	Benchmark	Role in fund	Target	Actual
Emerging Markets Equity	**FTSE Emerging Markets (Net)[3]**	**NA**	**100%**	**100%**
Border to Coast	FTSE Emerging ex China (Net)	Core strategy focused on Emerging Markets ex-China with a tilt towards quality companies.	69%	65%
FountainCap	FTSE China (Net)	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.	12%	14%
UBS	FTSE China (Net)	China specialist seeking to identify upcoming ‘industry leaders’ that will benefit from China’s structural growth and transition to a services-led economy.	19%	21%

Note

1) Source: Northern Trust & Border to Coast
2) Values do not always sum due to rounding and use of different benchmarks
3) S&P Emerging Markets BMI (Net) between 22nd October 2018 to 9th April 2021. Benchmark equal to fund return between 10th April to 28th April 2021 (Performance holiday for fund restructure).

Emerging Markets Equity Fund - Overview at 31 March 2025

Emerging Markets Equity Fund

The EM Equity Fund returned -1.8% through Q1 2025, 0.9% below the FTSE EM benchmark. Over one year, the Fund has returned 5.8%, underperforming the benchmark by 3.9%. Since the Fund was restructured, (April 2021), the Fund has returned an annualised -0.5%, underperforming the benchmark by an annualised 1.7%.

Over the quarter, Chinese equities significantly outperformed EM ex-China equities, with the FTSE China posting a 10.9% return in contrast to FTSE EM ex-China returning -6.1%.

Sentiment towards China improved markedly during January, driven by renewed optimism towards technology names following the release of DeepSeek's cost-effective R1 AI model seen as achieving performance comparable to market leaders, prompting investors to reassess China's innovative capabilities. The announcement triggered a sustained rally in Chinese equities, concentrated in a handful of technology related names (Tencent, Alibaba, Xiaomi & BYD) that are considered direct beneficiaries of China's AI advancements. Investor optimism was further supported by the Chinese government's increased focus on simulating domestic consumption through extending its consumer goods trade-in program to boost economic growth. President Xi Jinping sought to capitalise on the AI enthusiasm by meeting with tech leaders to re-affirm their importance towards future economic growth. This marked President Xi's first high-profile engagement with private entrepreneurs in several years and looked to ease regulatory concerns that have remained a persistent headwind towards private companies in recent years. The AI-driven rally lost steam in March as attention began to shift towards US-China trade tensions ahead of Trump's "liberation day" tariff announcements.

Both China specialist managers delivered strong absolute performance during the quarter, albeit marginally underperformed the FTSE China benchmark. The underperformance stemmed from underweight positioning towards single stock names, such as Xiaomi, which experienced outsized returns over the quarter in response to DeepSeek's AI breakthrough. Fountain Cap's overweight positioning in Pop Mart helped offset some of the underperformance, as shares were up 70% over the quarter in response to the company reporting a threefold increase in 2024 net profits, limiting Fountain Cap's relative underperformance to 0.2%. UBS underperformed by 1.4% as its overweight exposure towards consumer staples, such as Kweichow Moutai, continued to face a cautious demand outlook amid subdued consumer sentiment in China.

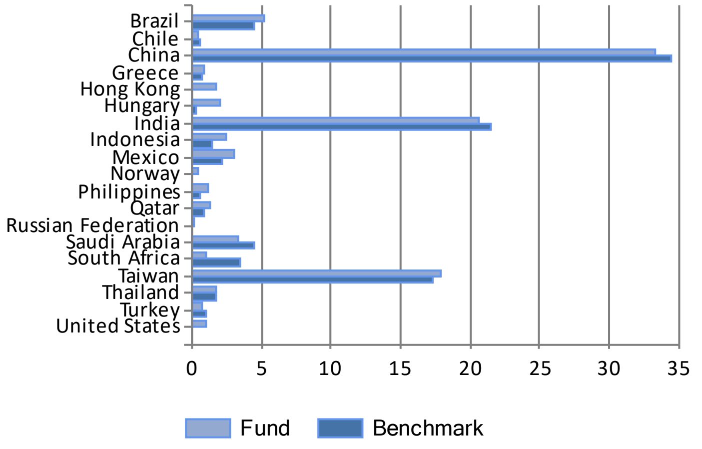
Within the ex-China region, India continued to experience some cyclical economic softness, resulting from persistent inflation outpacing wage growth, weighing on domestic consumption and corporate earnings. The region's pessimistic short-term outlook continued to sustain foreign outflows, particularly from SMID-cap names, as investors looked to book profits as well as beginning to rotate back into a rejuvenated China market. India rebounded in late March on stronger economic data and CPI inflation falling below the 4% target, boosting expectations of further rate cuts in the near term to support continued growth. Taiwan posted a negative quarter, as DeepSeek's announcement triggered a global semiconductor selloff amid concerns over the sustainability of the substantial investment Hyperscaler's are committing towards AI advancements. Given Taiwan's market concentration in semiconductors, the impact was pronounced.

The internal Border to Coast EM ex-China mandate underperformed its regional benchmark by 0.8%, attributable to the overweight exposure to Taiwan. Additionally, positioning in Globant SA was a notable drag to performance in response to weaker than expected earnings and a downward revision to full year guidance.

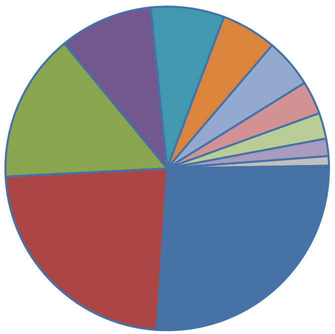
Note
1) Source: Border to Coast

Emerging Markets Equity Fund
at 31 March 2025

Regional Breakdown



Sector Portfolio Breakdown



- Technology 26.0% (25.4%)
- Financials 23.2% (23.9%)
- Consumer Discretionary 14.8% (13.0%)
- Industrials 9.4% (7.8%)
- Consumer Staples 7.3% (4.9%)
- Energy 5.5% (5.5%)
- Health Care 4.9% (3.6%)
- Basic Materials 3.3% (5.6%)
- Real Estate 2.6% (2.2%)
- Cash & Synthetic Cash 1.7% (0.0%)
- Telecommunications 1.0% (4.7%)
- Utilities 0.3% (3.4%)

Note
1) Source: Northern Trust

Emerging Markets Equity Fund

The Border to Coast Emerging Markets Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the FTSE Emerging Markets benchmark by at least 1.5% per annum over rolling 3-year periods (before calculation of the management fee).

The majority of the Fund's performance will arise from stock selection decisions.

Sector Weights:

Consumer Staples (o/w) – The rapidly growing Emerging Market middle class population is expected to lead to an increase in the consumption of staple goods over the long-term. The Fund is overweight several stocks (particularly in China) that are well positioned to benefit from such a tailwind.

Consumer Discretionary (o/w) – Similar to the positioning in Consumer Staples, consumption of goods is expected to increase over the long-term. The fund owns several companies across e-commerce, retail, gaming and travel industries.

Industrials (o/w) – The Fund is overweight the industrials sector, a diverse sector ranging from shipping and airports to glass manufacturing. The Fund's largest positions within this sector are towards industrial transportation names as well as electrical equipment manufacturers who should benefit from the continued urbanisation and sustained increase in middle class income across emerging markets.

Basic Materials (u/w) – The Fund is underweight the Materials sector, driven predominantly by the underlying managers believing there are few quality companies and attractive opportunities, that said, the Fund does hold some stocks, particularly in the EM-ex China component of the portfolio.

Utilities (u/w) – The Fund is underweight this highly regulated sector. Concerns over long-term sustainability of businesses and risk of regulatory interference warrants an underweight position.

Telecommunications (u/w) – The Fund is underweight this relatively low growth, cap-ex intensive sector, which can also be buffeted by political risk (control and pricing implications). Where exposures are taken, they are to dominant market players with strong balances sheets in markets with solid growth prospects.

Emerging Markets Equity Fund Attribution at 31 March 2025

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
POP MART	1.44	69.12	0.18	69.11	0.64	Consumer Discretionary	China
Oncoclinicas	0.04	165.56	0.00	0.00	0.35	Health Care	Brazil
Hengli Hydraulic	0.69	47.77	0.01	47.77	0.22	Industrials	China
Netease	2.37	12.53	0.47	11.81	0.21	Consumer Discretionary	China
Itau Unibanco	1.03	23.11	0.37	23.19	0.17	Financials	Brazil

Positive Issue Level Impacts

Pop Mart International Group Ltd (o/w) – A global retailer domiciled in China. The company's latest earnings release reported a threefold increase in 2024 net profits driven by strong demand for its IP characters, leading to management guiding a further 50% revenue growth over 2025 which came in above market expectations.

Oncoclinicas do Brasil Servicos Medicos (o/w) – A Brazil based medical services company that specialises in areas of oncology, radiotherapy, haematology, complementary care and integrated care services. The company experienced a notable share price increase after a Brazilian asset manager bought a significant stake in the business.

Jiangsu Hengli Hydraulic Co Ltd (o/w) – A China-based company, principally engaged in the manufacture and sale of professional hydraulic components and hydraulic systems. The company has made advancements in components for humanoid robots – an area with significant long-term potential given its early-stage market penetration. Shares also gained support from the PBOC's recent commitment to AI and robotics development.

NetEase Inc (o/w) – A Chinese internet technology company that primarily develops and operates online PC and mobile games and content. The shares benefitted on news that the company returned to profit growth in the fourth quarter, driven by strong performance of its PC gaming segment as well as from the resumption of popular Blizzard entertainment titles in mainland China.

Itaú Unibanco Holdings (o/w) – A Brazilian based provider of diversified banking and nonbanking services and products. The company posted strong fourth quarter profits driven by an improved margin and controlled credit costs. Shares were also buoyed by renewed optimism towards Brazilian equities around expectations of peak interest rates and potential rate cuts in 2025.

Note
1) Source: Northern Trust & Border to Coast
2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

Emerging Markets Equity Fund Attribution at 31 March 2025

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Globant	0.96	(44.72)	0.00	0.00	(0.63)	Technology	United States
Alibaba	2.43	50.27	3.56	50.49	(0.48)	Consumer Discretionary	China
Xiaomi	0.13	0.00	1.38	38.15	(0.39)	Telecommunications	China
Taiwan Semiconductor	9.62	(18.67)	8.40	(18.60)	(0.29)	Technology	Taiwan
HCL Technologies	1.31	(18.93)	0.25	(18.62)	(0.25)	Technology	India

Negative Issue Level Impacts

Globant SA (o/w) – An IT and software development company. The company sold off after revenue forecasts missed expectations, overshadowing its fourth quarter earnings beat. While management highlighted strong growth in the pipeline, conversion and delivery have yet to gain momentum.

Alibaba Group Holding (u/w) – A Chinese multinational technology company, best known for e-commerce and online payment platforms. Alibaba reported a surge in fourth quarter net profit, driven by a rebound in its core e-commerce business and rapid growth in AI-powered cloud services. Investor sentiment was further boosted by news of a collaboration with Apple to support new iPhone features in China. Sentiment was further lifted by the DeepSeek announcement, which renewed confidence in China's tech sector.

Xiaomi Corporation (u/w) – A China-based company principally engaged in the research, development and sale of smartphones as well as more recently producing its own EV car range. Shares rose on investor optimism around China's nationwide subsidy program, expected to boost EV and smartphone sales. Xiaomi also beat fourth quarter revenue estimates and provided an optimistic growth outlook underpinned by strong demand for the company's EV range.

TSMC (o/w) – The leading global semiconductor manufacturer. Broader weakness across the global semi-conductor industry acted as a headwind for the company's shares in response to the release of DeepSeek's cost-effective open-source model.

HCL Technologies (o/w) – An Indian based technology company that provides software development and related engineering services. Third quarter results were in line with expectations, however the IT services sector succumbed to broad weakness on economic and tariff concerns. Broader tech sector weakness along with Nvidia's mixed outlook further weighed on sentiment.

Note
1) Source: Northern Trust & Border to Coast
2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

Emerging Markets Equity Fund at 31 March 2025

Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.10
Netease	+1.91
Saudi National Bank	+1.81
Kasikornbank	+1.53
Aegis Logistics	+1.44
Xiaomi	-1.24
Alibaba	-1.13
China Construction Bank	-1.05
BYD	-0.79
Infosys	-0.76

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Kweichow Moutai – A leading Chinese baijiu (liquor) producer with strong brand presence and scale. Despite achieving its 2024 growth target of 15%, the company faces negative sentiment around future revenue growth due to pressured wholesale prices, subdued consumer sentiment and elevated inventory levels. However, with the PBOC likely to accelerate stimulus efforts to boost domestic consumption amid U.S. trade tensions, the company is well positioned to benefit from a potential recovery in consumer confidence in mainland China.

NetEase – Despite having faced recent headwinds in its domestic market, the company's return to profit is a sign that its online gaming services is beginning to turn a corner and should continue to witness robust sales growth over the year underpinned by a strong gaming pipeline.

Saudi National Bank – Provides commercial banking services. The bank recently held an investor day where the CEO outlined the banks strategy to sustain loan growth, enhance profitability and improve banking services. The update was well received by investors who anticipate a positive outlook for the bank.

Kasikornbank Plc – Thailand based commercial bank that offers international trade and investment banking services. The banks strategic emphasis on leveraging technological innovation to enhance operational efficiency positions it favourably for future growth.

Aegis Logistics – A major provider of port infrastructure for the import/export of LPG and industrial liquids. The company has large expansion plans and is forecast to significantly grow capacity in the near future.

Bottom 5 Holdings Relative to Benchmark:

Xiaomi Corporation – Xiaomi is a rapidly emerging technology company that has gained significant market share in a short time, supported by its entry into the EV market and China's broader AI advancements. Considering evolving market dynamics following DeepSeek's announcement, our specialist managers are actively reassessing technology names. Material Chinese index weighting although it is a portfolio holding.

Alibaba Group Holding – Alibaba represents an established player within China's cohort of technology related names, to which the Fund has been underweight. Material Chinese index weighting although it is a portfolio holding.

China Construction Bank – Is one of the "big four" banks in China, offering services to millions of personal and corporate customers. The Fund maintains an underweight to Chinese State-Owned Enterprises, many of which are within the banking and finance sector.

BYD Company Ltd – Despite having experienced substantial growth in recent quarters and now becoming a larger constituent within the benchmark, the company faces extreme competition among auto OEMs which is expected to pose a drag on future profitability as well as the company's recent premiumisation efforts falling short of our managers expectations.

Infosys – An Indian IT consulting and software services business. The company is held underweight with our EM ex-China manager favouring other global competitor firms which offer less discretionary services, such as moving digital infrastructure to the cloud.

Emerging Markets Equity Fund
at 31 March 2025

Major transactions during the Quarter:

Purchases:

Localiza Rent A Car *(New Position – EM ex-China)* – Brazil-based company primarily involved in the car and fleet rental. The position was added on the grounds of low valuations and expectation for a cyclical recovery in profitability.

BeiGene Ltd *(New Position – China)* – A global biotechnology company engaged in discovering and developing oncology treatments for cancer patients worldwide. Although originating in China, Fountain Cap believe BeiGene is on track to establish itself as a true global pharmaceutical player, with manufacturing and commercialization capabilities worldwide.

Bloks Group Ltd *(New Position – China)* – A Chinese investment holding company primarily engaged in the design, development and sales of assembly toys. UBS believe that the company will transform and penetrate into the teenager and the adult market, which will further improve the company’s profitability and cement its long-term growth potential.

Sales:

Airports of Thailand PCL *(Exited Position – EM ex-China)* – The position was exited for better opportunities elsewhere given a challenging backdrop for their commercial property portfolio.

BYD Company Ltd *(Exited Position – China)* – Fountain Cap exited and reallocated to higher-conviction names in the auto supply chain such as Fuyao Glass. The decision was driven by the managers anticipation of intensifying competition among auto OEMs and the observation that the company's premiumization efforts have fallen short of their own expectations.

UK Listed Equity Fund - Overview at 31 March 2025

UK Listed Equity Fund

The fund generated a total return of 4.14% during the quarter, compared to the benchmark return of 4.51%, resulting in 0.36% of underperformance.

The Fund's underperformance primarily resulted from the following:

- Stock selection in Industrials where an underweight position in BAE Systems and an overweight holding in Melrose Industries were the main detractors.
- An overweight allocation to Common Stock Funds where exposure to UK small cap focussed funds was the key driver.
- Stock selection in Financials where an underweight position in Lloyds Banking Group and overweight positions in both Herald Investment Trust and Allianz Technology Trust weighed on performance.

This underperformance was partly mitigated by the following:

- Strong stock selection in Basic Materials where an underweight position in Glencore and overweight positions in both Antofagasta and Rio Tinto were the principal drivers.
- Positive stock selection in Consumer Staples where an underweight position in Diageo and an overweight holding in Imperial Brands were the most significant contributors.

Note
1) Source: Border to Coast

UK Listed Equity Fund
at 31 March 2025

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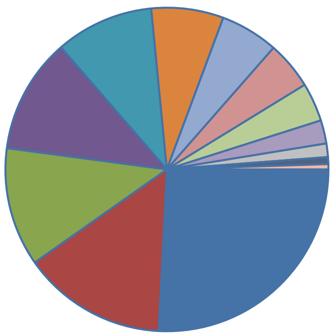
Largest Relative Over/Underweight Sector Positions (%)

Technology	+0.56
Common Stock Funds	+0.52
Basic Materials	+0.34
Health Care	+0.30
Telecommunications	+0.14
Financials	-1.23
Industrials	-0.54
Consumer Discretionary	-0.47
Energy	-0.29
Consumer Staples	-0.07

Sector Portfolio Breakdown



Note
1) Source: Northern Trust

UK Listed Equity Fund

The Border to Coast UK Listed Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the FTSE All Share Index by at least 1% per annum over rolling 3-year periods (before calculation of the management fee).

The majority of the Fund's performance will arise from stock selection decisions.

Sector Weights:

Technology (o/w) – historically a small sector in theUK benchmark and previously underweight. A reclassification of RELX PLC, one of our preferred holdings, from Consumer Discretionary and the addition of a new holding in Softcat PLC, an IT re-seller and advisory business with strong growth prospects, has resulted in an overweight position within a now more material sector in the benchmark.

Common Stock Funds (o/w) – whilst one fund was exited during the quarter, the fund retains Liontrust UK Smaller Companies Fund, a specialist fund forming part of our exposure to UK smaller companies. UK small caps, in common with other geographies, have underperformed the wider market in recent years leaving current valuations increasingly attractive. Over longer periods of time, helped by their higher growth potential, small cap companies have a track record of delivering outperformance.

Basic Materials (o/w) – modest overweight sector position with diversified commodity exposure across companies principally operating at the lower end of the cost curve, providing a degree of insulation from falling commodity prices. Key commodities include copper, an enabler of energy transition and electrification and iron ore, supporting infrastructure investment & construction such as needed for onshoring of manufacturing and data centre development.

Consumer Discretionary (u/w) – the fund has moved to an underweight position following the reclassification of RELX PLC, one of our larger overweight holdings, to the Technology sector. Consumer Discretionary would be expected to underperform in a weakening consumer environment such as we are currently experiencing, with fund holdings concentrated in operationally strong and higher quality names such as Compass & Next.

Industrials (u/w) – a broad mix of idiosyncratic companies, typically with significant global market positions in specialist niche markets but often operating in cyclical end-markets, with sector positioning driven by stock-specific considerations, such as the fund's exit from Ashtead Group during the quarter on concerns over slowing US construction trends.

Financials (u/w) – predominantly due to an underweight position in 3i Group and Lloyds Banking Group, partly compensated by overweight positions in Barclays and selective financials with Asian exposure such as Standard Chartered and Prudential where rising wealth levels provide attractive long term growth potential.

UK Listed Equity Fund Attribution
at 31 March 2025

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Diageo	0.89	(19.32)	1.84	(19.43)	0.29
Glencore	0.47	(20.78)	1.40	(20.68)	0.26
Prudential	1.48	31.71	0.90	31.69	0.12
Ashtead Group	0.00	0.00	0.74	(16.00)	0.10
Standard Chartered	1.93	17.24	0.93	17.41	0.10

Diageo PLC (u/w) – global spirits markets continue to be impacted by an extended period of de-stocking alongside a number of concerns around weakening consumer trends, lower alcohol consumption by younger generations, potential impact of GLP-1's (weight loss drugs) on demand and possible US tariff implementation.

Glencore PLC (u/w) – weaker coal prices have weighed heavily during the quarter, particularly with Glencore's increased coal exposure following its recent acquisition of Teck Resources' coal mining assets. Full year results also disappointed with lowered copper output guidance due to operational challenges, weaker marketing division revenues and an impairment at its South African coal operations.

Prudential PLC (o/w) – full year results confirmed a solid trading performance and an accelerated share buyback programme facilitated by strong cash generation, raising the prospect of increased shareholder distributions going forward. Plans to IPO its Indian asset management business were well received, with proceeds also set to be returned to shareholders.

Ashtead Group PLC (u/w) – exited the holding during the period over an increasingly uncertain outlook for US local construction markets and potential for a continued slowdown in residential construction, concerns which were later confirmed by disappointing results.

Standard Chartered PLC (o/w) – Q4 results confirmed broad-based strength across the business as it continues to benefit from a broadening of intra-Asian trade, and a particularly impressive performance from its Wealth division which is generating strong growth on the back of rising Asian wealth.

Note
1) Source: Northern Trust & Border to Coast

UK Listed Equity Fund Attribution Continued
at 31 March 2025

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Lloyds Banking Group	0.00	0.00	1.81	31.58	(0.33)
BAE Systems	0.93	35.88	1.94	35.79	(0.23)
Herald Investment Trust	0.61	(19.65)	0.04	(19.67)	(0.17)
Flutter Entertainment	0.59	(18.26)	0.00	0.00	(0.16)
Intercontinental Hotels	1.15	(17.11)	0.54	(17.10)	(0.16)

Intercontinental Hotels Group PLC (o/w) – travel & leisure sectorshares have underperformed on concerns over a slowdown in US domestic travel demand initially flagged by US airlines, potentially triggered by a combination of weakening consumer confidence, DOGE impact on government/corporate travel budgets and lower international travel to and from the US prompted by ongoing tariff uncertainty.

Flutter Entertainment PLC (o/w) – despite strong operational performance, in particular in the US where it has maintained leading market positions in online sports betting and gaming, shares have been weak during the quarter alongside most travel and leisure stocks on concerns growth may be impacted by softening US consumer confidence.

Herald Investment Trust PLC (o/w) – global technology and media sectors have underperformed during the quarter, compounded by widening of the discount at which the shares trade to net asset value back to around 10%, triggered by a failure of the activist (and largest shareholder) Saba to initiate changes to the board and strategy to suit their own agenda.

BAE Systems PLC (u/w) – defence sector has performed strongly during the quarter in response to significant increased national defence spending commitments including from the UK and many EU countries, with the Ukraine conflict ongoing and in order to fill the void left by the US.

Lloyds Banking Group PLC (u/w) – positive reaction to the full year results with resilient net interest income growth, further share buyback announcement and growing confidence in the revenue outlook supported by increasing interest rate hedge tailwinds. Ahead of a court ruling decision, concerns over the potential scale of motor finance redress appear to have lowered.

Note
1) Source: Northern Trust & Border to Coast

UK Listed Equity Fund
at 31 March 2025

Largest Relative Over/Underweight Stock Positions (%)

Unilever	+1.50
Barclays	+1.25
AstraZeneca	+1.14
Rio Tinto	+1.04
Standard Chartered	+1.01
Lloyds Banking Group	-1.81
Reckitt Benckiser	-1.48
3I Group plc	-1.38
GSK	-1.28
BAE Systems	-1.01

Note
1) Source: Northern Trust

Top 5 relative stock weights
Unilever PLC – attractive mix of emerging and developed market exposure, with investment now more focussed towards higher growth and margin areas, as well as benefitting from recent restructuring and improved operational performance. Despite an unexpected CEO change during the quarter, the impressive and well-regarded CFO has stepped into the role providing some comfort.

Barclays PLC – provides diversified banking exposure mix from its UK, Wealth, Investment Bank and global card business, with the group generating attractive double-digit shareholder returns. Valuation remains undemanding compared to peers and our overweight position is to partly offset not holding Lloyds Bank where ongoing motor finance redress concerns remain.

AstraZeneca PLC – one of the broadest late-stage pipelines in global pharmaceuticals alongside a number of recently launched drugs which continue to generate double-digit sales growth. An attractive mix of approved drugs with particular strengths in oncology and rare diseases where pricing supports continued margin progression.

Rio Tinto PLC – diversified mining exposure and, importantly in a cyclical sector, operating towards the lower end of the cost curve. Rio offers an attractive long term growth profile, particularly for copper, where it has the highest expected growth across diversified miners, and iron ore, important contributors to electrification/energy transition and infrastructure/construction respectively.

Standard Chartered PLC – preference over HSBC for Asian exposure given stronger growth seen in Wealth division, less China-centric business carrying lower China geopolitical risk and broad exposure to intra-Asian trade which appears not fully reflected in the valuation.

Bottom 5 relative stock weights
Lloyds Banking Group PLC – preference for NatWest, which provides similar UK banking exposure, and Barclays for broader global banking mix, with both having significantly lower risk relating to potential motor finance redress following the recent unfavourable court ruling and ongoing FCA review.

Reckitt Benckiser Group PLC – preference for Unilever given the lower revenue growth and significant litigation risk presented by the ongoing court hearings seeking damages in connection with Reckitt's infant nutrition products.

3i Group PLC – global private equity investor albeit with an unusually concentrated investment portfolio where over 70% of the current net asset value is invested in a single asset, Action, a European discount retailer. Whilst Action continues to trade strongly, the valuation of 3i appears demanding, with the premium at which the shares are trading near historic highs.

GSK PLC – preference for AstraZeneca within pharmaceuticals given its broader pipeline and scale of recent drug launches offering stronger growth. Two of GSK's vaccine products, key elements of GSK's revenue growth prospects, have also experienced headwinds to their sales.

BAE Systems PLC – preference for Qinetiq and Chemring within the defence sector which appear better placed to benefit from growing defence budgets and a likely increased allocation towards their speciality areas including cyber activities, countermeasures, intelligence and weapons/capabilities testing.

UK Listed Equity Fund
at 31 March 2025

Major transactions during the Quarter:

Purchases

F & C Investment Trust PLC (£37.0m) – new holding. Adding broader international equity exposure within the closed-end sub-sector and reducing the fund's large overweight exposure to UK smaller companies through a switch from Blackrock Smaller Companies Trust and Schroder Institutional UK Smaller Companies Fund.

AstraZeneca PLC (£24.6m) – increased active position within Healthcare, given its attractive portfolio mix with particular strengths in Oncology and rare diseases, one of the broadest late-stage pipelines and double-digit revenue growth driving margin progression.

BP PLC (£22.9m) – reduced the fund's underweight position and took some risk off the table following activist investor Elliot taking a significant stake and ahead of the Capital Markets Day in February where a major strategy re-set was due to be announced. We subsequently increased our underweight position as the strategy announcement failed to change our preference for Shell.

Softcat PLC (£21.9m) – new holding reducing Technology sector underweight. UK value added reseller of technology hardware, software and services with a strong track record of growth, returns and market share gains across the cycle.

Unilever PLC (£20.3m) – increased active positioning in Consumer Staples, funded by exit from Reckitt Benckiser. Unilever continues to improve operationally under new management, with a focus on premiumisation, scaling global brands and prioritising the US and India as key markets for growth.

Sales

Ashtead Group PLC (£48.2m) – exit from holding following recent earnings disappointments and growing uncertainty over the pace of recovery in US local commercial construction markets due to higher interest rates and a slowdown evident in residential property construction leading to an oversupply of rental equipment.

GSK PLC (£36.7m) – switch to AstraZeneca where we see a stronger growth profile from a broader late-stage drug pipeline and an already launched drug portfolio, whereas GSK is seeing a slowdown in revenue growth from two of its key vaccines Arexvy and Shingrix.

Shell PLC (£31.5m) – funded the temporary risk-reducing BP trade ahead of its Capital Markets Day. Post the announcement, which reinforced our preference for Shell (more consistent strategy, stronger balance sheet and more sustainable shareholder returns) we subsequently increased our overweight position in Shell.

HSBC Holdings PLC (£30.4m) – combination of raising cash to fund redemption (large index weight) and to increase active share within the Banks sector, with our preference for Standard Chartered across Asian-focussed banks.

Schroder Institutional UK Smaller Companies Fund (£26.4m) – exit from holding. Reducing significant overweight to UK small cap within collectives sub-sector and switching to F&C Investment Trust for broader international equity exposure.

Reckitt Benckiser Group PLC (£22.1m) – exited the holding during the quarter. A preference for Unilever and its stronger growth prospects, with Reckitt's also carrying material litigation risk within the infant nutrition business following a recent adverse US court ruling which is likely to remain an overhang on the shares for some considerable time.

APPENDICES

Overseas Developed Markets Fund - United States
at 31 March 2025

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tesla	0.23	0.61	0.20
Alphabet C	0.00	0.62	0.14
Berkshire Hathaway	1.22	0.82	0.06
Salesforce	0.00	0.22	0.05
Republic Services	0.34	0.04	0.05

Tesla (u/w) – Investors flocked to Tesla shares in the aftermath of last year's election, believing the company would emerge a relative winner following the new administration's sweeping changes. This more than reversed as Elon Musk's closer political ties caused concern overseas, and orders for Tesla electric cars plummeted. While the valuation has contracted somewhat, the shares still appear to price in some unlikely scenarios relating to autonomous vehicles, robotics and AI.

Alphabet Class C (u/w) – AI excitement died down during the quarter after indications some of the Hyperscalers were reconsidering the scale of their infrastructure spending. An AI digestion period was inevitable, but the market began to fear indigestion. Alphabet is also still feeling the effects of the DOJs increased attention with a ruling over its search dominance still pending. The positive contribution from the class C underweight was more than offset by the class A overweight.

Berkshire (o/w) – Berkshire performed well during the quarter after reporting a robust set of results. Additionally, the company's huge cash pile helped the stock perform well during a market decline.

Salesforce (u/w) – Salesforce reported Q4 earnings that missed analysts' expectations and guided to slower growth than investors were hoping for. The results – while still robust – failed to meet high expectations after the stock price had performed very strongly during the fourth quarter of 2024.

Republic Services Group (o/w) – Republic Services continues to demonstrate the defensiveness you'd expect from a domestic waste collection business as well as strong cost and price discipline, driving margin expansion.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - United States
at 31 March 2025

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet A	1.78	0.76	(0.27)
Broadcom	1.07	0.66	(0.18)
Amazon	2.02	1.51	(0.11)
Vanguard US Mid Cap ETF	3.09	0.00	(0.11)
Microsoft	3.02	2.35	(0.11)

Alphabet Class A (o/w) – As above, Alphabet was dragged down by a broader calming of AI excitement, as well as the continued overhang from its outstanding DOJ investigation.

Broadcom (o/w) – After a remarkable 2024, Broadcom's shares retreated in the first quarter in line with all AI-related technology names. As the leading supplier of custom-built semiconductors for large hyperscale cloud operators, investors became fearful that an infrastructure buildout slowdown would hurt Broadcom's revenue growth. We remain confident in Broadcom's long-term position within this crucial part of overall compute infrastructure.

Amazon (o/w) – Amazon was caught up in the broader AI sentiment deterioration despite posting robust results.

Vanguard Mid-Cap ETF (o/w) –Sizeable position in this ETF to gain exposure to the medium-sized companies that populate the long tail of our benchmark – the S&P 500.

Microsoft (o/w) – While Microsoft has a strong track record of being exceptionally nimble despite its size, a potential AI growth slowdown will weigh on the company's cloud business, Azure. Investors have begun to fear an AI winter. We remain confident, however, in Microsoft's long-term prospects.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - United States
at 31 March 2025

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.09
Alphabet A	+1.03
Microsoft	+0.67
Amazon	+0.51
Walmart Inc	+0.48
Alphabet C	-0.62
Exxon Mobil	-0.44
Tesla	-0.38
Johnson & Johnson	-0.34
AbbVie	-0.31

Top 5 Holdings Relative to Benchmark:

Vanguard Mid-Cap ETF – The ETF provides exposure to smaller companies in the US, although the portfolio has an underweight exposure to smaller companies overall.

Alphabet Inc Class A – The parent company of Google has two share classes. While the fund doesn't own the class C shares, our net position in the business is still overweight. Google enjoys a strong and profitable internet advertising market position while also benefitting from a fast-growing cloud computing infrastructure business. Investors are concerned that AI will disrupt the company's core search business, but we believe that is overly discounted in the share price, and that Alphabet will emerge a strong AI player.

Microsoft Corp – Microsoft is well positioned to benefit from growth within its cloud hosting business and is executing its cloud strategy well. MSFT has the flexibility to manage its capital spending plans and has demonstrated a deft touch in this regard, able to pivot rapidly when demand trends shift. Overall Microsoft is one of our favourite long-term investments.

Amazon – Amazon's AWS is the world's largest public cloud business, and with cloud transition still below 50% penetration, the company should benefit from years of future growth, whether AI continues to supercharge cloud growth or not. Additionally, the company's retail business has consistently lowered costs and expanded margins.

Walmart – Walmart has successfully created an ecommerce business with sufficient scale to drive a higher level of sales growth. Additionally, digital revenue streams from advertising and Walmart+ membership come with much higher profit margins.

Bottom 5 Holdings Relative to Benchmark:

Alphabet Class C – The large holding in the A share class results in an overweight exposure overall.

Exxon Mobil Corp – We prefer Chevron and ConocoPhillips to Exxon Mobil. Both companies have demonstrated more consistent energy transition engagement.

Tesla Inc – Tesla's shares have retraced most of the post-election gains from last year. And while the shares now reflect a slightly more realistic set of outcomes for the company, we still feel they are expensive. Tesla's governance practices remain problematic too.

Johnson & Johnson – Johnson & Johnson's medium term growth challenges continue to weigh on the shares, and the company's attempts to finally put its talc challenges behind it keep getting rebuffed by the US courts.

AbbVie – AbbVie has suffered significant setbacks relating to its pipeline development and we lack confidence in this crucial aspect of the pharmaceutical industry. Additionally, the company faces intense biosimilar competition.

Note
1) Source: Northern Trust

Overseas Developed Markets Fund - Europe (ex UK) at 31 March 2025

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Deutsche Telekom	0.96	0.41	0.09
BNP Paribas	0.75	0.28	0.09
Intesa Sanpaolo	0.77	0.27	0.08
Thales	0.18	0.08	0.08
ING	0.69	0.19	0.07

Deutsche Telekom (o/w) – The German telecoms company performed strongly following better than expected end of year results. Growth in its US subsidiary T-Mobile US saw strong subscriber growth and more home internet customers as well as strong performance from the domestic German market following the announcement of the German infrastructure plan with expectations that some of the expenditure would be allocated to the telecoms space.

BNP Paribas (o/w) – The French bank exceeded expectations with strong year-end earnings, boosting its stock. European banks performed well in Q1 due to increased confidence and sector rerating. Growth expectations improved with Germany's infrastructure plan and defence spending, enhancing economic activity and bank lending. Higher growth may keep inflation slightly elevated, slowing interest rate declines and supporting bank profitability.

Intesa Sanpaolo (o/w) – The Italian bank performed well helped by similar factors as BNP and other European banks. Intesa Is a well-run, capital light Italian bank focussed on organic growth. The group is generating excess capital which is being returned to shareholders in the form of buybacks.

Thales (o/w) – The French defence company reported its end of year numbers ahead of expectations helping fuel its strong year to date performance. With the US pushing for a ceasefire and an end to hostilities in Ukraine, it is expected that European countries will have to increase their defence spending, which could be potentially up to 3% of GDP. Defence spending is now being excluded in some countries such as Germany from debt to GDP calculations to facilitate this increase. The EU has also proposed extending loans to European countries to assist their increased spending on defence.

ING Groep (o/w) – The Dutch bank rallied as the shares are seen to be undervalued and are not pricing in the capital returns, we expect it to make due to its well capitalised balance sheet. The group also acquired a stake in a smaller Dutch wealth manager to expand its domestic franchise. The deal is attractive with a potential return on investment as high as 25%.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Europe (ex UK) at 31 March 2025

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Rheinmetall	0.00	0.21	(0.12)
Banco Santander	0.00	0.34	(0.11)
UniCredit	0.00	0.30	(0.09)
BBVA	0.00	0.26	(0.08)
Schneider Electric	0.89	0.41	(0.05)

Rheinmetall (u/w) – The German defence company performed very strongly on the announcement of the German infrastructure spending of which a large part will be allocated to increased defence spending plus the relaxation of debt calculation rules to allow Germany to increase its spending on defence substantially over the next decade.

Banco Santander (u/w) – The Spanish bank delivered record profits for the full year and a further buyback of stock boosting the shares. It has been helped by higher interest rates boosting lending margins. Banco Santander also benefits from similar themes to BNP Paribas.

UniCredit (u/w) – The Italian bank benefitted from similar trends to other banks in Europe. In addition, UniCredit is attempting to acquire local Italian competitors which would again support margins and earnings growth.

Banco Bilbao Vizcaya Argenta (u/w) – The Spanish bank benefitted from similar trends to other European banks. In addition, end of year results were strong and supported by a potential acquisition of a smaller Spanish competitor that could provide cost savings and help deliver earnings growth.

Schneider Electric (o/w) – The French power and electrical equipment company saw its shares fall after the announcement by the Chinese start up DeepSeek of a lower cost solution for AI. This called into question the scale of investment needed for data centres. Investors have started to reappraise the potential revenue growth for Schneider as lower demand for data centres could lead to slower growth in electricity demand. We continue to believe that the group will generate strong organic revenue growth as demand for electrical equipment rises due to the electrification of economies and datacentre demand remains robust.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Europe (ex UK) at 31 March 2025

Largest Relative Over/Underweight Stock Positions (%)

Deutsche Telekom	+0.55
Intesa Sanpaolo	+0.50
ING	+0.50
TotalEnergies	+0.49
Schneider Electric	+0.48
Zurich Insurance Group	-0.34
Banco Santander	-0.34
Hermes	-0.30
UniCredit	-0.30
BBVA	-0.26

Top 5 Holdings Relative to Benchmark:

Deutsche Telekom (o/w) – Deutsche Telekom is one of the largest telecom operators in Europe. It owns a 50% stake in T-Mobile US, a US mobile network operator, which provides exposure to a market with higher growth and profitability than Europe. In addition, it is the incumbent operator in the German market which has lower price competition than other European markets enabling higher profitability.

Intesa Sanpaolo (o/w) – Intesa Sanpaolo is a well-run Italian bank and is the clear market leader in Italy with shares of 20-25% in all segments and a focus on wealth management where it is seeing strong capital inflows. It has a strong balance sheet and should return cash to shareholders. The shares remain cheap relative to history.

ING Groep (o/w) – The group is a Dutch listed bank with a strong position in its home market and the Benelux. It is well capitalised and is returning cash to shareholders through high dividends and buybacks. It has invested significantly in digitalisation which is helping to grow its offering and gain new customers.

TotalEnergies (o/w) – The French petroleum company has recently been shifting away from its core oil business and has now become the second largest player in LNG. The management team is looking to diversify further into green energy and renewables. This diversification as well as being one of the lowest cost oil producers lead us to being overweight the name.

Schneider Electric (o/w) – Schneider is a highly regarded and well-managed electrical power equipment company that enjoys a strong global position in the structural growth markets of Energy Management and Industrial Automation where growth is being driven by strong demand for Data Centres.

Bottom 5 Holdings Relative to Benchmark:

Zurich Insurance (u/w) – The Swiss reinsurance company trades on a high valuation relative to peers, especially considering what we believe are overly ambitious profitability targets. We prefer Munich Re, which commands a lower valuation.

Banco Santander (u/w) – Santander's balance sheet is considered one of the weakest in the sector, and its end markets are especially vulnerable to the impact of higher interest rates. The bank's strategy to expand into investment banking remains risky, in our opinion.

Hermes (u/w) – Hermes trades on a higher valuation and has a less diversified portfolio than some of its peers. The portfolio has an overweight position in LVMH, which trades at a lower valuation despite its best-in-class characteristics.

UniCredit (u/w) – The Italian bank is not held in the portfolio as we think it is less well managed. We are concerned management are considering M&A that we believe could destroy shareholder value. We prefer its peer, Intesa Sanpaolo, as it benefits from a more diversified revenue base, strong asset gathering capability and a potential recovery in fees & trading to largely offset sector wide the margin pressures.

BBVA (u/w) – BBVA's recent acquisition of Banco Sabadell, a local competitor, adds integration and deal risk, which we believe is not adequately compensated for in the equity valuation. BBVA is also less diversified than some if its peers which the Sabadell deal does little to alleviate due to its exposure outside of Spain consisting largely of Mexico and Turkey.

Note
1) Source: Northern Trust

Overseas Developed Markets Fund - Japan
at 31 March 2025

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Bandai Namco	0.17	0.05	0.03
Mitsubishi UFJ Financial	0.54	0.34	0.03
Asahi	0.21	0.04	0.03
Sony	0.52	0.33	0.03
Nintendo	0.32	0.16	0.03

Bandai Namco (o/w) – Solid results from Q4 2024 demonstrated that the company's strategy of mixing physical content like games and toys with digital gaming is starting to pay off. Valuations were also at attractive levels versus industry peers.

Mitsubishi UFJ (o/w) – Interest-rate sensitive stocks continued to outperform the broader market on hawkish Bank of Japan guidance and a continued upward trend in long-dated JGBs. Blue-chip stocks like MUFJ faired particularly well in recognition of their strong balance sheets and solid growth potential in a higher-rate environment.

Asahi Group (o/w) – Share price performance was lacklustre during the prior quarter on weakness in Australia, one of the Japanese beer-maker's key markets. With valuations looking attractive at the start of the quarter, the stock rebounded, as the market reassessed Asahi's longer-term potential in growth markets like Central and Eastern Europe as well as its stable revenue and earnings profile in an increasingly uncertain global trade environment.

Sony (o/w) – The shares continued to rerate following a long-period of underperformance as investors struggled to understand the growth trajectory of the company's core gaming and network services business. Sentiment began to shift late last year on news that PS5 consoles had become profit-making, as well as improving growth numbers in key network services metrics like monthly average users (MAU) and total game playtime.

Nintendo (o/w) – Investors continued to respond positively after a rare strategic update from senior management in November sparked a year-end rally. Management appears confident that the next-generation Switch gaming console can generate comparable sales and earnings to the current generation—a particularly salient point given the feast-and-famine-type volatility traditionally associated with Nintendo new console launches.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Japan
at 31 March 2025

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Recruit Holdings	0.30	0.16	(0.06)
TDK	0.19	0.04	(0.04)
DISCO Corporation	0.12	0.04	(0.03)
Softbank Group Corp	0.23	0.11	(0.02)
Shin-Etsu Chemical	0.26	0.12	(0.02)

Recruit Holdings (o/w) – Owner of popular US employment search engine Indeed.com, Recruit attracted market attention in the previous quarter as a Japanese beneficiary of the "Trump Trade." The share price corrected as sentiment around a "Trump Boom" soured amid talk of a possible US recession. In our view the company still has significant leeway to grow through ever-greater monetization of its digital properties.

TDK (o/w) – Shares corrected following very strong performance in 2024. Sentiment appeared to deteriorate on lacklustre smartphone demand and continued uncertainty around the timing of AI adoption in edge devices. We continue to rate the Japanese electronic component supplier's industry-leading battery technology highly. Management has shown itself adept at adopting to industry changes, and we believe the market will be surprised by the positive effects of its strategy in areas such as mid-sized batteries and sensors.

Disco (o/w) – Following a rally into year end, shares of this high-quality semiconductor equipment producer corrected significantly on renewed scepticism over the strength of semiconductor demand and related capex. Given the cyclical nature of the industry, semiconductor-related stocks tend to experience relatively high levels of volatility in the short term, but we continue to see value-creating opportunities in the longer term.

Softbank Group (o/w) – The company's shares derated as the market appeared to question the robustness of this telco/tech group's investments in AI-related technology, especially amid news that Chinese company DeepSeek had created a large-language model (LLM) much more efficiently than Softbank's US partners. A correction in the share price of listed subsidiary ARM also weighed on the shares.

Shin-Etsu Chemical (o/w) – The market has taken a more pessimistic view on the two most important end markets for this chemical maker: (1) semiconductor production that employ Shin-Etsu's silicon wafers, and (2) US new home starts, which are the key end market for the company's PVC. Shin-Etsu remains a core holding for the fund, however, given its dominant market share in these key products, strong profitability, and high-quality management.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Japan
at 31 March 2025

Largest Relative Over/Underweight Stock Positions (%)

Mitsubishi UFJ Financial	+0.20
Sumitomo Mitsui Financial	+0.19
Takeda Pharmaceutical	+0.19
Sony	+0.18
Tokio Marine	+0.18
Mizuho Financial	-0.15
Mitsubishi Heavy Industries	-0.12
Mitsui & Co	-0.12
Fast Retailing	-0.12
Daiichi Sankyo	-0.10

Top 5 Holdings Relative to Benchmark:

Mitsubishi UFJ – As Japan's largest and highest-quality bank, MUFG is well placed to benefit from the long-awaited normalization of Japanese interest rates and the positive impact this will have on bank earnings. We are also bullish on its high-quality overseas assets, such as the investment bank Morgan Stanley.

Sumitomo Mitsui Financial Group – We maintain an overweight position on large Japanese banks. Among these we favour Sumitomo because of the success management has enjoyed in shifting the group's business model beyond traditional reliance on loan-deposit spread, as well as building a credible overseas operation.

Takeda – This large-cap Japanese pharmaceutical company is a core healthcare holding given its deep pipeline of drug development and its diverse regional and product exposures. The shares continue to trade at very attractive valuations despite strong potential for an acceleration in revenue growth and improvements in profitability.

Sony – Sony is a core holding in the consumer space for its broad range of offerings across hardware, software, entertainment, and digital content. We continue to see a long runway of growth for this company's revamped growth strategy.

Tokio Marine – We rate this non-life insurer very highly for its strong position in the Japanese home market as well as the solid portfolio of businesses it has built in overseas markets like the US. Tokio Marine has long been a leader in corporate governance and is now committed to eliminating its cross shareholdings on an accelerated timeline, which we believe will lead to an increase in shareholder returns.

Bottom 5 Holdings Relative to Benchmark:

Mizuho Financial Group – While we maintain our overweight in Financials, we prefer MUFG for the higher quality of its domestic franchise as well as its blue-chip overseas assets like Morgan Stanley. We also prefer to hold Sumitomo Mitsui Financial Group for its successful efforts to build profitable non-lending businesses.

Mitsubishi Heavy Industries – The shares of this diversified industrial company have been attracting market attention over the last year as long-running restructuring efforts that have frustrated investors in the past have finally started to bear tangible fruit. We prefer Hitachi, however, given its better growth profile, superior industry positioning, and the fact that its portfolio restructuring has progressed far further.

Mitsui & Co – While we rate Mitsui & Co. highly, we prefer Mitsubishi Corp. and Itochu Corporation, due to their more diversified business portfolios with relatively lower weighting on resources/commodities. Mitsubishi Corp. in particular has learned the lessons of the last bull cycle and is more keenly focused on free cash flow generation.

Fast Retailing – We rate this high-quality, high-growth apparel retailer very favourably but struggle to find an attractive entry point as valuations reflect greater positive performance than we believe is feasible.

Daiichi Sankyo – Despite derating during the quarter, the current share price continues to reflect an unrealistically optimistic outlook for the company's oncology drugs, in our view.

Note
1) Source: Northern Trust

Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 31 March 2025

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Newmont Corporation	0.16	0.00	0.04
WiseTech Global	0.00	0.07	0.04
Bank of China (Hong Kong)	0.26	0.11	0.03
Samsung Electronics	1.77	1.37	0.03
Hong Kong Exchanges & Clearing	0.53	0.39	0.03

Newmont (o/w) – The largest gold producer in the world benefitted from high precious metal prices, a solid balance sheet and ongoing share buybacks.

Wisetech Global (u/w) – The provider of cloud-based logistic software solutions underperformed amid corporate governance turmoil and delays in product launches.

Bank of China Hong Kong (o/w) – Continued enjoying firm margins and resilient asset quality whilst also benefiting from rising dividends and expectations of share buybacks.

Samsung Electronics (o/w) – Outperformed on early signs of a memory cycle rebound as well as progress made in its technology roadmap in high-bandwidth memory.

Hong Kong Exchanges & Clearing (o/w) – Outperformed on setting records for both cash and derivatives trading in the context of improving equities sentiment and gradual impact from China's economic stimulus.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 31 March 2025

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Hanwha Aerospace	0.00	0.10	(0.04)
Goodman	0.40	0.26	(0.04)
Samsung SDI	0.15	0.05	(0.03)
James Hardie	0.16	0.08	(0.03)
Techtronic Industries	0.31	0.13	(0.02)

Hanwa Aerospace (u/w) – The South Korean aerospace and defence company performed strongly over the quarter as Trump demanded NATO, and non-NATO allies like South Korea, spend more on defence. Hanwha also release strong results showing increasing international demand for their products helping underpin their future growth.

Goodman Group (o/w) – Underperformed as it carried out a capital raising to fund its development of data centres.

Samsung SDI (o/w) – Sluggish demand for EV batteries and concerns over US tariffs. Its performance was also undermined by the announcement of an equity issuance to fund its future growth and strengthen its balance sheet.

James Hardie Industries (o/w) – Was hurt by the slower than expected recovery in the repair and remodel residential market in the US. There were also concerns over the price paid for the acquisition of AZEK, a US decking and siding manufacturer.

Techtronic Industries (o/w) – In spite of delivering record results Techtronic was affected by expectations of slower construction activity in the US on the back of expectations of fewer and more gradual interest rate cuts by the Fed and concerns over the potential impact of US tariffs.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 31 March 2025

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.40
SK Hynix	+0.30
AIA Group	+0.24
KB Financial Group	+0.23
Amcor	+0.22
Westpac Bank	-0.49
UOB	-0.25
Samsung Electronics Prefs	-0.19
QBE Insurance	-0.15
Celltrion	-0.13

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Samsung Electronics – Samsung is exposed to structural growth in the memory chip market, including high bandwidth applications. The group also has a diversified earnings stream, stronger balance sheet than peers, and large potential for shareholder returns. The overweight in the ordinary shares is partly offset by not owning the preference shares.

SK Hynix – A leader in semiconductor memory with high teens global market share in both NAND (storage) and DRAM (processing) chips, benefitting from structural demand growth with improving penetration and increasing number of applications (including AI) for its technologically leading high bandwidth memory.

AIA Group – Best-in-class provider of insurance and financial services with a strong distribution franchise in Asia Pacific and sizeable potential for growth in the underpenetrated Life Insurance markets of China and ASEAN.

KB Financial Group – Largest financial group in Korea, with sector leading return on equity, strong capital position, and increasing focus on improving shareholder returns.

Amcor – A leading global consumer packaging manufacturer with dominant market shares in flexible packaging, PET bottle, closures and tobacco cartoons. It enjoys solid cashflows and defensives characteristics whilst could show steady growth as volumes match underlying demand. There is also the potential for margin expansion as it continues to work through cost cutting and synergies from prior acquisitions.

Bottom 5 Holdings Relative to Benchmark:

Westpac Banking Corp – The Fund has a preference for the other major Australian banks, given they achieve better returns, are better provisioned, and are considered better run.

UOB – While Singaporean banks tend to be highly correlated, the portfolio prefers competitors DBS and OCBC – both enjoy stronger capital positions and more differentiated profiles. DBS is the leader in terms of profitability and carries a high valuation, whilst OCBC is slightly cheaper than UOB, with similar profitability but paying a slightly higher dividend yield.

Samsung Electronics Prefs – The portfolio is overweight Samsung Electronics overall via the more liquid ordinary shares. The discount of the preferred shares to the ordinary shares has widened in recent months. Should this trend continue, we would consider some partial switching to preferred shares going forward, allowing for liquidity considerations.

QBE – Largest Australian insurer with strong revenues from its North America and international segments. The fund prefers Insurance Australia Group given its historically higher returns profile and scope for outperformance on the back of its domestic market exposure.

Celltrion – Concerns surrounding historic accounting regularities exacerbated by excess product concentration, uncertain pipeline and pricing / margins and the deteriorating competitive dynamics in the biosimilars space in pharmaceuticals.

Overseas Developed Markets Fund
at 31 March 2025

Major transactions during the Quarter:

United States

Purchases:

Martin Marietta (£27.3m) – Martin Marietta is a miner, processor and seller of aggregates materials that are used in most construction sites, and manufacture of other key buildings materials such as cement and mortar. The company owns and operates quarries across the country which – due to the unique industry structure and cost of transportation – operate in an oligopolistic fashion. The company enjoys significant pricing power due to the inelasticity of aggregates, and their relatively low cost. In short, we believe that Martin Marietta has a highly visible and long runway of favourable supply and demand that should lead to attractive financial returns.

Nvidia (£10.6m) – Nvidia's results continue to impress, with the firm churning out hypergrowth rates of sales despite its size. Demand for its GPUs continues to be very strong as the world looks to rapidly build AI infrastructure. While near-term sentiment has no doubt deteriorated, we continue to believe the company is well positioned for the long run.

Netflix(£6.7m) – Netflix is a unique business which dominates the global video streaming industry due to its first mover advantage, and business model of offering an extremely broad array of content that suits all tastes. The company's distributed production capabilities mean that it can cater to local taste, while at the same time exports local hits that often become a global phenomenon. This means the company is still adding subscribers at an impressive rate and can raise prices on top. Moreover, the nascent – yet high margin – advertising opportunity should further support future growth.

Sales:

Hess (-£19.0m) – The proposed merger between Hess and Chevron Corp – which could unlock some synergies – is being held up in arbitration courts by a case brought by Exxon Mobil. Its outcome and timing are uncertain. The fund's overweight position was relatively small, and because we have a generally unfavourable view of the energy sector, we decided to exit the position and redeploy the capital elsewhere. The fund is now slightly underweight energy.

Fidelity National Information Services (-£13.3m) – After an underwhelming set of quarterly results, which surfaced a number of one-time items clouding the financial performance of the company – including certain payments related to the Worldpay acquisition – the stock price fell heavily. The results raised questions around capital allocation, so we exited the position.

Eversource Energy (-£13.1m) – Eversource has underperformed dramatically over recent years due to a number of management capital allocation missteps. The company has – for the most part – unwound these previous mistakes, but the company is in a far from enviable position. It faces the prospect of having to negotiate a price increase in its main marketplace – Connecticut – during a period of intense challenges for state residents. Ultimately, we felt there was better use of funds in other defensive area of the portfolio.

Europe (ex UK)

Purchases:

SBM Offshore (£12.0m) – SBM Offshore was a new position in the portfolio in the fourth quarter of 2024 and we have been adding to the position. It is the market leader in FPSOs (Floating Production and Storage Offshore) and is seeing demand increase. The company has a strong balance sheet with good cash generation. The long term cashflows from leasing FPSOs are undervalued and the group is developing a new business in building FPSO's for sale which is not reflected in the current valuation.

BNP Paribas (£9.3m) – Decreasing underweight to Banks sector. BNP had previously underperformed the sector due to concerns over French political turmoil and their ability to pass a budget which has now been resolved. Operationally, the group continues to do well.

Nordea Bank (£8.9m) – Decreasing underweight to the Financials sector. Nordic banks have underperformed the sector, and their valuations are lower than most peers.

Intesa Sanpaolo (£8.9m) – Decreasing underweight to Financials sector. Intesa benefits from its more diversified revenue base with gearing to asset gathering and the recovery in fees and trading will offset the margin pressures.

Sales:

ENI (£19.6m) – The position was sold as the fund is looking to consolidate positions in oil and gas. This was used to add to our holding in TotalEnergies which is our preferred large cap name in the space, with some of the capital used to add to SBM Offshore.

Kone (£9.5m) – Kone was a small position in the fund and was exited as the group is over exposed to the Chinese market where competition is fierce and there are concerns around cash generation. The group's valuation does not adequately reflect these challenges.

DHL Group (£9.3m) – DHL was also a smaller position in the fund. Volume growth has been lacklustre and price competition from peers is fierce. Tariffs from the US on goods could also pressure freight volumes.

NN Group (£5.7m) – Sold out of a small position to raise capital and reduce the underweight position in Financials. The stock is on a low valuation, but other insurers offer better growth. The concern is that the group is undercapitalised and may have to slow shareholder returns.

Asia Pacific (ex Japan)

Purchases:

None.

Sales:

Wilmar International (-£5.5m) – Despite the attractiveness of its integrated model encompassing the entire value chain and exposure to the rising volume markets of India and China, the Singaporean agri-business continued to post results below expectations affected by price competition and suggesting a deterioration in its quality proposition. Whilst valuations remained low, the lack of visibility for a meaningful recovery and expectations of corporate actions prompt the Fund to exit the position.

Japan

Purchases:

Sysmex (£7.4m) – We initiated a position in this medical device supplier. The company has leading market positions in blood testing equipment such as haematology and haemostasis, with a sizeable portion of revenue coming from recurring sales of reagents and maintenance services. Shares look especially attractive as the company regains direct distribution rights of haemostasis equipment and reagent/maintenance contract sales from Siemens in North America and Europe.

Nidec (£4.1m) – Nidec is another new position for the fund. The shares of this comprehensive manufacturer of motors looked very attractive both on a relative and absolute basis. We believe (1) that margins are set to expand as the new CEO implements tighter cost controls across the group, and (2) the company's position among the world's top motor and motor-adjacent component suppliers will provide a long runway of growth in the era of electrification.

Shin-Etsu Chemical (£2.4m) – We added to this core chemical sector holding following last year's derating as valuations were at long-term lows and we believe pessimism around the company's core end markets is overdone.
Shimano (£1.6m) – We increased our position in this bicycle component manufacturer. Prolonged inventory corrections at its European retail customers have depressed earnings as well as investor sentiment. We judged valuations attractive and believe any weakness in earnings is likely to be short term.

Keisei Electric Railway (£1.6m) – We added to this railway operator amid share price weakness. The core railway asset continues to look attractive. In addition, the market appears not to be valuing the company's stake in Tokyo Disneyland owner, Oriental Land.

Sales:

Nintendo (-£3.2m) – We reduced our position in this iconic Japanese game company as a continued rally in the share price has pushed valuations to higher-than-average levels.

Panasonic (-£2.0m) – We began reducing this position ahead of an eventual exit. In our view, the company's effort to restructure this sprawling industrial and consumer business lacks urgency and coherence. In addition, strategic growth businesses continue to disappoint, and we are doubtful they will ultimately deliver on their promised potential.

Sony (-£1.6m) – We reduced our position in this consumer giant following a period of strong share price appreciation.

Mitsubishi UFG Financial Group (-£1.6m) – We reduced our position in Japan's largest banking group on strong outperformance and less attractive valuations.

Sumitomo Mitsui Financial Group (-£1.6m) – Reduced our position in this megabank to rebalance after strong outperformance.

Market Background
at 31 March 2025

The first quarter of 2025 got off to a rocky start. Global equities lost 4.8% in sterling terms. Following a near 20% gain in global equity markets last year and a strong fourth quarter to finish it off, it should come as little surprise that momentum waned in both equity markets and the US Dollar. The main contributor to the weakness this quarter was not equity markets but the reversal in the US Dollar which lost sterling investors just over 3% of their returns. The relatively modest move in global equities over the first quarter belies a period of volatility that swiftly followed Trump's second inauguration on 20th January. With a clear slate of nominees and a raft of executive orders it became clear that this administration intended to hit the ground running.

The frenzy of activity from the Trump administration has captured headlines daily. The importance of this is often overlooked, as investors and economists attempt to peer through the blizzard of news flow and focus on the underlying economy and financial markets. The very nature of the uncertainty engendered by this activity is, in and of itself, having an impact. A lack of certainty around the US administration policy agenda weighs on both corporate and consumer sentiment, slowing companies from making long term investment decisions and stopping consumers from spending as freely. This undermines economic growth even before an increase in tariffs have had a chance to bite.

With the epicentre of the uncertainty located in the US and following a strong 2024, US equities struggled at the start of the year. Business and consumer sentiment both weakened, services activity and small business investment intentions fell, and consumer confidence registered its largest decline since the surge in the Covid pandemic in August 2021. From their peak to trough over the quarter, US equities declined by ~13% in sterling terms. Both the largest and the smallest companies performed the worst during the sell off with the Russell 2000, a US index of small and mid-sized companies, and the Magnificent 7 both dropping by over 17%.

When we look through the near term and attempt to quantify the implications of the Trump administration's policies we reach two tentative conclusions. The first is that the initial implications of trade tariffs (almost irrespective of their scope and scale) are that they are inflationary in nature. The costs must be borne by the end consumer. The most visible case is the increase in car prices from cross border tariffs against Canada and Mexico as well as further reaching tariffs imposed on China. Simplistically this has been quantified as between a $6,000-$10,000 increase per vehicle (dependent largely on their power-train configuration). In an industry already operating with high levels of efficiency and wafer-thin margins, it is inconceivable that this will not be passed through. More broadly, this means that the retrenchment in inflation for consumer goods that has helped the US will gradually start to reverse, making inflation stickier and reducing the Federal Reserve's ability to cut interest rates and support growth.

This feeds into the secondary impact of tariffs. Tariffs and the resultant reciprocal tariffs by impacted trading partners, will have a negative impact on growth. We look back at Trump's first term for guidance and even with those more modest tariffs there was a notable impact. Then, as now, companies evolved, reorganised and re-shaped their supply chains to adapt to changing circumstances. This gives us some hope that the themes of reshoring or friend shoring are likely to re-assert themselves once the playing field has been more clearly defined. Until that time, softer global growth prospects appear as a central scenario.

The one area of strong performance last quarter was that of European equities. Coming from a position of low valuations, modest expectations and having experienced a long period of capital outflows, their reversal in fortunes was notable, gaining 7.1%. Germany's election in February proved a notable catalyst. Despite the conservative CDU receiving the most votes and forming a coalition with the SPD, the most notable outcome was the rise of the far-right party, AfD. Despite only gaining 21% of the votes, the AfD's rise has forced a marked change in policy by the incoming coalition and resulted in a loosening of the fiscal rules that have so far constrained Germany from supporting its ailing economy. The reaction across German equities was particularly pronounced with a 12.6% gain. We caution that the headline stimulus of close to €1trn, €500bn of which is to be spent on infrastructure and climate protection, though a clear turnaround in fiscal policy, is spread cumulatively over a 12-year period. To put this in context, the US Infrastructure and Jobs act put in place by Biden in 2022 was for $1.3trn over a 5-year period to 2026, only a part of the $4trn American Job and American Families plan.

Note
1) Source: Border to Coast

Market Background at 31 March 2025

The UK equity market held its ground over the quarter. The Labour government has continued to deliver some of the much-needed stability that was missing from the prior administration. There has been no event to excite investors or channel capital back into the UK equity market. However, Starmer has equipped himself well whilst managing thorny relationships with both Europe and the US. The economy has failed to deliver the anticipated growth and further fiscal belt tightening has been required in the Spring budget. The saving grace has been the low trade deficit with the US (a trade surplus if you include services) ensuring it is on the periphery of any confrontation on tariffs, furthermore the low valuation and high exposure to consumer staples and health care gives it defensive characteristics that proved beneficial over the quarter.

Further east, there are some signs that China's fortunes may be changing. The Chinese equity market gained 12% over the quarter. There has been little respite from the ongoing deleveraging across the property market. Inventory levels of new build apartments are slowly being worked down but this is driven by the slowdown in supply rather than resurgent demand. This continues to weigh on domestic growth. China's 5% GDP growth target remains a stretched target. The strength of exports is underpinned by a short-term inventory build ahead of US tariffs rather than anything resilient and could therefore move to become a headwind over the latter part of the year. Consumer confidence remains weak though we take some comfort from targeted government programs that have spurred demand for white goods and other targeted purchases. It is the potential to unlock long term structural growth in consumer spending that would materially change our perspective and appetite for investment into the Chinese equity market.

Sector performance over the quarter was almost as volatile as that seen across geographies. The high-flying Technology sector experienced a setback falling just under 14%. The announcement from DeepSeek, a Chinese technology company, that it had built its own AI model, sent shockwaves through the sector. US export restrictions to China have meant that DeepSeek's achievements were even more spectacular as they were done on what could only be referred to as inferior technology and resulted in not dissimilar outcomes though a more efficient process. The result raised a question mark not only on the need for Nvidia's ever more complex and expensive chipsets but also on the vast amount of capital expenditure the industry was ploughing into datacentres. As a result, chip designer Nvidia experienced a peak to trough decline of ~30% whilst datacentre provider Iron Mountain declined ~34%.
Against such an uncertain backdrop, the performance of the defensive Consumer Staples and Telecoms sectors should be highlighted. The Telecoms sector is of particular interest.

Historically returns were decimated by over investment as carriers fought to keep up with technological developments and gain or maintain market share. With a significant portion of the 5G capex already committed and 6G not expected until the next decade there is a potential window of opportunity for operators to generate a reasonable return on their infrastructure. This is further enhanced by the ongoing consolidation across the sector which has reduced competition whilst inflation has allowed carriers to pass through cost increases.
The turbulent backdrop has certainly challenged our optimistic outlook for 2025. As we enter the new quarter, it is clear that we are at a point of heightened uncertainty. Though its trajectory may have softened, we remain optimistic that the US economy will avoid a recession, although the risk has increased post-quarter end. The growth in AI and its related ecosystem has the potential to broaden out and improve productivity, furthermore, Trump's policies should favour the domestic economy. We remain less optimistic on the prospects for growth in other major markets such as Europe and Asia. Despite that we continue to find support from lower levels of concentration, lower growth expectations and lower valuations. We take comfort from our ability to differentiate between companies and our focus on investing in reasonably valued companies that have strong balance sheets, good track records and generate high and sustainable returns. This differentiation should allow us to navigate the current period of uncertainty whilst remaining invested in great companies for the long term.

Note
1) Source: Border to Coast

Disclosures

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Fund List and Inception Dates

Fund	Inception Date
Global Equity Alpha	24/10/2019
Overseas Developed Markets	26/07/2018
Emerging Markets Equity	22/10/2018
Emerging Markets Equity Alpha	31/07/2023
UK Listed Equity	26/07/2018
UK Listed Equity Alpha	14/12/2018
Listed Alternatives	18/02/2022
Sterling Investment Grade Credit	18/03/2020
Sterling Index-Linked Bond	23/10/2020
Multi-Asset Credit	11/11/2021

BORDER TO COAST
UK LISTED EQUITY FUND

ESG & CARBON REPORT

Q1 2025

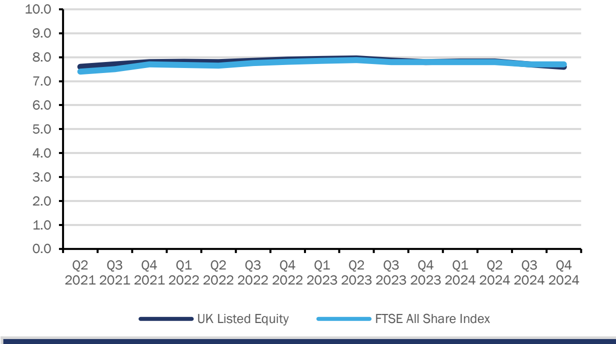
MSCI ESG RATING

AA

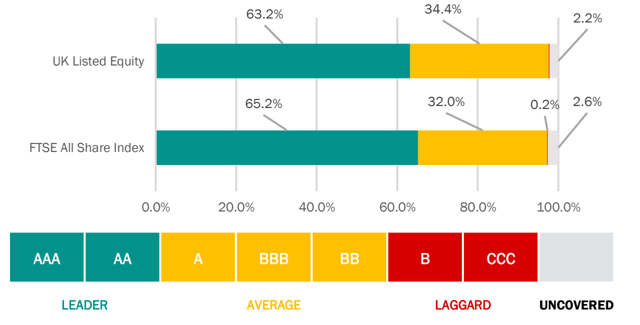
PENSIONS PARTNERSHIP

	End of Quarter Position [1]			Key	
	MSCI ESG Rating	**Weighted ESG Score**	**vs. Benchmark**		Fund has an equal or better *Weighted ESG Score* than the benchmark.
UK Listed Equity	AA [1]	7.6 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE All Share Index	AA [1]	7.7 [1]			Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]				Lowest ESG Rated Issuers [1]			
	% Portfolio Weight	**% Relative Weight**	**MSCI Rating**		**% Portfolio Weight**	**% Relative Weight**	**MSCI Rating**
Unilever	6.1%	+1.5%	AAA [1]	Carnival	0.5%	+0.4%	BB [1]
Relx	3.7%	+0.7%	AAA [1]	Rolls Royce	2.6%	+<0.1%	BBB [1]
National Grid	2.6%	+0.6%	AAA [1]	Imperial Brands	1.9%	+1.0%	BBB [1]
SSE	1.3%	+0.6%	AAA [1]	Shaftesbury Capital	0.5%	+0.4%	BBB [1]
Diageo	1.1%	-1.0%	AAA [1]	Glencore	0.5%	-0.9%	BBB [1]

Quarterly ESG Commentary

- The Fund and benchmark were largely unchanged in overall ESG scores. The Fund continues to sit slightly below benchmark.
- Though the Fund sits below benchmark, the Fund's ESG score continues to rank highly. This is in large part due to the nature of the UK market's approach to ESG risk management meaning UK companies typically have a higher ESG rating compared to other markets.

Feature Stock: Rolls Royce

Rolls-Royce Holdings plc, specialises in developing and delivering power and propulsion solutions for safety critical applications across air, sea, and land. The company operates through several segments: Civil Aerospace, Defence, Power Systems, and New Markets. The Civil Aerospace division develops, manufactures and markets commercial aero engines, Defence Aerospace focuses on military combat aircraft and Power Systems provides power solutions under the brand MTU Systems. Recently Rolls Royce's has seen strong share price performance, reflecting strong operational performance and favourable market conditions. The company's cash flow has become more reliable and sustainable due to strategic changes in its business model. However, there is now heightened pressure for Rolls Royce to maintain this level of performance. The Fund holds a neutral position in Rolls Royce compared to benchmark.

The company is seen to be in line with its Aerospace & Defence peer group from an ESG perspective. The company has clear targets to meet its obligations across three broad categories: aerospace decarbonisation, clean energy transition opportunities and exposure to defence/military revenues. Rolls Royce have a clear commitment to decarbonisation with R&D spending on low carbon and net zero technologies set to represent 75% of the total budget from 2025. Rolls Royce saw a downgrade to its MSCI ESG rating in 2024. The downgrade from A to BBB is due to a 2023 lawsuit filed in Beijing over the disappearance of Malaysian Airlines flight MH370 in 2014, which was equipped with a Rolls Royce Trent 700 engine.

[1]Source: MSCI ESG Research 31/03/2025

BORDER TO COAST
UK LISTED EQUITY FUND

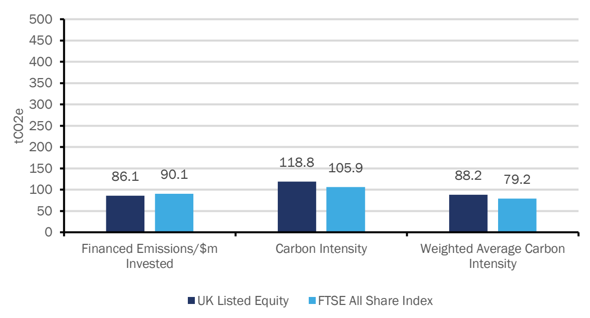
ESG & CARBON REPORT

Q1 2025

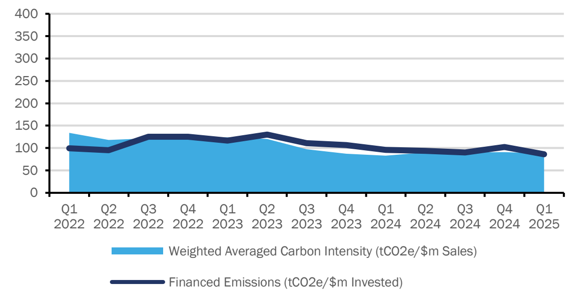
MSCI ESG RATING
AA

PENSIONS PARTNERSHIP

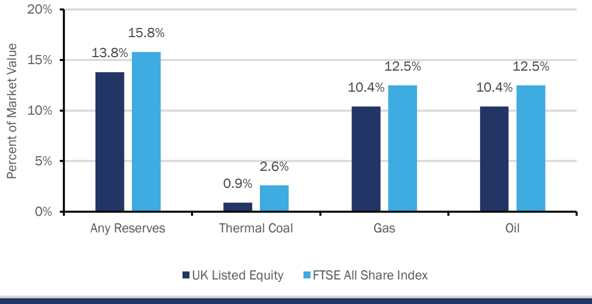
Carbon Emissions and Intensity[1]



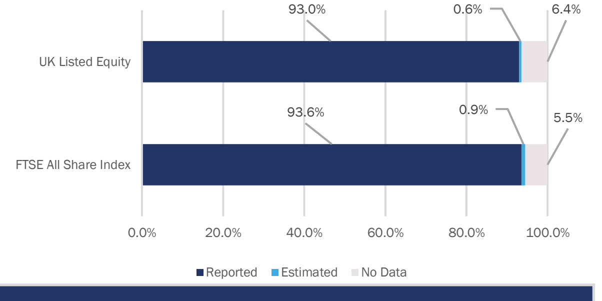
Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level[2]
Shell	7.8%	+0.8%	39.2% [1]	Yes	5
Carnival	0.5%	+0.4%	15.5% [1]	No	3
Rio Tinto	2.9%	+0.9%	14.4% [1]	Yes	5
BP	2.0%	-0.9%	8.8% [1]	Yes	5
National Grid	2.6%	+0.6%	3.5% [1]	Yes	5

Quarterly Carbon Commentary

- The Fund saw a 16% drop in financed emissions dropping below the benchmark.. The significant drop is partly explained by the benchmark, which saw financed emissions drop by 12%. The remaining drop is driven by the reduced position in Glencore, previously a top contributor to financed emissions, and a reduction in the Fund's active weight in top emitters, Shell, Carnival and Rio Tinto.
- The Fund sits below benchmark on financed emissions but continues to sit above benchmark on carbon intensity and WACI. The Fund's active weight in Shell, Rio Tinto, National Grid and Intercontinental Hotels Group drive the differential in WACI versus the benchmark

Feature Stock: National Grid

National Grid is the Fund's largest holding in the utility sector . Following the recent divestment of its UK gas distribution assets, it now owns, develops and operates regulated electricity transmission and distribution networks, whilst in the North-Eastern United States it owns gas distribution networks alongside electricity distribution & transmission facilities. Through its NG Ventures division, it also operates a portfolio of flexible, low-carbon and renewable energy businesses, including electricity interconnectors, LNG, battery storage, wind and solar power. It has recently agreed the sale of its US Renewables business as part of plans to significantly increase grid investments in both the UK and the US over the next 5 years.

National Grid is one of the UK's largest investors in the energy transition including undertaking the most significant overhaul of the UK grid in generations with the company having a key role to play in facilitating the UK government's ambitious Clean Power 2030 target for zero-carbon electricity, whilst also delivering the largest investment in New York's electricity transmission network for over a century. Following a successful rights issue last year it has initiated a new 5-year £60bn capital investment programme through to 2029 with more than half of that investment in the UK, representing a near 50% increase over the previous plan. Of this, £51bn is to be directly invested into the decarbonisation of energy networks with EU Taxonomy alignment. National Grid is committed to achieving net zero for Scope 1,2 & 3 emissions by 2050 with interim objectives for a 60% reduction in Scope 1 & 2 emissions by 2030/31 and a 37.5% reduction in Scope 3 emissions (excluding sold electricity) by 2033/34, both from a 2018/19 baseline, and has maintained MSCI's highest AAA ESG rating over the last 5 years.

[1] Source: MSCI ESG Research 31/03/2025

[2] Company TPI scores have been updated to reflect their latest assessment under the v5 framework. V5.0 of TPI's assessment methodology introduces a new level (level 5) focused on transition planning and implementation, sets higher standards for companies and aims to provide greater differentiation among high-performing companies.

Issuers Not Covered [1]		
Reason	ESG (%)[1]	Carbon (%)[1]
Company not covered	0.0%	0.0%
Investment Trust / Funds	2.2%	6.4%

Important Information

[1]Source: MSCI ESG Research 31/03/2025

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BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

ESG & CARBON REPORT

Q1 2025

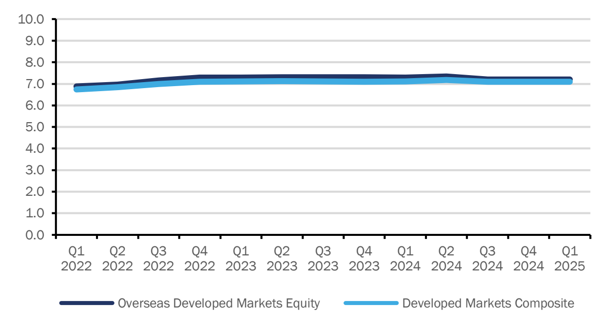
MSCI ESG RATING

AA

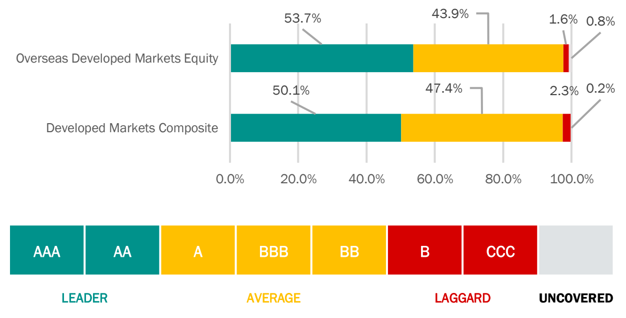
BORDER TO COAST PENSIONS PARTNERSHIP

	End of Quarter Position [1]			Key	
	MSCI ESG Rating	**Weighted ESG Score**	**vs. Benchmark**	(green)	Fund has an equal or better *Weighted ESG Score* than the benchmark.
Overseas Developed Markets Equity	AA [1]	7.2 [1]	(green)	(amber)	Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
Developed Markets Composite	A [1]	7.1 [1]		(red)	Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating	Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
NVIDIA	2.6%	+0.4%	AAA [1]	Hyundai Motor	0.3%	+0.1%	CCC [1]
SAP	1.3%	+0.3%	AAA [1]	Hyundai Mobis	0.2%	+0.1%	CCC [1]
ASML	1.2%	+0.3%	AAA [1]	HPSP	0.1%	+0.1%	CCC [1]
Novo Nordisk	1.0%	+0.3%	AAA [1]	Park Systems Corp	0.1%	+0.1%	CCC [1]
Schneider Electric	0.9%	+0.5%	AAA [1]	Meta Platforms	0.9%	-0.2%	B [1]

Quarterly ESG Commentary

- The Fund and benchmark saw no change in overall ESG score, and the Fund remains above benchmark on this measure.
- The number of companies held by the Fund with an ESG Rating of CCC also remained consistent quarter on quarter. The Fund had initiated a position in Park System Corp in Q4 2024, this quarter's feature stock.

Feature Stock: Park Systems Corp

Park Systems Corp, a leading Korean manufacturer of atomic force microscopes (AFM), excels in non-contact measurement and nanometrology, pioneering semiconductor inspections. With an impressive 80% market share in specialist measurement and 20% in the overall AFM market, Park Systems has established a strong foothold in the industry. The company has delivered strong shareholder value in recent years, driven by its unique intellectual property and technical expertise.

MSCI rates Park Systems as "CCC" due to its ESG practices lagging peers. Many small Korean companies, including Park Systems, have rapidly developed without dedicated ESG teams, resulting in lower scores from MSCI's systematic evaluations. The company is seen to trail global peers in business ethics practices and most notably staff management practices. This poses a challenge for Park Systems as it relies heavily on a highly skilled workforce to design and manufacture its leading microscopes.

Park Systems is committed to enhancing its ESG policies and improving disclosure as it grows. While MSCI's criticisms are valid and some issues can be easily addressed, it is noteworthy that Park Systems is free from any form of controversy according to the same ratings provider.

[1]Source: MSCI ESG Research 31/03/2025

BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

ESG & CARBON REPORT

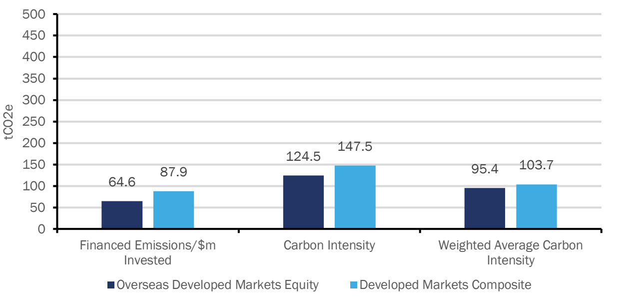
Q1 2025

MSCI ESG RATING

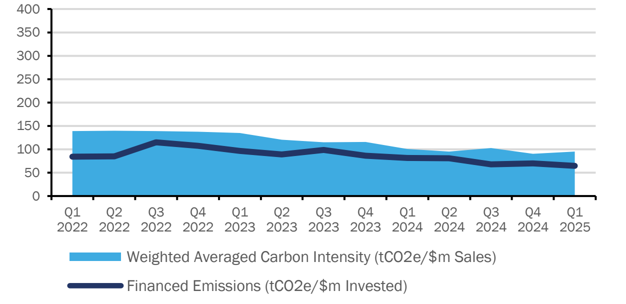
AA

PENSIONS PARTNERSHIP

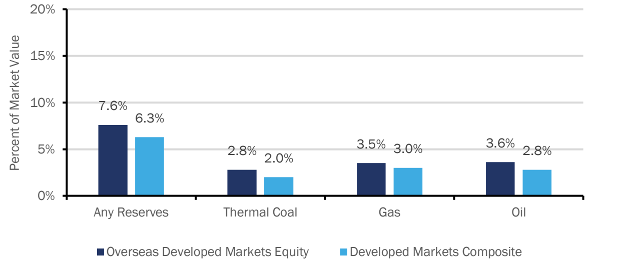
Carbon Emissions and Intensity[1]



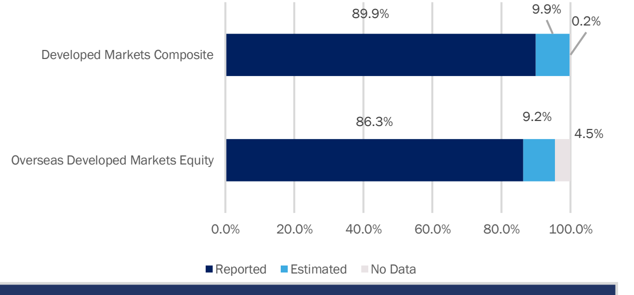
Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level[2]
RWE	0.3%	+0.2%	10.8% [1]	Yes	4
POSCO	0.1%	+<0.1%	9.8% [1]	Yes	5
Holcim	0.5%	+0.3%	9.5% [1]	Yes	5
L'Air Liquide	0.8%	+0.4%	4.3% [1]	Yes	3
Rio Tinto	0.2%	+<0.1%	4.2% [1]	Yes	5

Quarterly Carbon Commentary

- The Fund saw small changes across each emissions metric over the quarter. The Fund's financed emissions decreased by 8% and carbon intensity by 4% whilst weighted average carbon intensity increased by 6%. The Fund remains below benchmark across all emissions metrics.
- Increased positions in the Fund's top five emissions contributors drove the increase in the Fund's WACI. Countering this, an increase in those issuers' market capitalisation reduced the Fund's relative ownership of each issuer's scope 1 and 2 emissions, leading to a reduction in the Fund's financed emissions and carbon intensity metrics.

Feature Stock: L'Air Liquide

L'Air Liquide is a French company that provides industrial and medical gases to global industries. The company has defensive qualities and is attractive for its conservative management team focussed on the implementation of efficiency and cost reduction measures that are expected to yield higher earnings.

Air Liquide, announced its climate strategy, ADVANCE, in 2022. The company committed to achieving carbon neutrality by 2050, with key milestones set for 2025 and 2035. Notably, Air Liquide's target to reduce Scope 1 & 2 CO_2 emissions by 2035 has been validated by the Science Based Targets initiative (SBTi), making it the first in its industry to receive this endorsement. Air Liquide is actively supporting decarbonization efforts with innovative solutions such as CO_2 capture, low-carbon hydrogen, and air gases. In 2024, the company increased its low-carbon electricity sourcing, with over 40% of its power derived from renewable or nuclear sources. It also secured a record volume of power purchase agreements (PPAs), totalling 2,500 GWh. In 2024, Air Liquide achieved an 11% reduction in Scope 1 & 2 CO_2 emissions compared to 2020, surpassing its 2025 target. The company's carbon intensity has decreased by 41% since 2015, exceeding the 2025 reduction goal of 30%. Air Liquide's first climate transition plan outlines its strategy, and the steps needed to reach carbon neutrality by 2050.

[1]Source: MSCI ESG Research 31/03/2025
[2] Company TPI scores have been updated to reflect their latest assessment under the v5 framework. V5.0 of TPI's assessment methodology introduces a new level (level 5) focused on transition planning and implementation, sets higher standards for companies and aims to provide greater differentiation among high-performing companies.

Issuers Not Covered [1]		
Reason	ESG (%)[1]	Carbon (%)[1]
Company not covered	0.0%	0.0%
Investment Trust/ Funds	0.8%	0.1%

Important Information

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* In accordance with the licence agreement between Border to Coast and MSCI

[1]Source: MSCI ESG Research 31/03/2025

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BORDER TO COAST EMERGING MARKETS EQUITY FUND

ESG & CARBON REPORT

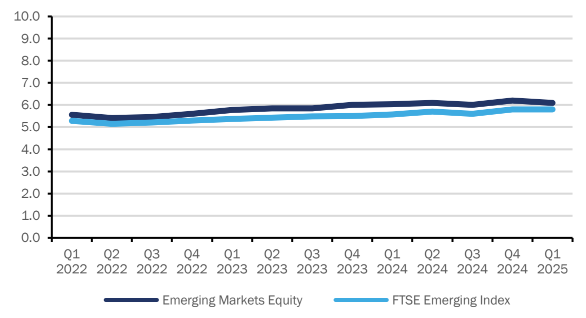
Q1 2025

MSCI ESG RATING

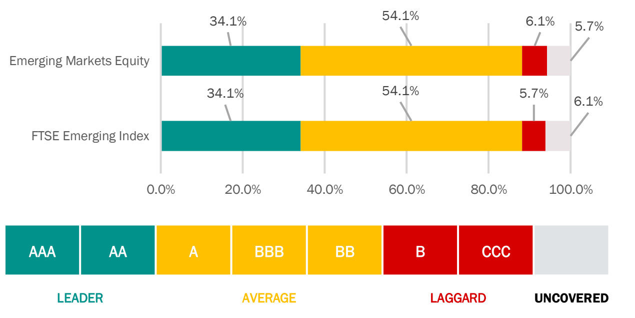
A

	End of Quarter Position [1]			Key	
	MSCI ESG Rating	**Weighted ESG Score**	**vs. Benchmark**	(green)	Fund has an equal or better *Weighted ESG Score* than the benchmark.
Emerging Markets Equity	A [1]	6.1 [1]	(green)	(amber)	Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE Emerging Index	A [1]	5.8 [1]		(red)	Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]				Lowest ESG Rated Issuers [1]			
	% Portfolio Weight	**% Relative Weight**	**MSCI Rating**		**% Portfolio Weight**	**% Relative Weight**	**MSCI Rating**
Taiwan Semiconductor	9.6%	+1.2%	AAA [1]	PDD Holdings	0.7%	-0.4%	CCC [1]
China Merchants Bank	1.4%	+1.0%	AAA [1]	Jiangsu Hengli Hydraulic	0.7%	+0.7%	CCC [1]
Sanlam Limited	0.2%	+0.1%	AAA [1]	Jindal Steel and Power Limited	1.0%	+0.9%	B[1]
Lenovo Group	0.1%	+0.1%	AAA [1]	Shanxi Xinghuacun Fen Wine	0.6%	+0.6%	B[1]
Wuxi Biologics	<0.1%	-0.2%	AAA [1]	Zijin Mining	0.5%	+0.3%	B [1]

Quarterly ESG Commentary

- The Fund saw a marginal reduction in its overall ESG Score whilst the benchmark remained static. Increased positions in the Fund's lowest rated entities, including in Shanxi Xinghuacun Fen Wine drove the marginal reduction. Though the Fund and benchmark hold the same proportion of ESG leaders and laggards, the Fund holds significantly more of the "upper average" rated issuers resulting in the differential to the benchmark.
- The number of CCC rated entities held by the Fund has not changed. An increased position in Shanxi Xinghuacun Fen Wine saw it enter the bottom five rated issuers in the Fund. Shanxi Xinghuacun Fen Wine is this quarter's feature stock.

Feature Stock: Shanxi Xinghuacun Fen Wine Factory

Shanxi Xinghuacun Fen Wine Factory is a leading Chinese company specializing in the distillation and distribution of various liquor products, including Fen, Zhuyeqing, and Xinghuacun liquors. The company has a significant presence in over 34 regions in China and more than 50 countries worldwide. The company has a sensible sales strategy and robust inventory management skills. With over half the product line at reasonable price points, Shanxi's products have shown good resilience in economic downturns. Consequently, Shanxi is expected to continue gaining market share in the low-end white liquor segment. The company's focus on maintaining a diverse product mix and its ability to adapt to market conditions has realised better than expected sales and strengthened its growth prospects.

The ESG considerations for Fen Wine are comparable to its industry peers. In the Chinese liquor (baijiu) industry, general ESG risks include environmental compliance, social responsibility, and responsible marketing. The production of baijiu involves significant water and energy use, as well as waste generation. Although the company has been taking steps to manage its environmental impact, further improvements in sustainability practices are necessary. For example, the company does not appear to have a water reduction or sustainable packaging targets. Recent executive changes have highlighted the need for stability within the company's leadership structure which will continue to be monitored.

[1]Source: MSCI ESG Research 31/03/2025

BORDER TO COAST EMERGING MARKETS EQUITY FUND

ESG & CARBON REPORT

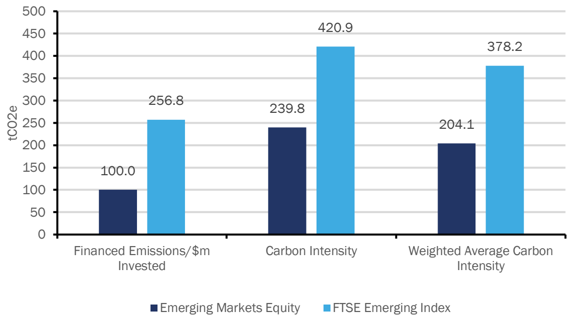
Q1 2025

MSCI ESG RATING

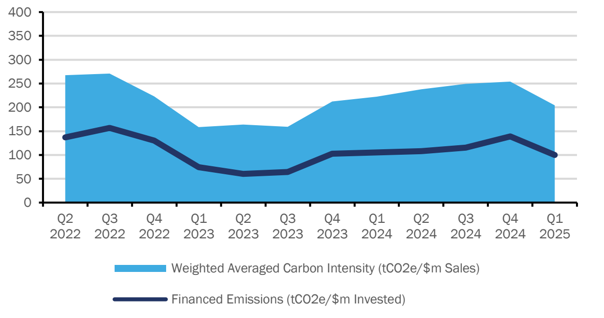
A

PENSIONS PARTNERSHIP

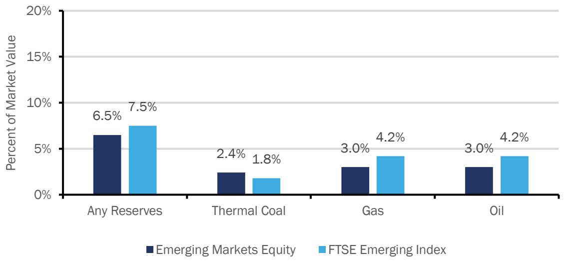
Carbon Emissions and Intensity[1]



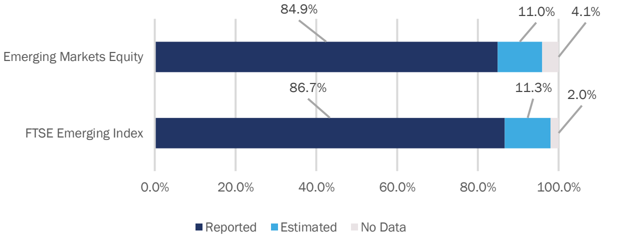
Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level[2]
Grasim Industries	0.8%	+0.6%	31.6% [1]	No	3
Jindal Steel and Power Limited	1.0%	+0.9%	18.1% [1]	No	3
Traxion	0.5%	+0.5%	6.9% [1]	No	N/A
Qatar Gas Transport Company	0.7%	+0.6%	5.5% [1]	No	N/A
Petrochina	0.5%	+0.3%	4.4% [1]	Yes	3

Quarterly Carbon Commentary

- Quarter on quarter, the Fund saw a significant decrease in financed emissions (28%), carbon intensity (27%) and weighted average carbon intensity (WACI) (20%). This was primarily driven by a Grasim, the Fund's top contributor to financed emissions. Though Grasim remains the Fund’s top contributor to financed emissions, the quarter saw a 0.7% drop in portfolio weight which resulted in a 25% reduction in the Fund's financed emissions.
- Reduced positions in other top emitters, PetroChina and Qatar Gas Transport, compensated for increased emissions in Qatar Gas Transport, the quarter’s feature stock.

Feature Stock: Qatar Gas Transport

Qatar Gas Transport Company, also known by its trading name, Nakilat, is a liquefied natural gas (‘LNG’) transport operator. The Company was established in 2004 with the strategic aim of becoming Qatar’s LNG sector shipping arm. It currently has the world’s largest LNG carrier fleet in operation, with a fleet of 74 vessels both wholly and jointly owned, putting them in control of approximately 11% of the global LNG carrier fleet.

The global awareness of climate change has resulted in commitments across the globe to reduce greenhouse gas emissions. These commitments have timeframes that require an energy transition to progressively move to reduce the use of fossil fuels, as well as a rebalancing to cleaner energy sources. Though still a fossil fuel, LNG is perhaps the cleanest and it represents a complementary pathway to reduce greenhouse gas emissions. LNG generates 30% less carbon dioxide than fuel oil and 45% less than coal, with a two-fold reduction in nitrogen dioxide and almost no sulphur dioxide. The invasion of Ukraine by Russia has resulted in even faster growth in demand for LNG as Europe has looked to improve its energy security and diversify its supply away from Russia. Qatar has the world’s third largest proven gas reserves and is undergoing rapid expansion and growth in its LNG capacity. The Company provides the shipping infrastructure for this supply to be transported to the customer and as such has attractive long-term growth prospects. The Company has committed to the International Maritime Organisation’s decarbonisation target for 2050 and has set operational targets to decarbonise its fleet to be achieved by that date.

[1]Source: MSCI ESG Research 31/03/2025

[2] Company TPI scores have been updated to reflect their latest assessment under the v5 framework. V5.0 of TPI's assessment methodology introduces a new level (level 5) focused on transition planning and implementation, sets higher standards for companies and aims to provide greater differentiation among high-performing companies.

Issuers Not Covered		
Reason	ESG (%) [1]	Carbon (%) [1]
Company not covered	5.1%	2.5%
Investment Trust/ Funds	0.6%	1.6%

Important Information

The material in this report has been prepared by Border to Coast Pensions Partnership Limited ("Border to Coast") and is designed for the use of professional investors and provides investor information about this fund. The MSCI ESG Fund Ratings and material in this document are for information purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy, or investment product. There is no assurance that any socially responsible investing strategy and techniques employed will be successful. Past performance is not a guarantee or reliable indicator of future results. The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested. Border to Coast accepts no liability for any loss or damage arising from any use of, or reliance on, any information provided in this document. Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511).

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* In accordance with the licence agreement between Border to Coast and MSCI

[1]Source: MSCI ESG Research 31/03/2025

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BORDER TO COAST PENSIONS PARTNERSHIP

TEESSIDE PENSION FUND

Border to Coast

Teesside Pensions Committee - June 2025

YOUR INVESTMENTS WITH BORDER TO COAST

LISTED INVESTMENTS AS AT 31ST MARCH 2025

Listed Investments	Value (as at 31/03/2025)	Value % of Total Assets
UK Listed Equity	£610m	20.8%
Overseas Developed Markets	£2,087m	71.4%
Emerging Markets Equity	£228m	7.8%

COMMITMENT TO BORDER TO COAST'S PRIVATE MARKET STRATEGIES

Sleeve	Series 1	1A	1B	1C	Series 2	2A	2B	Series 3	3A*
Private Equity	£200m	£100m	£50m	£50m	£200m	£100m	£100m	£50m	£50m
Infrastructure	£200m	£100m	£50m	£50m	£300m	£150m	£150m	£50m	£50m
Climate Opportunities	N/a	N/a	N/a	N/a	£80m	£80m	N/a	N/a	N/a

Source: Northern Trust/Border to Coast
* Effective 1st April 2025

MACRO OUTLOOK – AS AT END Q1 2025

Macro and Monetary Outlook

- Global real growth to remain resilient, however, regional divergences in inflation and policy rates could become prominent.
- Inflation has stabilised but remains above target limiting further policy rate easing in 2025.

Market Outlook

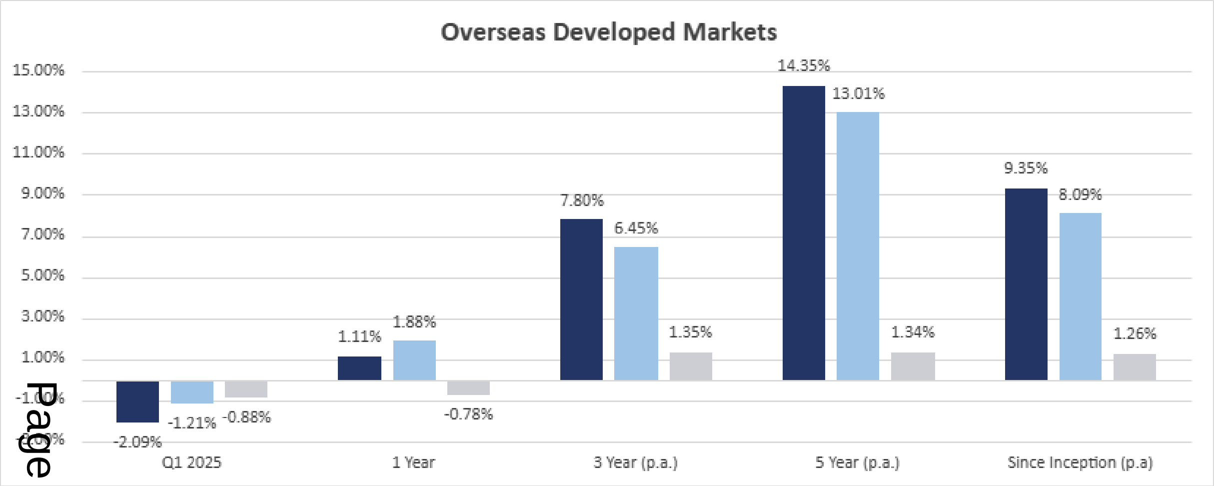
- US economy expected to maintain solid growth, supported by strong consumer spending and favourable financial conditions.
- Despite recent competitive pressure from Deep-Seek, technological innovation and the broadening of the AI cycle to remain an important driver across equity markets.
- A modest re-pricing of equities in Q1 unlocked some pockets of value.

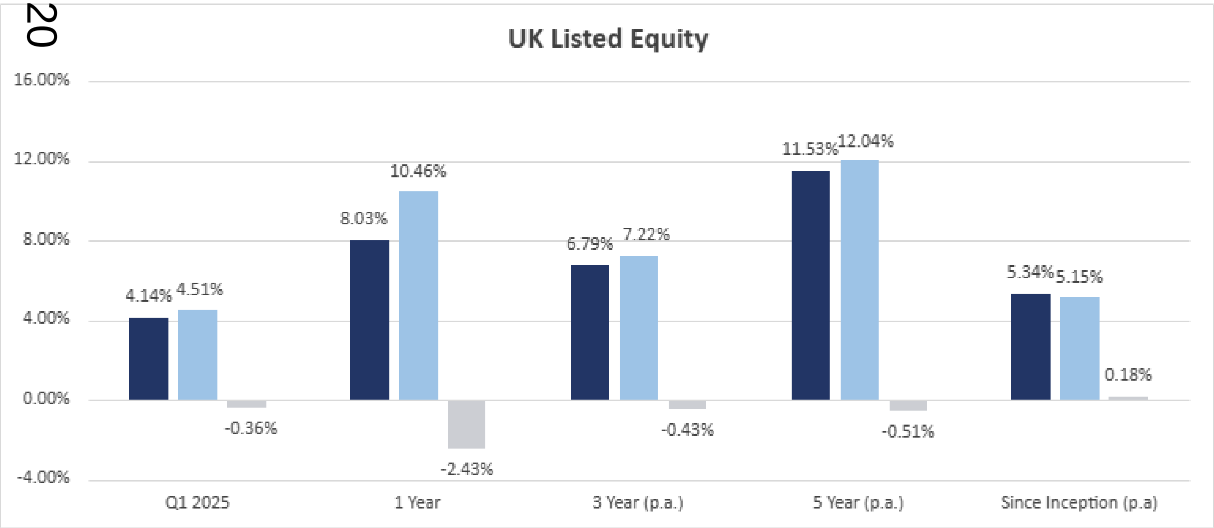
Risks

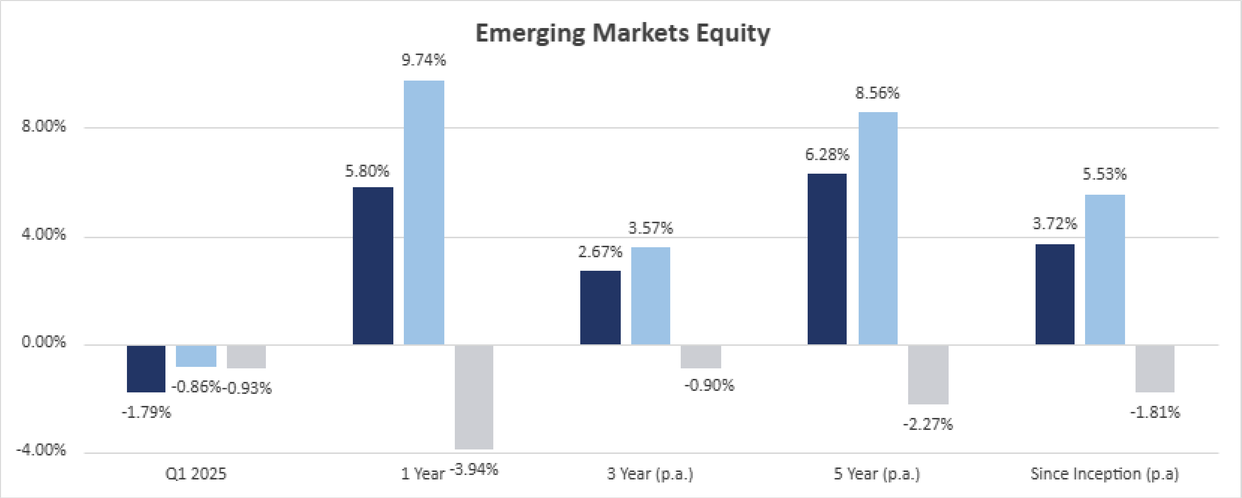
- Weaker earnings growth could undermine the positive outlook on equities and valuation expectations.
- While some of President Trump's pre-election policies were pro-growth and inflation reducing others were growth-negative and inflationary. The sequencing and severity of announcements could trigger market volatility.

Source: Border to Coast, Global Market Outlook, Q1 2025

LISTED INVESTMENTS – PERFORMANCE TO Q1 2025







- Fund
- Benchmark
- Relative Performance

Overseas Developed Markets Benchmark: 40% S&P 500, 30% FTSE Developed Europe Ex UK,
20% FTSE Developed Asia Ex Japan, 10% FTSE Japan

UK Listed Equity Market Benchmark: FTSE All Share GBP

Emerging Market Equity Benchmark[1]: FTSE Emerging Markets

[1]S&P Emerging Markets BMI (Net) between 22nd October 2018 to 9th April 2021. Benchmark equal to fund return between 10th April to 28th April 2021 (Performance holiday for fund restructure)

Source: Northern Trust, Border to Coast as at 31sr March 2025

Note: Figures refer to the past. Past performance is not an indicator of future performance and is not guaranteed.

PRIVATE EQUITY: SUMMARY

Private Equity	Key Metrics - 31 Dec 2024
Target IRR	10%
Series 1 IRR	14.2%
Series 1 TVPI	1.36x

Series 1A	31 Mar 2025	31 Dec 2024
Capital Committed	99.7%	99.7%
Capital Drawn	88.3%	87.0%
Capital Distributed[1]	29.9%	24.6%

Series 1B	31 Mar 2025	31 Dec 2024
Capital Committed	99.1%	99.1%
Capital Drawn	87.9%	80.3%
Capital Distributed[1]	15.7%	10.4%

Series 1C	31 Mar 2025	31 Dec 2024
Capital Committed	100.0%	100.0%
Capital Drawn	81.4%	72.4%
Capital Distributed[1]	0.5%	0.4%

Series 2A	31 Mar 2025	31 Dec 2024
Capital Committed	99.8%	99.8%
Capital Drawn	38.2%	32.3%
Capital Distributed[1]	0.5%	0.0%

Series 2B	31 Mar 2025	31 Dec 2024
Capital Committed	99.0%	99.0%
Capital Drawn	22.2%	19.9%
Capital Distributed[1]	0.8%	0.7%

Source: Allbourne / Private Monitor
[1]Including Recallable Distributions.

INFRASTRUCTURE: SUMMARY

Infrastructure	Key Metrics - 31 Dec 2025
Target IRR	8%
Series 1 IRR	7.8%
Series 1 TVPI	1.20x

Series 1A	31 Mar 2025	31 Dec 2024
Capital Committed	98.7%	98.7%
Capital Drawn	90.4%	89.3%
Capital Distributed[1]	27.8%	22.0%

Series 1B	31 Mar 2025	31 Dec 2024
Capital Committed	98.7%	98.7%
Capital Drawn	78.4%	74.6%
Capital Distributed[1]	6.3%	5.1%

Series 1C	31 Mar 2025	31 Dec 2024
Capital Committed	100.0%	100.0%
Capital Drawn	87.9%	88.0%
Capital Distributed[1]	14.5%	13.8%

Series 2A	31 Mar 2025	31 Dec 2024
Capital Committed	99.7%	99.7%
Capital Drawn	57.2%	54.0%
Capital Distributed[1]	3.9%	3.6%

Series 2B	31 Mar 2025	31 Dec 2024
Capital Committed	99.9%	99.9%
Capital Drawn	29.4%	28.8%
Capital Distributed[1]	0.2%	0.2%

Source: Allbourne / Private Monitor
[1]Including Recallable Distributions.

CLIMATE OPPORTUNITIES: SUMMARY

	31 Mar 2025	31 Dec 2024
Target IRR	8%	
Capital Committed	99.9%	99.9%
Capital Drawn	50.8%	45.0%
Capital Distributed[1]	6.0%	4.3%

Source: Allbourne / Private Monitor
[1]Including Recallable Distributions.

NOTABLE EXITS – ENDLESS FUND V - KARNOVA

PRIVATE EQUITY SERIES 1B

Overview

Investment Date	March 2022
Realisation Date	February 2025
Business	Specialist processor and supplier
Sector	FMCG
Location	UK
Invested Amount	£20.2m
Business Overview	Formerly known as Yorkshire Premier Meats, Karnova is the UK's leading specialist B2B, processor and supplier of value-add red meat ingredients. Karnova processes a range of proteins and supplies into producers of ready meals, canned goods and savoury pasties/pies as well as the rapidly expanding direct to consumer box meal market.

Strategy and Execution

- After acquiring Yorkshire Premier Meat in March 2022, Endless executed a roll-up by adding Smithfield Murray, one of Europe's leading processors of high-quality value-add poultry products, expanding the businesses product range and enabling it to act as a "one-stop-shop" provider to its end clients.
- Post acquisition Endless worked closely with the management team to recruit additional skills and experience into the business to match the business's scale and growth ambitions.
- The aggregated business, providing prepared meat and poultry solutions for the UK's leading supermarkets, restaurant chains and home meal kit providers created an attractive opportunity to exit to trade, allowing Endless to benefit from multiple arbitrage given the larger and better developed operating business.

Exit

- Karnova was sold to OSI Group, a US, premier global supplier of custom value-added food products to the world's leading foodservice and retail food brands.

Source: Endless Fund V Reports, email comms

NOTABLE EXITS – ARCUS EUROPEAN INFRASTRUCTURE II – HORIZON SMA

INFRASTRUCTURE SERIES 1A

Overview

Investment Date	November 2019 (Horizon) & May 2021 (SMA)
Realisation Date	February 2025
Business	Smart metering
Sector	Digital
Location	UK
Invested Amount	£97.5m (Horizon) & £93m (SMA)
Business Overview	Horizon Energy Infrastructure Limited is a UK-based smart metering asset provider founded in 2009, with a portfolio of more than 1.57m smart meters installed in domestic and industrial & commercial premises. The company finances the purchase and installation of smart meters on behalf of energy suppliers, retaining ownership of the assets and collecting monthly rental payments from secured, long-term leasing contracts. Smart Meter Assets is another UK metering asset provider with a portfolio of 20m smart meters in domestic premises, utilising the same ownership and long-term rental model as Horizon.

Strategy and Execution

- Since acquisition, Arcus has worked closely with respective management teams to transform these businesses, increasing both the scale and quality significantly.

- This was achieved through a combination of value creation initiatives, including winning new meter financing contracts with UK energy suppliers, M&A, raising debt financing, funding UK water meters and German smart meters, and expanding into adjacent green infrastructure such as heat pumps, EV chargers and solar PV systems.

Exit

- Arcus ran a combined sales process for both businesses in Q4 2024.
- Businesses sold as a combined project named "Metranova" to KKR's Global Infrastructure fund.

horizon ENERGY INFRASTRUCTURE

Smart Meter Assets

Source: Arcus EIF II Reports

BORDER TO COAST UPDATE

THE FUTURE OF THE LGPS

Following a significant collaborative effort across our partnership, the Government has confirmed our Transition Plan meets expectations. Government has also indicated that not all eight pools have proposed plans that meet its requirements. Funds in Brunel and ACCESS have been instructed to join another pool by March 2026. This is a difficult time for those funds and pools, and we are working with Partner Funds to support the wider LGPS in this process as appropriate.

HOLDING OIL AND GAS TO ACCOUNT

As an active steward, AGM season is an important opportunity to hold companies to account, using the strength of our collective scale to push for meaningful change. A focal point of our efforts has been BP. We have been vocal in our concern over its backtracking on climate commitments and its transition plans.

AWARDS SEASON

Border to Coast were awarded Limited Partner of the Year (Climate), at the New Private Markets Global Awards. We are also a finalist in the Professional Pensions UK Pensions Awards, shortlisted for Best Pension Scheme Investment Strategy.

APPENDIX

PRIVATE EQUITY / INFRASTRUCTURE – IRR AND TVPI DEFINITIONS

IRR and TVPI (Pages 5 - 6)

- **Internal Rate of Return (IRR):** Most common measure of Private Equity performance. IRR is technically a discount rate: the rate at which the present value of a series of investments is equal to the present value of the returns on those investments.

- **Total Value to Paid-in Capital (TVPI):** TVPI is the sum of the DPI and RVPI. TVPI is net of fees. TVPI is expressed as a ratio.

- **Distributions to Paid-in-Capital (DPI):** The amount a partnership has distributed to its investors relative to the total capital contribution to the fund. DPI is expressed as a ratio. Also known as realization ratio.

- **Residual Value to Paid-in Capital (RVPI):** The measure of value of the limited partner's interest held within the fund, relative to the cumulative paid-in capital. RVPI is net of fees and carried interest. This is a measure of the fund's "unrealized" return on investment. RVPI is expressed as a ratio.

Source: Private Monitoring Report

PENSIONS PARTNERSHIP

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

PENSION FUND COMMITTEE REPORT

18 JUNE 2025

DIRECTOR OF FINANCE AND TRANSFORMATION – ANDREW HUMBLE

INVESTMENT ADVISORS' REPORTS

1. PURPOSE OF THE REPORT

1.1 To provide Members with an update on current capital market conditions to inform decision-making on short-term and longer-term asset allocation.

2. **RECOMMENDATION**

2.1 That Members note the report.

3. **FINANCIAL IMPLICATIONS**

3.1 Decisions taken by Members, in light of information contained within this report, will have an impact on the performance of the Fund.

4. **BACKGROUND**

4.1 The Fund has appointed Peter Moon and William Bourne to act as its independent investment advisors. The advisors will provide written and verbal updates to the Committee on a range of investment issues, including investment market conditions, the appropriateness of current and proposed asset allocation and the suitability of current and future asset classes.

4.2 Brief written summaries of current market conditions from William Bourne and Peter Moon are enclosed as Appendices A and B. Further comments and updates will be provided at the meeting.

CONTACT OFFICER: Wendy Brown – Acting Head of Pensions Governance and Investments

TEL NO.: 01642 729630

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Independent Adviser's Report for Teesside Pension Fund Committee

William Bourne 9th June 2025

Market Commentary

1. In March I said I was slowly turning more negative about the medium-term prospects, primarily because of valuations. Nearer term I expected economic growth to slow and bond yields to rise.

2. A lot has happened since then. The Trump Administration has imposed tariffs on friend and foe alike using powers designed to be used in emergencies. That was expected, but the rapidly discredited methodology (e.g. the highest tariffs on countries like Lesotho) and the constant flip flops since the announcement were not. Moreover, the direction of travel is clearly towards protectionism.

3. China and the U.S. raised tariffs on each other well above 100% before agreeing a temporary reprieve, due to run out in August. However, Trump then reimposed 50% (previously 25%) tariffs on steel and aluminium. Other countries, including the U.K., are claiming a deal, but the details are unclear.

4. One estimate[1] is that if imposed in full tariffs will affect 71% of U.S. imports, lower U.S. GDP by 0.8% and raise an additional US$200bn of revenue annually over the next 10 years. The average effective rate would be 12.4%, the highest since the early 1940s. But this estimate does not take into account retaliatory actions other nations will surely take.

5. The battle then moved to the law courts. Two federal court judgements found that Trump had exceeded his authority by using emergency powers. If this is confirmed by higher courts, it would be a significant blow to Trump's plans. But even so, tariff levels would still be the highest since 1973.

6. Much damage has already been done to international trade. Corporates will be sensitive to the risks of long supply chains, and especially those involving China. It is likely that they will tend to 're-shore' i.e. site factories near their markets. This may benefit some communities, as Trump hopes, but there can be no doubt that overall it will be a negative for prosperity.

[1] U.S. Tax Foundation www.taxfoundation.org

7. The Trump administration also (by one vote after the death of a Democrat) passed its tax bill, which extends income tax reduction, and cuts spending on Medicaid, food stamps and clean energy tax credits. The net impact on the current U.S. 6 to 7% primary deficit (i.e. revenue minus spending) is likely to be limited, and U.S. federal debt levels will continue to rise to unprecedented levels.

8. The combination of tariff uncertainty, fiscal looseness, and low economic growth led to Moody's cutting the U.S.'s credit rating. The 30-year long term bond yield rose above 5% for the first time since before the 2008 Global Financial Crisis. Investors are increasingly wary about U.S. government debt, as the Government now spends 18% of total U.S. revenue on servicing debt, more than they are spending on defence.

9. The proposed tariffs also put pressure on other countries. China has hit back with restrictions on rare earth exports, which are critical to many high-tech products nowadays. They have also put into action export routes through third parties to try and reduce the impact of the U.S. tariffs. However, they are suffering from an overvalued currency, deflation, and their own debt overhang in the real estate sector. They will struggle to generate the higher economic growth they need.

10. Equity markets have remained extraordinarily resilient against all this bad news, perhaps clinging to the hope of more rate cuts. However, that would likely be associated with a recession, impacting earnings growth. I commented last time that valuations in the U.S. are 25% higher than the rest of the world, and that broadly remains the case.

11. Looking forward, the Federal Reserve has at least four plates to try and keep spinning: its two formal objectives of 2% inflation (currently 2.4%) and maximising employment; and two less formal but if anything even more important ones: to prevent a financial crisis, and to finance (or increasingly to refinance) the U.S. Government's debt. In my view it is inevitable that it will drop at least one plate, and the question investors need to ask is which.

Portfolio recommendations

12. The focus over the next twelve months or so will inevitably be on the details of how the Fund can meet with the requirements of the new Pensions bill. But we must be braced for lower and more volatile investment returns from the combination of low growth, stubbornly high inflation and much higher bond yields. The Fund is already relatively defensively positioned relative to history, and at this stage I do not recommend any changes to this stance.

Investment report for Teesside Pension Fund
June 2025

Political and economic outlook

I said in my last report that hopefully things would become clearer and Trump would become more predictable. Unfortunately this is not turned out to be the case and the man gets wilder and, unbelievably, more unpredictable day by day. It is hard to calculate the damage Trump is causing internationally. After Ukraine's masterful attack on Putin's strategic bomber fleet and the Kerch Bridge significant retaliation by the Russians was to be expected. What was not expected was that Trump would, at the same time, divert 20,000 anti-drone missiles destined for Ukraine to other parts of the world.
His love affair with Putin puts Europe at significant risk of conflict with Russia sometime in the future. Clearly the current US administration doesn't care one way or the other which is a little bit unsettling, and not particularly good for financial markets, the world economy and international stability.
Domestically Trump seems to be on a bit of a roll with riots in Los Angeles and the calling in of the National Guard giving him an opportunity to cement his image as a hard man and increase his popularity with many US voters. Unfortunately for Donald his behaviour betrays him as just the opposite of a hard man. Rather as a man a little deranged and not on top of his brief In any regard at all. Despite all this, members of his government and the Republican party have remained fiercely loyal and the Democratic party seems to have raised no meaningful issues about his behaviour or performance.

If Trump is aiming to get more investment into the United States by the use of tariffs his spat with Harvard and perversely Musk will have the opposite effect. By restricting immigration from 12 countries and in his approach to students the president is not appearing very genuine in welcoming a more participative approach from the international community.
Trump's behaviour has been a wake-up call for Europe which has responded by taking its defence seriously. This does not mean that Europe can effectively replicate the umbrella provided by the United States in defence but it does hopefully mean that it could close the gap to an acceptable level. Furthermore it could pave the way for closer ties between Europe and the UK which would provide a much needed boost to economic growth in the UK.
The Labour government is feeling its way after a number of missteps at the beginning of its administration. Its economic stance has been timid despite the majority it has in Parliament and the mandate it was given at the general election. If the Chancellor is to achieve sustained and higher economic growth she cannot afford to continue with policies that mirror the previous Conservative government. The spending review on the 11th of June will be key in showing whether that cautious stance has changed. How it is presented is likely to be key in the fortunes of this government and whether it gets a second term.

Markets

My view on markets remains again much as it did last time.
Despite vagaries of International politics the major stock markets have remained surprisingly resilient, showing no weakness. It is even more surprising that this has occurred in an environment of rising long-term interest rates and higher government borrowing. A cautious approach to

both fixed interest and equity markets is required as the outlook is unlikely to improve materially over the medium term despite low and stable inflation.
Index Linked markets are also likely to remain subdued.
Given the low economic growth environment in the UK the property market will remain quiet.
Private equity and unquoted markets remain difficult due to a lack of liquidity and finance, this is a position which is unlikely to change anytime soon.

Portfolio recommendation

The good news is that the fund has a very satisfactory funding level which gives it a significant financial cushion and therefore options.
It would seem that we are entering a period of lower investment returns partially as a result of political uncertainty and higher government borrowing and expenditure.
Our experience of returns in the unquoted and private sector is likely to disappoint and there's little we can do to ameliorate this.
There is nothing to promote any significant change in the portfolio as uncertainty reigns and therefore my recommendation is to leave the portfolio weightings as they are.

Peter Moon
9 June 2025

TEESSIDE PENSION FUND Q1 2025

CBRE

Quarterly Report

Prepared: 3 June, 2025

Fund Objectives

Teesside Pension Fund's primary objective is to create a sustainable income stream to match its long-term pension liabilities. This is achieved through investing in a wide range of asset classes, of which Real Estate is one.

The objective of the direct property allocation is to create a portfolio which produces a consistent total return, over the long term, to meet Teesside Pension Fund's liabilities.

Portfolio Strategy

The portfolio will hold core and core plus properties, over the long term, diversifying the portfolio through different property types, unit sizes, occupier businesses, income expiry and geographical regions.

Stock selection will be favoured over a default asset allocation bias, with a focus on maintaining a long-term overweighted position in industrial and retail, alongside an underweight position in offices.

We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio and diversify the lease expiry profile.

Individual assets will be well suited to the current occupational market, whilst offering future flexibility. Properties will be leased to good quality businesses on institutional lease terms together with some index-linked assets.

Responsible Investment

In line with Teesside Pension Fund's Responsible Investment Policy, CBRE considers Environmental, Social and Governance issues (otherwise known as ESG criteria) as part of its investment decision making process and ongoing asset management.

Executive Summary

As of 25th March 2025 , the portfolio comprised 35 properties located throughout the UK, with a combined value of £524.7m. This reflects an overall Net Initial Yield of 5.57%, and an Equivalent Yield of 5.76%.

The portfolio comprises principally prime and good secondary assets. High Street retail, retail warehouse, foodstores and industrial comprise 98.6% of the Portfolio by capital value. There are 92 demises and a total net lettable area of 2,813,264 sq ft.

The portfolio has 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 is 9.4 years to the earlier of the first break or expiry and 10.1 years to expiry, ignoring break dates.

Fund Summary

Total Pension Fund Value (December 2024)	**£5,580m**
Real Estate Weighting (long term target allocation)	9.4% (10%)
Direct Portfolio Value (March 2025)	£524.7m

Direct Portfolio

Direct Portfolio Value (March 2025)	£524.7m
Number of Holdings	35
Average Lot Size	£15.4m
Number of Demises	92
Void rate (% of ERV) (Estimated UK Benchmark)	1.4% (7.0% – 9.0%)
WAULT to Expiry (break)	10.1 years (9.4 years)
Current Gross Passing Rent (Per Annum)	£31,161,368
Current Gross Market Rent (Per Annum)	£29,309,722
Net Initial Yield	5.57%
Reversionary Yield	5.70%
Equivalent Yield	5.76%

Portfolio Highlight (Q1 2025) – Sainsburys Limborough Road, Wantage, Acquisition

The Fund has successfully completed the simultaneous Regear and Acquisition of Sainsbury, Limborough Road, Wantage — a dominant, index-linked foodstore in Oxfordshire. The acquisition was completed at a purchase price of £38,100,000, equating to a Net Initial Yield of 4.5?%

UK Economic Commentary

- The UK economy recorded 0.1% growth in Q4 after a flat Q3 and registered 0.8% GDP growth over the course of 2024. This growth has been primarily driven by the services sector as manufacturing and construction struggled with inflation and now is impacted by the potential for tariffs.
- Inflation dipped below the Banks 2% target in September but has been increasing due to an uptick in food and energy prices, services inflation and base effects. Headline CPI fell by 20bps to 2.8% in February, below expectations but driven by erratic price changes in niche segments. Core inflation also fell 20bps to 3.5% while services inflation remained unchanged at 5%. We expect price pressures from energy and wages to see inflation peak in late 2025 above 3% but to return to target by the end of 2026.
- Wage growth remains strong with nominal earnings (excluding bonuses) growing 5.8% or 2.2% in real terms. This sustained period of real income growth has benefitted households but also contributed to the persistence of core inflation. We expect some labour market softening over the course of 2025 in response to rising business costs, namely increases in employer NICs and the minimum wage. However, we don't expect unemployment to peak above 5% representing a relatively tight labour market.
- Consumer demand was weaker than anticipated in 2024, hampered by rising uncertainty in conjunction with high interest rates leading people to save. The savings ratio has risen from 4.5 to 12% since 2022 driven almost exclusively by non-pension savings. We expect that falling interest rates, a continuation of real income growth along with more certainty will create an environment for stronger consumption activity.
- The Bank of England cut the base rate to 4.25% in May 2025. We expect two further cuts from the Bank in 2025 which will provide a further signal of a more sustained economic recovery. We forecast GDP growth of 1.3% and 1.7% in 2025 and 2026 respectively.
- Currently the largest risk to the outlook centres on the US and tariffs. President Trump announced the UK would be subject to a 10% import tariff alongside a 25% tariff on car imports. The UK managed to avoid the level of reciprocal tariffs placed on China and the EU. However, reduced activity with the UK's 2nd largest trading partner will likely impact growth on the downside, with the latest OBR estimates showing tariffs could reduce growth by 0.6%.

UK Real Estate Market Commentary

- The CBRE Index recorded an All-Property Total Return of 2.1% throughout Q1 2025. This is slightly lower than the Q4 2024 result of 2.9% due to softer capital value growth throughout the quarter of 0.7%.
- All-Property rental values maintained steady growth throughout Q1 2025, increasing 0.8%. This follows rental values rising by 0.9% in Q4 2024. The first quarter result means that rental values have increased by 3.2% over the 12 months to March 2025. This higher than the 2.9% 12-month growth to Q4 2024.
- All-Property total returns were driven by the Retail and Industrial sectors in Q1 2025, which posted total returns of 2.8% and 2.3% respectively. Retail performance was largely driven by income return, while the Industrial sector recorded the highest capital value increase of 1.1%. The Office sector saw capital values increase for the second consecutive quarter, rising by 0.4%. This meant that total returns for the office sector was 1.7% in Q1 2025.
- UK commercial real estate markets saw £8.9 bn of investment transactions in Q1 2025. This means investment volumes have totalled £52.4bn over the last 12-months. Investment this quarter was 61% down compared with transaction volumes reported in Q4 2024, and the quarterly total is 27% lower than that of Q1 2024.
- For the main sectors, the Office sector (£3.1bn) saw the most investment throughout Q1, followed by the Living (£2.3bn) and Industrial (£1.3bn). The office sector was the only sector to register an increase in investment volumes quarter-on-quarter and year-on-year, rising by 8% and 66% respectively, albeit from a very low base. All other sectors recorded year-on-year declines in investment volumes, with the Living sector the most resilient, as volumes were 4% lower than Q1 2024 levels.
- Domestic investors maintained their majority share of UK investment, contributing 55% of transaction volumes in Q1 2025. The quarterly result meant that domestic buyers have contributed 54% of investment over the past 12 months.

Investments

Sales

The Fund made no disposals this quarter.

Acquisitions

The Fund successfully completed the acquisition of Sainsburys, Limborough Road, Wantage. The acquisition saw the Fund acquire a dominant indexed linked Foodstore for a purchase price of £38,100,000 equating to net initial yield of 4.50%

Direct Portfolio Analysis

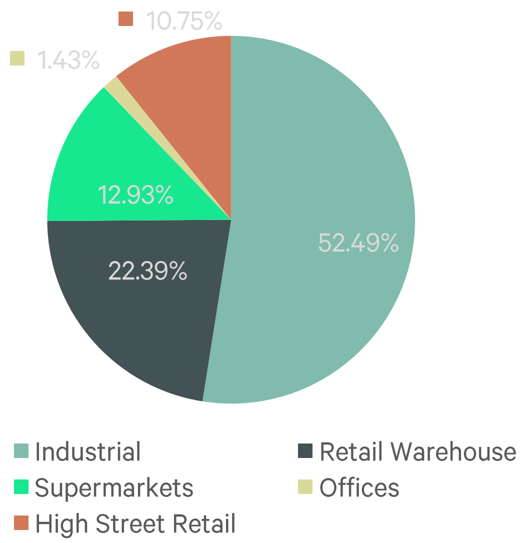
Top Ten Holdings (by Capital Value)

No.	Asset	Sector	Value	% of Direct Portfolio
1	WASHINGTON - Radial 64	Industrial	£50,600,000	9.6%
2	Wantage – Limborough Road	Foodstore	£38,100,000	7.3%
3	SWINDON - Symmetry Park	Industrial	£31,800,000	6.1%
4	LONDON - Long Acre	High Street Retail	£31,000,000	5.9%
5	ST ALBANS - Griffiths Retail Park	Retail Warehouse	£30,500,000	5.8%
6	THORNE – Capitol Park	Industrial	£30,000,000	5.7%
7	YEOVIL - Lysander Road	Industrial	£28,000,000	5.3%
8	BIRMINGHAM - Bromford Central	Industrial	£20,800,000	4.0%
9	PARK ROYAL - Minerva Road	Industrial	£19,850,000	3.8%
10	TONBRIDGE – Tonbridge Retail Park	Retail Warehouse	£19,650,000	3.7%
		Total	**£282,500,000**	**57.2%**

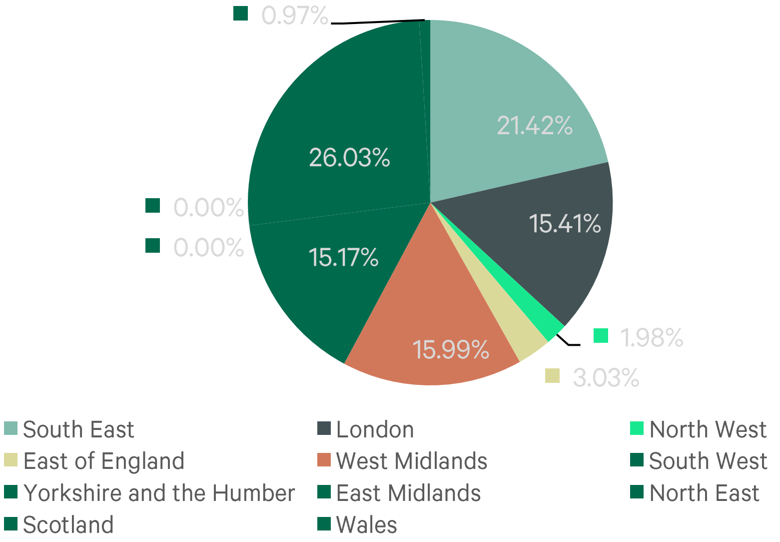
We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio, as well as diversifying the lease expiry profile.

In addition to recommendations on industrial purchases, we may also recommend alternative and long-let investments that offer good covenants, attractive yields and long unexpired terms; these may include hotels, car showrooms, healthcare, leisure, supermarkets and student housing.

Sector Allocation (by Capital Value)



Geographical Allocation (by Capital Value)



Direct Portfolio Analysis (continued)

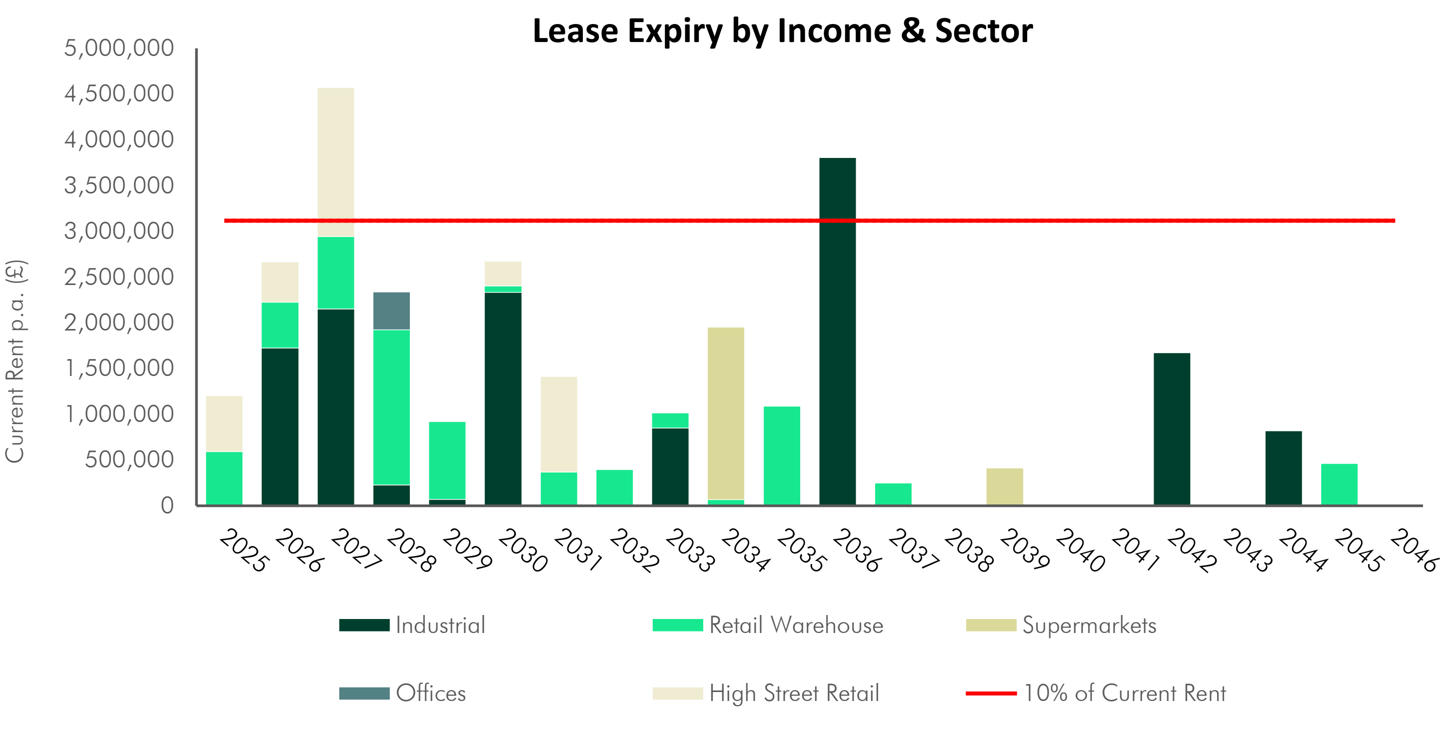
Top Ten Tenants (by Contracted Income)

The Portfolio has 92 demises let to 65 tenants. Of the top ten tenants, 80% have an INCANS classification of Medium-Low Risk or better, a strong rating. A summary of the top ten tenants' covenant strength is detailed below.

#	Tenant	Sector	Leases	Contracted Rent p.a.	% of Portfolio Rent	INCANS Global Score	INCANS Category
1	BAE Systems Global Combat Systems Munitions Ltd	Industrial	1	£3,767,977	12.2%	82/100	Medium-Low Risk
2	B&Q Ltd	Retail	3	£2,084,211	6.7%	92/100	Medium-Low Risk
3	Iceland Food Limited	Industrial / Retail	2	£1,892,500	6.1%	57/100	Medium-High Risk
4	Sainsburys Supermarkets Limited	Retail	1	£1,830,416	5.9%	92/100	Medium-Low Risk
5	Omega Plc	Industrial	1	£1,670,903	5.4%	84/100	Medium-Low Risk
6	Leonardo UK Ltd	Industrial	1	£1,653,120	5.3%	94/100	Medium-Low Risk
7	Zara UK Limited	Retail	2	£1,580,000	5.1%	89/100	Medium-Low Risk
8	Unipart Logistics Limited	Industrial	1	£1,077,000	3.5%	82/100	Medium-Low Risk
9	Royal Mail Group Limited	Industrial	1	£1,074,000	3.4%	17/100	High Risk
10	Libra Textiles Ltd	Industrial	1	£1,050,000	3.4%	93/100	Medium-Low Risk
			Total	£17,718,937	56.9%		

Key Lease Expiries / Income Risk

There is a focus to mitigate against lease expiry risk, by either purchasing properties where the lease expiry profile does not match that of the portfolio or through active asset management. The graph below identifies the years where more than 10% of the portfolio income is due to expire.



Property Portfolio Returns

The below table demonstrates the Portfolio's return compared to a reference index over the past 1, 3 and 5 years. The CBRE Property Index* is provided for illustrative purposes only:

	1 Year Mar 24 – Mar 25			3 Year (p.a.) Mar 22 – Mar 25			5 Year (p.a.) Dec 19 – Dec 24		
	TPF	Index	Variance	TPF	Index	Variance	TPF	Index	Variance
Income Return	5.79%	5.83%	(0.04%)	5.47%	5.45%	+0.02%	5.46%	5.50%	(0.04%)
Capital Return	0.46%	1.78%	(1.32%)	(2.95%)	(5.35%)	+2.40%	3.42%	(2.26%)	+5.69%
Total Return	6.39%	7.70%	(1.31%)	2.60%	(0.17%)	+2.76%	9.22%	3.12%	+6.10%

* Note that the CBRE Property Index is not the performance benchmark for the Portfolio.

Investment Management Update

We continue to seek long-let institutional stock in a range of sectors, primarily industrial, retail warehousing and supermarket sectors to deliver the secure index-linked income streams identified within the Fund's strategy. The Fund's requirement is regularly articulated to the investment market, and we receive a substantial number of investment opportunities each week.

Asset Management Update

B&Q, Arbroath Retail Park – March 2025
The Fund has concluded missives with B&Q, extending their lease by an additional 13 years, resulting in an effective 15-year term. The rent will be £252,000 per annum, and this agreement will resolve the longstanding service charge dispute at the asset.

Carpetright, Tonbridge – March 2025
The Fund has agreed an Agreement for Lease (AFL) with Superdrug, subject to planning, for the occupation of the vacant Carpetright unit at Tonbridge Retail Park. The AFL is based on a 10-year term with a tenant break option at year 5, and an annual rent of £150,000.

Unit C, Congleton – March 2025
The Fund has agreed Heads of Terms with a party to occupy the vacant Unit C at Congleton Retail Park. The terms include a 15-year lease with a tenant break at year 10, an annual rent of £85,000, and rent reviews every five years, linked to compounded Consumer Price Index (CPI) increases.

Royal Mail, Gateshead – March 2025
Royal Mail currently occupies the Fund's holding within Team Valley Trading Estate. The Fund is engaged in rent review negotiations to settle the upcoming September 2025 review, following positive rental growth in the region.

Unit 6, Bromford Central – March 2025
The Fund has reached a settlement on a substantial, longstanding dilapidations claim at Unit 6, Bromford Central. This agreement concludes all current dilapidations claims at the estate.

Halfords, Dorchester Retail Park – March 2025
The Fund has agreed Heads of Terms with Halfords to renew their lease for an additional 5 years at the current passing rent.

Portfolio Arrears Update – As at 03 June 2025

The table below details the collection statistics for Q1 2025. Rent due for the quarter totalled £7,531,901.33 of which £7,339,490.19 has been collected, reflecting a difference of £192,411.14.

Collection Milestones	Rent Due 25/03/2025	Quarter Date 25/03/2025	Week 1 01/04/2025	Week2 08/04/2025	Week 3 15/04/2025	Week 4 22/04/2025	After 29/04/2025	Difference
Total (£)	7,531,901	3,890,087	2,070,089	448,581	33,750	47,137	896,984	192,411
Collection Target (%)			92.0%	96.0%	98.0%	99.0%		
Total Collections (%)		51.7%	79.1%	85.1%	85.5%	96.1%	95.9%	

The rent collection across the entire portfolio in the previous three quarters has reflected the following.

March 2025 – 95.85%
December 2024 – 96.57%
September 2024 – 92.9%

The total collectable arrears on the entire portfolio as at March 2025 is £1,213,102. This is higher than normal due to timing as many of the sums due on 1st June have not yet been allocated and a number of tenants have not paid the third instalment of their March quarter rents (where they pay monthly). The Collectable Arrears exclude the following:

Tenants that have overall credit balances on their accounts
Tenants with recent charges raised within the last month
Tenants that are insolvent (CPR Realisations Ltd (in administration))

We have provided a summary of the top ten tenants with the greatest arrears. These tenants account for 86.8% (£1,052,580) of the total collectable arrears:

Sainsbury 's Supermarkets Limited (Wantage) – Total arrears of £576,382 (47.5% of the collectable arrears). This relates to the March quarter rent and insurance premium. The rent has been paid to the previous management agent and we are arranging for this to be transferred.

Iceland Foods Limited (Swindon) – Total arrears of £157,081 (12.9% of the collectable arrears). This relates mainly to the June 2025 monthly rent, that was due on 1st June.

B&Q plc (St Albans) – Total arrears of £106,616 (8.8% of the collectable arrears). This mainly relates to the third monthly instalment of the March 2025 quarter's rent, which we are continuing to chase. They also have service charge arrears and we are working with the tenant to resolve their queries.

HWS Restaurants Limited (Ipswich) – Total arrears of £42,018 (3.5% of the collectable arrears). This relates to the last 5-months' rent, service charge and insurance, which have been rebilled in accordance with the administration and we are liaising with the insolvency practitioner over payment.

B&Q plc (Arbroath) – Total arrears of £35,892 (3.0% of the collectable arrears). This relates solely to their latest rent and service charge, which were due on 1st June and 28th May respectively. We are chasing for payment.

Marks and Spencer plc (Tonbridge) – Total arrears of £29,997 (2.5% of the collectable arrears). This relates mainly to the June 2025 monthly rent, that was due on 1st June.

Halfords Limited (Arbroath) – Total arrears of £27,111 (2.2% of the collectable arrears). This relates mainly to their May 2025 quarterly rent, that was due on 28th May. We are chasing for payment.

River Island Fashion Limited (Lincoln) – Total arrears of £26,777 (2.2% of the collectable arrears). This relates mainly to the misallocation of the May 2022 rent. We continue to work with the tenant to resolve this. In addition the June 2025 monthly rent, that was due on 1st June has not yet been allocated.

Iceland Foods Limited (Tonbridge) – Total arrears of £25,707 (2.1% of the collectable arrears). This relates mainly to the June 2025 monthly rent, that was due on 1st June.

B&M Retail Limited (Bingley) – Total arrears of £25,000 (2.1% of the collectable arrears). This relates solely to the June 2025 monthly rent, that was due on 1st June.

The remaining £160,522 (13.2% of the collectable arrears) of arrears is spread across 38 tenants, ranging from £24,202 to £75.

Lending Update

Debt Investment Portfolio	Sector	Loan Limit	Drawn Balance	Interest Rate	Fully Drawn Income p.a.	Maturity	LTV	ICR
Chester Greyhound	Retail	£19.06m	£19.06m	3.70%	£0.71m	Nov-25	58.47%	2.94x
St Arthur Homes	Affordable Housing	£25.37m	£17.37m	5.40%	£1.37m	Nov-26	55.00%	1.34x
Preston East	Industrial & Logistics	£18.78m	£18.78m	5.21%	£0.98m	Jun-27	64.32%	1.76x
Bordon	Industrial & Logistics	£11.3m	£11.02m	5.54%	£0.63m	Jun-29	52.48%	1.57x
Verdant	Infrastructure	£25.0m	£25.0m	8.25%	£2.06m	Oct-26	25.00%	0.93x
TOTAL CURRENT		**£99.5m**	**£91.2m**	**5.77%**	**£5.74m**		**49.6%**	**1.68x**

As at 25 March 2025, the Fund had five committed loans, of which £91.2m of the combined £99.5m limits had been drawn. These loans produce a blended return of 5.77%.

The Bank of England base rate was cut by 25bps to 4.5% in February, with the 3 and 5 year swap rates reducing by 16bps and 5bps respectively. Both were at 3.94% on the quarter date. The Bank of England has commented that it is adopting a 'reactive' approach to monetary policy, with the need to balance inflationary pressures with economic growth. In practice this means that further base rate cuts are expected, although opinion remains divided on timing.

CBRE Lending are continuing to see good opportunities in the lending space across multiple sectors, including stabilisation bridges, refinances and development opportunities. We have also seen increasing demand from lenders, leading to meaningful price compression across most sectors. Investment loan pricing is now in the 150-200bps margin range for 55-60% LTV on good quality assets, with this now extending to sectors such as retail and office which had been pricing wider until recently.

Our general perception is one of cautious optimism in the market, with a degree of stability around rental growth and yields, and positive movement anticipated on finance rates.

Existing Loan Portfolio

- All existing loans are performing in line with their loan agreements. All are covenant compliant and all interest and amortisation payments have been made on time.
- Chester Greyhound: A £20.0m senior loan to fund Aprirose's acquisition of Greyhound Retail Park, Chester. Ongoing scheduled amortisation has de-levered the loan to <£19.1m since completion. There were a number of asset management initiatives at the scheme in Q1 2025 including; agreeing an AFL on Unit 6 to JD gyms and on Unit 5 to Tapi. Furthermore, the Borrower has extended the Unit 8 KFC lease and achieved a higher rent.
- St Arthur Homes: A £25.4m loan secured against a portfolio of 329 shared ownership units of which 245 have been refinanced to date. The next drawdown is expected in Q2.
- Preston East: An £18.8m loan secured against 4x long-let, Grade A logistics units near Preston.
- Bordon: An £11.3m loan secured against a fully let logistics unit in Bordon, Hampshire with a WAULT 13.5 years. The loan closed in June 2024.
- Verdant: A £25.0m Bridge Loan Facility to Verdant Regeneration Limited. The Loan was provided to support the Borrower with infrastructure and enabling works at the 176-acre site in Ilkeston, Derbyshire. Works continue to progress.

Titan Investors – Bordon, Hampshire

Titan Investors – Preston East Unit 3, Preston

Responsible Investment Initiatives

Environmental, Social, and Governance (ESG) criteria are increasingly prominent in investment decision-making and will influence the attractiveness of investments going forward. CBRE will ensure that responsible investment is at the forefront of the strategy and that ESG factors are considered within each investment and asset management initiative. This will help ensure that the investment portfolio remains resilient over the long term. We have summarised the relevance of each of the ESG factors below. As the importance of ESG grows, we will expand upon these with portfolio-level principles and asset-specific initiatives.

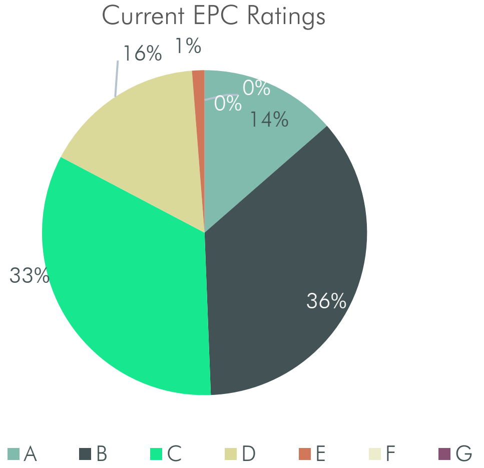
Environmental – sustainable factors will continue to play a part in the definition of 'prime' real estate, and buildings that don't meet the increasingly competitive standards are likely to become obsolete faster. Occupiers will demand that their buildings adhere to the highest environmental standards.

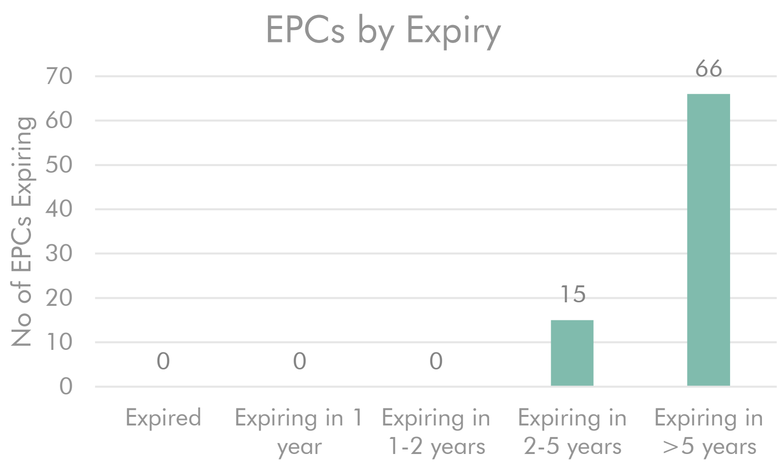
Social - real estate's impact on the local community and on a company's workforce are becoming equally important. Buildings that contribute positively to the world are, therefore, likely to be more resilient than those that do not, and as such, are likely to benefit from increased occupier demand, leading to future rental and capital growth.

Governance - market participants will increasingly question the governance and management practices of their partners and supply chain. Rigorous standards will mean businesses will need to become more transparent and engage with their stakeholders to ensure access to the best opportunities.

Minimum Energy Efficiency Standards (MEES)

Teesside Pension Fund's property Portfolio currently complies with MEES regulation. The Fund has undertaken a strategic review of the Portfolio to ensure continued compliance with incoming regulations in 2025. Energy Performance Certificates (EPCs) are used to measure compliance. A breakdown of the current ratings and expiry profile across the Portfolio is detailed below:





Fund Advisor Contacts

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Audit Strategy Memorandum - DRAFT

Teesside Pension Fund – Year ending 31 March 2025

June 2025

forvis mazars

Audit Committee
Middlesbrough Council
PO Box 500
Middlesbrough
TS1 9FT

June 2025

Forvis Mazars
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Dear Audit Committee Members,

Audit Strategy Memorandum – Year ending 31 March 2025

We are pleased to present our Audit Strategy Memorandum for Teesside Pension Fund for the year ending 31 March 2025.

This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled *'Confirmation of our independence'* summarises our considerations and conclusions on our independence as auditors.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising during the audit process; and
- Ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance, and other risks facing Teesside Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

This report also contains appendices that outline our key communications with you during the audit.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me.

This report was prepared solely for the use and benefit of Audit Committee and to the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Yours faithfully

Mark Kirkham (Apr 29, 2025 09:04 GMT+1)

Mark Kirkham

Partner

Forvis Mazars

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This document is to be regarded as confidential to Teesside Pension Fund. It has been prepared for the sole use of Audit Committee as the appropriate group charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents.

01

Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of Teesside Pension Fund (the Pension Fund) for the year to 31 March 2025. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: **Statement of responsibilities of auditors and audited bodies from 2023/24**. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

Our audit does not relieve management or Audit Committee as Those Charged With Governance, of their responsibilities.

The Director of Finance is responsible for the assessment of Teesside Pension Fund's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

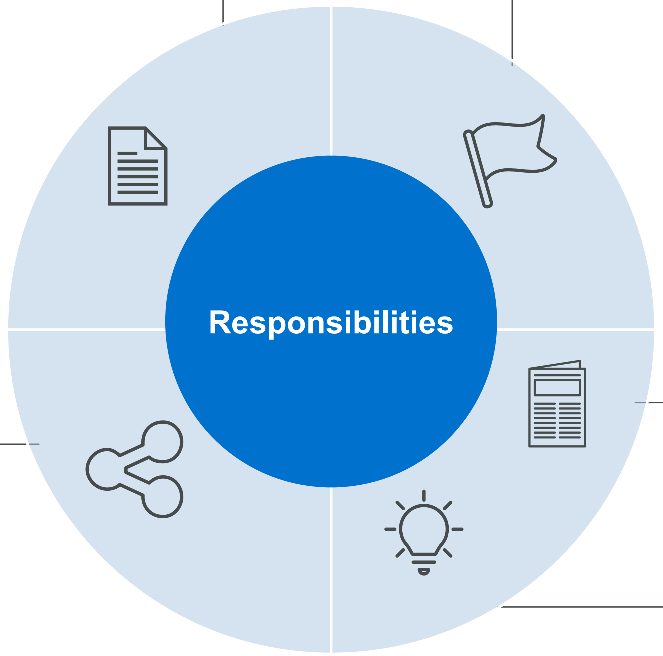
a) whether a material uncertainty related to going concern exists, and

b) the appropriateness of the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements.

Internal control

Management is responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Teesside Pension Fund's internal control.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you and key management personnel, including internal audit, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

Consistency reporting

We are responsible for forming and expressing an opinion on the consistency of the financial statements within the Pension Fund's annual report and the Pension Fund's financial statements included in the Statement of Accounts of Middlesbrough Council.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounts of the Pension Fund and consider objections made to the accounts. This would include an objection made to the accounts of the Pension Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

02

Your audit team

Your audit team

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03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Risk-based Approach

Understand the entity, its business, and the environment in which it operates (including IT environment)

Form our audit conclusion based on our findings.

Plan our audit, including determining materiality and identifying key components

Perform planned procedures and evaluate findings and, where necessary, review the appropriateness and sufficiency of the scope of our audit

Perform our risk assessment to identify risks of material misstatement, including significant risks.

Respond to our identified risks by designing appropriate and sufficient audit procedures

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Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the Code of Audit Practice. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud), we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the *'Materiality and misstatements'* section of this report.

The diagram on the next page outlines the procedures we perform at the different stages of our audit.

Managements and our experts

Management makes use of experts in specific areas when preparing the Pension Fund's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Disclosure Notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO consulting actuary, PwC.
Investment Properties	CBRE, Cushman and Wakefield	Forvis Mazars Valuation team

Service organisation

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Item of account	Service organisation	Audit approach
Investment Valuations and related disclosures	Investment Managers	Substantive testing of in year transactions and valuation applied to investments at the year end.
Investment Valuations and related disclosures	Northern Trust (Fund's Custodian)	Substantive testing of in year transactions and valuation applied to investments at the year end.

Audit scope, approach, and timeline

Planning and risk assessment *April 2025*	Interim *April 2025*	Fieldwork *October 2025 – February 2026*	Completion *February 2026*
• Planning our visit and developing our understanding of the Pension Fund • Documenting systems and control and performing walkthroughs • Risk identification and assessment • Considering proposed accounting treatments and accounting policies • Initial opinion risk assessments • Developing our audit strategy and planning the audit work to be performed • Agreeing timetable and deadlines • Preliminary analytical review • Determination of materiality	• Documenting systems and controls • Performing walkthroughs • Reassessment of our audit strategy (and revising if necessary)	• Executing our strategy, starting with significant risks and other higher-risk areas • Receiving and reviewing the draft financial statements • Communicating progress and any issues arising • Clearance meeting(s)	• Final review of financial statements, and disclosure checklist • Final partner review • Agreeing the content of the letter of representation • Preparing our auditor's report • Reporting to Audit Committee • Subsequent events procedures • Signing our auditor's report

Follow up on significant deficiencies in internal control

Set out below are the significant deficiencies in internal control that we identified during our prior period audit. During the course of the audit, we will request that you and management provide us with evidence of the progress made to address these deficiencies. We will report an update on the progress made for each significant deficiencies in internal control detailed below in our Audit Completion Report.

Deficiencies identified in 2023/24

1. Declarations of interests.

Description of deficiency

For the financial year 2023/24, we reviewed the meeting minutes and attendance records of committee members as listed on the Middlesbrough Council website. We identified three instances where management could not provide declarations of interest for individuals who attended the meetings. According to the Middlesbrough Council constitution, “voting rights are held by all members, including scheme member representatives, as long as they are not employees of Middlesbrough Council.” This means a member could potentially vote on a motion without declaring their interest.

We note from discussion with the Pension Fund that members are asked to declare their interests at the beginning of all Pension Fund committee meetings and are appraised at induction training for potential conflicts of interest.

Potential effects

Committee members may vote on agenda items in which they have an undeclared personal interest, leading to potential conflicts of interest.

Recommendation

The Monitoring Officer should ensure that the register of interests is regularly checked throughout the year.

Management response

The Monitoring Officer will conduct a regular review of members of the Pension Fund Committee and ensure that all members attending meetings have provided an up-to-date declaration of interest form.

Audit scope, approach, and timeline

Deficiencies identified in 2022/23

In the 2022/23 audit completion report presented to the December 2024 audit committee, the predecessor auditor identified internal control recommendations in the following areas:

- Recording of assets valuations
- Production of financial statements
- Reconciliation to custodian reports
- Support for sensitivity disclosures
- Review of submissions to the Actuary
- Retention of Fund Membership Data

We have discussed these matters with management, who have had limited time to make changes since the report was presented at the last audit committee. We understand that work is currently ongoing to respond to identified internal control recommendations and these will be implemented for the 2024/25 accounts.

1. Recording of asset valuations *(initially raised in 2022/23)*

Description of deficiency

The testing of investment valuations identified significant levels of error in the recorded value of individual investments, including investments recorded in the wrong currency and transactions close to yearend being omitted from the financial statement valuations. Gross misstatements identified totalled £107m, which is more than 2% of the Fund's net assets, although we note the net impact of misstatements was smaller but not insignificant. This level of misstatement leads us to conclude that controls over the recording of investment valuations are not operating effectively.

Potential effects

Information relating to the market value of investments at the year-end could be materially misstated in the Fund's financial statements.

Recommendation

Recommend management review the controls in place to ensure accurate recording of investment valuations, including ensuring there is a robust review process, to ensure that investments are not recorded at the incorrect value.

Management response

The Head of Pensions and Governance will implement a process to undertake a quarterly review of the basis of recording investment valuations by a supervising officer. This will be implemented in producing the 2024/25 accounts and will also review the draft 2023/24 accounts that remain subject to audit.

Audit scope, approach, and timeline

2. Production of the financial statements *(initially raised in 2022/23)*

Description of deficiency

Our audit work identified a number of material disclosure errors including disclosures being prepared on the incorrect basis and not in accordance with the requirements of the Pension Fund's reporting framework.
Also note that knowledge supporting the production of the financial statements is concentrated with a small number of people (2 officers), which significantly increases the risk of loss of corporate knowledge should there be a turnover in staff.

Potential effects

Errors in disclosures can lead to inaccurate financial statements.

Recommendation

Recommended management review the controls in place to ensure the financial statements are prepared in accordance with the requirements of the reporting framework, including ensuring there is a robust review process. We also recommend that knowledge of how to prepare material disclosures is formally documented to reduce the risk of loss of corporate knowledge.

Management response

The Director of Finance is due to implement a revised operating model within the accountancy disciplines within the Finance Directorate in the 2025/26 financial year subject to approval of the associated investment in the budget by Council in February 2025. There will be a new role of Chief Accountant who will be required to oversee the production of both the Council and Pension Fund Accounts to ensure compliance with relevant legislation, reporting standards and the code of practice and to build resilience within the Pensions and Accountancy Teams.

3. Reconciliation to custodian reports *(initially raised in 2022/23)*

Description of deficiency

Our testing of the Pension Fund's reconciliation of its accounting records against the investment valuations provided by the custodian identified that the reconciliation is performed shortly after each month end, when final valuations are often still to be reported to the custodian by investment managers. There is no subsequent revisiting of this reconciliation to identify where valuations have changed, which we consider was a factor in why the Pension Fund did not identify the misstatements of investment valuations reported.

Potential effects

There is a possibility the transactions are misreported, and this could have a material impact on Pension Fund financial statements.

Recommendation

Recommended management review the timing of the reconciliation to custodian reporting to ensure the reconciliation takes place at a time when the custodian records are up-to-date. If this is not possible due to delays in custodian reporting, an additional check back against the accounting records should be introduced to support year-end reporting.

Management response

The Head of Pensions and Investments will introduce a year end closure task to reconcile custodian reports to investment manager valuations. This will be adopted in closing the 2024/25 accounts and a check of the draft 2023/24 accounts will be undertaken prior to the audit.

4. Support for sensitivity disclosures *(initially raised in 2022/23)*

Description of deficiency

Note 13 to the financial statements includes various disclosures of the sensitivity of the Pension Fund's balances to movements in external factors, such as exchange rates or market movements. Our testing of these disclosures found that management were unable to support the sensitivities disclosed in the financial statements, partly because the reporting to the Pension Fund by the external party which provided them is limited and the external party is no longer trading

Potential effects

There is a possibility that misstatements are carried through the reconciliation as they have not been sufficiently reviewed, which may in turn lead to misstatements in the figures reported for the purchases, sales and market value of investments reported in the Pension Fund's accounts.

Recommendation

Recommended management review the controls in place to obtain, and retain support for, the sensitivities disclosed within the financial statements to ensure that disclosures made in the financial statements can be supported.

Management response

The Head of Pensions and Investments will ensure that all documentation relevant to the preparation of the financial statements is retained for management and audit purposes.

Audit scope, approach, and timeline

5. Review of submissions to the Fund actuary *(initially raised in 2022/23)*

Description of deficiency

Where the Pension Fund's actuary provides IAS 19 valuations to individual participating employers for inclusion in the employer's financial statements, they rely on employer-specific information submitted by the Pension Fund. Our testing of this process identified that information submitted to the actuary is prepared and submitted by one individual, with no review performed by someone other than the preparer. A lack of review process increases the risk of error in the information provided to the actuary, though we note we did not identify any such errors.

Potential effects

There is a possibility the transactions are misreported, and this could have a material impact on Pension Fund financial statements.

Recommendation

Recommended management review the process supporting submission of IAS 19 information to the actuary to ensure there is an adequate review to provide assurance that the submission is accurate.

Management response

The Head of Finance and Investment and the Head of Pensions and Investments will liaise to establish an appropriate review process to support the IAS19 position which will improve the assurance and resilience arrangements in relation to this return.

6. Retention of Fund Membership Data *(initially raised in 2022/23)*

Description of deficiency

The IT system used to administer the Pension Fund is not able to report the membership of the Fund at a past date. Whilst live membership reports are run at key dates, such as the date of triennial valuations, these are not retained and management are therefore unable to subsequently evidence the membership numbers reported at a point in time. The inability to subsequently evidence the membership of the Fund at key dates increases the risk that errors in membership numbers may go undetected, and we consider this a factor in the Pension Fund having to include what is effectively a balance line in their reconciliation of changes in membership between the start and end of the financial year.

Potential effects

Without the ability to verify past membership numbers, there is a higher risk of inaccuracies and errors in the reported figures, which can affect the reliability of financial statements.

Recommendation

Recommended management put in place a process to retain supporting evidence for membership data obtained at key dates, such as the date of triennial valuations of the Pension Fund.

Management response

The Head of Pensions and Investments will put in place a process to ensure that all key data required to evidence key membership at key dates is retained for financial reporting and audit purposes for the 2024/25 accounts.

04

Materiality and misstatements

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to Audit Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities, and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented, and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

We consider that net assets is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 1% of net assets.

As set out in the table below, based on currently available information provided to the Pension Fund Audit Committee in March 2025, we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £55.6m (£54.9m in the prior year), and performance materiality to be in the region of £27.8m (£27.4m in the prior year).

Additionally, we expect to set a materiality threshold of 10% of benefits payable for auditing the fund account. As set out in the table below, based on a month 12 trial balance provided by management in April 2025, we anticipate overall materiality for the year to 31 March 2025 to be in the region of £20.0m (£18.3m in the prior year), and performance materiality to be in the region of £10.0m (£9.1m in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

	2024-25 £'000s	2023-24 £'000s
Overall materiality	£55,578	£55,290
Performance materiality	£27,789	£27,645
Clearly trivial	£1,667	£1,659
Fund Account – Overall materiality	£20,048	£18,252
Fund Account – Performance Materiality	£10,024	£9,126

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to you and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £1.667m, based on 3% of overall materiality. If you have any queries about this, please raise these with me.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to you as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to you as follows:

- adjusted misstatements;
- unadjusted misstatements; and
- disclosure misstatements (adjusted and unadjusted).

05

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach set out in the *'Audit scope, approach, and timeline'* section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out below.

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. As required by auditing standards, a fraud risk is always assessed as a significant risk.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

- key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Significant risks and other key judgement areas

Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/ or our approach to address those risks during our audit, we will report this to you.

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	Management override of controls (a mandatory significant risk for all entities).	●	○	○	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The unpredictable way in which such override could occur means there is a risk of material misstatement due to fraud on all audits. You should assess this risk as part of your oversight of the financial reporting process.	In line with our methodology, we plan to address the management override of controls risk by carrying out audit work on: • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
2	Valuation of investments within level 3 of the fair value hierarchy 2024-25: Not Calculated at Planning Stage 2023-24: £1,413.9m	○	●	●	As at 31 March 2023 the fair value of investments classified within level 3 of the fair value hierarchy was £1,413.9m. The values included in the accounts are based on those provided by investment managers, updated by the Pension Fund for cash movements, where the most recently available information from fund managers is at a date prior to the year end. Level 3 assets are those assets where values are based on unobservable inputs, and consequently the estimation uncertainty for these assets is more significant than for assets valued at level 1 and 2.	We plan to address this risk by completing the following additional procedures on a sample basis: • agree holdings from fund manager reports to the global custodian's report; • agree valuations included in the Pension Fund's underlying financial systems to the most up-to date supporting documentation at the time of audit including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • agree the investment manager valuations to audited accounts or other independent supporting documentation, where available; • where audited accounts are available, check that they are supported by an unmodified opinion; • review the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required; and • where available, review independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.

Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, we would like to seek your views/ knowledge of the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between Teesside Pension Fund and regulators?

We plan to do this by formal letter to Audit Committee which we will obtain prior to completing our audit.

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- significant delays in management providing information that we require to perform our audit;
- an unnecessarily brief time within which to complete our audit;
- extensive and unexpected effort to obtain sufficient appropriate audit evidence;
- unavailability of expected information;
- restrictions imposed on us by management; and
- unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Internal audit function

Based on our assessment of the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors, the level of competence of the internal audit function, and whether the internal audit function applies a systematic and disciplined approach, including quality control, we do not expect to use the work of the internal audit function for the purpose of our audit.

Nonetheless, we will obtain a copy of the reports issued by internal audit relating to the financial period under audit determine whether any findings will have an impact on our risk assessment and planned audit procedures.

06

Audit fees and other services

Audit fees and other services

Fees for work as the Pension Fund's appointed auditor

Our fees (exclusive of VAT) as the Pension Fund's appointed for the year ended 31 March 2025 are outlined below.

At this stage of the audit, we are not planning any divergence from the scale fees set by PSAA.

Area of work	2024-25 Proposed Fee	2023-24 Actual Fee
Code Audit Work	£117,860	£102,380
Fee Variations	TBC	£7,840

The fee variation for 2023-24 includes fees in respect of additional audit work under revised ISA (UK) 315 and the related impact of ISA (UK) 240 (fraud) is required at all local audit bodies from the 2022/23 audits.

Further details of this fee variation can be found on the PSAA website: https://www.psaa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2024-25-auditor-appointments-and-audit-fee-scale/2024-25-audit-fee-scale/3/

07

Confirmation of our independence

Confirmation of our independence

Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Revised Ethical Standard.

Compliance

We are not aware of any relationship between Forvis Mazars and Teesside Pension Fund that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Teesside Pension Fund and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

Non-audit and Audit fees

We have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to Teesside Pension Fund together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and complete annual ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with me in the first instance.

Prior to the provision of any non-audit services, I will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: **Terms of Appointment from 1 July 2021 - PSAA**. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

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Appendices

A: Key communication points

Appendix A: Key communication points

We value communication with Audit Committee as a two-way feedback process is at the heart of our client service commitment. The Code of Audit Practice as well as ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of matters with you. We meet these requirements, principally, through presenting the following documents to you:

- our Audit Strategy Memorandum; and
- our Audit Completion Report.

These documents will be discussed with management prior to being presented to you and their comments will be incorporated as appropriate.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The planned scope and timing of the audit.
- Significant audit risks and areas of management judgement.
- Our commitment to independence.
- Responsibilities for preventing and detecting errors.
- Materiality and misstatements.
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Significant difficulties, if any, encountered during the audit.
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
- Our conclusions on the significant audit risks and areas of management judgement.
- Summary of misstatements.
- Management representation letter.
- Our proposed draft audit report.
- Independence.

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Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • inquiries with Audit Committee to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit Committee meeting(s), audit planning meeting(s), and audit clearance meeting(s)

Appendix A: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Pension Fund or Audit Committee in the context of fulfilling your responsibilities.	Audit Completion Report

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Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off)} and inquiry of Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that Audit Committee may be aware of.	Audit Completion Report and Audit Committee meeting(s)
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements.	Audit Completion Report
Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm's System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm's System of Quality Management. These include: • ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership; • establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities ; • identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.); • identify, design, and implement responses as part of the process to strengthen our internal control environment and overall quality; and • evaluate responses and remediate control gaps or deficiencies. We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here. The details of our evaluation of our system of quality management as of 31 August 2024, and our conclusion, set out in our 2023/24 Transparency Report, which is available on our website here.	Audit Strategy Memorandum

Contact

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