Legal and Governance

Middlesbrough
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TEESSIDE PENSION FUND COMMITTEE

Date: Wednesday 23rd June, 2021
Time: 11.00 am
Venue: Council Chamber

AGENDA

1.	Welcome and Evacuation Procedure	
2.	Apologies for Absence	
3.	Declarations of Interest To receive any declarations of interest.	
4.	Minutes - Teesside Pension Fund Committee - 10 March 2021	3 - 10
5.	Investment Activity Report	11 - 36
6.	External Managers' Reports	37 - 98
7.	Border to Coast Update	99 - 142
8.	Revised Funding Strategy Statement/Employer Flexibilities	143 - 194
9.	Investment Advisors' Reports	195 - 202
10.	CBRE Property Report	203 - 210
11.	XPS Pension Administration Report	211 - 242

12. Any other urgent items which in the opinion of the Chair, can be considered

13. 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 Paragraph 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.

14. **Local Investment Proposal - Follow-on Investment** 243 - 266
3
15. **Local Investment Proposal - Co-investment** 267 - 278
3

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Tuesday 15 June 2021

MEMBERSHIP

Councillors D Coupe (Chair), E Polano (Vice-Chair), J Beall, A Bell, R Creevy, B Foulger, T Furness, J Hobson, G Nightingale, J Rostron, M Storey, S Walker, A Waters and T Watson

Assistance in accessing information

Should you have any queries on accessing the Agenda and associated information please contact Susan Lightwing, 01642 729712, susan_lightwing@middlesbrough.gov.uk

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 10 March 2021.

PRESENT: Councillors D Coupe (Chair), J Beall, A Bell, B Cooper, S Dean, P Fleck, B Foulger, T Furness, J Hobson, J Rostron, Z Uddin, T Watson and G Nightingale

PRESENT BY INVITATION: Councillors

ALSO IN ATTENDANCE: G Hall, W Bourne (Independent Adviser), P Moon (Independent Adviser), A Owen (CBRE), A Peacock (CBRE), J Roberts (Border to Coast) and M Rutter (External Auditor) (Ernst Young)

OFFICERS: S Lightwing, N Orton, W Brown, I Wright, D Johnson and J McNally

APOLOGIES FOR ABSENCE: Councillors E Polano

20/38 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Beall	Non pecuniary	Member of Teesside Pension Fund
Councillor Cooper	Non pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non pecuniary	Member of Teesside Pension Fund
Councillor Uddin	Non pecuniary	Member of Teesside Pension Fund
B Foulger	Non pecuniary	Member of Teesside Pension Fund

20/39 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 9 DECEMBER 2020**

The minutes of the meeting of the Teesside Pension Fund Committee held on 9 December 2020 were taken as read and approved as a correct record.

20/40 **AUDIT COMPLETION REPORT**

The Auditor presented the final Audit Results Report for the Teesside Pension Fund for 2019/2020.

Section one of the report provided an update on the matters noted as outstanding when the provisional audit results report was presented to the Committee in December 2020.

The Auditor confirmed that, as indicated in the provisional audit results report, EY would be issuing an unqualified audit opinion on the financial statements.

The final opinion did not include additional narrative to highlight financial statement disclosures that the valuations of directly held property had been prepared on the basis of a ‘material valuation uncertainty’, as EY had subsequently concluded this narrative was not required.

ORDERED that the report was received and noted.

20/41 **INVESTMENT ACTIVITY REPORT**

A report of the Director of Finance was presented to inform Members of the Teesside Pension Fund Committee how the Investment Advisors' recommendations were being implemented.

A detailed report on the transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's valuation was included, as well as a report on the treasury management of the Fund's cash balances and the latest Forward Investment Programme.

The Fund continued to favour growth assets over protection assets and currently had no investments in Bonds. Whilst it was considered that Bond yields would rise in the long run, at present yields did not meet the actuarial requirements for the Fund and should continue to be avoided at these levels unless held as a short term alternative to cash.

The cash levels at the end of December 2020 were 8.26%. The Fund would continue to use cash to move away from its overweight position in equities and invest further in Alternatives.

Investment in direct property would continue on an opportunistic basis where the property had good covenant, yield and lease terms. No property transactions were undertaken in this quarter.

During the quarter, £45.3 million was invested in Alternatives. The Fund was considerably underweight its customised benchmark and, providing suitable investment opportunities were available, would look to increase its allocation to this asset class up to the customised benchmark level.

Appendix A to the submitted report detailed transactions for the period 1 October 2020 to 31 December 2020 September 2020. There were net purchases of £45.4m million in the period, this compared to net purchases of £33.2 million in the previous reporting period.

As at 31 December 2020, the Fund had £361.5 million invested with approved counterparties. This was a decrease of £68.3 million over the last quarter. Appendix B to the submitted report showed the maturity profile of cash invested as well as the average rate of interest obtained on the investments for each time period.

The total value of all investments as at 31 December 2020, including cash, was £4,385 million, compared with the last reported valuation as at 30 June 2020, of £4,084 million.

A summary analysis of the valuation showed the Fund's percentage weightings in the various asset classes as at 31 December 2020 compared with the Fund's customised benchmark.

The Forward Investment Programme provided commentary on activity in the current quarter as well as looking ahead to the next three to five years. Details of the current commitments in equities, bonds and cash, property and alternatives were included in paragraph 8 of the submitted report.

The Fund was currently above its target asset allocation of 50% equities. As at the end of December 2020 the Fund’s equity weighting was 77.04%. The overweight position should be reduced over time through further investment in Alternative assets, however, this was a slow process. As long as suitable alternative investments were available the Fund would look to a reduction in the overweight position of 5% per year.

ORDERED that the report was received and noted.

20/42 **EXTERNAL MANAGERS' 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).

As at 30 September 2020 the Fund had investments in:

- 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;

  and

- 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 UK Equity Fund was currently performing on target although it was highlighted that the Fund had not yet been invested for three years. There had been a slight dip in performance over the last quarter but overall, since inception, the expected returns had been delivered. The Border to Coast report was attached at Appendix A to the submitted report.

The Head of Pensions Governance and Investments confirmed that he was not alarmed by the slight dip in performance as there had been a significant change in UK market values over the last quarter.

State Street had a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report (attached to the submitted report at Appendix B) showed the market value of the State Street passive equity portfolio and the proportions invested in each region as at 31 December 2020.

It was highlighted that companies that breached UN Global Compact or sold controversial weapons had recently been excluded from State Street's funds and the indices they tracked and this had made a difference to the number of companies they could invest in of about 3.6% of the market. However, the expected returns had been delivered to date.

Over the course of the next few months, the Fund would continue to transfer money from State Street to Border to Coast in order to move away from passive investments. Details of the transfers would be reported to the Committee.

ORDERED that the report was received and noted.

20/43 **PRESENTATION FROM BORDER TO COAST CLIENT RELATIONSHIP MANAGER**

The Border to Coast Client Relationship Manager gave a presentation which covered the following issues:

- Border to Coast Update
- Equity Investments Update
- UK Listed Equity Fund
- Overseas Developed Markets Equity Fund
- Alternatives Investments Update
- Private Equity
- Infrastructure

Progress during 2020 included:

- Border to Coast's first co-investment, in its infrastructure fund.
- The launch of two fixed income funds – the £2.5 bn Sterling Investment Grade Credit Fund and the £1.5 bn Sterling Index-Linked Bond Fund.
- Won the Pool of the Year and Collaboration Awards at the LAPF (Local Authority Provident Fund) Investment Awards.
- Over 130 delegates attended Border to Coast's first virtual conference.
- 58 partner Fund workshops were held.
- Continued recruiting, with over 20% of colleagues joining BCPP during lockdown.
- Completed the first "crossing deal" leading to a saving of £3.4 m for the partner funds involved. A "crossing deal" with Teesside had also made a saving of £20,000 for the Fund.

The presentation included the Investment Proposition Launch Timetable with details of the Funds that would be launched in 2022 and 2023 highlighted at the meeting.

Overall there was general confidence with the performance of the UK albeit there was a slight dip over the short term. However, over the three year rolling basis the Fund was in a strong position.

ORDERED that the report was received and noted.

20/44 STRATEGIC ASSET ALLOCATION UPDATE

A report of the Director of Finance was presented to ask Members to agree to a revision to the Pension Fund's strategic asset allocation and for a short consultation to be carried out with employers in the Fund to explain the purpose of the proposed changes.

The Pension Fund's target strategic asset allocation was set out in its Investment Strategy Statement (ISS) which was last updated in February 2019. The table at 4.1 of the submitted report showed the strategic asset allocation alongside the actual allocation of the Pension Fund at the end of the quarter the allocation was published (31 March 2019), and at the end of the last quarter (31 December 2020).

The ISS highlighted that the target allocation was a long term goal, and that while bonds continue to be viewed as expensive, the allocation to equities was likely to be towards the high end of the range.

While the Pension Fund remained heavily invested in equities its assets were subject to significant volatility. While this could be tolerated to a certain extent given the Pension Fund's long investment time horizon, this volatility could cause issues for the Pension Fund's employers if the triennial valuation coincided with a low point in valuations.

Officers had been working with the Pension Fund's investment advisors to review the strategic asset allocation, with a view to setting a long-term and a short/ medium term target for asset allocation. The latter target would allow the Committee to judge more quickly whether appropriate progress was being made in reallocating the Pension Fund's assets.

Details of the proposed revised strategic asset allocation was detailed at paragraph 6.4 of the submitted report. The overall split between growth and protection assets would be 75% to 25% in the long term, with UK Equities 10%, Overseas Equities 45%, Property 10%, Private Equity 5%, Other Alternatives 5%. Protection assets – bonds, other debt, and cash - would be combined together. Infrastructure would be reclassified as a protection asset to properly reflect the features of that asset and the fact that it would provide a protection asset in investment terms.

Any substantive changes agreed to the revised ISS following the consultation would be brought to the next Committee meeting. If there were no such changes the ISS would be published in due course.

It was noted that some of the targets were challenging, however the Head of Pensions Governance and Investment confirmed that he felt that they were reasonable. In relation to local investments, it was explained that the Committee had agreed to invest up to 5%, it was not a separate line on the strategic asset allocation. Any local investment would be slotted into the relevant category. However, the Committee would be kept informed of the percentage of investment actually allocated to local investments.

ORDERED as follows:

1. The information provided was received and noted.
2. The table in paragraph 6.4 of the submitted report would be incorporated into an updated ISS and circulated to Pension Fund employers for comment.
3. Any substantive changes agreed to the revised ISS following the consultation would be brought to the next Committee meeting.
4. If there were no substantive changes to report back, the revised ISS would be published.
5. Officers would work to implement the revised strategic asset allocation and would report back to future Committee meetings on progress.

20/45 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 outcome of the Knowledge Assessment was discussed with the Board at its February 2021 meeting. The Board agreed that a training programme should be discussed and approved by the Committee which Board members could also participate in.

The report identified a number of areas where the Committee and Board would benefit from additional training. A suggested training plan was attached at Appendix A to the submitted report.

The provision of a specific training budget would allow flexibility on how training could be delivered. An initial budget of £40,000 representing £2,000 per Committee and Board member was suggested, with any expenditure subject to discussion and agreement with Chair and Vice Chair, as well as appropriate use of procurement processes and procedures.

Concern was raised in relation to the amount of the suggested budget and it was confirmed that this was a maximum amount and value for money would be sought when arranging any external training.

ORDERED as follows:

- The proposed training plan in Appendix A would be delivered to Committee and Board members.
- A training budget initially set at £40,000 was set aside to allow external companies and individuals to be commissioned to assist with this training where appropriate.
- Expenditure on external training would be determined by the Head of Pensions Governance and Investments in consultation with the Chair and Vice Chair.

20/46 **PENSION FUND BUSINESS PLAN 2021-2024**

A report of the Director of Finance was presented to Committee Members to request approval of the annual Business Plan including the 2021/22 Pension Fund budget.

The 2021/22 forecast income and expenditure was set out in the Business Plan, and summarised at paragraph 3.1 of the submitted report.

The Business Plan for 2021/24 was attached at Appendix 1 to the submitted report and included:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (Appendix A).
- The current governance arrangements for the Fund.
- The performance targets for the Fund for 2021/22, and a summary of the performance for 2020/21 (Appendix B).
- The arrangements in place for managing risk and the most up to date risk register for the Fund (see Appendix C).
- Membership, investment and funding details for the Fund.
- An estimated outturn for 2020/21 and an estimate for income and expenditure for 2021/22 (Appendix D and page 21 of Appendix 1).
- An annual plan for key decisions and a forward work programme for 2021/22 and an outline work plan for 2022–2024.

ORDERED as follows that:
1. The information provided was received and noted.
2. Teesside Pension Fund's Annual Business Plan including the 2021/22 Pension Fund budget was approved.

20/47 **CURRENT ISSUES**

A report of the Director of Finance was presented to update Members on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

The following issues were highlighted:

- Regulations imposing a £95,000 Exit Cap Revoked.
- Scheme Advisory Board - Good Governance Review Final Report.
- Increasing the Normal Minimum Pension Age: Consultation on Implementation.

The Head of Pensions Governance and Investments provided a detail explanation on each item, the details of which were contained in the submitted report.

ORDERED that the information provided was received and noted.

20/48 **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 by both Advisers in relation to the economic recovery from the pandemic, the increase in bond yields, and the potential for inflation.

ORDERED that the information provided was received and noted.

20/49 **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 investment market was currently subdued. Shopping centres were under pressure although industrials continued to grow in favour. There was demand in the office sector for the best quality assets. Although there was an expectation of more liquidity in the markets once lockdown eased, it was not yet clear whether there would be more or less demand for offices or whether the move to online shopping would continue at the same pace.

Confirm that we have no shopping centres in the portfolio and no plans to put one forward as a recommendation. Have a number of retail parks which have been resilient and keeping the team busy in terms of new lettings quite pleasingly and lease renewals. Report refers to a couple of deals at the moment involved in.

The current arrears, as stated in the report, had fallen by £50K to currently £1.69 million. Quarterly collection statistics for this quarter had improved from the 81% as stated, to 85% and that compared quite favourably with most of CBRE's portfolios. It was highlighted that under Government legislation passed due to the covid-19 pandemic, no enforcement action could be taken against tenants who were in arrears. CBRE were working with tenants to recover arrears and agree payment plans.

In relation to vacant properties, the void rate was low: 2.45% against an industry benchmark of 11.9%. Completion of several lettings would further reduce that void rate.

CBRE continued to look for new investments for the Fund but there was a chronic shortage of suitable stock available on the current market. Hopefully the situation would improve lockdown eased and people would look at stock they might want to sell later in the year. It was noted that when suitable assets for the Fund did come to market, bidding could be fierce, particularly in logistics and industrials.

ORDERED that the information provided was received and noted.

ORDERED that the report was received and noted.

20/50 **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 following items were highlighted:

- Headlines – 95K Exit Cap and McCloud judgement.
- Membership Movement.
- Member Self Service - new website.
- Additional Work - Guaranteed Minimum Pension reconciliation exercise.
- Common Data.
- Conditional Data.
- Employer Liaison.
- Performance Charts.

In relation to the McCloud judgement, the expected remedy was that everybody who was in the scheme prior to 2012 and from 2014 onwards would now receive the same protections as those who were close to retirement. XPS was in the process of data collection, contacting each employer to ensure both sets of benefits could be calculated for everybody. Pensioners would receive the better of either the CARE benefit or the previous final salary benefits. This could affect a number of people for a number of decades. There could also be other impacts in relation to benefits statements, as potentially both sets of figures would need to be included from 2022, or once the legislation was in place.

It was reported that usage of the Pension Fund website was low and XPS were trying to encourage more people to sign up to it and use it. The website had the facility for members to do their own estimates and work out their benefits.

In relation to the Guaranteed Minimum Pension reconciliation exercise, the next stage would be a final check against HMRC records and then the calculation of any over or underpayments.

During the Covid-19 pandemic the Employer liaison team had been carrying out health checks with Employers virtually rather than in person. Service Level Agreements had been maintained throughout lockdown.

ORDERED that the information provided was received and noted.

20/51 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 5

PENSION FUND COMMITTEE REPORT

23 JUNE 2021

DIRECTOR OF FINANCE – IAN WRIGHT

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 2021**

4.1 The Fund continues to favour growth assets over protection assets. It is considered that in the long run, Bond yields will rise, but at present and while central banks intervene in the Bond markets, through quantitative easing, yields do not meet the actuarial requirements for the Fund and should continue to be avoided at these levels unless they are held as a short term alternative to cash.

<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 levels at the end of March 2021 were 7.50%</u> . The Fund will look to use this cash to move away from its overweight position in equities and invest further in Alternatives.

4.3 Investment in direct property to continue on an opportunistic basis where the property has a good covenant, yield and lease terms.

No property transactions were undertaken in this quarter.

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. However, the Fund is considerably underweight its customised benchmark and, providing suitable investment opportunities are available, the Fund will look to increase its allocation to this asset class up to the customised benchmark level.

An amount of £36.0m was invested in the quarter.

5. TRANSACTION REPORT

5.1 It is a requirement that all transactions undertaken are reported to the Investment Panel. Appendix A details transactions for the period 1 January 2021 – 31 March 2021

5.2 There were net purchases of £10.1m in the period, this compares to net purchases of £45.4m in the previous reporting 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 Strategic Director Finance, Governance and Support.

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 December 2020, the Fund had £340.8 million invested with approved counterparties. This is a decrease of £20.7 million 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 Strategic Director Finance, Governance and Support 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 2021, and is prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, is **£4,553 million.** The detailed valuation attached as Appendix C is also available on the Fund's website www.teespen.org.uk. This compares with the last reported valuation, as at 31 December 2020 of **£4,385 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 2021 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 March 2021 Pension Fund Committee a revised Strategic Asset Allocation was agreed:

Asset Class	Long Term Target Strategic Asset Allocation	31 March 2022 Target Strategic Asset Allocation
GROWTH ASSETS	**75%**	**78%**
UK Equities	**10%**	**12%**
Overseas Equities	**45%**	**53%**
Property	**10%**	**7%**
Private Equity	**5%**	**3%**
Other Alternatives	**5%**	**3%**
PROTECTION ASSETS	**25%**	**22%**
Bonds / Other debt / Cash	**15%**	**14%**
Infrastructure	**10%**	**8%**

8.3 EQUITIES

As at the end of March 2021 the Fund's equity weighting was 76.47%.

A schedule is in place to reduce our investment in the Border to Coast UK Equity Fund over the period 1 April 2021– 31 March 2022, this includes the switch of £200m into the Border to Coast Emerging Market Equity Hybrid Fund, transactions will be reported at future Committee Meetings.

The overweight position will also be reduced over time through further investment in Alternative assets, however, as noted in 4.4 above because the investments happen over a period of years this is a slow process.

At the 11th March 2020 Pension Fund Committee Meeting it was ordered that:

"The majority of the Fund's passively managed equities held with State Street Global Advisers should be transitioned to the actively managed equity sub-funds held with Border to Coast Pension Partnership."

The transfer of £1.3bn from the SSGA Passively Managed Funds to the Border to Coast Actively Managed Overseas Developed Fund began in February, the transaction report (Appendix A) shows that at the end of March £670m has been transferred with the remainder to be transferred by the end of May 2021.

Summary of equity returns for the quarter 1 January 2021 – 31 March 2021:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	4.81%	5.19%	-0.38%
BCPP Overseas	3.64%	3.43%	0.22%
SSGA Pacific	2.67%	2.72%	-0.05%
SSGA Japan	1.15%	0.98%	0.17%
SSGA Europe	2.47%	2.42%	0.05%
SSGA North America	4.73%	4.60%	0.13%

(BCPP – Border to Coast Pension Partnership – Active Internal Management)
(SSGA – State Street Global Advisers – Passive Management)

8.4 BONDS + CASH

The Fund has no investments in bonds at this time, the level of cash invested is 7.50%. Until there is clear instruction from the Committee, through its Investment Advisors, to invest in bonds this will remain the short term strategy. It is planned to reduce cash through investment into other asset classes (property, alternatives and equities) in the near term. In addition, cash is being used to supplement the gap in contribution receipts and pension payments.

8.5 **PROPERTY**

Investment in direct property to continue on an opportunistic basis where the property has a good covenant, yield and lease terms.

8.6 **LOCAL INVESTMENT**

At the March 2021 Pension Fund Committee there was a request to include details of any Local Investments made by the Pension Fund.

To date the Fund has agreed 2 Local Investments:

GB Bank – £20m investment that has been called in full.
Ethical Housing Company - £5m investment of which £361k has been called.

8.7 **ALTERNATIVES**

In the medium to long term, it is proposed that commitments will be made through Border to Coast. These commitments are reviewed on an annual basis.

As at 31 March 2021 total commitments to private equity, infrastructure and other alternatives were approaching £931m, as follows:

	Total committed	Total draw down
Border to Coast infrastructure (2019/20 and 2020/21):	£150m	£27m
Other infrastructure managers:	£212m	£107m
Border to Coast private equity (2019/20 and 2020/21):	£150m	£17m
Other private equity managers:	£326m	£96m
Other alternatives (various managers):	£93m	£75m
Totals	£931m	£322m

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

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Bargain 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)		(£)	(£)	(£)
08 January 2021	P	ACIF Infrastructure Fund 1	Infrastructure	Infrastructure	~	~	EUR	103,342.92	103,342.92	0.00
15 January 2021	P	ACIF Infrastructure II LP (Fund 2)	Infrastructure	Infrastructure	~	~	EUR	335,000.89	335,000.89	0.00
15 January 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	444,588.32	444,588.32	0.00
20 January 2021	S	Blackrock GEPIF	Infrastructure	Infrastructure	~	~	USD	-55,589.13	-55,589.13	0.00
01 February 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	-94,618.39	-94,618.39	0.00
03 February 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	304,872.30	304,872.30	0.00
05 February 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	40,097.67	40,097.67	0.00
16 February 2021	P	Blackrock GEPFI III	Infrastructure	Infrastructure	~	~	USD	1,376,433.55	1,376,433.55	0.00
26 February 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	133,237.28	133,237.28	0.00
05 March 2021	P	Access Capital Infrastructure Fund 1	Infrastructure	Infrastructure	~	~	EUR	336,894.71	336,894.71	0.00
10 March 2021	P	Ancala Infrastructure Fund II	Infrastructure	Infrastructure	~	~	EUR	226,557.16	226,557.16	0.00
17 March 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	670,844.15	670,844.15	0.00
25 March 2021	S	ACIF Infrastructure II LP	Infrastructure	Infrastructure	~	~	EUR	-231,223.77	-231,223.77	0.00
22 March 2021	S	JP Morgan Infrastusture Investment Fund	Infrastructure	Infrastructure	~	~	USD	-60,728.69	-60,728.69	0.00
30 March 2021	S	Blackrock GEPIF II	Infrastructure	Infrastructure	~	~	USD	-23,049.48	-23,049.48	0.00
								3,506,659.49		
20 January 2021	P	Pantheon Senior Debt Secondaries	Other Alternatives	Other Alternatives	~	~	USD	4,595,949.31	4,595,949.31	0.00
19 February 2021	P	Hearthsone Residential Fund 1 LP	Other Alternatives	Other Alternatives	~	~	GBP	174,874.60	174,874.60	0.00
05 March 2021	P	Pantheon Senior Debt Secondaries	Other Alternatives	Other Alternatives	~	~	USD	1,800,244.83	1,800,244.83	0.00
22 March 2021	P	Bridges Evergreen TPF Housing Co-Investment LP	Other Alternatives	Other Alternatives	~	~	GBP	360,633.33	360,633.33	0.00
26 March 2021	S	Pantheon Senior Debt Secondaries	Other Alternatives	Other Alternatives	~	~	USD	-39,514.61	-39,514.61	0.00
								6,892,187.46		
18 January 2021	S	SSGA MPF North America Equity Index Sub-Fund	Overseas Equities	North America	-2,036,393.46	12.22	GBP	-24,890,837.22	-18,655,572.65	6,235,264.57
18 January 2021	S	SSGA MPF North America Equity Index Sub-Fund	Overseas Equities	North America	-8,930.20	12.22	GBP	-109,162.78	-81,810.33	27,352.45
24 February 2021	S	North America ESG Screened Index Equity Sub-Fund	Overseas Equities	North America	-13,827,248.25	12.26	GBP	-169,577,372.48	-126,672,590.37	42,904,782.11
24 February 2021	S	North America ESG Screened Index Equity Sub-Fund	Overseas Equities	North America	-34,455.20	12.27	GBP	-422,627.52	-315,647.03	106,980.49
24 March 2021	S	North America ESG Screened Index Equity Sub-Fund	Overseas Equities	North America	-5,590,410.13	12.46	GBP	-69,673,281.43	-51,214,219.89	18,459,061.54
24 March 2021	S	North America ESG Screened Index Equity Sub-Fund	Overseas Equities	North America	-32,363.33	12.46	GBP	-403,376.57	-296,483.22	106,893.35
								-265,076,658.00		
24 February 2021	P	Border to Coast Overseas Developed Markets Equity	Overseas Equities	Overseas Developed	131,427,155.12	129.22	GBP	169,830,169.84	169,830,169.84	0.00
10 March 2021	P	Border to Coast Overseas Developed Markets Equity	Overseas Equities	Overseas Developed	192,007,767.32	130.06	GBP	249,725,302.17	249,725,302.17	0.00
24 March 2021	P	Border to Coast Overseas Developed Markets Equity	Overseas Equities	Overseas Developed	189,804,136.34	131.57	GBP	249,725,302.17	249,725,302.17	0.00
								669,280,774.18		
10 March 2021	S	Europe ex UK ESG Screened Index Equity Sub-Fund	Overseas Equities	Europe	-33,998,139.27	7.35	GBP	-249,889,723.44	-215,954,832.36	33,934,891.08
10 March 2021	S	Europe ex UK ESG Screened Index Equity Sub-Fund	Overseas Equities	Europe	-15,000.35	7.35	GBP	-110,276.56	-95,281.62	14,994.94
								-250,000,000.00		
24 March 2021	S	Japan ESG Screened Index Equity Sub-Fund	Overseas Equities	Japan	-80,679,858.96	2.23	GBP	-179,819,269.65	-149,635,027.04	30,184,242.61

24 March 2021	S	Japan ESG Screened Index Equity Sub-Fund	Overseas Equities	Japan	-46,685.96	2.23	GBP	-104,072.35	-86,587.35	17,485.00
								-179,923,342.00		
04 January 2021	P	Acess Capital Growth Buy-Out Europe SCS-RAIF	Private Equity	Private Equity	~	~	EUR	2,166,547.79	2,166,547.79	0.00
08 January 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	615,655.23	615,655.23	0.00
08 January 2021	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	10,329.69	~	EUR	1,071,332.92	1,071,332.92	0.00
12 January 2021	P	Crown Global Opportunities VII	Private Equity	Private Equity	28,000.00	~	USD	2,055,196.71	2,055,196.71	0.00
12 January 2021	S	Crown Co-Investment Opportunities II	Private Equity	Private Equity	-23,491.00	~	USD	-1,952,325.24	-1,952,325.24	0.00
20 January 2021	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-137,577.19	-137,577.19	0.00
20 January 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	11,909.49	11,909.49	0.00
28 January 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	1,121,438.17	1,121,438.17	0.00
08 February 2021	P	Access Capital Co-Investment Fund Buy Out Europe II	Private Equity	Private Equity	~	~	EUR	3,584,462.98	3,584,462.98	0.00
08 February 2021	P	Unigestion Secondary V	Private Equity	Private Equity	~	~	EUR	1,737,619.46	1,737,619.46	0.00
15 February 2021	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	12,872.22	~	EUR	1,297,016.86	1,297,016.86	0.00
16 February 2021	P	Blackrock Private Opportunities Fund IV	Private Equity	Private Equity	~	~	USD	1,780,648.40	1,780,648.40	0.00
18 February 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	17,699.17	17,699.17	0.00
23 February 2021	P	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	1,555,747.62	1,555,747.62	0.00
01 March 2021	P	Pantheon Global Co Investment Opportunities IV	Private Equity	Private Equity	~	~	USD	1,122,706.01	1,122,706.01	0.00
05 March 2021	P	Blackrock Private Opportunities Fund IV	Private Equity	Private Equity	~	~	USD	1,215,503.97	1,215,503.97	0.00
09 March 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	85,291.85	85,291.85	0.00
10 March 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	1,107,954.87	1,107,954.87	0.00
10 March 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	525,555.29	525,555.29	0.00
12 March 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	791,508.47	791,508.47	0.00
12 March 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	120,926.61	120,926.61	0.00
12 March 2021	P	Hermes Innovation Fund	Private Equity	Private Equity	~	~	GBP	957,027.95	957,027.95	0.00
15 March 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	642,820.16	642,820.16	0.00
16 March 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	270,807.53	270,807.53	0.00
16 March 2021	P	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	2,056,731.51	2,056,731.51	0.00
17 March 2021	P	Capital dynamics ,LGPS Collective Private Equity for Pools 18/19	Private Equity	Private Equity	~	~	GBP	400,000.00	400,000.00	0.00
23 March 2021	P	Access Co-Invest Fd Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	107,259.31	107,259.31	0.00
22 March 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	609,667.59	609,667.59	0.00
22 March 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	26,732.05	26,732.05	0.00
30 March 2021	P	Crown Co Investment Opportunities II	Private Equity	Private Equity	6,107.49	112.80	USD	545,732.37	545,732.37	0.00
								25,511,597.92		
Periods January, February and March 21 (Cumulative) Total								**10,191,219.05**		
Total Profit - ***NB: Losses are shown with a ( )***										**131,991,948.15**

	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	0.27%	0.17%	0.08%	0.08%	0.05%	0.25%	0.26%	0.91%	0.00%	0.00%	2.05%
Amount Invested	75,700,000	14,500,000	24,000,000	16,000,000	61,600,000	31,000,000	87,000,000	23,500,000	0	0	7,500,000
Proportion of Cash	22.21%	4.25%	7.04%	4.69%	18.08%	9.10%	25.53%	6.90%	0.00%	0.00%	2.20%

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Appendix C

◆ 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	428.000	0.000	0.07700000	18.200
Common Stock YOUNG AUSTRALIAN MINES LTD SEDOL : 6741626	0.00 AUD	225,391.000	287,505.650	0.06900000	8,585.320
Total Australia	**0.00**	**225,819.000**	**287,505.650**		**8,603.520**
Europe Region					
Common Stock ACIF INFRASTRUCTURE FUND LP CUSIP : 9936FC996	0.00 EUR	19,637,141.000	17,545,092.740	1.11473130	18,647,153.340
Total Europe Region	**0.00**	**19,637,141.000**	**17,545,092.740**		**18,647,153.340**
Guernsey, Channel Islands					
Common Stock AMEDEO AIR FOUR PL RED ORD NPV SEDOL : BKY41C6	0.00 GBP	6,666,666.000	6,114,034.800	0.24000000	1,599,999.840
Common Stock NIMROD SEA ASSETS LTD ORD NPV SEDOL : BLCHC98	0.00 GBP	375,000.000	152,573.920	0.01265680	4,746.300
Total Guernsey, Channel Islands	**0.00**	**7,041,666.000**	**6,266,608.720**		**1,604,746.140**
Malta					
Common Stock BGP HOLDINGS PLC BENEFICIAL INTEREST SHSNPV SEDOL : 3A1MX0W	0.00 EUR	200,000.000	0.000	0.00000000	0.000
Total Malta	**0.00**	**200,000.000**	**0.000**		**0.000**
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 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**	**28,791,026.000**	**26,483,200.930**		**20,340,696.800**
Funds - common stock					
United Kingdom					
Funds - Common Stock BORDER TO COAST PE UK LISTED EQUITY A GBP ACC SEDOL : BDD86K3	0.00 GBP	1,234,944,019.380	1,234,830,202.100	1.04670000	1,292,615,905.090

◆ Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Equities						
Funds - common stock						
Total United Kingdom	**0.00**		**1,234,944,019.380**	**1,234,830,202.100**		**1,292,615,905.090**
Total Funds - common stock	**0.00**		**1,234,944,019.380**	**1,234,830,202.100**		**1,292,615,905.090**
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	1.11910000	16,069,787.480
Total Guernsey, Channel Islands	**0.00**		**14,359,563.469**	**15,000,000.000**		**16,069,787.480**
Japan						
Unit Trust Equity SSGA MPF JAPAN EQUITY INDEX SEDOL : 001533W	0.00	GBP	48,440,992.757	89,842,364.060	2.23500000	108,265,618.810
Total Japan	**0.00**		**48,440,992.757**	**89,842,364.060**		**108,265,618.810**
Luxembourg						
Unit Trust Equity STD LIFE PROPERTY GROWTH LP SEDOL : 8A8TB3U	0.00	EUR	324.970	21,282,170.990	131,502.82000000	36,403,439.970
Total Luxembourg	**0.00**		**324.970**	**21,282,170.990**		**36,403,439.970**
Pacific Region						
Unit Trust Equity SSGA MPF PAC BASIN EX-JAPAN INDEX SEDOL : 001532W	0.00	GBP	69,150,250.340	330,819,601.580	6.53140000	451,647,945.070
Total Pacific Region	**0.00**		**69,150,250.340**	**330,819,601.580**		**451,647,945.070**
United Kingdom						
Unit Trust Equity CANDOVER INVSTMNTS PLC GBP0.25 SEDOL : 0171315	0.00	GBP	60,000.000	329,164.340	0.02500000	1,500.000
Unit Trust Equity DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS SEDOL :	0.00	GBP	15,000,000.000	15,000,000.000	1.16000000	17,400,000.000
Unit Trust Equity LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY SEDOL : 0521664	0.00	GBP	1,368,174.000	1,282,865.490	2.93630000	4,017,369.320
Unit Trust Equity MPF EUROPE EX UK SUB-FUND SEDOL : 4A8NH9U	0.00	GBP	27,799,305.663	176,580,087.120	7.47570000	207,819,269.340
Unit Trust Equity MPF N AMER EQTY SUB-FUND SEDOL : 1A8NH9U	0.00	GBP	36,967,778.064	338,664,940.760	12.65200000	467,716,328.070
Total United Kingdom	**0.00**		**81,195,257.727**	**531,857,057.710**		**696,954,466.730**
Total Unit trust equity	**0.00**		**213,146,389.263**	**988,801,194.340**		**1,309,341,258.060**

Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Total Equities						
	0.00		**1,476,881,434.643**	**2,250,114,597.370**		**2,622,297,859.950**

**Generated by Northern Trust from periodic data on 23 Apr 21*

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	3,400,000.000	3,083,585.300	1.00000000	2,896,296.400
Total Europe Region	**0.00**		**3,400,000.000**	**3,083,585.300**		**2,896,296.400**
United Kingdom						
Real Estate HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP CUSIP : 9936FD994	0.00	GBP	9,196,277.260	9,196,277.260	0.92406160	8,497,926.680
Real Estate TEESSIDE PENSION FUND - DIRECT PROPERTY CUSIP : 9936HG995	0.00	GBP	280,289,446.350	280,289,446.350	0.95383540	267,349,996.180
Total United Kingdom	**0.00**		**289,485,723.610**	**289,485,723.610**		**275,847,922.860**
Total Real estate	**0.00**		**292,885,723.610**	**292,569,308.910**		**278,744,219.260**
Funds - real estate						
United Kingdom						
Funds - Real Estate DARWIN LEISURE PRO UNITS CLS 'C' SEDOL : B29MQ57	0.00	GBP	6,493,057.480	8,967,056.480	3.50670000	22,769,204.670
Funds - Real Estate DARWIN LEISURE PROPERTY FUND UNITS K GBP INC SEDOL : 4A9TBEU	0.00	GBP	15,000,000.000	15,000,000.000	1.01930000	15,289,500.000
Funds - Real Estate HERMES PROPERTY UT SEDOL : 0426219	0.00	GBP	663,638.000	720,122.990	6.52500000	4,330,237.950
Funds - Real Estate LEGAL AND GENERAL MANAGED PROPERTY FUND SEDOL : 004079W	0.00	GBP	108,263.760	385,000.000	54.83470000	5,936,610.800
Funds - Real Estate ROYAL LONDON PROPERTY INVESTMENT CO SEDOL : B65M0K2	0.00	GBP	3,532,903.656	8,197,204.760	2.78300000	9,832,070.870
Funds - Real Estate THREADNEEDLE PROP PROPERTY GBP DIS SEDOL : 0508667	0.00	GBP	12,750.000	1,527,939.200	276.11000000	3,520,402.500
Total United Kingdom	**0.00**		**25,810,612.896**	**34,797,323.430**		**61,678,026.790**
Total Funds - real estate	**0.00**		**25,810,612.896**	**34,797,323.430**		**61,678,026.790**
Total Real Estate	**0.00**		**318,696,336.506**	**327,366,632.340**		**340,422,246.050**

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	7,860,000.000	7,116,841.940	1.00680500	6,741,119.060
Partnerships ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE CUSIP : 993KDB999	0.00	EUR	7,044,880.640	6,233,043.750	0.72889260	4,374,226.510
Partnerships ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2) CUSIP : 993SRL995	0.00	EUR	1,995,000.000	1,795,595.530	1.00000000	1,699,444.510
Partnerships ACCESS CAPITAL, CO-INVESTMENT FUND BUY-OUT EUROPE II CUSIP : 993SRM993	0.00	EUR	2,500,000.000	2,268,336.390	1.00000000	2,129,629.710
Total Europe Region	**0.00**		**19,399,880.640**	**17,413,817.610**		**14,944,419.790**
Global Region						
Partnerships CAPITAL DYNAMICS GLOBAL SECONDARIES V - GBP CUSIP : 993LJT992	0.00	GBP	7,260,222.540	7,260,222.540	1.43272120	10,401,874.750
Partnerships CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD CUSIP : 993BRL992	0.00	USD	17,432,130.030	13,197,782.220	1.39759370	17,658,210.730
Partnerships LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS2018/19 - GBP CUSIP : 993LRK992	0.00	GBP	2,779,241.650	2,779,241.650	1.02072880	2,836,851.990
Partnerships PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV CUSIP : 993FYQ994	0.00	USD	19,800,000.000	16,034,925.400	0.85540690	12,275,897.220
Partnerships UNIGESTION DIRECT II - EUR CUSIP : 993MTE992	0.00	EUR	200,000.000	181,437.990	0.93434000	159,183.860
Total Global Region	**0.00**		**47,471,594.220**	**39,453,609.800**		**43,332,018.550**
Luxembourg						
Partnerships THE MODEL T FINANCE COMPANY - GBP CUSIP : 993QJB990	0.00	GBP	19,999,950.000	19,999,950.000	1.00000000	19,999,950.000
Total Luxembourg	**0.00**		**19,999,950.000**	**19,999,950.000**		**19,999,950.000**
United Kingdom						
Partnerships ANCALA INFRASTRUCTURE FUND II SCSP CUSIP : 993FSE998	0.00	EUR	15,714,818.680	14,243,418.410	0.74296980	9,945,912.250
Partnerships BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A CUSIP : 993BRK994	0.00	GBP	369,830,169.840	369,830,169.840	2.57815150	953,478,207.120
Partnerships CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP CUSIP :	0.00	GBP	4,032,134.920	4,032,134.920	1.06440340	4,291,818.120
Partnerships CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp CUSIP : 993FP0991	0.00	GBP	7,988,380.550	7,988,380.550	1.04720230	8,365,450.490
Partnerships GRESHAM HOUSE BSI HOUSING FUND LP CUSIP : 993FP6998	0.00	GBP	5,740,867.000	5,740,867.000	1.01136760	5,806,126.880

◆ 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 BSI INFRASTRUCTURE LP CUSIP : 993FP5990	0.00	GBP	12,959,852.980	12,959,852.980	0.96644140	12,524,938.460
Partnerships HERMES GPE INNOVATION FUND CUSIP : 993NEB992	0.00	GBP	3,914,712.590	3,914,712.590	0.93818820	3,672,737.160
Partnerships INNISFREE PFI CONTINUATION FUND CUSIP : 9936FE992	0.00	GBP	8,672,972.000	8,672,972.000	1.12179740	9,729,317.440
Partnerships INNISFREE PFI SECONDARY FUND 2 CUSIP : 9936FF999	0.00	GBP	7,728,331.000	7,728,331.000	1.11641340	8,628,012.290
Total United Kingdom	**0.00**		**436,582,239.560**	**435,110,839.290**		**1,016,442,520.210**
United States						
Partnerships BLACKROCK GLOBAL ENERGY AND POWER INFRASTRUCTURE FUND III CUSIP :	0.00	USD	9,257,488.000	7,253,034.470	0.56614030	3,798,678.440
Partnerships BLACKROCK GLOBAL RENEWABLE POWER FUND III CUSIP : 993QHY992	0.00	USD	1,481,686.000	1,123,851.560	0.92461560	992,962.160
Partnerships BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL CUSIP : 993FYK997	0.00	USD	2,234,270.000	1,740,627.650	1.00000000	1,619,388.160
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1 CUSIP : 993FT4999	0.00	USD	31,044,849.700	24,271,217.260	0.79632140	17,918,153.500
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1B CUSIP : 993KGJ999	0.00	USD	149,496.340	118,119.070	0.10960800	11,876.490
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1 CUSIP : 993FYP996	0.00	USD	22,484,980.560	17,428,561.460	0.97987330	15,969,000.870
Partnerships CROWN GLOBAL OPPORTUNITIES VII CUSIP : 993FYN991	0.00	USD	12,280,000.000	9,402,604.100	1.08529270	9,659,631.360
Partnerships CROWN GROWTH GLOBAL OPPORTUNITIES III CUSIP : 993FYM993	0.00	USD	13,518,563.730	10,131,221.840	1.15104430	11,278,150.760
Partnerships FORESIGHT ENERGY INFRASTRUCTURE PARTNERS CUSIP : 993FS9999	0.00	USD	3,074,619.710	2,400,504.320	0.75992200	1,693,463.060
Partnerships LGT CAPITAL CROWN SECONDARIES SPECIAL OPPORTUNITIES II CUSIP : 993QEY995	0.00	USD	5,875,000.000	4,724,104.140	1.22617380	5,221,258.650
Partnerships PANTHEON SENIOR DEBT SECONDARIES II CUSIP : 993UAP999	0.00	USD	6,367,323.000	4,676,290.270	0.97402240	4,495,118.340
Partnerships UNIGESTION SA CUSIP : 993FYL995	0.00	USD	1,891,755.140	1,468,188.380	3.09580120	4,244,761.470
Total United States	**0.00**		**109,660,032.180**	**84,738,324.520**		**76,902,443.260**
Total Partnerships	**0.00**		**633,113,696.600**	**596,716,541.220**		**1,171,621,351.810**
Total Venture Capital and Partnerships	**0.00**		**633,113,696.600**	**596,716,541.220**		**1,171,621,351.810**

**Generated by Northern Trust from periodic data on 23 Apr 21*

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	49,620,763.510	37,923,084.750	1.02095680	36,718,599.880
Total Global Region	**0.00**		**49,620,763.510**	**37,923,084.750**		**36,718,599.880**
Total Hedge equity	**0.00**		**49,620,763.510**	**37,923,084.750**		**36,718,599.880**
Total Hedge Fund	**0.00**		**49,620,763.510**	**37,923,084.750**		**36,718,599.880**

◆ 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	69,843.82	0.000	0.000	0.00000000	0.000
Recoverable taxes DKK - Danish krone	290,708.89	0.000	0.000	0.00000000	0.000
Recoverable taxes EUR - Euro	1,096,897.64	0.000	0.000	0.00000000	0.000
Recoverable taxes CHF - Swiss franc	2,077,785.62	0.000	0.000	0.00000000	0.000
Total	**3,535,235.97**	**0.000**	**0.000**		**0.000**
Total Recoverable taxes	**3,535,235.97**	**0.000**	**0.000**		**0.000**
Total All Other	**3,535,235.97**	**0.000**	**0.000**		**0.000**

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 GBP - British pound sterling	0.00	694.070	694.070	1.00000000	694.070
Total	**0.00**	**694.070**	**694.070**		**694.070**
Total Cash	**0.00**	**694.070**	**694.070**		**694.070**
Invested cash					
Invested cash USD - United States dollar	0.00	134,917.850	134,917.850	1.00000000	134,917.850
Total	**0.00**	**134,917.850**	**134,917.850**		**134,917.850**
Total Invested cash	**0.00**	**134,917.850**	**134,917.850**		**134,917.850**
Cash (externally held)					
Cash (externally held) GBP - British pound sterling	0.00	340,845,840.100	340,845,840.100	1.00000000	340,845,840.100
Total	**0.00**	**340,845,840.100**	**340,845,840.100**		**340,845,840.100**
Total Cash (externally held)	**0.00**	**340,845,840.100**	**340,845,840.100**		**340,845,840.100**
Funds - short term investment					
Funds - Short Term Investment GBP - British pound sterling	0.00	458,000.000	458,000.000	1.00000000	458,000.000
Total	**0.00**	**458,000.000**	**458,000.000**		**458,000.000**
Total Funds - short term investment	**0.00**	**458,000.000**	**458,000.000**		**458,000.000**
Total Cash and Cash Equivalents	**0.00**	**341,439,452.020**	**341,439,452.020**		**341,439,452.020**
Report Total:	**3,535,235.97**	**2,819,751,683.279**	**3,553,560,307.700**		**4,512,499,509.710**

**Generated by Northern Trust from periodic data on 23 Apr 21*

◆ Asset Detail - Customizable

Asset Subcategory

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

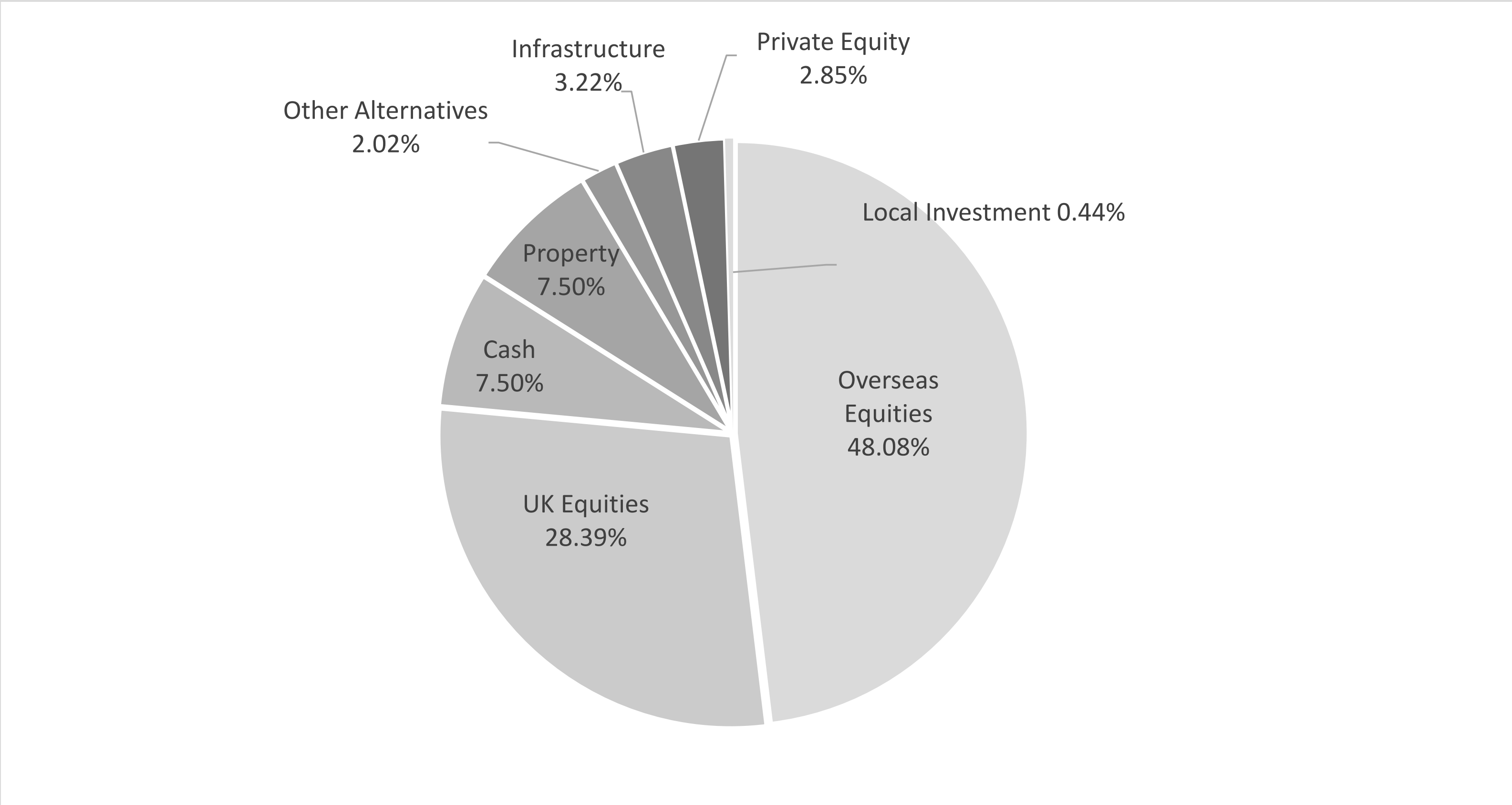
Asset	Book Cost	Price	Value	% of Fund
Equities				
UK Equities				
BORDER TO COAST PE UK LISTED EQUITY A GBP ACC	1,234,944,019.38	1.05	1,292,615,905.09	**28.39%**
AFREN ORD GBP0.01	1,089,449.06	0.02	17,850.00	**0.00%**
CARILLION ORD GBP0.50	0.00	0.14	61,968.80	**0.00%**
CANDOVER INVSTMNTS PLC GBP0.25	329,164.34	0.03	1,500.00	**0.00%**
NEW WORLD RESOURCE ORD EUR0.0004 A	1,294,544.76	0.00	375.00	**0.00%**
Total UK Equities			**1,292,697,598.89**	**28.39%**
Overseas Equties				
YOUNG AUSTRALIAN MINES LTD	287,505.65	0.07	8,585.32	**0.00%**
MEJORITY CAPITAL NPV (FINEXIA FINL GROUP)	0.00	0.08	18.20	**0.00%**
BGP HOLDINGS PLC BENEFICIAL INTEREST SHSNPV	0.00	0.00	0.00	**0.00%**
SSGA MPF PAC BASIN EX-JAPAN INDEX	330,819,601.58	6.53	451,647,945.07	**9.92%**
SSGA MPF JAPAN EQUITY INDEX	89,842,364.06	2.24	108,265,618.81	**2.38%**
MPF EUROPE EX UK SUB-FUND	176,580,087.12	7.48	207,819,269.34	**4.56%**
MPF N AMER EQTY SUB-FUND	338,664,940.76	12.65	467,716,328.07	**10.27%**
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	717,710,359.42	1.33	953,478,212.49	**20.94%**
Total Overseas Equities			**2,188,935,977.30**	**48.08%**
Total Equities			**3,481,633,576.19**	**76.47%**
Alternatives				
Private Equities				
CAPITAL DYNAMICS LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS 18/19	2,779,241.65	1.02	2,836,851.99	**0.06%**
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	13,197,782.22	1.40	17,658,210.73	**0.39%**
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	4,724,104.14	1.23	5,221,258.65	**0.11%**
UNIGESTION SA	1,468,188.38	3.10	9,649,778.57	**0.21%**
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	16,034,925.40	0.86	12,275,897.22	**0.27%**
CROWN GLOBAL OPPORTUNITIES VII	9,402,604.10	1.09	9,659,631.36	**0.21%**
CROWN GROWTH GLOBAL OPPORTUNITIES III	10,131,221.84	1.15	11,278,150.76	**0.25%**

BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	1,740,627.65	1.00	9,228,649.50	**0.20%**
BORDER TO COAST PRIVATE EQUITY SERIES 1A	17,428,561.46	0.98	24,545,721.61	**0.54%**
UNIGESTION DIRECT II	181,437.99	0.93	159,183.86	**0.00%**
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE	6,233,043.75	0.73	4,374,226.51	**0.10%**
ACCESS CAPITAL CO INVESTMENT FUND BUY OUT EUROPE II	2,268,336.39	1.00	2,129,629.71	**0.05%**
HERMES GPE INNOVATION FUND	3,914,712.59	0.94	3,672,737.16	**0.08%**
CAPITAL DYNAMICS GLOBAL SECONDARIES V	7,260,222.54	1.43	10,401,874.75	**0.23%**
CAPITAL MID-MARKET DIRECT V	3,083,585.30	1.00	6,701,983.90	**0.15%**
THE MODEL T FINANCE COMPANY	19,999,950.00	1.00	19,999,950.00	**0.44%**
Total Private Equities			**149,793,736.28**	**3.29%**
Infrastructure				
ACIF INFRASTRUCTURE FUND LP	17,545,092.74	1.11	18,647,153.34	**0.41%**
ACCESS CAPITAL FUND INFRASTRUCTURE II	7,116,841.94	1.01	6,741,119.06	**0.15%**
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2)	1,795,595.53	1.00	1,699,444.51	**0.04%**
INNISFREE PFI CONTINUATION FUND	8,672,972.00	1.12	9,729,317.44	**0.21%**
INNISFREE PFI SECONDARY FUND 2	7,728,331.00	1.12	8,628,012.29	**0.19%**
BORDER TO COAST INFRASTRUCTURE SERIES 1A	24,271,217.26	0.80	17,918,153.50	**0.39%**
BORDER TO COAST INFRASTRUCTURE SERIES 1B	118,119.07	0.11	5,029,634.93	**0.11%**
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	7,253,034.47	0.57	3,798,678.44	**0.08%**
BLACKROCK GLOBAL RENEWABLE POWER FUND III	1,123,851.56	0.92	992,962.16	**0.02%**
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP	4,032,134.92	1.06	4,291,818.12	**0.09%**
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp	7,988,380.55	1.05	8,365,450.49	**0.18%**
IIF UK I LP	37,923,084.75	1.02	36,718,599.88	**0.81%**
ANCALA INFRASTRUCTURE FUND II SCSP	14,243,418.41	0.74	9,945,912.25	**0.22%**
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS	2,400,504.32	0.76	1,693,463.06	**0.04%**
GRESHAM HOUSE BSI INFRASTRUCTURE LP	12,959,852.98	0.97	12,524,938.46	**0.28%**
Total Infrastructure			**146,724,657.93**	**3.22%**
Other Alternatives				
AMEDEO AIR FOUR PLUS LTD	6,114,034.80	0.24	1,599,999.84	**0.04%**
DARWIN LEISURE PRO UNITS CLS 'C'	8,967,056.48	3.51	22,769,204.67	**0.50%**
DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION	15,000,000.00	1.12	16,069,787.48	**0.35%**
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	15,000,000.00	1.16	17,400,000.00	**0.38%**
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	15,000,000.00	1.02	15,289,500.00	**0.34%**
HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP	9,196,277.26	0.92	8,497,926.68	**0.19%**

GRESHAM HOUSE BSI HOUSING LP	5,740,867.00	1.01	5,806,126.88	**0.13%**
PANTHEON SENIOR DEBT SECONDARIES II	4,676,297.27	0.97	4,495,118.34	**0.10%**
Total Other Alternatives			**91,927,663.89**	**2.02%**
Total Alternatives			**388,446,058.10**	**8.53%**
Property				
Direct Property				
TEESSIDE PENSION FUND - DIRECT PROPERTY	280,289,446.35	0.95	277,200,000.00	**6.09%**
Total Direct Property			**277,200,000.00**	**6.09%**
Property Unit Trust				
STD LIFE PROPERTY GROWTH LP	21,282,170.99	131,502.82	36,403,439.97	**0.80%**
ROYAL LONDON PROPERTY INVESTMENT CO	8,197,204.76	2.78	9,832,070.87	**0.22%**
LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY	1,282,865.49	2.94	4,017,369.32	**0.09%**
HERMES PROPERTY UT	720,122.99	6.53	4,330,237.95	**0.10%**
THREADNEEDLE PROP PROPERTY GBP DIS	1,527,939.20	276.11	3,520,402.50	**0.08%**
LEGAL AND GENERAL MANAGED PROPERTY FUND	385,000.00	54.83	5,936,610.80	**0.13%**
Total Property Unit Trust			**64,040,131.41**	**1.41%**
Total Property			**341,240,131.41**	**7.50%**
Cash				
Custodian Cash	694.07	1.00	694.07	**0.00%**
	134,917.85	1.00	134,917.85	**0.00%**
	458,000.00	1.00	458,000.00	**0.01%**
			593,611.92	**0.01%**
Invested Cash	340,845,840.10	1.00	**340,845,840.10**	**7.49%**
Total Cash			**341,439,452.02**	**7.50%**
Total Fund Value - 31st March 2021			**4,552,759,217.72**	**100%**

Investment Market Value timing differences at 31st March 21	Market Value
Private Equities	
Unigestion SA	5,405,017.10
Blackrock Private Opportunities Fund IV	7,609,261.34
Border to Coast Private Equity Series 1A	8,576,720.74
Capital Mid-Market Direct V	3,805,687.50
	25,396,686.68
Infrastructure	
Border to Coast Infrastructure Series 1B	5,017,758.44
	5,017,758.44
Direct Property	
Direct Property	9,850,003.82
	9,850,003.82
Total	**40,264,448.94**

Asset Allocation Summary		Actual	Benchmark
Overseas Equities	2,188,935,977.30	48.08%	28%
UK Equities	1,292,697,598.89	28.39%	22%
Cash	341,439,452.02	7.50%	20%
Property	341,240,131.41	7.50%	15%
Other Alternatives	91,927,663.89	2.02%	5%
Infrastructure	146,724,657.93	3.22%	5%
Private Equity	129,793,786.28	2.85%	5%
Local Investment	19,999,950.00	0.44%	0%
	4,552,759,217.72	100.00%	100%


Infrastructure
3.22%
Private Equity
2.85%
Other Alternatives
2.02%
Local Investment 0.44%
Property
7.50%
Cash
7.50%
Overseas
Equities
48.08%
UK Equities
28.39%

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 6

PENSION FUND COMMITTEE REPORT

23 JUNE 2021

DIRECTOR OF FINANCE – IAN WRIGHT

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') and with State Street Global Advisers ('State Street')

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 As at 31 March 2021 the Fund had investments in the following two 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).

For both sub-funds the return target is an annual amount, 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. Total commitments of £50 million were made to each of these sub-funds for 2020/21, in addition to £100 million commitments to each sub-fund in 2019/20. Up to 31 March 2021 only around 15% of this total had been invested. These investments are not reflected within the Border to Coast report (at Appendix A).

4.2 The Border to Coast report shows the market value of the portfolio as at 31 March 2021 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast has also provided additional information within an appendix to that report in relation to the Overseas Developed Markets Equity Fund, giving a breakdown of key drivers of and detractors from performance in relation to each of its four regional elements. Market background information and an update of some news items related to Border to Coast are also included. Border to Coast's UK Listed Equity performance has dipped slightly over the last year but still remains above target since inception. The performance of the Overseas Developed Markets fund is at or above target across all periods.

4.3 State Street has a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report (at Appendix B) shows the market value of the State Street passive equity portfolio and the proportions invested in each region as at 31 March 2021. Performance figures are also shown in the report over a number of time periods and from inception – the date the Fund started investing passively with State Street in that region: for Japan and Asia Pacific ex Japan the inception date is 1 June 2001, as the Fund has been investing a small proportion of its assets in these regions passively for since then; for North America and Europe ex UK the inception date was in September 2018 so performance figures only cover around two and a half years as this represents a comparatively new investment for the Fund. The nature of passive investment – where an index is closely tracked in an automated or semi-automated way – means deviation from the index should always be low.

4.4 State Street continues to include additional information with their report this quarter, giving details of how the portfolio compares to the benchmark in terms of environmental, social and governance factors including separate sections on climate and stewardship issues. As the State Street investments are passive and closely track the appropriate regional equity indices, the portfolio's rating in these terms closely matches the benchmark indices ratings.

4.5 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. RECENT CHANGES TO STATE STREET'S BENCHMARKS – EXCLUSION OF CERTAIN COMPANIES

5.1 As reported to the 9 December 2020 Pension Fund Committee meeting, State Street advised investors in a number of its passively-invested funds, including the four State Street equity funds the Fund invests in, that is decided to exclude UN Global Compact violators and controversial weapons companies from those funds and the indices they track.

5.2 The Ten Principles of the United Nations Global Compact (derived from the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on

Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption) are as follows (shown against four sub-categories):

<u>Human Rights</u>

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

<u>Labour</u>

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

<u>Environment</u>

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

<u>Anti-Corruption</u>

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

5.3 As was previously reported, for the four State Street funds the Fund is invested in the combined effect of applying this change to benchmarks excluded around 3.6% by value of the companies / securities across the regions.

5.4 The latest report shows performance of the State Street funds against the revised indices – excluding controversies (UN Global Compact violators) and excluding companies that manufacture controversial weapons. As expected for a passive fund, performance closely matches the performance of the respective indices.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

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Appendix A

Teesside Pension Fund

Quarterly Investment Report - Q1 2021

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Note
1) Border to Coast

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£1,495,429,905
Inflows	£670,000,000
Outflows	£0
Net Inflows / Outflows	£670,000,000
Realised / Unrealised gain or loss	£80,664,212
Value at end of the quarter	£2,246,094,118

Over Q1 2021, Teesside's holdings performed as follows:

- The UK Listed Equity Fund underperformed its benchmark by 0.39%
- The Overseas Developed Markets Equity Fund outperformed its benchmark by 0.05%

Teesside allocated £670,000,000 to the Overseas Developed Markets Equity Fund during Q1 2021.

Note
1) Source: Northern Trust
2) Performance start dates of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund
3) Returns for periods greater than one year are annualised
4) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
5) Inflows and Outflows values may include income.

Portfolio Analysis - Teesside Pension Fund
at 31 March 2021

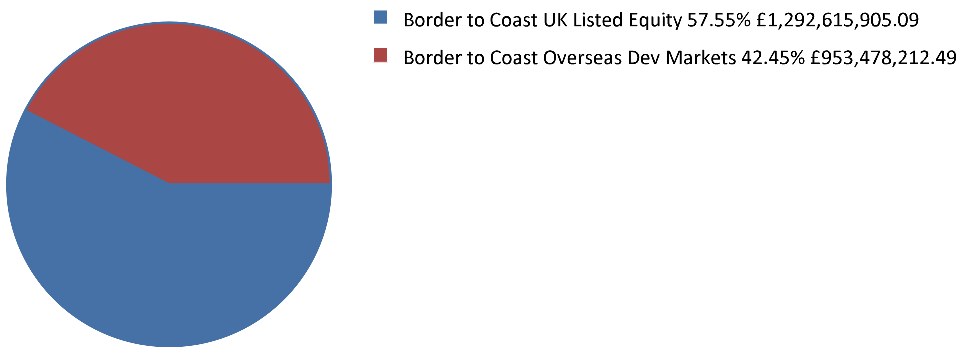
Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	1,292,615,905.09	57.55
Border to Coast Overseas Dev Markets	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	953,478,212.49	42.45

Available Fund Range

Fund
Border to Coast UK Listed Equity
Border to Coast Overseas Dev Markets
Border to Coast Emerging Markets Equity
Border to Coast UK Listed Equity Alpha
Border to Coast Global Equity Alpha
Border to Coast Sterling Inv Grade Credit
Border to Coast Sterling Index-Linked Bond

Teesside Pension Fund - Fund Breakdown



Note
1) Source: Northern Trust

Portfolio Contribution - Teesside Pension Fund
at 31 March 2021

Fund	Portfolio weight (%)	Fund return (net) over the quarter (%)	Benchmark return over the quarter (%)	Excess return (%)	Contribution to performance over the quarter (%)
Border to Coast UK Listed Equity	57.55	4.81	5.19	(0.39)	3.84
Border to Coast Overseas Dev Markets	42.45	3.47	3.43	0.05	1.11
Total	**100.00**	**4.95**			

The UK Listed Equity Fund returned 4.81% over the quarter, which was 0.39% behind the FTSE All Share Index.
The Overseas Developed Markets Equity Fund returned 3.47% over the quarter, which was 0.05% ahead of the composite benchmark.

Overall, Teesside's investments with Border to Coast returned 4.95% during Q1 2021.

Note
1) Source: Northern Trust & Border to Coast

Valuation Summary
at 31 March 2021

Fund	Market value at start of the quarter GBP (mid)	Total weight (%)	Strategy weight (%)	Inflows (GBP)	Outflows (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter GBP (mid)	Total weight (%)	Strategy weight (%)
Border to Coast UK Listed Equity	1,233,338,592.15	82.47				59,277,312.94	1,292,615,905.09	57.55	
Border to Coast Overseas Dev Markets	262,091,313.16	17.53		670,000,000.00		21,386,899.33	953,478,212.49	42.45	
Total	**1,495,429,905.31**	**100.00**		**670,000,000.00**		**80,664,212.27**	**2,246,094,117.58**	**100.00**	

Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Inflows and Outflows values may include income.

Summary of Performance - Funds (Net of Fees) Teesside Pension Fund
at 31 March 2021

	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**
Border to Coast UK Listed Equity	1.34	0.16	1.18	4.81	5.19	(0.38)	26.29	26.71	(0.42)	--	--	--	--	--	--
Border to Coast Overseas Dev Markets	10.31	9.21	1.10	3.64	3.43	0.22	39.98	38.83	1.16	--	--	--	--	--	--

Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Performance start dates of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund
4) Performance is net of ACS charges such as depository and audit fees. Investment management fees have not been included in the performance calculations.
5) 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 2021

	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**
Border to Coast UK Listed Equity	1.35	0.16	1.19	4.81	5.19	(0.38)	26.30	26.71	(0.41)	--	--	--	--	--	--
Border to Coast Overseas Dev Markets	10.32	9.21	1.11	3.65	3.43	0.22	39.99	38.83	1.17	--	--	--	--	--	--

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Note
1) Source: Northern Trust
2) Values do not always sum due to rounding
3) Performance start dates of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund
4) The performance shown above does not include the costs of operating the ACS such as the investment management, depository and audit fees.
5) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Border To Coast UK Listed Equity Fund - Overview at 31 March 2021

UK Listed Equity Fund

The Fund generated a total return of 4.81% during the quarter compared to the benchmark return of 5.19% resulting in 0.38% of underperformance.

The UK continued to perform well relative to global markets as the market digested the resolution of Brexit in late 2020 and good progress in the vaccine roll-out, with the UK having been disproportionately impacted by the COVID-19 pandemic. In addition, the UK market has a relatively large exposure to energy stocks, and other cyclically sensitive value biased sectors, which were strong during the quarter, along with small and medium sized companies also performing strongly.

The Fund was unable to fully match the strong performance of the benchmark during the quarter. The following factors all benefitted the Fund:

- Strong performance from specialist UK small-cap funds benefitting from the prospects of a re-opening of the domestic economy;
- Underweight technology stocks which have been impacted by a reversal of momentum away from lockdown beneficiaries; and
- Strong stock selection in Financials, Collectives and Technology.

However, these were offset by the following:

- Underweight position in mid-cap companies which have rebounded during the quarter on the prospects of economic recovery;
- Overweight large caps which have been impacted by sterling strength and rising bond yields;
- Underweight Consumer Discretionary which has responded positively to vaccine progress and easing of lockdown conditions.

The portfolio has maintained a relatively low risk profile given concerns around heightened geopolitical risks compounded by lingering uncertainty regarding Brexit. This stance had been deemed appropriate as uncertainty has been high in both a national and international context for several reasons, not least the pandemic and an unresolved Brexit situation, and despite the strong equity market recovery. Although Brexit is now at least notionally resolved, the impact on specific sectors and companies will only become clear over time. The portfolio managers have increased exposure to more cyclical, value-oriented stocks in acknowledgement of the shifting balance of risks and to add to favoured companies at lower valuations. This has largely helped protect performance as these segments have led the market in recent months. The Fund will continue to focus on long term fundamentals with a bias towards quality companies with strong balance sheets, earnings and income visibility.

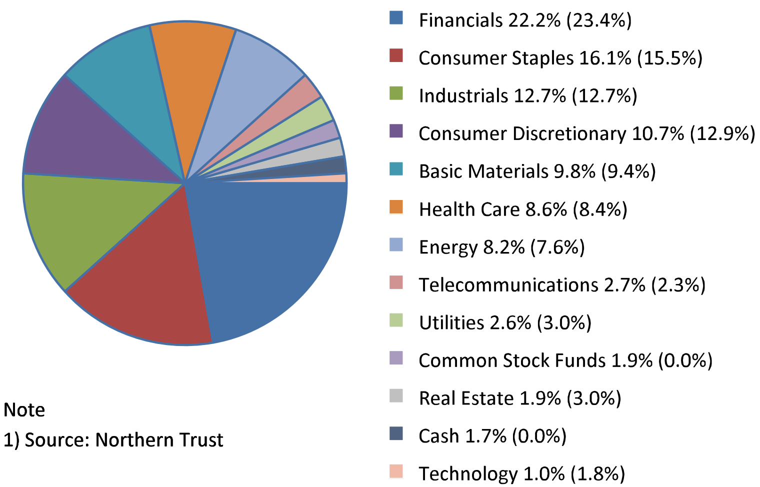
Note
1) Source: Border to Coast

Border To Coast UK Listed Equity Fund
at 31 March 2021

Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+1.87
Energy	+0.67
Consumer Staples	+0.55
Basic Materials	+0.42
Telecommunications	+0.31
Consumer Discretionary	-2.18
Financials	-1.20
Real Estate	-1.13
Technology	-0.84
Utilities	-0.37

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:

Common Stock Funds (o/w) – exposure to UK smaller-cap companies via specialist funds/collective vehicles with long-term track records of outperformance.

Energy (o/w) – oil prices have continued to rally from last year on the prospects of economic recovery post the global pandemic and a tightening in supply/demand, supported by OPEC+ production discipline. Strong cash flows support re-based dividends and balance sheet repair. UK integrated oil companies have announced ambitious net-zero carbon intentions and are key enablers of energy transition.

Consumer Staples (o/w) – broad mix of food and beverage producers together with food retailers which collectively offer strong cash generation, robust balance sheets and have benefited from resilient trading throughout the pandemic.

Consumer Discretionary (u/w) – bricks and mortar non-food retail structurally challenged by on-line penetration and high occupancy costs, exacerbated by extended shut down of high street stores and leisure sites in response to the COVID-19 pandemic. Timetable for re-opening of international travel unclear, with travel sector balance sheets carrying elevated levels of debt than seen pre-pandemic.

Financials (u/w) – predominantly due to being underweight investment trusts and Asian-focused banks (deteriorating US-China relations), partly offset by overweight positions in insurers and wealth managers as they are expected to benefit from the long-term increase in Asian and Emerging Market wealth.

Real Estate (u/w) – concerns around retail/leisure sector exposure including vacancy rates, rent re-negotiations and accumulated rent arrears, together with uncertainty around the impact of COVID-19 and continuation of home/flexible working on the long-term demand for office space.

Border To Coast UK Listed Equity Fund Attribution at 31 March 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Antofagasta	1.08	17.16	0.26	17.32	0.14
Just Eat Takeaway	0.00	0.00	0.35	(19.03)	0.10
Scottish Mortgage Investment Trust	0.00	0.00	0.72	(6.34)	0.09
Ocado	0.00	0.00	0.43	(11.02)	0.08
IP Group	0.45	25.74	0.05	25.58	0.07

Antofagasta (o/w) – continues to benefit from higher copper prices driven by energy transition (electrification) and robust infrastructure demandfrom China, combined with ongoing COVID-19 related supply restrictions at major producers in central and southern America.

Just Eat Takeaway (u/w) – not held. Concerns around the prospects for the food takeaway category post lockdown, alongside a broader rotation away from tech stocks on stretched valuations.

Scottish Mortgage Investment Trust (u/w) – not held. A fund focussed on global large-cap tech stocks and impacted by the rotation away from long duration tech stocks triggered by rising bond yields.

Ocado (u/w) – not held. Concerns around potential normalisation of grocery demand post COVID-19, alongside the lack of new international fulfilment centre partnerships and an ongoing patent challenge.

IP Group (o/w) – strong portfolio gains and realisations driving NAV growth together with the prospect of an IPO of its largest holding, Oxford Nanopore (DNA/RNA sequencing and COVID-19 testing), at a significant premium to book value.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund Attribution Continued at 31 March 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Glencore	0.38	0.00	1.35	22.00	(0.19)
Fresnillo	0.40	(23.56)	0.07	(23.49)	(0.13)
Biotech Growth Trust	0.66	(8.83)	0.03	(9.52)	(0.10)
Entain	0.00	0.00	0.39	33.92	(0.08)
Herald Investment Trust	0.62	(7.47)	0.06	(7.35)	(0.08)

Glencore (u/w) – robust commodity prices such as copper and zinc, driven by electrification and Chinese demand has supported a recovery in the share price, together with management changes offering the prospect of moving beyond ESG concerns.

Fresnillo (o/w) – softer gold and silver commodity prices, combined with ongoing operational and geological issues impacting production levels.

Biotech Growth Trust (o/w) – impacted by a broad rotation away from tech stocks following a strong performance in 2020.

Entain (u/w) – not held. Benefitting from the opening-up of the US online gaming and sports betting market as more individual states pass legislation, driving revenue growth.

Herald Investment Trust (o/w) – fund focussed on smaller-cap tech and media stocks, which have been impacted by a rotation away from long-duration assets triggered by the rise in bond yields.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund at 31 March 2021

Largest Relative Over/Underweight Stock Positions (%)

Schroder UK Smaller Companies Fund	+1.01
Impax Environmental Markets	+0.93
Liontrust UK Smaller Companies	+0.85
BHP Billiton	+0.84
Antofagasta	+0.82
Glencore	-0.97
Flutter Entertainment	-0.87
Scottish Mortgage Investment Trust	-0.72
SEGRO	-0.49
Anglo American	-0.49

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Schroder UK Smaller Companies Fund – specialist fund manager providing UK small-cap exposure, with a long-term track record of out-performance. UK small-cap stocks continue to outperform larger-caps as the UK domestic economy re-opens on vaccine progress.

Impax Environmental Markets – leading ESG focused fund delivering strong long-term outperformance, specialising in alternative energy, energy efficiency, water treatment, pollution control and waste technology.

Liontrust UK Smaller Companies – specialist UK small-cap fund manager with long-term track record of outperformance; investment style focussed on intellectual property, strong distribution channels and durable competitive advantage.

BHP Billiton – diversified commodity exposure and strong cash generator benefitting from operating at the lower end of the cost curve, proximity to end markets and continued robust commodity demand from China.

Antofagasta – operates at the lower end of the cost curve and benefits from attractive long-term demand for copper, driven by electric vehicles, transition to renewable energy and Chinese infrastructure investment.

Bottom 5 Holdings Relative to Benchmark:

Glencore – significant operations in geographies with weaker governance; ongoing corruption investigations including US Department of Justice and UK Serious Fraud Office into allegations of bribery; coal exposure higher than peers. We initiated a position during the quarter to partially close one of the Fund's larger risk positions amid signs of improvements in governance.

Flutter Entertainment – leading market share in the US where ongoing deregulation is driving market growth as more states pass legislation allowing online gaming and sports betting. We initiated a position during the quarter and intend to build our weighting.

Scottish Mortgage Investment Trust – investment trust with a focus on global large-cap technology. The Fund has a preference for Allianz Technology Trust with a similar investment focus.

SEGRO – real estate holding company focussed on logistics/industrial units across Europe. The Fund has similar UK exposure through St Modwen.

Anglo American – diversified mining company benefitting from elevated commodity prices. The Fund also has diversified mining exposure, such as through BHP and Rio Tinto.

Major transactions during the Quarter

Purchases:

Glencore (£17.8m) – new holding – funded from reduction to BHP and Antofagasta. Company has started to address governance concerns under new management and by virtue of the trading division it offers the fund a lower weighted average carbon intensity.

Sales:

Antofagasta (£18.6m) – following strong performance driven by the copper price on the back of robust global electrification demand, in particular from China, we have reduced our overweight position (alongside a reduction to our BHP holding) to part-fund a new position in Glencore.

Border To Coast Overseas Developed Markets Equity Fund - Overview at 31 March 2021

Overseas Developed Markets Fund

The Fund generated a total return of 3.64% during the quarter compared to the composite benchmark return of 3.43% resulting in out-performance of 0.22%. The US (+5.07%) was the strongest region and Japan (+1.06%) was the weakest. The Europe ex-UK, Asia Pacific and Japanese portfolios outperformed their respective benchmarks while the US lagged.

The Fund has continued to benefit from ongoing strength in equity markets supported by extensive monetary and fiscal stimulus. Markets have been supported by the prospect of vaccines bringing an end to the COVID-19 pandemic and carrying the prospect of what would seem likely to be a V-shaped recovery in many economies, given the level of stimulus being applied. Markets remained firm through the quarter, despite the poor vaccine roll-out in Europe necessitating an extended period of restrictions which will impede any recovery.

The Fund has out-performed due to the following:

- Strong stock selection in Japan and Europe, particularly within Industrials and IT;
- Strong contributions from our holdings in collectives; and
- Strong stock selection in Financials.

This has been partly offset by:

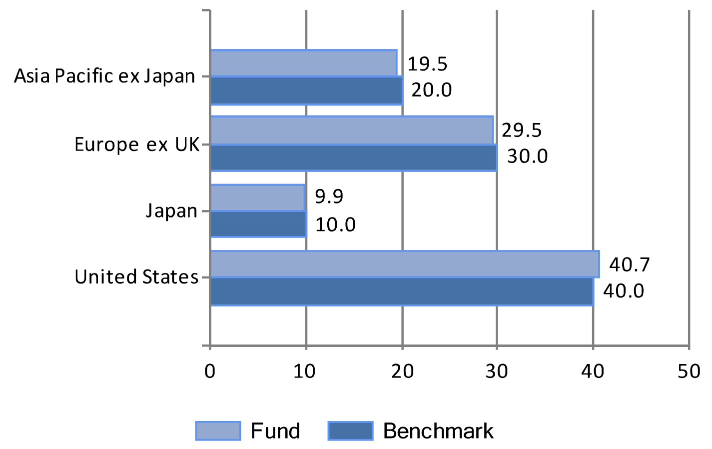
- Underweight position in Financials, which have been strong this quarter;
- Underweight position in smaller companies in the US which out-performed the broader market; and
- Weaker stock selection in the US.

The Fund has a relatively low risk profile which is driven by low correlations between the four constituent portfolios, whose individual risk profiles are generally in the middle to upper end of the targeted tracking error range of 1 – 3%. It is unlikely that there will be material changes to portfolio positioning in the near term as the current emphasis on focusing on long term fundamentals with a bias towards quality companies with strong balance sheets and earnings and income visibility has proven a resilient approach across different market regimes in recent years.

Note
1) Source: Border to Coast

Border To Coast Overseas Developed Markets Equity Fund
at 31 March 2021

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.

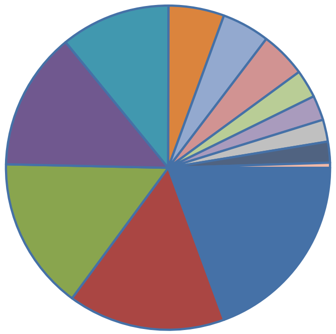
(*) The Benchmark is a composite of the following indices:
- 40% S&P 500
- 30% FTSE Developed Europe ex UK
- 20% FTSE Developed Asia Pacific ex Japan
- 10% FTSE Japan

	Inception to Date			Quarter			1 Year			3 Years		
Fund	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Overseas Developed Equity Fund	**10.31**	**9.21**	**1.10**	**3.64**	**3.43**	**0.22**	**39.98**	**38.83**	**1.16**	**--**	**--**	**--**
United States	13.42	12.72	0.69	4.83	5.07	(0.25)	38.78	39.85	(1.07)	--	--	--
Japan	8.07	5.45	2.61	2.06	1.06	1.00	32.07	25.88	6.19	--	--	--
Europe ex UK	6.30	6.19	0.11	2.83	2.38	0.45	34.08	34.13	(0.04)	--	--	--
Asia Pacific ex Japan	10.97	8.13	2.84	2.91	2.89	0.02	56.23	50.34	5.89	--	--	--

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.

Border To Coast Overseas Developed Markets Equity Fund
at 31 March 2021

Sector Portfolio Breakdown



Overseas Developed Markets Fund

Sector Weights:

Common Stock Funds (o/w) – exposure to smaller companies via collective vehicles, specifically in US, Europe and Japan.

Technology (o/w) – high relative exposure in Europe and Pacific ex-Japan, along with full allocations in the US and Japan based on long term structural growth drivers including Internet of Things, artificial intelligence, electric/autonomous vehicles, new generation memory chips, the continued transition towards cloud-based services and change in software business models to long term subscription revenues.

Financials (o/w) – modest overweight as the position in banks was moved closer to neutral due to low valuations and the positive impact of higher bond yields and reduced credit risk as economies recover; remain overweight in insurers and wealth managers as they are expected to benefit from long term increase in investment wealth, and shorter-term pressures from the sharp fall in financial markets have obviously abated.

Industrials (u/w) – driven in general by a preference for the higher secular growth rates and lower leverage of IT companies, particularly given the uneven nature of the recovery in Europe and potential for interest rates to trend higher.

Real Estate (u/w) – the high leverage that is typically associated with the sector leaves it exposed in a rising interest rate environment. Normally improving economies would be favourable for asset pricing and demand trends but these compensatory factors are less certain in a post COVID-19 world.

Utilities (u/w) – considered to be a relatively defensive sector in current market conditions; however, pressure from increased capital investment, changes in government policy, increased regulatory risk and technological advances in renewable power generation are having an adverse impact on “traditional” power generation companies. In addition, there is long standing government influence, particularly in Europe, where the sector is considered to be of strategic importance and where interests are not always aligned with shareholders.

Note
1) Source: Northern Trust
2) The pie-chart shows the sector allocation of the fund . The benchmark sector allocation is shown in brackets.

Border To Coast Overseas Developed Markets Equity Fund Attribution at 31 March 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet A	1.65	16.66	0.74	16.59	0.10
The Cheesecake Factory	0.24	55.70	0.00	0.00	0.09
Vanguard US Mid Cap ETF	3.11	6.05	0.00	0.00	0.08
Deere & Co	0.38	37.65	0.14	38.01	0.07
Bank of America	0.72	26.26	0.35	26.90	0.07

Alphabet A (o/w) – results revealed a resurgence in advertising revenue and strong growth in cloud computing.

The Cheesecake Factory (o/w) – prospects for restaurant re-openings and hopes that company can retain at least some of the recent gains in take-away sales.

Vanguard US Mid Cap ETF (o/w) – continued rally in smaller companies.

Deere & Co (o/w) – strong agricultural commodity pricing supportive of increased farm machinery sales.

Bank of America (o/w) – economic recovery improves outlook for credit risk, steepening yield curve should support wider interest margins.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund Attribution Continued at 31 March 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet C	0.00	0.00	0.71	16.99	(0.08)
Exxon Mobil	0.00	0.00	0.28	35.81	(0.07)
Volkswagen Prefs	0.00	0.00	0.19	48.98	(0.06)
Xinyi Solar	0.00	(34.53)	0.00	0.00	(0.06)
Ballie Gifford Shin Nippon	0.38	(10.35)	0.00	0.00	(0.06)

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Alphabet C (u/w) – results revealed a resurgence in advertising revenue and strong growth in cloud computing.

Exxon Mobil (u/w) – strong recovery in crude oil boosts outlook for profits and viability of dividend.

Volkswagen Prefs (u/w) – the "Power Day" capital markets day was a success as it showcased how the company was transitioning towards electric vehicles.

Xinyi Solar (o/w) – shares drifted as the market focussed on potential reduction in pricing as capacity increases; this non-benchmark holding has been sold having made substantial overall gains.

Baillie Gifford Shin Nippon (o/w) – net asset value reduced due in part to worldwide falls in tech stocks, and premium to NAV fell from around 9% at start of quarter to 3% at end.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund at 31 March 2021

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.11
Alphabet A	+0.91
Vanguard US Small Cap Value ETF	+0.87
Samsung Electronics	+0.54
Microsoft	+0.48
Alphabet C	-0.71
Tesla	-0.61
Mastercard	-0.37
PayPal	-0.34
Samsung Electronics Prefs	-0.32

Top 5 Holdings Relative to Benchmark:

Vanguard US Mid Cap ETF – provides exposure to the smaller companies in the US index, although the portfolio retains an underweight exposure to smaller companies in aggregate.

Alphabet A – parent company of Google; offset by not holding the C shares which results in a modest overweight exposure to Alphabet overall.

Vanguard US Small Cap Value ETF – recent position purchased in order to capture market rotation into small, recovery names to which the portfolio otherwise has limited exposure.

Samsung Electronics – exposed to structural growth in the memory chip market; the group also has a diversified earnings stream and large shareholder return potential; the overweight in the ordinary shares is partly offset by not owning the preference shares.

Microsoft – structural growth from Azure cloud hosting business and migration of Business Office to MS 365 online, with associated opportunity for value added sales and increased customer stickiness.

Bottom 5 Holdings Relative to Benchmark:

Alphabet C – exposure in A shares aggregate to a modest overweight exposure to Alphabet overall.

Tesla – high valuation requires support from as yet unproven revenue streams from autonomous driving and/or shared mobility.

Mastercard – preference for Visa, the other global payment network company with similar exposure to growth trends in the payments space, on valuation grounds.

PayPal – growth in payments platform and processing but exposure accessed through other portfolio holdings including Visa and FIS.

Samsung Electronics Prefs – the portfolio is overweight Samsung Electronics overall via the more liquid Ordinary shares.

Note
1) Source: Northern Trust

APPENDICES

Border To Coast Overseas Developed Markets Equity Fund - United States at 31 March 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet A	1.65	0.74	0.10
The Cheesecake Factory	0.24	0.00	0.09
Vanguard US Mid Cap ETF	3.11	0.00	0.08
Deere & Co	0.38	0.14	0.07
Bank of America	0.72	0.35	0.07

Alphabet A (o/w) – results revealed a resurgence in advertising revenue and strong growth in cloud computing.

The Cheesecake Factory (o/w) – prospects for restaurant re-openings and hopes that company can retain at least some of the recent gains in take-away sales.

Vanguard US Mid Cap ETF (o/w) – continued rally in smaller companies.

Deere & Co (o/w) – strong agricultural commodity pricing supportive of increased farm machinery sales.

Bank of America (o/w) – economic recovery improves outlook for credit risk, steepening yield curve should support wider interest margins.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 31 March 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet C	0.00	0.71	(0.08)
Exxon Mobil	0.00	0.28	(0.07)
Applied Materials	0.00	0.15	(0.05)
Wells Fargo	0.00	0.19	(0.04)
Visa Inc	0.85	0.43	(0.03)

Alphabet C (u/w) – results revealed a resurgence in advertising revenue and strong growth in cloud computing.

Exxon Mobil (u/w) – strong recovery in crude oil boosts outlook for profits and viability of dividend.

Applied Materials (u/w) – short term supply bottlenecks in semi-conductors and a longer-term strategic drive toward reduced manufacturing concentration, provide tailwinds for the equipment names.

Wells Fargo (u/w) – recovery from multi-year share price low on improving outlook for credit risk and net interest margins.

Visa Inc (o/w) – rotation away from highly valued growth names, concern around potential regulatory review of US debit business.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 31 March 2021

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.11
Alphabet A	+0.91
Vanguard US Small Cap Value ETF	+0.87
Microsoft	+0.48
Visa Inc	+0.42
Alphabet C	-0.71
Tesla	-0.61
Mastercard	-0.37
PayPal	-0.34
Comcast	-0.29

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Vanguard US Mid Cap ETF – provides exposure to the smaller companies in the US index, although the portfolio retains an underweight exposure to smaller companies in aggregate.

Alphabet A – parent company of Google; offset by not holding the C shares which results in a modest overweight exposure to Alphabet overall.

Vanguard US Small Cap Value ETF – recent position purchased in order to capture market rotation into small, recovery names to which the portfolio otherwise has limited exposure.

Microsoft – structural growth from Azure cloud hosting business and migration of Business Office to MS 365 online, with associated opportunity for value added sales and increased customer stickiness.

Visa Inc – exposed to strong drivers of the move to cashless payments and growth in cross border transactions.

Bottom 5 Holdings Relative to Benchmark:

Alphabet C – exposure in A shares aggregate to a modest overweight exposure to Alphabet overall.

Tesla – high valuation requires support from as yet unproven revenue streams from autonomous driving and/or shared mobility.

Mastercard – preference for Visa, similar exposure to growth trends in the payments space, on valuation grounds.

PayPal – growth in payments platform and processing but exposure accessed through other portfolio holdings including Visa and FIS.

Comcast – faces challenges in broadcast media and theme park businesses. Preference for Charter, a pure play broadband provider.

Major transactions during the Quarter

Purchases:

Vanguard US Small Cap Value ETF (£33.8m) – new holding purchased to mitigate portfolio's limited exposure to smaller, sometimes challenged companies that should benefit as economies start to recover.

Sales:

Electronic Arts (£7.5m) – consolidating gaming sector exposure into alternative name with stronger content pipeline and more developed mobile gaming strategy.

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 31 March 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
ASML	1.17	0.90	0.05
Orsted	0.00	0.11	0.03
Stellantis	0.17	0.00	0.03
Vestas Wind Systems	0.00	0.15	0.03
Lonza	0.00	0.16	0.03

ASML (o/w) – the company has benefitted from the shortages in microchips as companies are looking to expand production. Intel has also announced that they will also produce more microchips which will benefit ASML.

Orsted (u/w) – profit warning at the beginning of the quarter meant that momentum was more to the downside for this Danish multinational power company. A return to more normal wind speeds would hit profits this year.

Stellantis (o/w) – the auto sector has benefited from positive news flow as many manufacturers have announced their electric vehicle strategy as well as investor rotation into value stocks. Stellantis should also benefit from synergies now the merger with Fiat Chrysler is complete.

Vestas Wind Systems (u/w) – the company was impacted by the issues at peer Orsted. High valuations and a reversal in momentum stocks resulted in underperformance during the quarter after a strong 2020.

Lonza (u/w) – the chemicals and biotechnology company reported earnings and sales below estimates. Another stock that performed well in 2020 with valuations at high levels.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 31 March 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Volkswagen Prefs	0.00	0.19	(0.06)
Daimler	0.00	0.27	(0.05)
Nestle	1.27	1.16	(0.03)
Ubisoft Entertainment	0.11	0.03	(0.03)
Zalando	0.20	0.06	(0.03)

Volkswagen Prefs (u/w) – the "Power Day" capital markets day was a success as it showcased how the company was transitioning towards electric vehicles.

Daimler (u/w) – the auto sector has benefited from positive news flow as many manufacturers have announced their electric vehicle strategy, as well as investor rotation into value stocks. Daimler also benefited from the news that they are spinning off their trucks division which should release some value.

Nestle (o/w) – bond proxy that has underperformed as bond yields have increased.

Ubisoft Entertainment (o/w) – another beneficiary of COVID-19 disruption which has underperformed as lockdowns are relaxed and has also suffered from the delay in the release of two highly rated games.

Zalando (o/w) – underperformed due to relatively high valuation and concern over growth targets as lockdowns are relaxed.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 31 March 2021

Largest Relative Over/Underweight Stock Positions (%)

Koninklijke Philips	+0.38
Total	+0.35
Teleperformance	+0.33
JP Morgan European Smaller Companies Trust	+0.33
Schneider Electric	+0.33
Enel SPA	-0.29
Daimler	-0.27
Zurich Insurance Group	-0.24
Adyen	-0.22
Volkswagen Prefs	-0.19

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Koninklijke Philips – increased demand for healthcare equipment driven by Emerging Markets and the increased adoption of image guided radiation therapy equipment.

Total – has been shifting away from its main core business of producing oil and is now the second largest player in liquefied natural gas (LNG) as well as seeking to diversify further into green energy.

Teleperformance – experiencing high growth with high levels of operational gearing with the expectation of cost reductions as workforce moves more towards home working.

JP Morgan European Smaller Companies Trust – provides relatively defensive exposure to smaller companies in Europe with weighting likely to be reduced over time.

Schneider Electric – the best positioned franchise globally for secular growth in data centres, building automation, smart grid and electrification of fossil fuel processes. It is the only company with an integrated approach offering all critical aspects of the value chain.

Bottom 5 Holdings Relative to Benchmark:

Enel SPA – higher risk profile due to large exposure to Italy as well as exposure to Latin America, particularly Brazil.

Daimler – structural concerns regarding the sector and particular concerns regarding strength of the balance sheet.

Zurich Insurance Group – high valuation relative to peers and over ambitious profitability targets.

Adyen – very high valuation but the company has been the main benefactor from the demise of competitor, Wirecard, and is considered to be the best European fintech name in the sector.

Volkswagen Prefs – governance concerns and cost of transition to electric vehicles as well as competitive pressures from new entrants having a potential adverse impact on market share.

Major transactions during the Quarter

Purchases:

BASF (£6.8m) – the company should benefit from the opening up of the global economy.

Sales:

Logitech (£4.3m) – reducing the large overweight as the company has benefited from COVID-19 disruption and may underperform as lockdown restrictions are lifted.

Border To Coast Overseas Developed Markets Equity Fund - Japan at 31 March 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
M3	0.00	0.06	0.03
Daiichi Sankyo	0.00	0.12	0.03
LIXIL	0.12	0.02	0.02
Chugai Pharmaceutical	0.00	0.06	0.02
Mitsubishi UFJ Financial	0.28	0.15	0.02

M3 (u/w) – medical information services company experiencing profit taking following excellent performance in the previous two quarters, combined with a market rotation away from quality growth names.

Daiichi Sankyo (u/w) – volatile pharmaceutical company reversed some of the gains that were seen in November when it announced a large share buyback.

LIXIL (o/w) – share price recovery continues on good results, and prospects for increased demand for contactless bathroom products.

Chugai Pharmaceutical (u/w) – volatile pharmaceutical company reversed most of the gains seen in the previous quarter as recent results were below expectations.

Mitsubishi UFJ Financial (o/w) – investors starting to recognise cheap valuation of Japan’s major banks.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 31 March 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Ballie Gifford Shin Nippon	0.38	0.00	(0.06)
Nintendo	0.31	0.13	(0.03)
Daifuku	0.11	0.02	(0.03)
KEYENCE	0.26	0.18	(0.02)
Terumo	0.14	0.05	(0.02)

Baillie Gifford Shin Nippon (o/w) – NAV reduced due in part to worldwide falls in tech stocks, and premium to NAV fell from around 9% at start of quarter to 3% at end.

Nintendo (o/w) – worldwide underperformance of tech stocks in the quarter weighed on Nintendo, combined with a rotation away from "lockdown winners", despite excellent sales of hardware (Switch) and software.

Daifuku (o/w) – quarterly results disappointed the market, but long-term outlook for factory automation still good.

KEYENCE (o/w) – profit taking in this factory automation name following an excellent performance in 2020, combined with a market rotation away from quality growth names.

Terumo (o/w) – volatile pharmaceutical and medical equipment company experienced weakness in the quarter that was not attributed to any specific news.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan at 31 March 2021

Largest Relative Over/Underweight Stock Positions (%)

Ballie Gifford Shin Nippon	+0.38
Shin-Etsu Chemical	+0.21
Tokyo Electron	+0.21
Oji Holdings	+0.21
Softbank Group Corp	+0.21
Recruit Holdings	-0.15
Nidec	-0.13
Daiichi Sankyo	-0.12
Daikin Industries	-0.12
Honda Motor	-0.12

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Ballie Gifford Shin Nippon – smaller companies focused with strong long-term relative performance.

Shin-Etsu Chemical – best in sector with strong cash generation, good growth prospects, margin sustainability and increasing shareholder returns.

Tokyo Electron – manufactures and sells industrial electronics products. Good growth prospects, strong balance sheet and potential for increased shareholder returns.

Oji Holdings – potential for growth from switch from plastic to paper and cardboard packaging, and for market to appreciate value of carbon negative position from forestry operations.

Softbank Group Corp – technology investment company trading at a discount to the sum of the parts; tends to be volatile partly due to unorthodox style of the Founder and Chairman, Masayoshi Son, and due to the underlying tech investments.

Bottom 5 Holdings Relative to Benchmark:

Recruit Holdings – trades on a premium valuation relative to peers in a difficult environment for recruitment.

Nidec – concern that future strategy is unclear and company forecasts are too optimistic; move away from declining HDD (hard disk drive) motors will continue to squeeze margins.

Daiichi Sankyo – preference for other names in the healthcare sector.

Daikin Industries – concerns due to exposure to declining air-conditioning demand in China and exposure of chemicals business to the auto and technology sectors.

Honda Motor – marginal preference for Toyota (on EV strategy and growth prospects) and Subaru (on prospects from collaboration with Toyota, US sales resilience, and possibility of Toyota increasing stake).

Major transactions during the Quarter

Purchases:

Baillie Gifford Shin Nippon (£4.3m) – increased holding whilst liquidity was available at a small premium to NAV.

Sales:

Chubu Electric Power (£2.6m) – exited holding on poor prospects, as unlikely to benefit from national aim to increase exposure to renewables.

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 31 March 2021

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
NAVER	0.46	0.27	0.03
Techtronic Industries	0.35	0.13	0.03
Afterpay	0.00	0.10	0.02
Samsung Electronics Prefs	0.00	0.32	0.02
Northern Star Resources	0.00	0.05	0.02

NAVER (o/w) – outperformance driven by a number of well received collaborations and market appreciation of the group's online platform potential.

Techtronic Industries (o/w) – strong results, with the manufacturing group taking market share - but not at expense of gross margin, which rose for 12th consecutive year.

Afterpay (u/w) – underperformed due to news of increased competition and potential regulations in the BNPL ("Buy Now Pay Later") sector.

Samsung Electronics Prefs (u/w) – despite forecasts for a strong recovery in the memory space, the shares underperformed due to chip shortage concerns at one of its US foundries.

Northern Star Resources (u/w) – increased bond yields resulted in underperformance of gold producers.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 31 March 2021

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Xinyi Solar	0.00	0.00	(0.06)
Samsung C&T	0.18	0.06	(0.02)
Samsung Electronics	2.61	2.06	(0.02)
NCSoft	0.22	0.08	(0.02)
KaKao	0.00	0.14	(0.02)

Xinyi Solar (o/w) – shares drifted as the market focussed on potential reduction in pricing as capacity increases; this non-benchmark holding has been sold having made substantial overall gains.

Samsung C&T (o/w) – imprisonment of heir apparent, JY Lee, led to underperformance as the market discounted the prospects of a group restructuring.

Samsung Electronics (o/w) – despite forecasts for a strong recovery in the memory space, the shares underperformed due to chip shortage concerns at one of its US foundries.

NCSoft (o/w) – weaker sales of key online game in Japan resulted in earnings downgrades.

KaKao (u/w) – internet sector in Korea benefiting from platform developments; the Fund has exposure to this theme via NAVER.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 31 March 2021

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.54
Techtronic Industries	+0.22
Hyundai Motor	+0.21
LG Chemical	+0.20
SK Hynix	+0.20
Samsung Electronics Prefs	-0.32
UOB	-0.15
KaKao	-0.14
Kia	-0.11
Afterpay	-0.10

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Top 5 Holdings Relative to Benchmark:

Samsung Electronics – exposed to structural growth in the memory chip market; the group also has a diversified earnings stream and large shareholder return potential; the overweight in the ordinary shares is partly offset by not owning the preference shares.

Techtronic Industries – the group's technology leading focus on cordless power tools market should lead to improving margins and market share, especially as it starts to skew the business more to the professional market in the US.

Hyundai Motor – leading the way with regards to development of EV model and an overall beneficiary of the overall recovery in global auto demand.

LG Chemical – leader in the development of the EV battery; also strong backing from the chemical business with strong demand for high performance chemicals.

SK Hynix – expected to benefit from a more disciplined, but recovering, DRAM chip market; the company should also benefit from its recent acquisition of Intel's flash memory business.

Bottom 5 Holdings Relative to Benchmark:

Samsung Electronics Prefs – the portfolio is overweight Samsung Electronics overall via the more liquid ordinary shares.

UOB – preference for other Singaporean banks with stronger capital positions.

KaKao – this Korean internet company has benefited from COVID-19 via its fintech, e-commerce, and entertainment businesses; the Fund has a preference for NAVER.

Kia – South Korean auto company with same exposures as the preferred holding Hyundai Motor which also owns 34% of Kia.

Afterpay – this BNPL ("Buy Now Pay Later") platform has grown rapidly in recent years and the lack of a holding represents a significant underweight; further research is being conducted as to whether this would be a suitable holding for the Fund.

Major transactions during the Quarter

Sales:

Xinyi Solar (£4.0m) – non-benchmark holding was sold having made significant returns over the holding period.

Origin Energy (£4.2m) – the company downgraded guidance just a few days after a trading update which did not refer to any specific issues; the company is under pressure in a competitive market and the position has been exited.

Note

1) Source: Northern Trust

Market Background
at 31 March 2021

2021 began in the same fashion as 2020 ended. Optimism grew early in the first quarter that vaccines would enable abundant fiscal and monetary stimulus to propel the global economy out of the Covid-induced slump. The combination of optimism and liquidity stimulated investor risk appetite, evidenced by continued strength in small-cap and value stocks. This also manifested in extreme performance in some corners of the market and certain stocks in particular, to the extent that these were exhibiting bubble-like characteristics.

As the quarter progressed, fears that the authorities might be over-cooking the economy rattled bond markets and prompted a tempering of some of the exuberance within equity markets. The uneven roll-out of vaccine programmes globally, along with the continued threat to the health of populations in many countries from new strains of the virus, also served to dampen some optimism over the pace of the anticipated economic recovery.

Extensive fiscal and monetary support has allowed economies to weather the worst of the disruption caused by COVID-19, and these measures have been extended as necessary. However, the resulting high debt levels may constrain economic growth in the medium term, although this may be partly offset by pent-up consumer demand once restrictions are removed.

Economies have already seen sharp recoveries from the lowest levels of activity seen through the spring and early summer of 2020 but remain for the most part some way below pre-pandemic levels. With vaccine roll-out proceeding at different speeds and the effects of the pandemic likely to be felt for longer in certain countries as new virus mutations take hold, the continuing recovery is likely to be uneven. This has two effects on those countries lagging. Further delays to recovery will further add to already high debt levels, while the risk increases that continued economic weakness leads to permanent damage being inflicted on sections of the economy with negative implications for long-term growth potential. The combination of these factors could test investor's views of the sustainability of debt levels in certain countries in the coming years.

The US would seem to be poised to be one of the leaders of the economic recovery, with the success of its vaccine programme and its fiscal stimulus amongst the largest of the major global economies. Indeed, these factors have combined with the Fed's apparent insouciance towards the risk of inflation to awaken the bond vigilantes and provoke a sharp increase in bond yields. The extensive shorter-term stimulus is being accompanied by longer term infrastructure plans and green initiatives that could provide lasting impetus. They are likely to come at the cost of an increasing tax burden, particularly for companies, which will have implications for earnings and equity markets.

Inflation is very much back at the forefront of investors' minds. Rising commodity prices, stretched supply chains, fractured global trading relations all indicate supply side pressures building at the same time as demand is rebounding from depressed levels. Central banks are very reluctant to withdraw stimulus too soon and have broadly indicated they are comfortable with higher inflation until they are confident economies are back on their feet in the belief that inflation pressures will naturally subside. This is likely to test the nerves of bond investors as inflation rises and will likely cause further upward pressure on yields for a period of time.

The other factor that investors are having to contend with is that although many had anticipated the US would take a more conciliatory approach in foreign policy and trade matters, to date, US policy towards China has not softened, and in respect of perceived human rights issues it may even be seen to have hardened. This is something that will not help ease some of the supply issues that the process of de-globalisation begun under Trump has helped foment. Encouragingly, the US and its allies have coalesced around these human rights concerns to adopt a more unified stance in dealing with China, which might presage a return to a more aligned and cooperative stance between the US and its strategic partners.

Value has been enjoying something of a resurgence since the beginning of Q4 2020 as positive vaccine announcements promised an end to the pandemic and the prospect of a

Note
1) Source: Border to Coast

sharp recovery fuelled by loose fiscal and monetary policy. Smaller companies have also shown impressive strength over this period, signalling an improvement in market breadth. Returns had become relatively narrowly concentrated in the time up to this shift, with a relatively narrow cohort of large growth stocks accounting for a substantial proportion of equity market returns. The return of value, and strong performance of smaller companies, has marked an end to this trend, at least for now, which is perhaps best illustrated by the fact that an equally- weighted S&P500 index produced almost twice the return of the broadly followed market cap weighted S&P500 Index. Normally an improvement in breadth would be considered a sign of a healthy market, but the presence of several pockets of the market exhibiting bubble-like characteristics and the extremely sharp moves in other areas sound a note of caution.

These latter developments are trends that bear watching as they may be evidence in a shift in the established market order. The first quarter of 2021 has seen retail investors in the US become increasingly active and have increasing influence in determining the moves of individual stocks and potentially the broader market as a whole. Given that many of these retail investors are younger, with a different philosophy to older more established investors, drawing information from different sources and using different channels to disseminate this information, it has been viewed by some as a challenge to the existing market orthodoxy. That orthodoxy believes institutional investors hold the power, and are the arbiters of what securities are worth, but that view is being challenged both in the abstract and also in the current market reality.

The other market issue of note in 2021 to date has been the implosion of Archegos. This shone a light not only on the high levels of leverage that are integral to the trading strategies of some institutional investors, but also the increasing difficulty banks and regulators are having in keeping track of this leverage in the system and getting a full picture on where it is concentrated. Archegos exhibited that many leading global investment banks had fallen short in their oversight of their relationships with key institutional accounts and exposed one of the current vulnerabilities in the financial market system.

Last quarter we remarked that valuations of equity markets are above their long-term average and investor sentiment remains positive – perhaps excessively so given the behaviour evident in certain pockets of the market. That remains the case although solid earnings and an improvement in economic prospects, given large stimulus and vaccine success in many economies, have helped justify the rise from year-end market levels. Sentiment remains supported by strong economic growth in China and US policy under new President Joe Biden that is firmly pro-growth. Together these are currently sufficient to outweigh problems in the Euro-zone where a poor vaccine roll-out has negatively impacted the outlook for the rest of the year. And it remains the case that returns available in other asset classes are still relatively unattractive. Government bond yields have risen quite sharply in the US but remain low by historic standards and are still negative in many areas. Investment grade and high yield credit spreads have remained narrow. The outlook for commercial real estate is unclear, both in the near term, due to payment defaults, but also longer term due to changes in demand. Investor allocations to Alternatives continue to increase but it will need time for this capital to be deployed.

Global equity markets enjoyed a strong final quarter in 2020, rising 3.6% in sterling terms with developed markets (4.0%) outperforming emerging markets (1.8%). Returns were higher in the UK (5.2%) and the US (5.1%) while Japan lagged (1.1%). In emerging markets Chile posted the highest returns, but Brazil was amongst the weakest countries along with Colombia and Turkey.

Note
1) Source: Border to Coast

Border to Coast News

People:

- We're sad to announce that Peri Thomas is set to leave us in June. Peri was one of the first people to join Border to Coast and has been instrumental in our development. In particular, she has ensured the HR function provides a friendly but professional service to both the organisation and colleagues on all people matters.
- We are pleased to announce that Richard Charlton will soon be joining us as our new Chief Risk Officer. Richard brings significant experience including several senior roles within UK and global insurance companies. Most recently, Richard worked for Deloitte as a Director within its UK consulting practice, providing advice and guidance to risk functions.
- We are pleased to welcome Lauren Madden-Queralt, joining us as an Operational Due Diligence Manager. Lauren joins us from Oxford University Endowment Management where she was Head of Investment Operations. We also welcome George Kendall, joining us as a Responsible Investment Manager. George joins us from the investment advisory team at Isio (formerly KPMG).

Investment Funds:

- We are delighted to announce that the Financial Conduct Authority has approved our submissions for our Multi-Asset Credit (MAC) and Emerging Markets Equity funds.
- During the quarter we committed £540 million to six new infrastructure funds. These commitments provide exposure to several of our targeted themes within Infrastructure including Operational Value Add, Greenfield, Energy. Over the same period, we also committed £370m in to five new Private Equity funds providing additional exposure to our targeted themes including Operational Value Add, Buy and Build, Mid-market, and co-investments.

Responsible Investment:

- Work on our standalone climate change policy started in January, with Ernst & Young completing an initial benchmarking exercise to assess best practice in the industry. Benchmarking was structured around the TCFD framework and aims to identify gaps and where best-efforts should be focused.
- We believe that better run and governed companies that consider a wider stakeholder group will, in the long-term, generate better risk-adjusted returns. While ESG reporting has improved in public markets, there is a clear need to enhance the measurement of ESG risk, opportunity and performance in Private Markets. We have been working with Albourne Partners to develop a new ESG reporting framework, which we hope will enable us to bring significant influence to much needed improvement in this area.
- Our Head of Responsible Investment, Jane Firth, took part in a Transition Pathway Initiative (TPI) roundtable event hosted by the World Investment Forum and The Church of England Pensions Board. The event was an interactive session with a group of Asset Owners & Consultants sharing their TPI experiences and insights.

Other news:

- We are delighted to support two initiatives that support the development of future talent. The first is Kickstarter, which is a 6-month placement for a 16–24-year-old on Universal Credit. The second is supporting two interns for 8 weeks through the GAIN internship programme, which is designed to tackle the lack of gender diversity in the investment management industry.
- We are pleased to announce that all 11 Partner Funds have now signed off on our strategic plan for the next three years, which confirms our ambition, by the end of 2024, to: have pooled all assets other than passive (and certain legacy alternatives); be seen as a full investment partner by Partner Funds; be set up to deliver long-term, risk-adjusted investment performance; and be a sustainable organisation.

Disclosures

Quarterly Investment Report - 80237

For the Period 01 Jan 2021 to 31 Mar 2021

Middlesbrough Borough Council

Middlesbrough Borough Council

Report ID: 2906661.1 Published: 14 Apr 2021

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Accounting Summary (expressed in GBP)

As of 31 Mar 2021

Middlesbrough Borough Council

	Market Value 01 Jan 2021		Contributions	Withdrawals	Change in Market Value	Market Value 31 Mar 2021	
Passive Equity Portfolio							
North America ESG Screened Index Equity Sub-Fund	706,650,750	37.53%	0	265,076,658	26,142,236	467,716,328	37.86%
Europe ex UK ESG Screened Index Equity Sub-Fund	450,946,513	23.95%	0	250,000,000	6,872,756	207,819,269	16.82%
Japan ESG Screened Index Equity Sub-Fund	285,382,758	15.16%	0	179,923,342	2,806,203	108,265,619	8.76%
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund	439,885,487	23.36%	0	0	11,762,458	451,647,945	36.56%
Total	**1,882,865,508**	**100.00%**	**0**	**695,000,000**	**47,583,653**	**1,235,449,161**	**100.00%**

Performance Summary (expressed in GBP)

As of 31 Mar 2021

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Passive Equity Portfolio								
North America ESG Screened Index Equity Sub-Fund								21 Sep 2018
Total Returns	5.28%	4.74%	4.74%	42.66%	N/A	N/A	N/A	13.63%
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	5.24%	4.60%	4.60%	42.47%	N/A	N/A	N/A	13.51%
Difference	**0.04%**	**0.14%**	**0.14%**	**0.19%**	**N/A**	**N/A**	**N/A**	**0.12%**
Total Returns (Net)	5.28%	4.73%	4.73%	42.64%	N/A	N/A	N/A	N/A
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	5.24%	4.60%	4.60%	42.47%	N/A	N/A	N/A	N/A
Difference	**0.04%**	**0.13%**	**0.13%**	**0.17%**	**N/A**	**N/A**	**N/A**	**N/A**
Europe ex UK ESG Screened Index Equity Sub-Fund								26 Sep 2018
Total Returns	4.30%	2.47%	2.47%	34.19%	N/A	N/A	N/A	6.67%
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	4.26%	2.42%	2.42%	34.60%	N/A	N/A	N/A	6.74%
Difference	**0.04%**	**0.05%**	**0.05%**	**-0.41%**	**N/A**	**N/A**	**N/A**	**-0.07%**
Total Returns (Net)	4.30%	2.47%	2.47%	34.17%	N/A	N/A	N/A	N/A
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	4.26%	2.42%	2.42%	34.60%	N/A	N/A	N/A	N/A
Difference	**0.04%**	**0.05%**	**0.05%**	**-0.43%**	**N/A**	**N/A**	**N/A**	**N/A**
Japan ESG Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	3.03%	1.16%	1.16%	26.24%	7.00%	11.84%	9.35%	4.50%
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	2.87%	0.98%	0.98%	25.99%	6.92%	11.79%	9.32%	4.36%
Difference	**0.16%**	**0.18%**	**0.18%**	**0.25%**	**0.08%**	**0.05%**	**0.03%**	**0.14%**

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Total Returns (Net)	3.03%	1.15%	1.15%	26.21%	N/A	N/A	N/A	N/A
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	2.87%	0.98%	0.98%	25.99%	N/A	N/A	N/A	N/A
Difference	**0.16%**	**0.17%**	**0.17%**	**0.22%**	**N/A**	**N/A**	**N/A**	**N/A**
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	2.41%	2.67%	2.67%	49.53%	8.85%	12.52%	7.19%	10.22%
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	2.48%	2.72%	2.72%	49.63%	8.85%	12.50%	7.17%	10.16%
Difference	**-0.07%**	**-0.05%**	**-0.05%**	**-0.10%**	**0.00%**	**0.02%**	**0.02%**	**0.06%**
Total Returns (Net)	2.40%	2.67%	2.67%	49.51%	N/A	N/A	N/A	N/A
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	2.48%	2.72%	2.72%	49.63%	N/A	N/A	N/A	N/A
Difference	**-0.08%**	**-0.05%**	**-0.05%**	**-0.12%**	**N/A**	**N/A**	**N/A**	**N/A**

For information regarding performance data, including net performance data, please refer to the section entitled "Important Information" at the end of the report.

R-Factor™ Summary

As of 31 Mar 2021

Europe ex UK ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	71.83	71.84	-0.01
ESG	72.50	72.51	-0.01
Corporate Governance	45.79	45.80	-0.01

Source: SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

What is R-Factor?

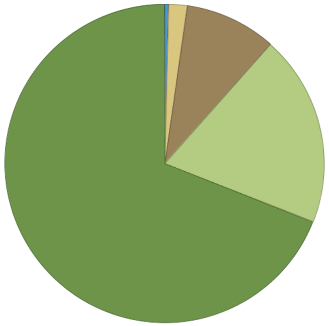
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors the ability to invest in solutions that integrate financially material ESG data while incentivizing companies to improve their ESG practices and disclosure in areas that matter.

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	441	99.55%	99.97%
Total Number of Securities in Portfolio	443		

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

Fund R-Factor Profile	
Not Available	0.03%
Laggard	0.34%
Underperformer	1.90%
Average Performer	9.28%
Outperformer	19.43%
Leader	69.02%

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Nestle S.A.	4.02%	4.03%	0.00%	88.53
ASML Holding NV	3.12%	3.13%	-0.01%	74.08
Roche Holding Ltd	3.03%	2.92%	0.12%	69.43
LVMH Moet Hennessy Louis...	2.15%	2.15%	0.00%	78.59
SAP SE	1.77%	1.78%	0.00%	82.35
Siemens AG	1.59%	1.60%	0.00%	76.89
Total SE	1.46%	1.46%	0.00%	76.78
Novo Nordisk A/S Class B	1.42%	1.41%	0.00%	76.13
Sanofi	1.39%	1.39%	0.00%	81.88
Allianz SE	1.35%	1.35%	0.00%	77.46

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

Top 5 R-Factor Ratings				
Covivio SA	0.06%	0.06%	0.00%	94.14
Henkel AG & Co. KGaA	0.12%	0.13%	-0.01%	93.61
Henkel AG & Co. KGaA Pref	0.26%	0.25%	0.01%	93.61
Veolia Environnement SA	0.17%	0.17%	0.00%	93.14
L'Oreal SA	1.19%	1.19%	0.00%	91.95

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

Bottom 5 R-Factor Ratings				
Sofina SA	0.07%	0.07%	0.00%	27.22
EXOR N.V.	0.12%	0.11%	0.00%	27.47
PSP Swiss Property AG	0.07%	0.07%	0.00%	28.28
Dino Polska S.A.	0.04%	0.04%	0.00%	30.04
CTS Eventim AG & Co. KGa...	0.04%	0.04%	0.00%	31.41

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

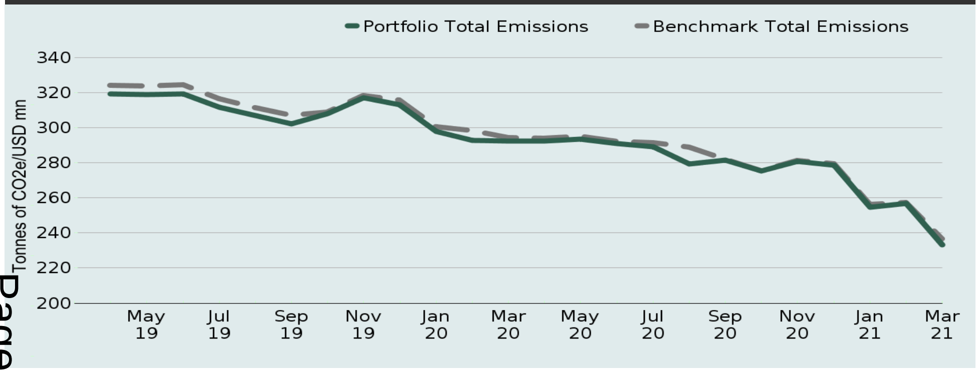
Climate Profile

As of 31 Mar 2021

Europe ex UK ESG Screened Index Equity Sub-Fund

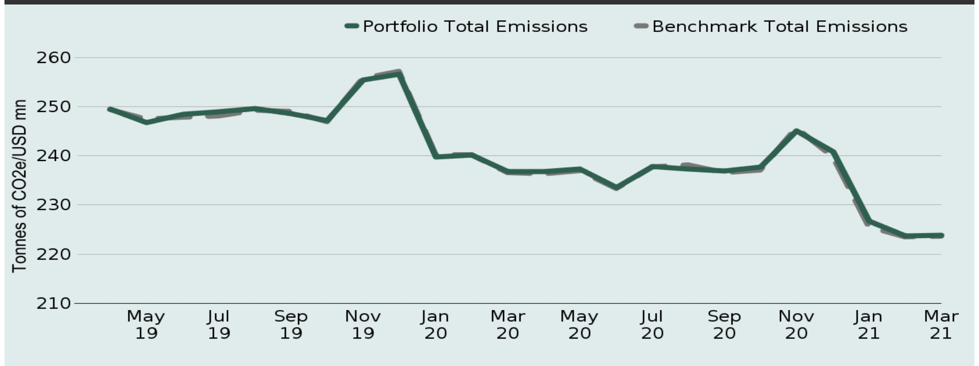
Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX

Carbon Intensity



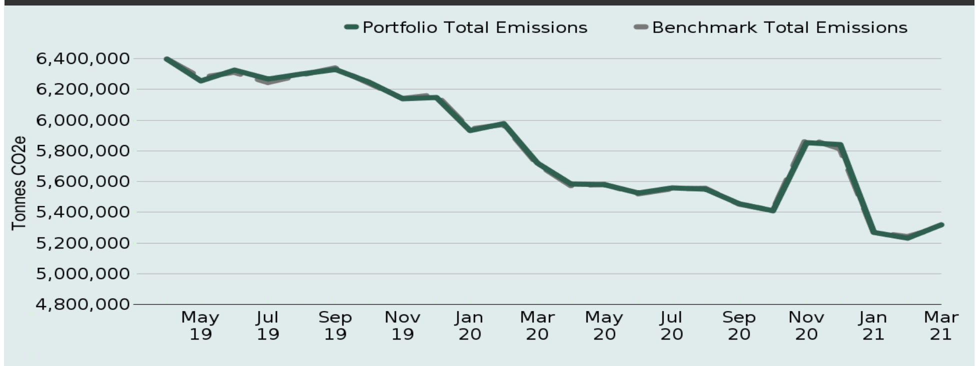
Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

Weighted Average Carbon Intensity



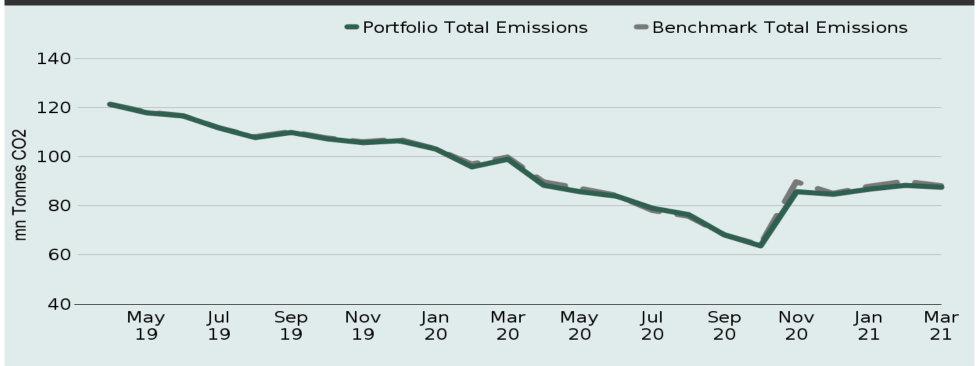
Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

Stewardship Profile

As of 31 Mar 2021

Europe ex UK ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q4 2020
Number of Meetings Voted	435
Number of Countries	16
Management Proposals	6,971
Votes for	88.81%
Votes Against	11.19%
Shareholder Proposals	167
With Management	91.02%
Against Management	8.98%

Source: SSGA as of 31 Dec 2020

Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity

Women on Board	Number of Securities
0	10
1	30
2	55
3	95
4	86
5	72
6	46
7	29
8	10
9	6
10	2
10+	2
Not Available	0
Total	**443**

Source: Factset/SSGA. Holdings as of 31 Mar 2021, Factset data as of 28 Feb 2021.

R-Factor™ Summary

As of 31 Mar 2021

North America ESG Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	63.61	63.59	0.02
ESG	62.11	62.09	0.02
Corporate Governance	65.13	65.13	0.00

Source: SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

What is R-Factor?

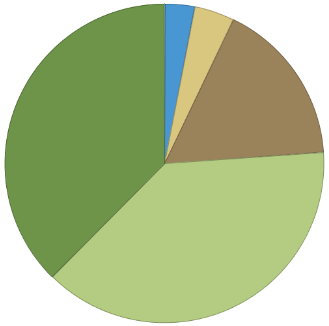
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors the ability to invest in solutions that integrate financially material ESG data while incentivizing companies to improve their ESG practices and disclosure in areas that matter.

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	638	99.22%	99.93%
Total Number of Securities in Portfolio	643		

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

Fund R-Factor Profile	
Not Available	0.07%
Laggard	3.02%
Underperformer	4.06%
Average Performer	16.74%
Outperformer	38.50%
Leader	37.62%

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Apple Inc.	5.47%	5.48%	-0.01%	85.57
Microsoft Corporation	4.99%	5.00%	-0.01%	74.06
Amazon.com Inc.	3.71%	3.71%	0.00%	66.07
Facebook Inc. Class A	2.00%	2.00%	0.00%	58.93
Alphabet Inc. Class A	1.75%	1.75%	0.00%	58.28
Alphabet Inc. Class C	1.70%	1.70%	0.00%	58.28
Tesla Inc	1.45%	1.45%	0.00%	63.09
JPMorgan Chase & Co.	1.30%	1.30%	0.00%	73.19
Visa Inc. Class A	1.01%	1.01%	0.00%	71.98
UnitedHealth Group Incorpo...	0.99%	0.99%	0.00%	61.70

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

Top 5 R-Factor Ratings				
HP Inc.	0.12%	0.12%	0.00%	100
Cisco Systems Inc.	0.62%	0.62%	0.00%	97.20
Host Hotels & Resorts Inc.	0.03%	0.03%	0.00%	90.72
Ball Corporation	0.08%	0.08%	0.00%	89.09
Accenture Plc Class A	0.50%	0.50%	0.00%	88.35

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

Bottom 5 R-Factor Ratings				
Lennar Corporation Class A	0.08%	0.08%	0.00%	6.86
Lennar Corporation Class B	0.00%	0.00%	0.00%	6.86
D.R. Horton Inc.	0.08%	0.08%	0.00%	10.27
Roku Inc. Class A	0.10%	0.10%	0.00%	11.65
Constellation Software Inc.	0.07%	0.08%	0.00%	12.45

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

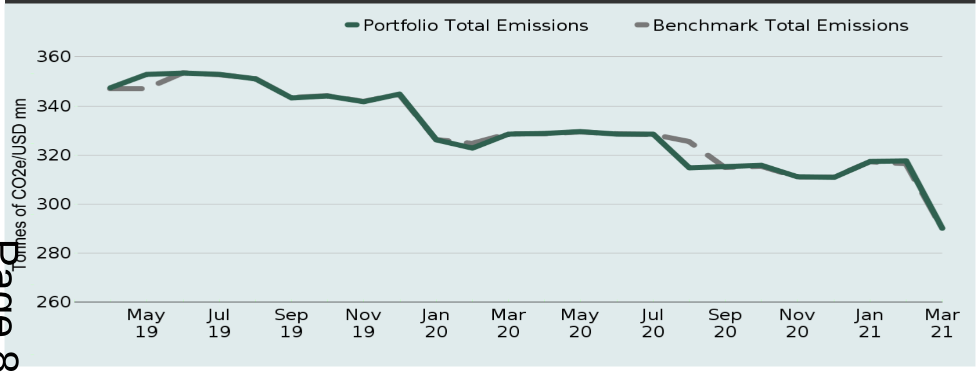
Climate Profile

As of 31 Mar 2021

North America ESG Screened Index Equity Sub-Fund

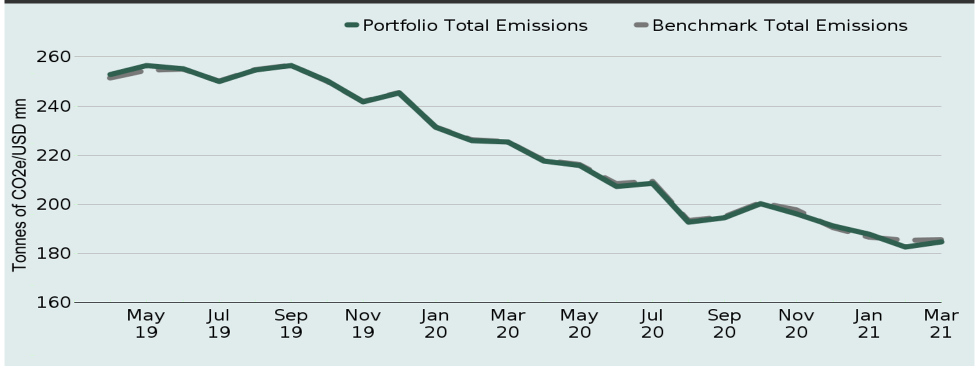
Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Carbon Intensity



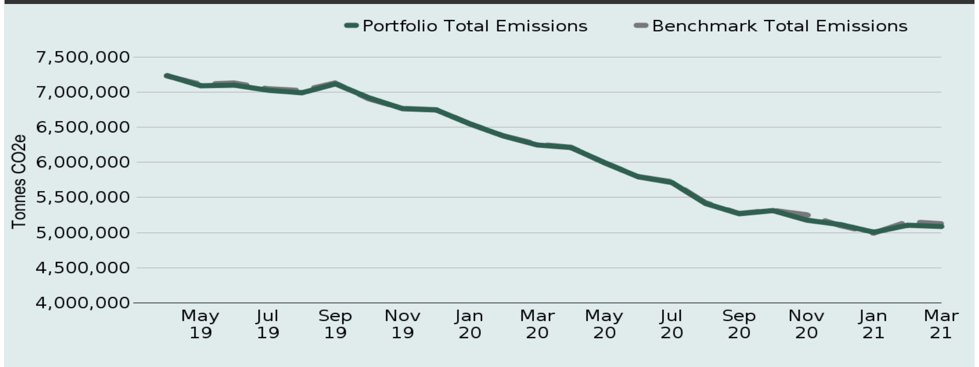
Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

Weighted Average Carbon Intensity



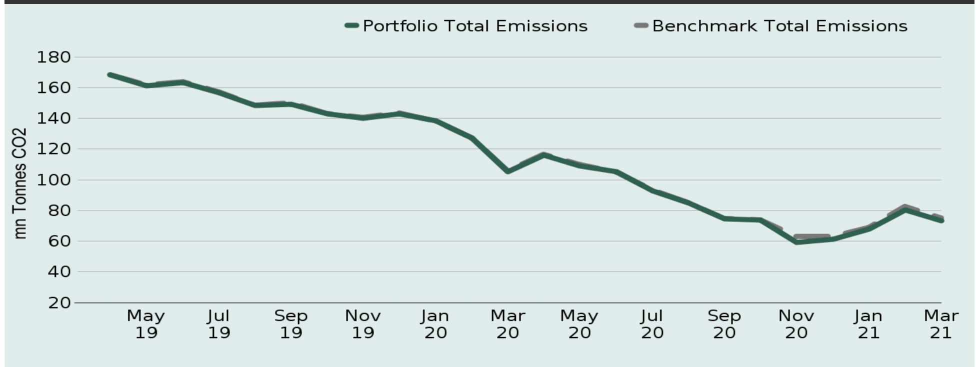
Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

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Stewardship Profile

As of 31 Mar 2021

North America ESG Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q4 2020
Number of Meetings Voted	578
Number of Countries	15
Management Proposals	6,692
Votes for	90.88%
Votes Against	9.12%
Shareholder Proposals	355
With Management	72.11%
Against Management	27.89%

Source: SSGA as of 31 Dec 2020

Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity

Women on Board	Number of Securities
0	2
1	40
2	144
3	222
4	148
5	58
6	22
7	3
8	1
9	0
10	0
10+	0
Not Available	3
Total	**643**

Source: Factset/SSGA. Holdings as of 31 Mar 2021, Factset data as of 28 Feb 2021.

R-Factor™ Summary

As of 31 Mar 2021

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	60.42	60.36	0.06
ESG	58.99	58.93	0.06
Corporate Governance	64.10	64.11	-0.01

Source: SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

What is R-Factor?

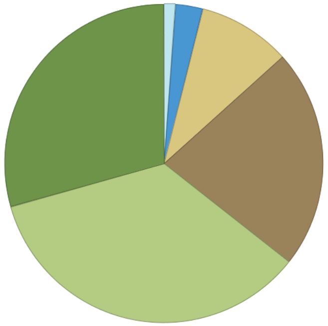
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors the ability to invest in solutions that integrate financially material ESG data while incentivizing companies to improve their ESG practices and disclosure in areas that matter.

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	480	94.86%	98.83%
Total Number of Securities in Portfolio	506		

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

Fund R-Factor Profile	
Not Available	1.17%
Laggard	2.79%
Underperformer	9.40%
Average Performer	22.25%
Outperformer	34.96%
Leader	29.42%

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Toyota Motor Corp.	4.32%	4.32%	0.00%	66.98
Sony Group Corporation	2.91%	2.91%	0.00%	81.33
SoftBank Group Corp.	2.65%	2.65%	0.00%	52.95
Keyence Corporation	1.85%	1.85%	0.00%	40.69
Shin-Etsu Chemical Co Ltd	1.51%	1.51%	0.00%	58.40
Mitsubishi UFJ Financial Gr...	1.50%	1.50%	0.00%	61.41
Recruit Holdings Co. Ltd.	1.48%	1.48%	0.00%	68.63
Tokyo Electron Ltd.	1.41%	1.41%	0.00%	73.64
Nintendo Co. Ltd.	1.34%	1.34%	0.00%	59.38
Nidec Corporation	1.27%	1.27%	0.00%	64.40

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

Top 5 R-Factor Ratings				
Konica Minolta Inc.	0.06%	0.06%	0.01%	88.90
Kao Corp.	0.71%	0.70%	0.01%	84.61
Sony Group Corporation	2.91%	2.91%	0.00%	81.33
Nippon Paper Industries Co....	0.03%	0.03%	0.00%	81.13
Japan Real Estate Investme...	0.13%	0.13%	0.00%	80.98

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

Bottom 5 R-Factor Ratings				
Relo Group Inc.	0.05%	0.05%	0.00%	0
SHIMAMURA Co. Ltd.	0.05%	0.06%	0.00%	11.29
ABC-MART INC.	0.04%	0.03%	0.00%	14.32
Japan Airport Terminal Co....	0.05%	0.06%	0.00%	15.48
Iida Group Holdings Co. Ltd.	0.08%	0.08%	0.00%	15.90

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

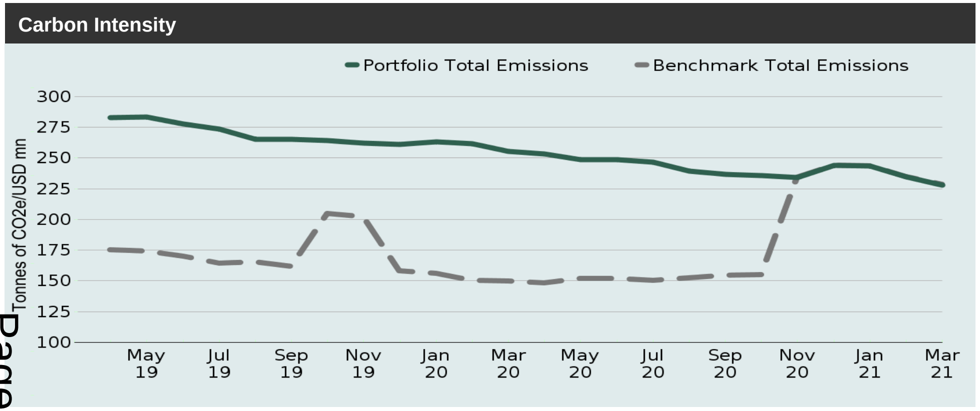
The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

Climate Profile

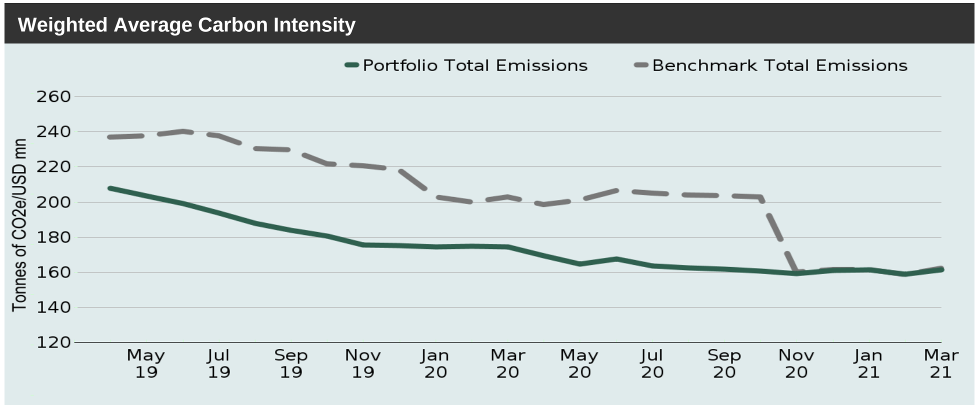
As of 31 Mar 2021

Japan ESG Screened Index Equity Sub-Fund

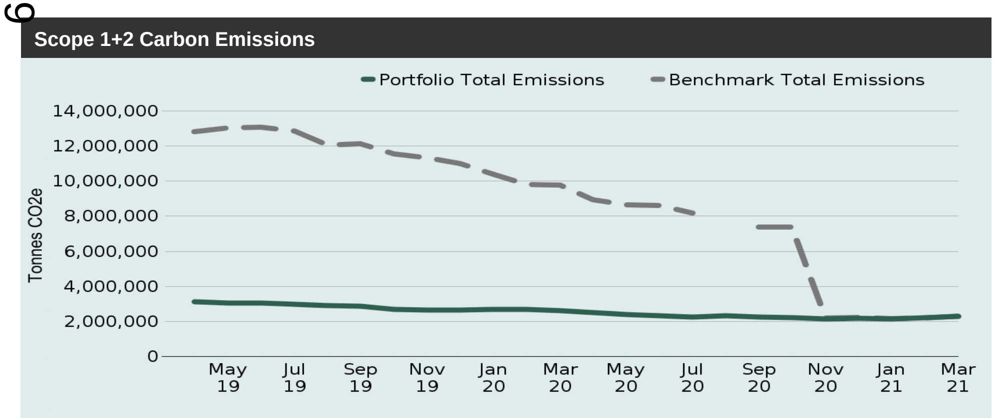
Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX



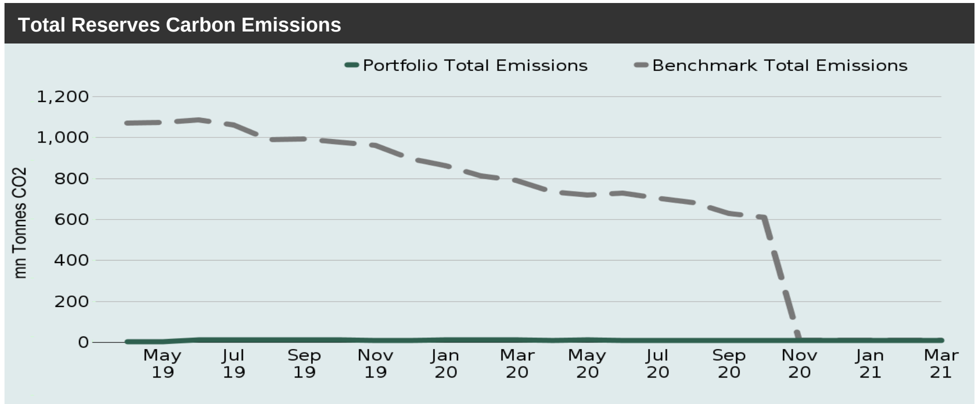
Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.



Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.



Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.



Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

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Stewardship Profile

As of 31 Mar 2021

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q4 2020
Number of Meetings Voted	458
Number of Countries	1
Management Proposals	5,466
Votes for	91.40%
Votes Against	8.60%
Shareholder Proposals	122
With Management	92.62%
Against Management	7.38%

Source: SSGA as of 31 Dec 2020

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Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity

Women on Board	Number of Securities
0	184
1	223
2	81
3	14
4	2
5	0
6	0
7	0
8	0
9	0
10	0
10+	0
Not Available	2
Total	**506**

Source: Factset/SSGA. Holdings as of 31 Mar 2021, Factset data as of 28 Feb 2021.

R-Factor™ Summary

As of 31 Mar 2021

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	61.10	61.13	-0.03
ESG	61.12	61.15	-0.03
Corporate Governance	50.89	50.85	0.04

Source: SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

What is R-Factor?

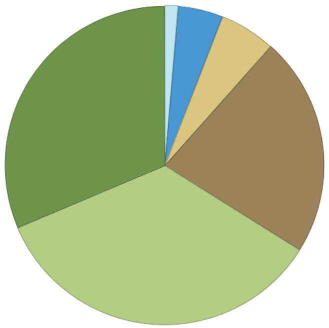
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-inclass ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors the ability to invest in solutions that integrate financially material ESG data while incentivizing companies to improve their ESG practices and disclosure in areas that matter.

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	371	95.37%	98.63%
Total Number of Securities in Portfolio	389		

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

Fund R-Factor Profile	
Not Available	1.37%
Laggard	4.56%
Underperformer	5.68%
Average Performer	22.31%
Outperformer	34.69%
Leader	31.39%

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.



Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Samsung Electronics Co. Lt...	10.79%	10.79%	0.00%	78.91
AIA Group Limited	4.69%	4.69%	0.00%	69.76
Commonwealth Bank of Aus...	3.71%	3.71%	0.00%	67.19
CSL Limited	2.92%	2.92%	0.00%	64.43
Hong Kong Exchanges & Cl...	2.38%	2.38%	0.00%	67.27
Westpac Banking Corporati...	2.18%	2.18%	0.00%	66.38
National Australia Bank Limi...	2.08%	2.08%	0.00%	69.52
Australia and New Zealand...	1.95%	1.94%	0.00%	70.20
SK hynix Inc	1.93%	1.93%	0.00%	68.41
Samsung Electronics Co Ltd...	1.70%	1.70%	0.00%	78.91

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

Top 5 R-Factor Ratings				
Dexus	0.26%	0.26%	0.00%	95.41
GPT Group	0.22%	0.22%	0.00%	92.32
Lenovo Group Limited	0.34%	0.34%	0.00%	81.60
COWAY Co. Ltd.	0.10%	0.10%	0.00%	80.59
Stockland	0.25%	0.26%	0.00%	79.32

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

Bottom 5 R-Factor Ratings				
KOREA INVESTMENT HOLD...	0.09%	0.09%	0.00%	0
HOTEL SHILLA CO. LTD.	0.07%	0.08%	0.00%	10.04
Hanssem Co. Ltd	0.03%	0.03%	0.00%	10.91
Ottogi Corp.	0.02%	0.02%	0.00%	12.14
LS Corp.	0.03%	0.03%	0.00%	12.30

Source: Factset/SSGA. Holdings as of 31 Mar 2021, R-Factor data as of 28 Feb 2021.

The R-Factor summary reflects certain ESG characteristics only, and does not reflect the portfolio's performance. Certain instruments such as cash & derivatives are excluded. ESG analytics data reported on a one month lag relative to monthly performance reporting period. Please see Important Information section for more information and definitions of the ESG Metrics presented.

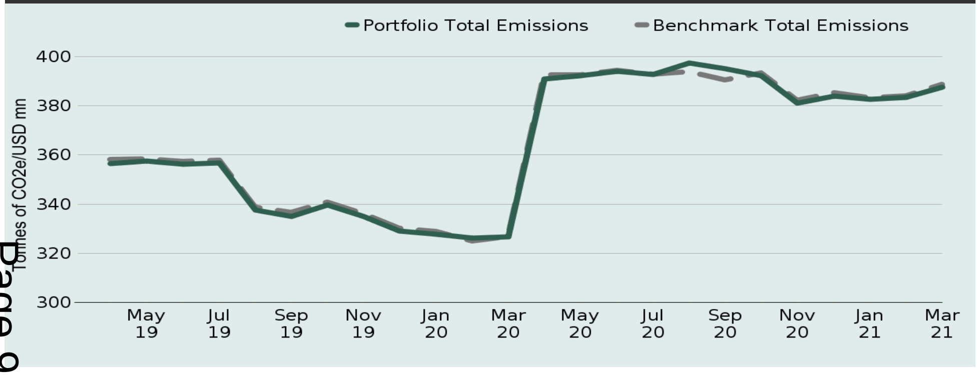
Climate Profile

As of 31 Mar 2021

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

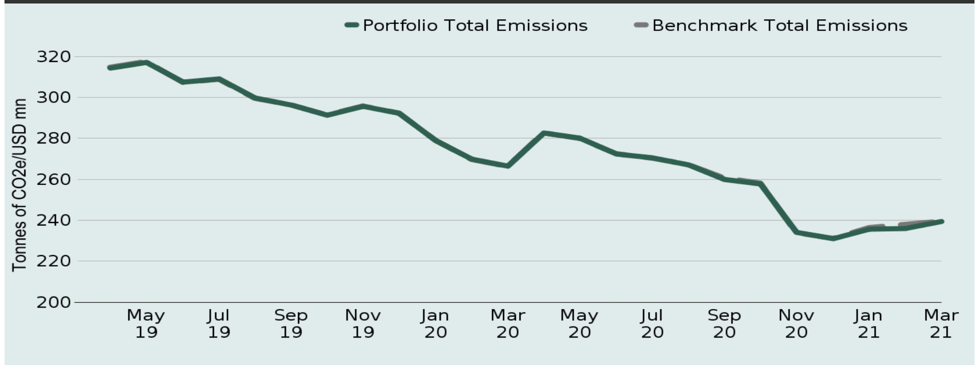
Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX

Carbon Intensity



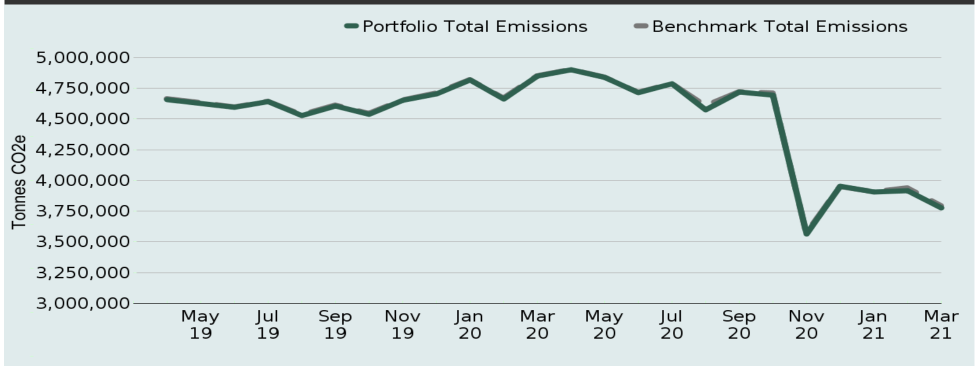
Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

Weighted Average Carbon Intensity



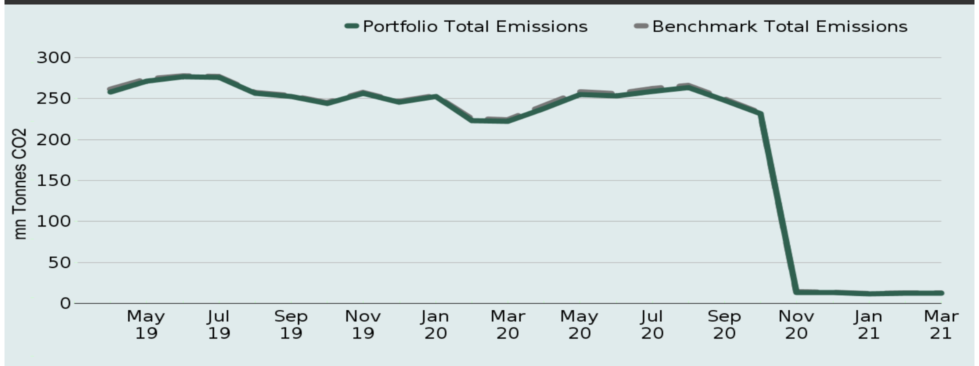
Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 31 Mar 2021. Trucost data as of 28 Feb 2021.

Stewardship Profile

As of 31 Mar 2021

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q4 2020
Number of Meetings Voted	284
Number of Countries	12
Management Proposals	1,970
Votes for	83.45%
Votes Against	16.55%
Shareholder Proposals	43
With Management	88.37%
Against Management	11.63%

Source: SSGA as of 31 Dec 2020

Figures are based on State Street Global Advisors' general approach to voting at the companies held by the Fund at quarter end. This information is not a substitute for a proxy voting report, which can be requested through your relationship manager.

State Street Global Advisors' (SSGA) asset stewardship program is aimed at engaging with our portfolio companies on issues that impact long-term value creation across environmental, social and governance (ESG) considerations. In the recent past, SSGA has issued extensive guidance on key governance matters such as effective, independent board leadership. SSGA's current focus is on helping boards think about the possible impacts of environmental and social issues and incorporating a sustainability lens into boards' oversight of long-term strategy as a sound business practice.

Gender Diversity

Women on Board	Number of Securities
0	124
1	78
2	76
3	76
4	26
5	5
6	0
7	0
8	0
9	1
10	0
10+	0
Not Available	3
Total	**389**

Source: Factset/SSGA. Holdings as of 31 Mar 2021, Factset data as of 28 Feb 2021.

Relationship Management Team

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Important Information

- R-Factor™ is an ESG scoring system that leverages commonly accepted materiality frameworks to generate a unique ESG score for listed companies. The score is powered by ESG data from four different providers in an effort to improve overall coverage and remove biases inherent in existing scoring methodologies. R-Factor™ is designed to put companies in the driver's seat to help create sustainable markets.

- R-Factor™ Scores are comparable across industries. The ESG and Corporate Governance (CorpGov) scores are designed to be based on issues that are material to a company's industry and regulatory region. A uniform grading scale allows for interpretation of the final company level score to allow for comparison across companies.

- Responsible-Factor (R Factor) scoring is designed by State Street to reflect certain ESG characteristics and does not represent investment performance. Results generated out of the scoring model is based on sustainability and corporate governance dimensions of a scored entity.

- The returns on a portfolio of securities which exclude companies that do not meet the portfolio's specified ESG criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's ESG criteria may result in the portfolio investing in industry sectors or securities which underperform the market as a whole.

- The R-Factor™ scoring process comprises two underlying components. The first component is based on the framework published by the Sustainability Accounting Standards Board ("SASB"), which is used for all ESG aspects of the score other than those relating to corporate governance issues. The SASB framework attempts to identify ESG risks that are financially material to the issuer-based on its industry classification. This component of the R-Factor™ score is determined using only those metrics from the ESG data providers that specifically address ESG risks identified by the SASB framework as being financially material to the issuer-based on its industry classification.

- The second component of the score, the CorpGov score, is generated using region-specific corporate governance codes developed by investors or regulators. The governance codes describe minimum corporate governance expectations of a particular region and typically address topics such as shareholder rights, board independence and executive compensation. This component of the R-Factor™ uses data provided by ISS Governance to assign a governance score to issuers according to these governance codes.

- Within each industry group, issuers are classified into five distinct ESG performance groups based on which percentile their R-Factor™ scores fall into. A company is classified in one of the five ESG performance classes (Laggard - 10% of universe, Underperformer - 20% of universe, Average Performer - 40% of universe, Outperformer - 20% of universe or Leader - 10% of universe) by comparing the company's R-Factor™ score against a band. R-Factor™ scores are normally distributed using normalized ratings on a 0-100 rating scale.

- Discrepancy between the number of holdings in the R-Factor™ Summary versus the number of holdings in the regular reporting package may arise as the R-Factor™ Summary is counted based on number of issuers rather than number of holdings in the portfolio.

- For examples of public language regarding R-Factor see the ELR Registration Statement here: https://www.sec.gov/Archives/edgar/data/1107414/000119312519192334/d774617d497.html

- Carbon Intensity - Measured in Metric tons CO2e/USD millions revenues. The aggregation of operational and first-tier supply chain carbon footprints of index constituents per USD (equal weighted).

- Weighted Average Carbon Intensity - Measured in Metric tons CO2e/USD millions revenues. The weighted average of individual company intensities (operational and first-tier supply chain emissions over revenues), weighted by the proportion of each constituent in the index.

- Scope 1+2 Carbon Emissions- Measured in Metric Tons of CO2e.The GHG emissions from operations that are owned or controlled by the company, as well as GHG emissions from consumption of purchased electricity, heat or steam, by the company

- Total Reserves CO2 Emissions - Measured in Metric tons of CO2. The carbon footprint that could be generated if the proven and probable fossil fuel reserves owned by index constituents were burned per USD million invested. Unlike carbon intensity and carbon emissions, the S&P Trucost Total Reserves Emissions metric is a very specific indicator that is only applicable to a very selected number of companies in extractive and carbon-intensive industries. Those companies are assigned Total Reserves Emissions numerical results by Trucost, whereas the rest of the holdings in other industries do not have numerical scores and are instead displaying "null", blank values. In order to present a more comprehensive overview of a portfolio's overall weighted average fossil fuel reserves, State Street Global Advisors replaces blank results with "zeros". While that might slightly underestimate the final weighted average volume, it provides a more realistic result, given that most companies in global indices have no ownership of fossil fuel reserves.

- We are currently using FactSet's own "People" dataset to disclose the number of women on the board, for each company in the Fund's portfolio.

- Data and metrics have been sourced as follows from the following contributors as of the date of this report, and are subject to their disclosures below. All other data has been sourced by SSGA.

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- All valuations are based on Trade Date accounting.
- Performance figures are calculated 'Gross of Fees' unless otherwise stated.
- Returns are annualised for periods greater than one year.
- Returns are calculated using the accrual accounting method.
- Performance figures are calculated by the Modified Dietz method or by the True Time-Weighted return method.
- Past performance is not necessarily indicative of future investment performance.
- Performance returns greater than one year are calculated using a daily annualisation formula. Returns for the same time period based on other formulas, such as monthly annualisation, may produce different results.
- The account summary page details the opening balance at the start of the reporting period which is the equivalent of the closing balance of the previous reporting period.
- If you are invested into any pooled fund or common trust fund, it may use over-the-counter swaps, derivatives or a synthetic instrument (collectively "Derivatives") to increase or decrease exposure in a particular market, asset class or sector to effectuate the fund's strategy. Derivatives agreements are privately negotiated agreements between the fund and the counterparty, rather than an exchange, and therefore Derivatives carry risks related to counterparty creditworthiness, settlement default and market conditions. Derivatives agreements can require that the fund post collateral to the counterparty consistent with the mark-to-market price of the Derivative. SSGA makes no representations or assurances that the Derivative will perform as intended.
- If you are invested in an SSGA commingled fund or common trust fund that participates in State Street's securities lending program (each a "lending fund"), the Fund participates in an agency securities lending program sponsored by State Street Bank and Trust Company (the "lending agent") whereby the lending agent may lend up to 100% of the Fund's securities, and invest the collateral posted by the borrowers of those loaned securities in collateral reinvestment funds (the "Collateral Pools"). The Collateral Pools are not registered money market funds and are not guaranteed investments. The Fund compensates its lending agent in connection with operating and maintaining the securities lending program. SSGA acts as investment manager for the Collateral Pools and is compensated for its services. The Collateral Pools are managed to a specific investment objective as set forth in the governing documents for the Collateral Pools. For more information regarding the Collateral Pool refer to the "US Cash Collateral Strategy Disclosure Document." Securities lending programs and the subsequent reinvestment of the posted collateral are subject to a number of risks, including the risk that the value of the investments held in the Collateral Pool may decline in value, be sold at a loss or incur credit losses. The net asset value of the Collateral Pool is subject to market conditions and will fluctuate and may decrease in the future. More information on the securities lending program and on the Collateral Pools, including the "US Cash Collateral Strategy Disclosure Document" and the current mark to market unit price are available on Client's Corner and also available upon request from your SSGA Relationship Manager.
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- If you are invested in a Luxembourg sub-fund applying swing pricing (as set out in the prospectus of the SSGA Luxembourg SICAV, the "Prospectus"), performance of the fund is calculated on an unswung pricing basis, however, the fund price quoted and your mandate's return may be adjusted to take into consideration any Swing Pricing Adjustment (as defined in the Prospectus) . Please refer to the Prospectus for further information.

- The Net performance returns reflected in the Performance Summary report is from Jan 2020 reporting onwards.

Border to Coast Pensions Partnership Ltd

Teesside Pension Fund

23rd June 2021

Agenda Item 7

Contents

- Border to Coast – Progress Update
- Investment Update
    - UK Listed Equity
    - Overseas Developed
    - Emerging Markets Hybrid
    - Alternatives
- Real Estate
- Approach to Responsible Investment
- Appendix

Border to Coast Pensions Partnership Ltd

Progress

Border to Coast - Progress

WHAT

- Founded to manage assets for our LGPS Partner Funds, who own Border to Coast equally

HOW

- Providing the building blocks for Partner Funds to implement their investment strategies

WHO

- Our Partner Funds represent c2,500 employers and are responsible for paying the benefits of c.1 million members

11
Partner Funds Invested

£21.7bn
Assets under Management

Customer Meetings
119

£5bn
Private Markets Commitments

Colleagues
100

Propositions launched to date
10

Resolutions voted on
12,011

Number companies we've engaged with
902

Source: Border to Coast's 31 March 2021 Report & Accounts

Border to Coast
- Investment Programme

	Progress to date	2021	2022	2023 and beyond
Equities	UK Listed Equity (£4.6bn) O/seas Developed Equity (£4.2bn) Emerging Markets Equity (£0.8bn) UK Listed Equity Alpha (£1.4bn) Global Equity Alpha (£6.2bn) **Total AUM: £17.2bn[1]**	Emerging Market Hybrid UK & O/seas Developed Equity (review) UK Equity Alpha (review)	Regional Alpha Emerging Markets Alpha	Passive/ Factor / ESG
Alternatives	Private Equity – Series 1 (£1.7bn) Infrastructure – Series 1 (£2.5bn) Private Credit – Series 1 (£1.5bn) **Total Committed: £5.7bn[1,2]**	Listed Alternatives First co-investment made (green energy) Cashflow management	Legacy Diversified Alternatives Asset Allocation Series 2	Impact (local) Investing
Bonds	Sterling Index Linked Bond (£1.4bn) UK Investment Grade Credit (£3.1bn) **Total AUM: £4.5bn[1]**	Multi-Asset Credit		
Real Estate			Global Real Estate	UK Real Estate
Other	1st trade *crossed* between PFs, saving £3.5m costs			Hedging (FX & Equity)
Responsible Investing	ESG & carbon screens for all Equity and FI Funds External manager monitoring framework Voted at 902 meetings 12.011 resolutions Common policy for all Border to Coast holdings TCFD, Annual RI & Stewardship reports published Joined multiple RI collaborations	Standalone Climate Change Policy RI support for Real Estate Alternatives monitoring framework Publish PRI Transparency Report Net-zero carbon commitment Developing communications strategy		

2020 LAPF AWARDS

- **Won ‘Pool of the Year’ for the second year**
- **Won the ‘Collaboration’ award**

[1] AUM as at 31/03/2021
[2] Alternatives values shown based on Partner Fund commitments

Border to Coast
- Wider Corporate Development Programme

	Progress to date	2021	2022	2023 and beyond
Office	Central Leeds location established – meeting our principle of having a shared team in one location	Second floor secured in our building - larger team and need for more meeting rooms with videoconferencing capabilities		
People	100 employees, 28 joined during lockdown Well set-up for working remotely during lockdown Graduate scheme in place: 2020 recruitment delayed	Employee Value Proposition, colleague engagement, learning & development, succession planning, well-being, diversity, culture		
Corporate Function	Embedded operating models, outsourcing where appropriate. Established risk & control frameworks	Assessment of operating model – efficiencies, risk appetite, opportunities to move in-house. Review working practices. Maturing risk & control frameworks, etc		
Customer Relationships	Team established, processes documented, Customer Strategy developed	Ensuring info meets requirements, increasing capacity, evaluating CRM software, training materials, promoting Customer voice		
Data Room	Established as secure source of fund launch due diligence and subsequently expanded to include Customer Reporting, materials from meetings, etc,	Re-launched following feedback – easier to navigate, improved look & feel		
Annual Conference	Annual Conference established (run online in 2020)	Will incorporate new Member training sessions (following election turnover)		
Reporting & Assurance	Statutory accounts approved Account for GPs/LPs and ACS structures Transition from Type 1 to Type 2 AAF report in 2020 ISO27001 Certification			
Comms Strategy	Formalised strategy in 2020, establishing current channels & future plans	Launched *Investment Insight* articles & videos		
Collective Voice	Responsible Investment, Asset Management Industry, LGPS	Policy change (leveraging strategic partnerships)		
Regulatory	Aligned with SMCR Brexit-related changes			

Teesside – Valuation & Commitments

Listed Investments	Teesside Value (as at 30/04/2021)	Total Fund Value (as at 30/04/2021)
	£	£
UK Listed Equity Fund	1,317.9m	4.7bn
Overseas Developed Markets Fund	1,240.1m	4.6bn

Alternative Investments	Teesside Commitment (Series 1)	Committed by Border to Coast to Managers (*)	Total Series 1 Commitment (all Partner Funds)
	£	£ (% of commitment)	£
Infrastructure	200m	193.5m (97%)	2,455m
Private Equity	200m	192.6m (96%)	1,720m
Private Credit	---	---	1,501m

Source: Border to Coast. Past performance is not a reliable indicator of future performance and is not guaranteed.
(*) As at 11/06/2021.

£14bn Active Equity Funds

	Internal			External	
	UK Listed Equity Fund	**Overseas Developed Markets Equity Fund**	**Emerging Markets Equity Fund**	**UK Listed Equity Alpha Fund**	**Global Equity Alpha Fund**
Approx. Size*	£4.6bn	£4.2bn	£0.8bn	£1.4bn	£6.1bn
Launch Date	July 2018	July 2018	October 2018	December 2018	September 2019
Benchmark	FTSE All Share	Regional Comp	S&P Emerging	FTSE All Share	MSCI All World
Target[1]	BM +1% p.a.	BM +1% p.a.	BM +1% p.a.	BM +2% p.a.	BM +2% p.a.

Border to Coast – FCA Regulated ACS Structure

[1] Measured over rolling three year periods net of costs.

Future forecasts are for Illustration purposes only and are not a reliable indicator of future performance.

* As at 31/03/2021

£4.5bn Fixed Income Funds

	Internal	External	
	Sterling Index Linked Bond	Investment Grade Credit	Multi-Asset Credit
Approx. Size*	£1.4bn	£3.1bn	£3bn
Launch Date	Q4 2020	Q1 2020	To Launch (Q2 2021)
Benchmark (BM)	FTSE A UK IL Gilts 15y	iBoxx GBP Non-Gilts	SONIA (Cash)
Target[1]	BM +0.2% p.a.	BM +0.6% p.a.	BM +3 to 4% p.a.

Border to Coast – FCA Regulated ACS Structure

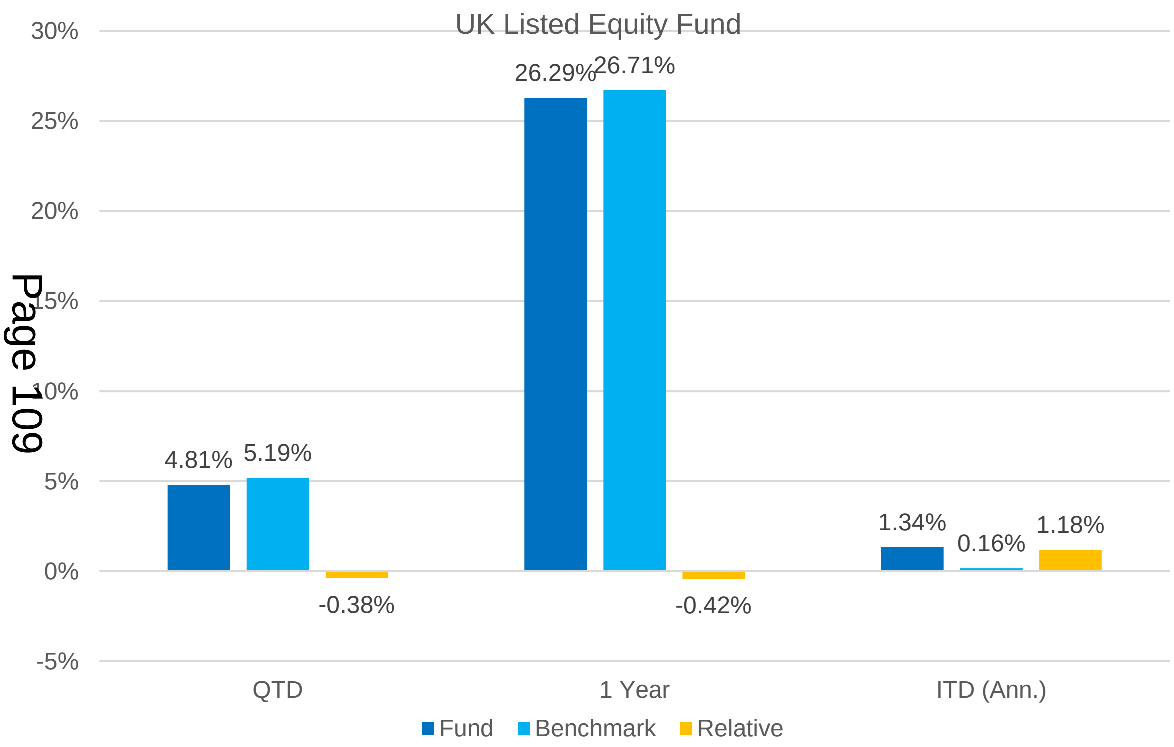
*As at 31/03/2021

[1] Measured over rolling five year periods net of costs.

Future forecasts are for Illustration purposes only and are not a reliable indicator of future performance.

UK Listed Equity Fund
Q1 2021 Update

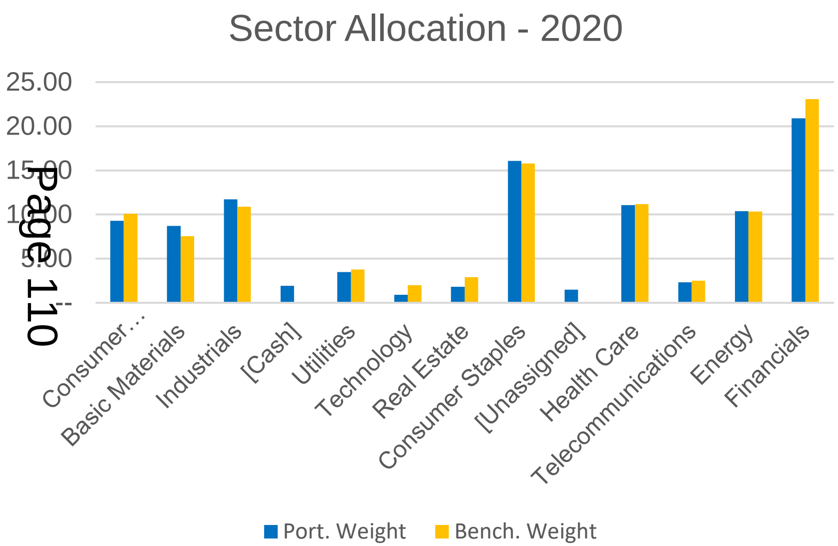
Performance to 31st March 2021

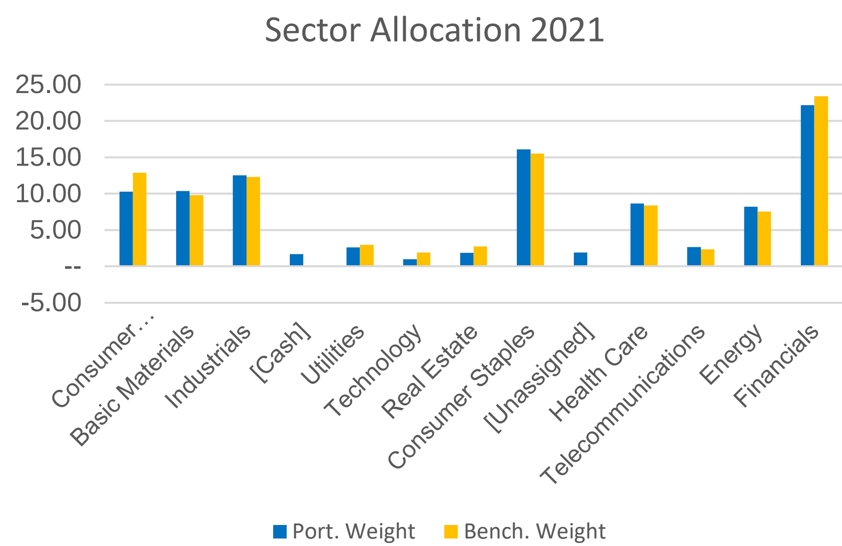


- The Fund's objective is to outperform the FTSE All Share Index benchmark by at least 1% p.a. over rolling three year periods
- From inception to-date (ITD) the Fund has outperformed its benchmark by 1.18% p.a.

Source: Northern Trust, Border to Coast **Note:** Inception date: 26 July 2018.

UK Listed Equity Fund
- Sector Allocation Changes & Performance





Sector Performance:
- Basic Materials, Consumer Discretionary, Industrials and Financials were the strongest performing sectors over the past year
- Energy, Healthcare, Utilities and Consumer Staples have been the weakest performing sectors
- The Consumer Staples weight has been increased by the impact of Unilever unifying under its UK listing, offsetting relatively poor performance over the year

Source: FactSet

UK Listed Equity Fund Q1 2021
- Largest Overweight & Underweight Stock Positions

Top Five Active Positions (*)	Relative Weighting	Narrative
Schroder UK Smaller Companies Fund	**1.01%**	Specialist fund manager providing UK small-cap exposure, with a long-term track record of out-performance. UK small-cap stocks continue to outperform larger-caps as the UK domestic economy re-opens on vaccine progress.
Impax Environmental	**0.93%**	Leading ESG focused fund delivering strong long-term outperformance, specialising in alternative energy, energy efficiency, water treatment, pollution control and waste technology.
Liontrust UK Smaller Companies	**0.85%**	Specialist UK small-cap fund manager with long-term track record of outperformance; investment style focussed on intellectual property, strong distribution channels and durable competitive advantage.
BHP	**0.84%**	Diversified commodity exposure and strong cash generator benefitting from operating at the lower end of the cost curve, proximity to end markets and continued robust commodity demand from China.
Antofagasta	**0.82%**	Operates at the lower end of the cost curve and benefits from attractive long-term demand for copper, driven by electric vehicles, transition to renewable energy and Chinese infrastructure investment.

Bottom Five Active Positions (*)	Relative Weighting	Narrative
Anglo American	**-0.49%**	Diversified mining company benefitting from elevated commodity prices. The Fund also has diversified mining exposure, such as through BHP and Rio Tinto.
Segro Plc	**-0.49%**	Real estate holding company focused upon logistics/industrial units across Europe; Fund has similar UK exposure through St Modwen.
Scottish Mortgage Investment Trust	**-0.72%**	Investment trust with a focus on global large-cap technology companies; preference for Allianz Technology Trust with a similar investment focus.
Flutter Entertainment	**-0.87%**	Beneficiary of the ongoing deregulation taking place in the US online and sports betting market; position established post quarter end.
Glencore	**-0.97%**	Ongoing corruption investigations into allegations of bribery; coal exposure higher than peers; poor ESG score relative to peer group.

(*) Fund holdings relative to the FTSE All-Share Index Benchmark
Source: Northern Trust, Border to Coast

UK Listed Equity Fund Q1 2021
- Top Performance Contributors/Detractors

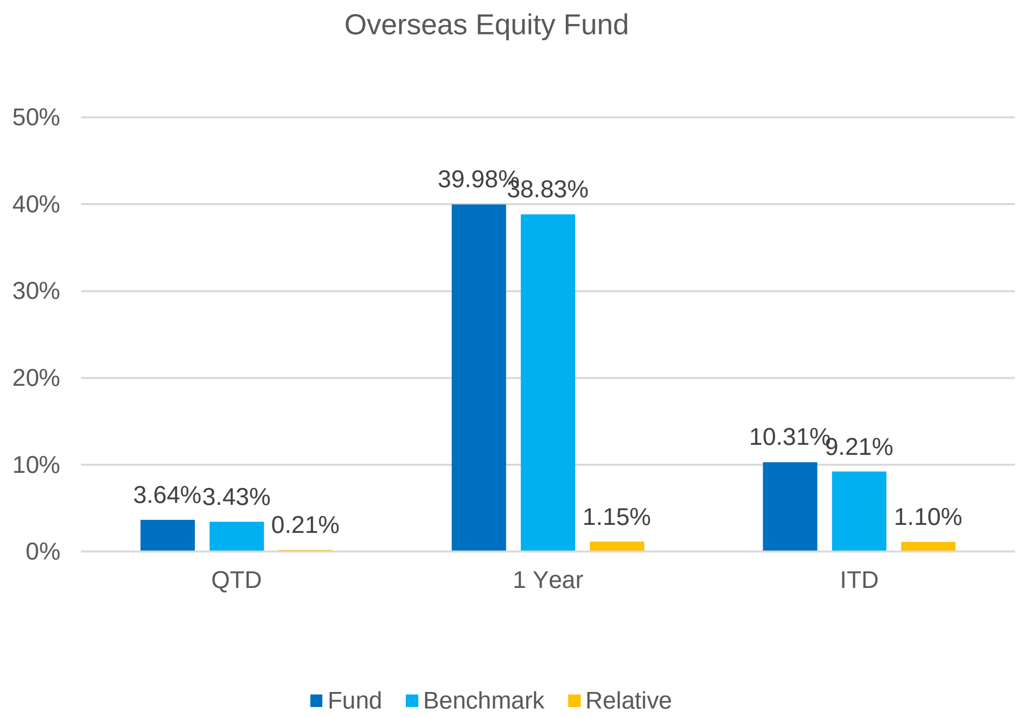
Contributors	Top Five	Narrative
Antofagasta (+)	0.14%	Continues to benefit from higher copper prices driven by energy transition (electrification) and robust infrastructure demand from China.
Just Eat Takeaway (-)	0.10%	Concerns around the prospects for the food takeaway category post lockdown, alongside a broader rotation away from tech stocks on stretched valuations.
Scottish Mortgage Investment Trust (-)	0.09%	A fund focussed on global large-cap tech stocks and impacted by the rotation away from long duration tech stocks triggered by rising bond yields.
Ocado (-)	0.08%	Concerns around potential normalisation of grocery demand post COVID-19, alongside the lack of new international fulfilment centre partnerships and an ongoing patent challenge.
IP Group (+)	0.07%	Strong portfolio gains and realisations driving NAV growth together with the prospect of an IPO of its largest holding, Oxford Nanopore (DNA/RNA sequencing and COVID-19 testing), at a significant premium to book value.
Detractors	**Bottom Five**	**Narrative**
Glencore (-)	-0.19%	Robust commodity prices such as copper and zinc, driven by electrification and Chinese demand has supported a recovery in the share price, together with management changes offering the prospect of moving beyond ESG concerns.
Fresnillo (-)	-0.13%	Softer gold and silver commodity prices, combined with ongoing operational and geological issues impacting production levels.
Biotech Growth Trust (-)	-0.10%	Impacted by a broad rotation away from tech stocks following a strong performance in 2020.
Entain (+)	-0.08%	Benefitting from the opening-up of the US online gaming and sports betting market as more individual states pass legislation, driving revenue growth.
Herald Investment Trust (-)	-0.08%	Fund focussed on smaller-cap tech and media stocks, which have been impacted by a rotation away from long-duration assets triggered by the rise in bond yields.

Source: Northern Trust, Border to Coast

Overseas Developed

Q1 2021 Update

Performance to 31st March 2021

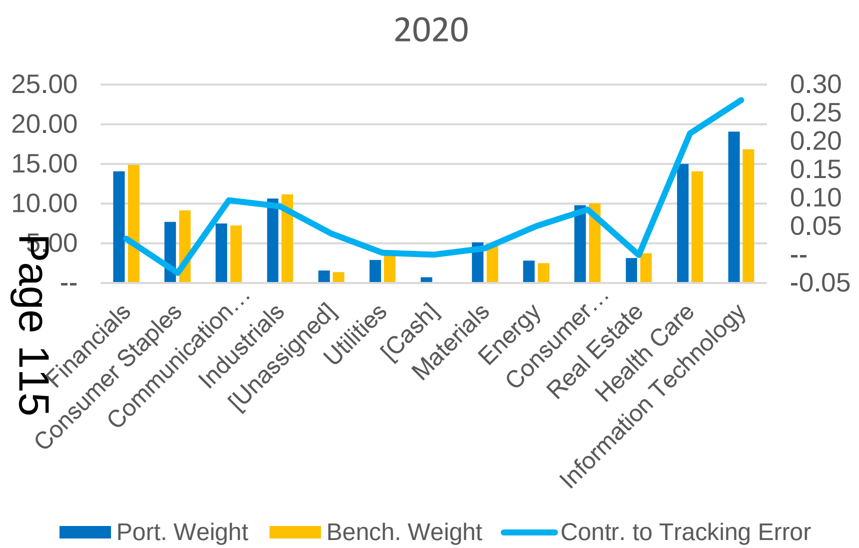


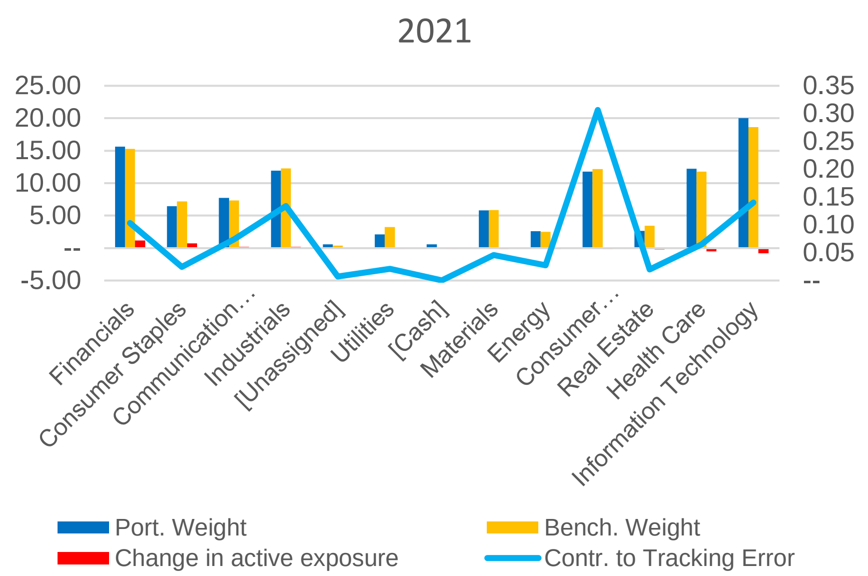
- The Fund's objective is to outperform the FTSE All Share Index benchmark by at least 1% p.a. over rolling three year periods

- From inception to-date (ITD) the Fund has outperformed its benchmark by 1.10% p.a.

Source: Northern Trust, Border to Coast **Note:** Inception date 9 July 2018.

Overseas Developed Fund
- Sector Allocation Changes & Performance





- Basic Materials, Technology, Industrials and Energy the strongest performing sectors over the past year
- Healthcare, Utilities, and Consumer Staples the weakest
- Active moves to neutralise financial weight, consumer staples weight impacted by Unilever effect

Source: FactSet

Overseas Developed Fund Q1 2021
- Largest Overweight & Underweight Stock Positions

Top Five Active Positions (*)	Relative Weighting	Narrative
Vanguard US Mid Cap ETF	3.11%	Provides exposure to the smaller companies in the US index, although the portfolio retains an underweight exposure to smaller companies in aggregate.
Alphabet A	0.91%	Parent company of Google; offset by not holding the C shares which results in a modest overweight exposure to Alphabet overall.
Vanguard US Small Cap Value ETF	0.87%	Recent position purchased in order to capture market rotation into small, recovery names to which the portfolio otherwise has limited exposure.
Samsung Electronics	0.54%	Exposed to structural growth in the memory chip market; the group also has a diversified earnings stream and large shareholder return potential; the overweight in the ordinary shares is partly offset by not owning the preference shares.
Microsoft	0.48%	Structural growth from Azure cloud hosting business and migration of Business Office to MS 365 online, with associated opportunity for value added sales and increased customer stickiness.
Bottom Five Active Positions (*)	**Relative Weighting**	**Narrative**
Samsung Electronics Prefs	-0.32%	The portfolio is overweight Samsung Electronics overall via the more liquid Ordinary shares.
PayPal	-0.34%	Growth in payments platform and processing but exposure accessed through other portfolio holdings including Visa and FIS.
Mastercard	-0.37%	Preference for Visa, the other global payment network company with similar exposure to growth trends in the payments space, on valuation grounds.
Tesla	-0.61%	High valuation requires support from as yet unproven revenue streams from autonomous driving and/or shared mobility.
Alphabet C	-0.71%	Exposure in A shares aggregate to a modest overweight exposure to Alphabet overall.

(*) Fund holdings relative to the FTSE All-Share Index Benchmark
Source: Northern Trust, Border to Coast

Overseas Developed Fund Q1 2021
- Top Performance Contributors/Detractors

Contributors	Top Five	Narrative
Alphabet A (+)	0.10%	Results revealed a resurgence in advertising revenue and strong growth in cloud computing.
The Cheesecake Factory (+)	0.09%	Prospects for restaurant re-openings and hopes that company can retain at least some of the recent gains in take-away sales.
Vanguard US Mid Cap ETF (+)	0.08%	Continued rally in smaller companies.
Deere & Co (+)	0.07%	Strong agricultural commodity pricing supportive of increased farm machinery sales.
Bank of America (+)	0.07%	Economic recovery improves outlook for credit risk, steepening yield curve should support wider interest margins.
Detractors	**Bottom Five**	**Narrative**
Alphabet C (-)	-0.08%	Results revealed a resurgence in advertising revenue and strong growth in cloud computing.
Exxon Mobil (-)	-0.07%	Strong recovery in crude oil boosts outlook for profits and viability of dividend.
Volkswagen Prefs (-)	-0.06%	The “Power Day” capital markets day was a success as it showcased how the company was transitioning towards electric vehicles.
Xinyi Solar (+)	-0.06%	Shares drifted as the market focussed on potential reduction in pricing as capacity increases; this non-benchmark holding has been sold having made substantial overall gains.
Baillie Gifford Shin Nippon (+)	-0.06%	Net asset value reduced due in part to worldwide falls in tech stocks, and premium to NAV fell from around 9% at start of quarter to 3% at end.

Source: Northern Trust, Border to Coast

Emerging Markets Equity

Q1 2021 Update

Emerging Markets Equity Fund – Evolved to a Hybrid Fund

- Border to Coast's Emerging Markets Equity Fund was launched as an internally-manged fund in October 2018, with an objective to outperform the S&P Emerging Markets Index by 1% p.a. over rolling 3-year periods.

    - The Fund has experienced some performance challenges to-date, due to:

    - The very large number of stocks in the benchmark (c.2,400) needing to be covered by one Portfolio Manager

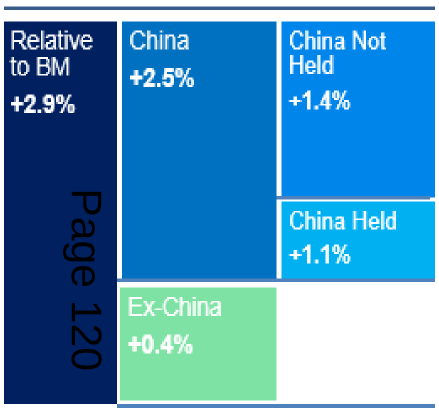
- Underperformance in the rapidly-developing China market, in which local expertise is increasingly important.

- Following a period of consultation with Partner Funds, Border to Coast took the decision to evolve the Emerging Markets Equity Fund to incorporate two specialist China managers (UBS and FountainCap). The internal Border to Coast team will continue to manage the ex-China portion of the Fund.

- This Fund will be benchmarked against the FTSE Emerging Index, with its more manageable universe of c.800 stocks, with an outperformance target of 1.5% p.a. over rolling 3-year periods.

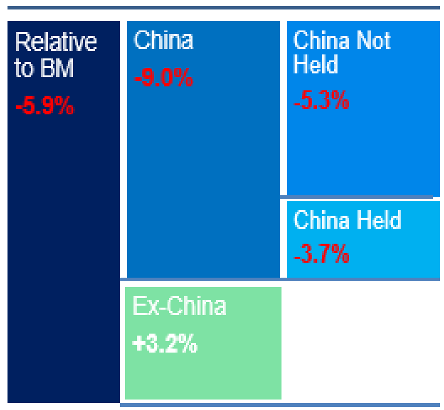
Emerging Markets Equity Fund - China vs. Ex-China Performance to Q1 2021

Q1 2021



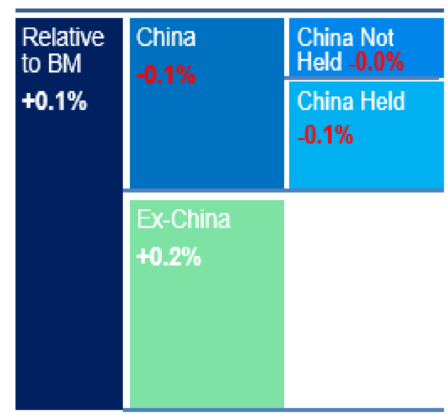
Source: Northern Trust, Border to Coast

2020



Source: Northern Trust, Border to Coast

2019



Source: Northern Trust, Border to Coast

- Significant outperformance in China driven by strong stock selection
- Continued outperformance in EM ex-China

- Significant underperformance in China
- Outperformance in EM ex-China
- Weak stock selection in China – underweight highly valued e-commerce stocks; strong revenue growth, little sign of sustainable profits
- Significant changes to the benchmark – 1,100 Chinese stocks added in September 2019

- Demonstrates China impact has been a 2020 phenomenon

Past performance is not a reliable indicator of future performance and is not guaranteed. Figures do not always sum due to rounding

Alternatives

Q1 2021 Update

Alternative Assets
- Fund Range

	Launched Alternative Asset Classes		
	Private Equity *Investment in privately held companies*	**Infrastructure** *Real assets providing essential services*	**Private Credit** *Lending to privately held companies*
Series 1A	£500m	£675m	£580m
Series 1B	£485m	£760m	n/a
Series 1C	£735m	£1,020m	£920m
Performance Target[1]	10% p.a.	8% p.a.	6% p.a.

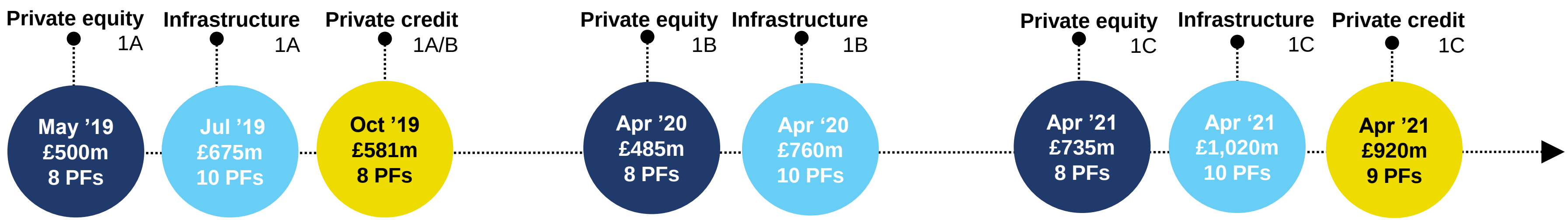
Border to Coast – Unregulated Collective Investment Scheme

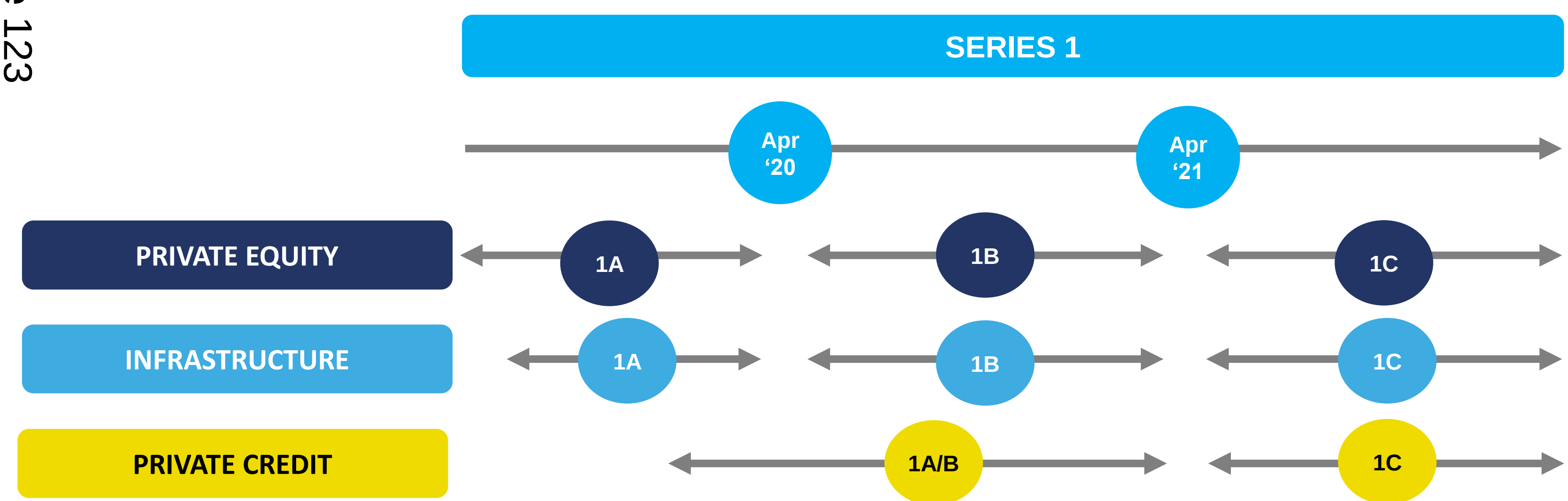
Investments are held within an unregulated collective investment scheme which is not authorised or regulated by the Financial Conduct Authority.

[1] Measured over rolling three year periods net of costs.

Future forecasts are for Illustration purposes only and are not a reliable indicator of future performance.

Timeline


Private equity
1A
May '19
£500m
8 PFs
Infrastructure
1A
Jul '19
£675m
10 PFs
Private credit
1A/B
Oct '19
£581m
8 PFs
Private equity
1B
Apr '20
£485m
8 PFs
Infrastructure
1B
Apr '20
£760m
10 PFs
Private equity
1C
Apr '21
£735m
8 PFs
Infrastructure
1C
Apr '21
£1,020m
10 PFs
Private credit
1C
Apr '21
£920m
9 PFs


SERIES 1
Apr '20
Apr '21
PRIVATE EQUITY
1A
1B
1C
INFRASTRUCTURE
1A
1B
1C
PRIVATE CREDIT
1A/B
1C

Alternative Assets – Areas of Focus

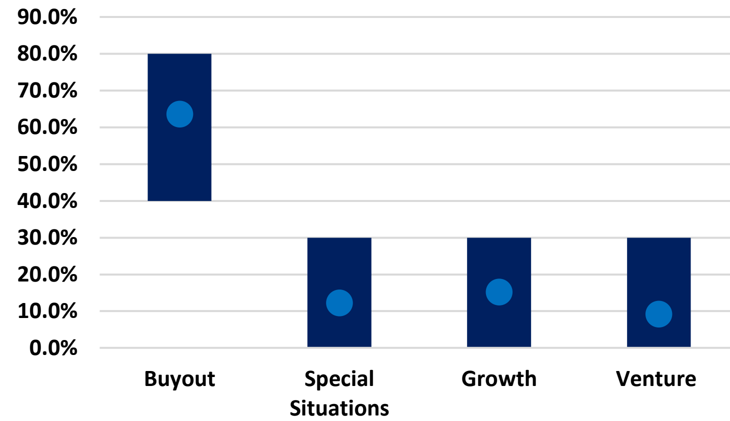
Private Equity *Investment in privately held companies*	Infrastructure *Real assets providing essential services*	Private Credit *Lending to privately held companies*
Operational Value Add • Via business improvements **Buy & Build** • Scaling up businesses **Mid-Market Focus** • Greater opportunities **Co-Investments** • Lower fee structure **Asia** • Stronger economic growth **Sector Specialists** • Value creation & deal sourcing **Sector Themes** • E.g. Technology & Healthcare **Distressed** • Stage of business cycle & CV19	**Operational Value Add** • Focus on income **Sector Themes** • E.g. Energy transition, digital revolution **Greenfield** • Additional returns from development / extension **Emerging Markets** • Stronger economic growth and increasing infrastructure demand	**Focus on Senior Debt** • Defensive approach at this stage of business cycle **Manager Track Record** • Experience of full economic cycle **Stressed / Distressed** • Opportunities given stage of business cycle **Focus on Real Assets** • Providing quality collateral – e.g. infrastructure assets

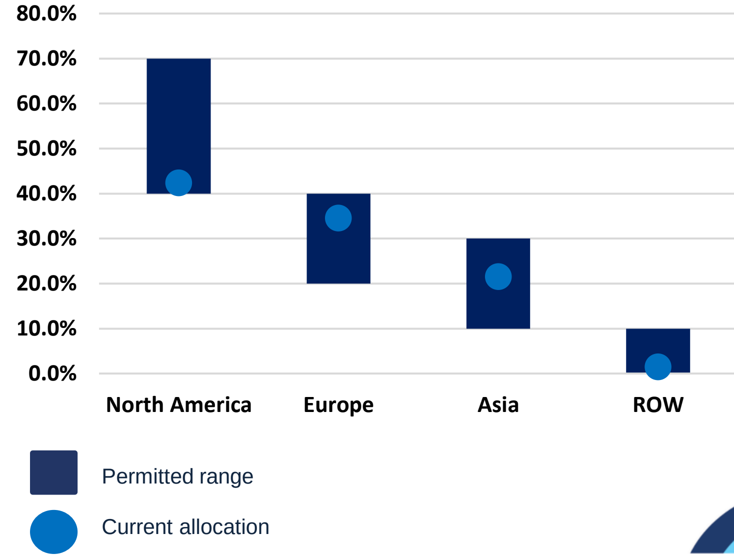
Private Equity: Asset Allocation

Strategy	Permitted Range[1]
Buyout	40 – 80%
Special Situations	0 – 30%
Growth	0 – 30%
Venture	0 – 30%

Geography	Permitted Range[1]
North America	40 – 70%
Developed Europe (inc. UK)	20 – 40%
Asia	10 – 30%
Rest of world	0 – 10%

Benchmark	10% p.a. (net)[2]
Commitments (1A)	£500m
Commitments (1B)	£485m
Commitments (1C)	£735m





[1] Based on total commitments over a full Series (e.g. 1A, 1B, 1C)
[2] Secondary benchmark – MSCI ACWI + 3% (PME+ basis)

Private Equity: Capital Deployment

Series 1A	31 March 2021	31 December 2020
Capital committed	99.7%	99.7%
Capital drawn	26.8%	18.0%
Capital distributed[1]	1.4%	0.8%

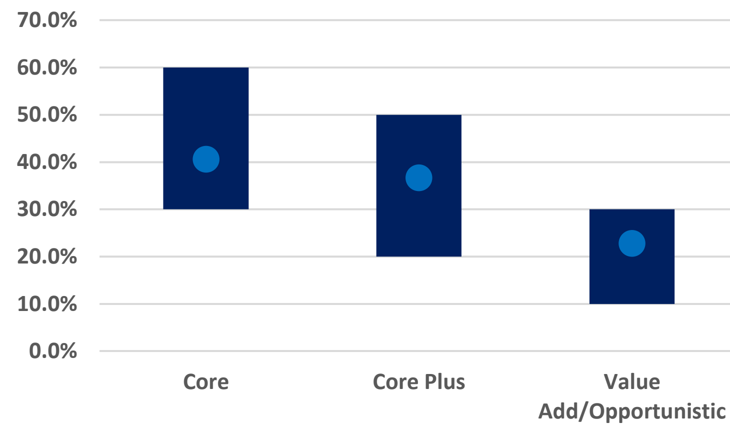
Series 1B	31 March 2021	31 December 2020
Capital committed	99.1%	80.7%
Capital drawn	1.4%	0.0%
Capital distributed[1]	0.0%	0.0%

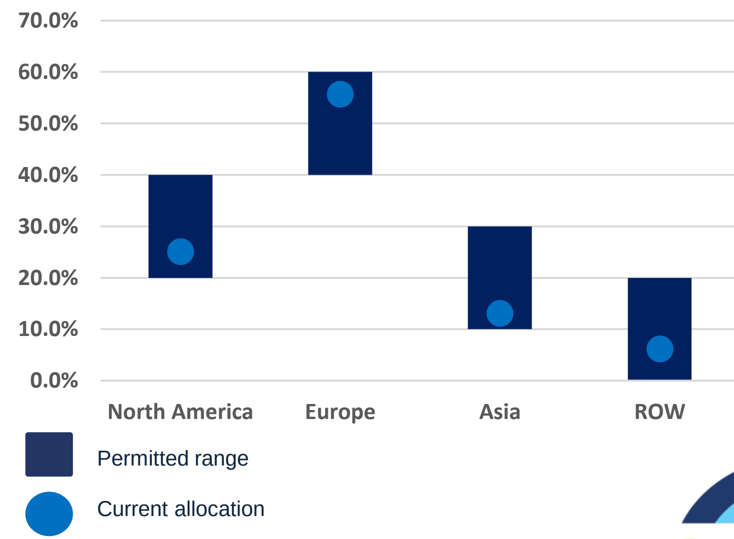
[1] Including recallable distributions
Source: Albourne

Infrastructure: Asset Allocation

Strategy	Permitted range[1]
Core	30 – 60%
Core+	20 – 50%
Value-add / Opportunistic	10 – 30%

Geography	Permitted range[1]
North America	20 – 40%
Developed Europe (inc. UK)	40 – 60%
Asia	10 – 30%
Rest of world	0 – 20%
Benchmark	**8% p.a. (net)**
Commitments (1A)	**£675m**
Commitments (1B)	**£760m**
Commitments (1C)	**£1,020m**





[1] Based on total commitments over a full Series (e.g. 1A, 1B, 1C)

Infrastructure: Capital Deployment

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Series 1A	31 March 2021	31 December 2020
Capital committed	98.7%	98.7%
Capital drawn	28.4%	28.0%
Capital distributed[1]	2.1%	2.3%

Series 1B	31 March 2021	31 December 2020
Capital committed	98.7%	68.7%
Capital drawn	10.5%	7.5%
Capital distributed[1]	0.0%	0.0%

[1] Including recallable distributions
Source: Albourne

Real Estate

Real Estate - Plan

- Programme
    - Phase one activities almost complete
    - Consultant has reviewed business case – no red flags

- Shareholder decision: whether or not to build the Real Estate capability

- Timescales
    - Investment Committee and Board Approvals - June
    - Joint Committee meeting - June/July
    - Funding approvals sought by end September

Global Real Estate Fund

Partner Funds surveyed: key questions…

- How important are income and liquidity?
- Consider appropriate risk/return target from Global Real Estate?
- What is a reasonable asset allocation for us to assume?

Currently assuming…

- Fund of funds approach
- Border to Coast using external advisors to begin with
- Mix of core and value add Funds, open and closed ended
- Prefer accumulation units to maximise investment efficiency
- Initial lock up period and limited liquidity, maybe annual

UK Real Estate Fund

- Aim: low cost, resilient direct access to market
- Long term value approach with dynamic risk management

- Business case exists with or without directly invested Partner Funds
- Seeking approval to proceed on either basis
- Directly invested Partner Funds can defer commitment decision until capability more developed (mid 2022)

- Gateway Fund key to aid transition
- Advisory service would provide forward guidance

Responsible Investment

Responsible Investment – Sustainability & Collective Voice

Principle	2022 target – Border to Coast	Partner Fund Role
integrating ESG	ESG-related tools and analysis well embedded and used by internal PMs External managers held to account	Long-term ESG factors are taken into account when setting strategy Managers are held to account (& Border to Coast)
active ownership	Holistic approach to engagement across portfolios and asset classes Clear voting indications for companies and public	RI policy and voting guidelines clear Support shareholder initiatives LAPFF
require disclosure	Well-researched standard approach to requiring disclosures to support our investment process	Work with all managers to engage with companies on disclosure Become signatories to (and supporters of) various initiatives
promote PRI	Principles embedded throughout our procurement processes and ongoing monitoring of contracts	Work with all managers (and other suppliers) to require work in line with PRI / become a signatory
collaboration	Seen as a strong junior partner on collaborations with a strong network of collaborators	Support industry-wide collaborations
reporting	Border to Coast and Partner Funds are well known for strong disclosures that set a benchmark for others	Transparency of approach to RI shared publicly (website, annual report & accounts, public statements)

Responsible Investment
- Work Plan for 2021

Regulatory change	• Scanning for potential regulatory change and implications
RfP Support	• RI support for Property • Ongoing ESG reviews for Alternatives
Integrating ESG	• Review ESG and carbon data providers • Develop and implement Alternatives monitoring framework
Active ownership	• Voting & Engagement provider contract review • Implications of exclusion policy if engagement is ineffective • Engagement framework • 3-year engagement theme review
Disclosure	• TCFD Report • Annual RI & Stewardship Report • Publish PRI Transparency Report
Climate change	• Developing standalone Climate Change Policy • Measuring transition risk/scenario analysis • Implications of setting carbon reduction targets • Net zero by 2050
Promote PRI	• PRI reporting against revised framework
Collaborations	• Continue to support current collaborations • Review new opportunities
Reporting	• Annual RI & Stewardship Report to be aligned with UK Stewardship Code
Partner Funds support	• OOG RI workshops/annual conference • Support with Stewardship Code and TCFD reporting • Developing communications strategy

New and ongoing items in blue

Responsible Investment
- Strategy Update

- Draft Climate Change Policy - 1st draft received from EY, input from Investment Team, presented to Investment Committee and Board.

- Appointed Alpha to assist in project ahead of ESG vendor procurement: Regulatory landscape and data vendors.

- PRI reporting - completed and submitted early May. Expecting results late summer.

- Annual RI & Stewardship & TCFD reports – due to go to June IC.

- Thematic engagement review – ‘long list’ of themes covering ESG issues.

- MSCI contract: licence includes Partner Funds with limitations for use.

Appendix

Equity Funds
Performance to 31/03/2021

Internally Managed

Fund Name	QTD (%)			1 Year (%)			ITD (% p.a.)		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
UK Listed Equity Fund	4.81	5.19	-0.38	26.29	26.71	-0.42	1.34	0.16	1.18
Overseas Developed Equity Fund	3.64	3.43	0.22	39.98	38.83	1.16	10.31	9.21	1.10
Emerging Markets Equity Fund	4.66	1.81	2.86	36.75	41.15	-4.40	10.50	12.21	-1.71

Externally Managed

Fund Name	QTD (%)			1 Year (%)			ITD (% p.a.)		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
UK Listed Equity Alpha Fund	7.48	5.19	2.29	43.87	26.71	17.16	9.38	4.81	4.57
Global Equity Alpha Fund	6.31	3.61	2.71	48.53	38.94	9.59	14.99	14.67	0.32

Past performance is not a reliable indicator of future performance and is not guaranteed. Figures do not always sum due to rounding.
Source: Northern Trust, Border to Coast
Performance start dates: UK Listed Equity Fund, Overseas Developed Equity Fund – 26/07/2018; Emerging Markets Equity Fund – 22/10/2018

Fixed Income Funds - Performance to 31/03/2021

Externally Managed

Fund Name	QTD (%)			1 Year (%)			ITD (% p.a.)		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative	Fund	Benchmark	Relative
Sterling Investment Grade Credit	-3.84	-4.11	0.27	8.64	6.98	1.65	9.38	7.56	1.82
Sterling Index-Linked Bond	-8.30	-8.52	0.22				-5.75	-6.22	0.47

Past performance is not a reliable indicator of future performance and is not guaranteed. Values do not always sum due to rounding.
Source: Northern Trust, Border to Coast
Performance start dates: Sterling Investment Grade Credit Fund – 18 March 2020.

Border to Coast – Annual Conference Day 1 – 30th September 2021

10am	Morning training session	• What makes an effective investment strategy? • An insight into asset classes • Your questions answered
12pm	Lunch	
1pm	Welcome	
	Border to Coast update	
	Pooling Progress Report	• Update on Pooling • Pooling internationally - lessons from abroad
	Responding to your needs	• Our propositions & services pipeline
	An insight into the Market: Sustainable opportunities	• Investment trends with Q&A
	Trends in RI	
3.15pm	Coffee Break	
3.45pm	RI Break out sessions	Key trends master classes – 6 topics for people to rotate between 3 of them • Environment – Climate Change & Bio-Diversity • Social – Supply Chain; Fair Work • Governance – Diversity; Renumeration
4.45pm	Opportunities in Multi-Asset Credit (60mins)	
5.45pm	Close	• Dinner & External speaker

Past performance is not a reliable indicator of future performance and is not guaranteed. Values do not always sum due to rounding.
Source: Northern Trust, Border to Coast
Performance start dates: Sterling Investment Grade Credit Fund – 18 March 2020.

Border to Coast – Annual Conference
Day 2 – 1st October 2021

8.45am	Welcome & Recap	
	Investment Insight: Style Matters	Why does investment style matter?
	Insight in Infrastructure	
10.15am	Coffee Break	
10.45am	The Road to Net Zero	• Breakout sessions
	Investing in China (45mins)	• Panel Discussion
	Our Priorities for the Future	• Discussion groups
	The Next 12 Months	
	Thanks & Close Lunch / Close	
1pm	Lunch	

Past performance is not a reliable indicator of future performance and is not guaranteed. Values do not always sum due to rounding.
Source: Northern Trust, Border to Coast
Performance start dates: Sterling Investment Grade Credit Fund – 18 March 2020.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

PENSION FUND COMMITTEE REPORT

23 JUNE 2021

DIRECTOR OF FINANCE – IAN WRIGHT

EMPLOYER CONTRIBUTION FLEXIBILITIES – REVISED FUNDING STRATEGY STATEMENT

1. PURPOSE OF THE REPORT

1.1 To advise Members of proposed changes to the Funding Strategy Statement which take into account recently published guidance on flexibilities available to employers in the Fund in relation to contribution rates, including contributions due when an employer exits the Fund.

2. **RECOMMENDATION**

2.1 That Members approve the revised Funding Strategy Statement and agree that it can be circulated to Fund employers for comment. Should there be any substantive changes following this consultation, the revised wording will be brought back to the Committee for approval, otherwise the document will be published on the Fund's website after the consultation period.

3. **FINANCIAL IMPLICATIONS**

3.1 There are no specific financial implications arising from this report, although the implementation of the revised provisions of the Funding Strategy Statement may have financial implications for the Fund employers concerned.

4. **BACKGROUND**

4.1 The Local Government Pension Scheme Regulations 2013 (as amended) required administering authorities to publish a Funding Strategy Statement by 31 March 2015 and to keep this statement under review, consulting with such persons as it considers appropriate when carrying out this review.

4.2 The purpose of the Funding Strategy Statement as set out in the Statement itself is:

- To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- To support the regulatory framework to maintain as nearly constant primary contribution rates as possible;
- To support the fund's aim to enable overall employer contributions to be kept as constant as possible and (subject to the administering authority not taking undue

risks and ensuring that the regulatory requirements are met) at reasonable cost to the taxpayers, scheduled, designating, and admitted bodies;
- To ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the fund are met; and
- To take a prudent longer-term view of funding those liabilities.

These objectives, whilst individually desirable, may be mutually conflicting.

4.3 The Funding Strategy Statement sets out how the administering authority attempts to balance the conflicting aims of affordable contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.

4.4 The Funding Strategy Statement is reviewed at least every three years, as part of the Fund's actuarial valuation, and is also subject to review when changes to the regulations or guidance governing the Local Government Pension Scheme (LGPS) require this.

5. FLEXIBILITY ON EXIT PAYMENTS AND SETTING EMPLOYER CONTRIBUTION RATES

5.1 Following a consultation exercise, the Ministry for Housing Communities and Local Government (MHCLG) issued the Local Government Pension Scheme (Amendment) (No. 2) Regulations 2020 which took effect from 23 September 2020. As was explained to the 16 September 2020 Committee, these regulations:

- Provide administering authorities with the power to review employer contributions in between triennial valuations where the administering authority thinks that the employer's liabilities have changed significantly, the ability of the employer to pay contributions has changed, or the employer has requested such a review.
- Require administering authorities to determine whether to allow an employer to spread an exit payment, over what period and the proportion of the exit payment to be paid each year, taking account of the interests of all employers and the funds as a whole.
- Introduce "Deferred Employer" as a new category of employer in the scheme together with the facility for administering authorities to enter into a "Deferred Debt Agreement" (DDA) with such an employer. The purpose of this is to formalise arrangements to allow employers with no active members to continue participating in the fund, with contributions set at triennial valuations and any interim reviews in the same way as other fund employers.

5.2 In order to ensure consistency and transparency, administering authorities that wish to make use of these powers are required to set out within their Funding Strategy Statement their policy on interim contribution reviews, spreading of exit payments and DDAs, and to obtain advice from their actuary.

5.3 On 2 March 2021 MHCLG published statutory guidance to assist administering authorities in implementing and operating these regulations on employer flexibilities. The LGPS Scheme Advisory Board also produced more detailed guidance to be read in conjunction with MHCLG's statutory guidance. These documents can be found at the following links:

Guidance on preparing and maintaining policies on review of employer contributions, employer exit payments and deferred debt agreements - GOV.UK (www.gov.uk)
LGPS Scheme Advisory Board - Employer Flexibilities (lgpsboard.org)

5.4 Both sets of guidance have been taken into account in preparing the update to the Funding Strategy Statement, which has also been prepared with substantial input from and discussion with the Fund actuary.

6. REVISED FUNDING STRATEGY STATEMENT

6.1 The revised Funding Strategy Statement is enclosed at Appendix A, the substantive changes from the previous version are as follows:

- The Statement explains how Deferred Employers and their liabilities will be treated. For example for most Deferred Employers the expectation is the funding target for employers with orphan liabilities will be used, as usually no employer will be supporting their liabilities once their deferred debt agreement ends.
- Any employer exits calculated after 23 June 2021 will include an allowance for the cost management process and the proposed remedy for the 'McCloud' discrimination as set out in MHCLG's consultation on draft regulations, as well as an allowance for payment of increases on Guaranteed Minimum Pensions (GMPs) at the full rate of CPI (price inflation) for members with a State Pension Age after 5 April 2016, consistent with the Government's policy intention. This is currently expected to result in an increase in exit liabilities of approximately 0.7%.
- The factors to be considered when considering allowing payment of exit debt in instalments and/or entering into a deferred debt arrangement are set out - such as employer covenant and whether any security or guarantee are available.
- Details of the how the process for reviewing an employer's contribution rate between valuations will operate, including dealing with an employer-generated request in relation to this. This includes clarification that an employer request based purely on a change in market conditions affecting the value of assets and or liabilities will not be allowed. Detail of an appeals process – separate and in addition to the existing dispute resolution procedure which the Fund operates – is also included.
- The section on risks and control has been updated, adding risks relating to climate change and Covid-19 and updating the regulatory risks wording

6.2 If the Committee approve the revised Funding Strategy Statement, it will be circulated to Fund employers for comment and if no substantive changes are required following the comments it will be published on the Fund's website. Should the comments result in substantive changes the revised version will be brought back to the Committee for approval.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

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FUNDING STRATEGY STATEMENT

JUNE 2021

Teesside Pension Fund

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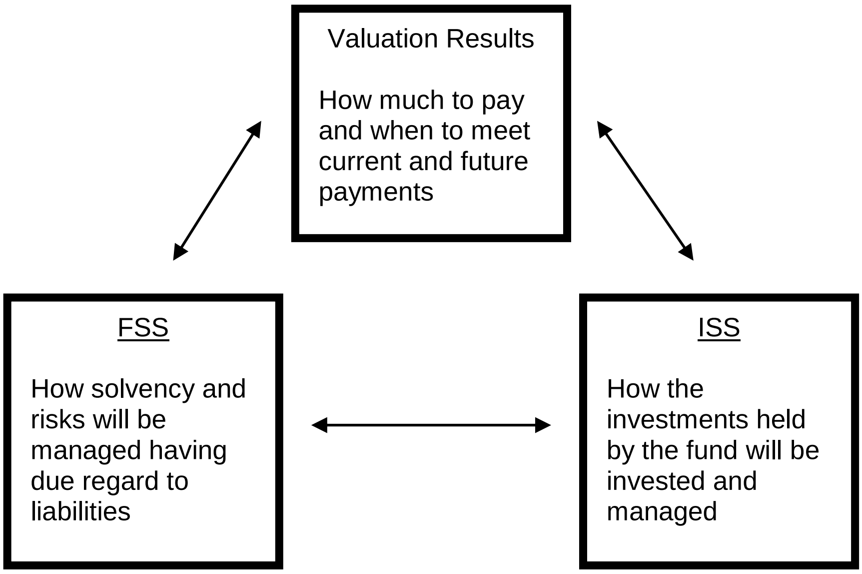
1. Introduction

The Local Government Pension Scheme (LGPS) Regulations 2013 require funds to produce a Funding Strategy Statement (FSS) having regard to guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is the FSS of the Teesside Pension Fund ("the fund"), which is administered by Middlesbrough Council ("the administering authority").

It has been prepared by the administering authority in collaboration with the fund's actuary, Aon, after consultation with the fund's officers and elected members, employers and investment advisers and is effective from 23 June 2021. The administering authority will next formally review the FSS as part of the triennial valuation of the Fund as at 31 March 2022 unless circumstances arise which require earlier action.

The FSS, the Investment Strategy Statement (ISS) and the Actuarial Valuation are inter-related:



1.1 Regulatory Framework

Members' accrued benefits are guaranteed by statute. The Local Government Pension Scheme is paid for by contributions from both employers and scheme members. The contribution made by scheme members is fixed and generally is not subject to variation. Whereas the contribution paid by scheme employers is variable. This is designed to reflect that the pension scheme is *funded* and the amount of investment return is variable. Therefore, in order to achieve the desired *output* – a fixed benefit payable to a scheme member – three *input* elements have to be combined.

- Member contributions
- Employer contributions
- Investment returns

Because member contributions are fixed and investment returns are variable, then employer contributions have to be variable as well to ensure that any reduction in investment returns can be counterbalanced. This ensures that the required output – the member's benefits – can be achieved.

The Regulations fix members' contributions at a level which covers only part of the cost of accruing benefits. Employers pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers pay for their own liabilities.

The FSS forms part of a framework which includes:

- The Local Government Pension Scheme Regulations 2013 (regulation 58 is particularly relevant).
- The Rates and Adjustments Certificate, which can be found appended to the fund actuary's triennial valuation report.
- Actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- The Investment Strategy Statement.

This is the framework within which the fund's actuary carries out triennial valuations. Consequently, this sets the employers' contribution rate, and also provides recommendations to the administering authority when other funding decisions are required, such as when employers join or leave the fund. The FSS applies to all employers participating in the fund.

1.2 Reviews of the FSS

The FSS is reviewed by the administering authority at least every three years as part of the triennial valuation. More frequently, Annex A is updated to reflect any changes to employers.

The FSS is a summary of the fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries please contact Nick Orton in the first instance at nick_orton@middlesbrough.gov.uk or on (01642) 729040.

2. Purpose of the Funding Strategy Statement

2.1 Purpose

The purpose of the FSS is:

- To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- To support the regulatory framework to maintain as nearly constant primary contribution rates as possible;
- To support the fund's aim to enable overall employer contributions to be kept as constant as possible and (subject to the administering authority not taking undue risks and ensuring that the regulatory requirements are met) at reasonable cost to the taxpayers, scheduled, designating, and admitted bodies;
- To ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the fund are met; and
- To take a prudent longer-term view of funding those liabilities.

These objectives, whilst individually desirable, may be mutually conflicting.

This statement sets out how the administering authority attempts to balance the conflicting aims of affordable contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.

The fund currently has slightly negative net cash flow. It is recognised that this outlflow from the fund is likely to increase as budget pressures being experienced by scheme employers leading to workforce reductions and falling active membership will result in reduced levels of income from employer and employee contributions. The FSS supports the process of ensuring adequate funds are set aside to meet future pension liabilities. LGPS regulations specify that implementation of the funding strategy is the responsibility of the fund acting on appropriate advice and following consultation.

The FSS is a comprehensive strategy for the whole fund, balancing and reconciling the many interests who arise from the nature of the Scheme and the requirement to fund benefits now and in the future.

3. Purpose of the fund

3.1 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.

3.2 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 the taxpayers, and scheduled, resolution and admitted 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.

4. Solvency Issues, Long-term Cost Efficiency and Target Funding Levels

4.1 Setting the Employer Contribution Rate

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the "primary contribution rate"; plus

b) an adjustment for the funding position (or "solvency") of accrued benefits relative to the fund's solvency target - this is called the "secondary contribution rate". If there is a surplus there may be a contribution reduction; if a deficit there may be a contribution addition, with the surplus or deficit spread over an appropriate period.

The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates. The secondary rate is an adjustment to the primary rate to arrive at the rate each employer is required to pay. It may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning with 1 April in the year following that in which the valuation date falls. The secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are actually required to pay is the sum of the primary and secondary rates.

The fund's actuary is required by the regulations to report the Primary and Secondary Contribution Rates, for all employers at each triennial valuation.

In effect, the Primary and Secondary Contribution Rate for the whole Fund is a notional quantity. Separate primary contribution rates are calculated for each employer together with secondary contribution rates according to employer-specific spreading and phasing periods. The specific factors which are considered are discussed below. .

For some employers it may be agreed to pool contributions (see Section 4.7.6).

For deferred employers, there will be no Primary Contribution Rate and the Secondary Contribution Rate will be set as a cash amount.

The triennial valuation report contains details of each employer's contribution rate for the inter-valuation period. Annex A to this document shows which employers' contributions have been pooled with others and the deficit recovery period for individual employers.

Any costs of non ill-health early retirements must be paid as lump sum payments at the time of the employer's decision in addition to the contributions described above or, for tax raising bodies, by instalments shortly after the decision.

Employers' contributions are expressed generally as a percentage of payroll plus capital sums towards meeting any deficiency identified in the latest actuarial assessment of the Employer's liabilities. Employers are able to pay additional contributions should they wish to do so. Employers are required to discuss options with the administering authority before attempting to make one-off capital payments.

4.2 Solvency and Target Funding Levels

The fund's liabilities are mainly underwritten by tax-raising bodies and it is therefore able to take a medium to long-term view when determining employing bodies' contribution rates to meet future liabilities by operating a fund with an investment strategy with this long-term view. While there is no certainty regarding investment income continuing at current levels the fund investment strategy, as set out in the Investment Strategy Statement, assesses this risk.

The fund's actuary is required to report on the "solvency" of the whole fund at least every three years. Solvency for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the Funding Target (as defined below in 4.3). This quantity is known as a funding level.

The fund actuary agrees the financial and demographic assumptions to be used for the Funding Target for each triennial valuation with the administering authority.

The fund operates the same target funding level for all ongoing employers of 100% of their accrued liabilities valued on an appropriate basis (subject to 4.7.2 where an employer is in surplus). Please refer to paragraph 4.8 for the treatment of departing employers.

4.3 Ongoing Funding Basis

Risk Based Approach

The fund adopts a risk based approach to funding rather than a 'deterministic' approach. In particular the discount rate (for most employers) has been set on the basis of the assessed likelihood of meeting the funding objectives. The administering authority has considered 3 key decisions in setting the discount rate:

- The long-term Solvency Target (i.e. the funding objective - where the administering authority wants the fund to get to);
- the Trajectory Period (how quickly the administering authority wants the fund to get there); and
- the Probability of Funding Success (how likely the administering authority wants it to be now that the fund will actually achieve the Solvency Target by the end of the Trajectory Period).

These three choices, supported by modelling carried out by the fund actuary, define the discount rate and by definition the appropriate levels of employer contribution. Together they measure the associated risk (and hence also the degree of prudence) of the funding strategy. These are considered in more detail below.

Solvency Target

The administering authority's primary aim is the long-term solvency of the fund. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term.

CIPFA defines solvency as the rate of employer contributions should be set at "such level as to ensure that the scheme's liabilities can be met as they arise". It is not regarded that this means that the pension fund should be 100% funded at all times. Rather, and for the purposes of Section 13 of the Public Service Pensions Act 2013, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- the rate of employer contributions is set to target a funding level for the whole fund (assets divided by liabilities) of 100% over an appropriate time period and using appropriate actuarial assumptions; and either
- employers collectively have the financial capacity to increase employer contributions, and/or the fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- there is an appropriate plan in place should there be, or if there is expected in future to be, no or a limited number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed.

If the conditions above are met, then it is expected that the fund will be able to pay scheme benefits as they fall due.

The Solvency Target is defined as follows:

- For Scheduled Bodies, and certain other bodies where a Scheme Employer of sound covenant has agreed to subsume its assets and liabilities following the exit of the employer from the Fund, the Solvency Target is set at a level advised by the fund's actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period, based on continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases to pensions and pension accounts.
- For certain Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund is believed to be of limited duration through known constraints, reduced covenant, and for which no access to further funding would be available to the Fund after exit, the Solvency Target will be set based on assumed investment in an appropriate portfolio of Government bonds after exit.

Probability of Funding Success

The administering authority considers funding success to have been achieved if the fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers and asset-liability modelling carried out by the fund actuary.

The discount rate, and hence the overall required level of employer contributions, has been set such that the fund actuary estimates there is a 75% chance that the fund would reach or exceed its Solvency Target after 25 years.

Funding Target

The Funding Target is the amount of assets which the fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including the future service costs and any adjustment for the surplus or deficiency set the level of contributions payable, then dictate the chance of achieving the Solvency Target at the end of the Trajectory Period.

Different Funding Targets apply to different employers:

- **Scheduled Bodies and certain other bodies where a Scheme Employer of sound covenant has agreed to subsume its assets and liabilities following the exit of the Employer from the Fund**
  The administering authority will adopt a general approach in this regard of assuming indefinite investment in a broad range of assets of higher risk than low risk assets for Scheduled Bodies and certain other bodies which are long term in nature. This is known as the Ongoing (Scheduled Body/Subsumption) Target.
  At its discretion, the administering authority may agree to adopt this target for certain other bodies of sound covenant open to new entrants.

- **Admission Bodies and certain other bodies whose participation is limited**
  For Admission Bodies, bodies closed to new entrants and other bodies whose participation in the Fund is believed to be of limited duration through known constraints or reduced covenant, and for which no access to further funding would be available to the Fund after exit the administering authority will have specific regard to the potential for participation to cease (or to have no contributing members), the potential timing of such exit, and any likely change in notional or

actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or whether a guarantor exists to subsume the notional assets and liabilities). This is known as the Ongoing (Orphan body) Funding Target. This funding target was introduced with effect from 31 March 2019 so, for a transitional period, it has been set below its intended long term target level so that the change in Funding Target for those affected employers will be phased in.

- **Orphan liabilities**
  These are liabilities with no access to funding from any employer in the Fund. To minimise the risk to other employers in the Fund, the assets notionally related to these liabilities will be assumed to be invested in low risk investments.

- **Deferred employers**
  For deferred employers the approach taken will be set by considering the funding target that would be adopted once the deferred debt agreement ends. For most such bodies, the liabilities will become orphan liabilities on exit.

The key financial assumptions used for assessing the Funding Target at the 2019 valuation are summarised below.

Assumption	% p.a.
Discount Rate – Ongoing (scheduled body/subsumption) Funding Target	4.45
Discount rate – Ongoing (orphan body) Funding Target	
- In service	4.45
- Left service	3.00
Discount rate – orphan liabilities	1.30
Inflationary Salary Increases	3.1
Consumer Price Indexation (CPI)	2.1

The above financial assumptions are adopted for most ongoing employers, but bespoke funding targets can be set at the discretion of the administering authority.

The demographic assumptions are intended to be best estimates of future experience in the fund. They vary by age and gender reflecting the different exposure of members.

4.4 Primary Contribution Rates

The future service element of the employer contribution rate is calculated on the relevant ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The approach used to calculate each employer's primary contribution rate depends on whether or not new entrants are being admitted.

4.4.1 Employers that admit new entrants

The employer's primary contribution rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the Projected Unit Method of valuation with a one year control period.

If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

4.4.2 Employers that do not admit new entrants

Certain Admission Bodies are closed to new entrants. This is expected to lead to the average age of employee members increasing over time and hence, all other things being equal, the primary contribution rate is expected to increase as the membership ages.

To give more long term stability to such employers' contributions, the Attained Age funding method is adopted. This will limit the degree of future contribution rises by paying higher rates at the outset.

Both funding methods are described in the actuary's report on the valuation.

Both primary contribution rates will include expenses of administration to the extent that they are borne by the fund and include an allowance for benefits payable on death in service and ill health retirement.

4.5 Adjustments for Individual Employers

The administering authority does not account for each employer's assets separately. The fund's actuary is required to apportion the assets of the whole fund between the employers at each triennial valuation.

This apportionment is carried out in order to establish contribution rates for individual employers or pools of employers and is calculated for funding purposes only, although employers may also use this information for accounting purposes. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets by any individual employer or pool

4.6 Asset Share Calculations for Individual Employers

The notional asset share allocated to each employer will be rolled forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit outgo, transfers in and out and investment income. In general no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year. However, where significant one-off employer contributions have been paid, allowance is made for the timing of such contributions.

Further adjustments are made for:

- A notional deduction to meet the expenses paid from the fund in line with the assumption used at the previous valuation.
- Allowance for death in service lump sum benefits, survivors' pensions on death in service and payment of ill health pensions shared across all employers in the fund.
- Allowance for any known material internal transfers in the fund (cashflows will not exist for these transfers). The fund's actuary will assume an estimated cashflow equal to that which would have been paid had the members individually transferred to or from another LGPS fund unless some other approach has been agreed between the two employers.

- An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund.

In some cases information available will not allow for such cashflow calculations. In such a circumstance:

- Where, in the opinion of the fund's actuary, the cashflow data which is unavailable is of low materiality, estimated cashflows will be used.
- Where, in the opinion of the fund's actuary, the cashflow data which is unavailable is material, the fund's actuary will instead use an analysis of gains and losses approach to roll forward the notional asset share. Analysis of gains and losses methods are less precise than use of cashflows and involve calculation of gains and losses relative to the surplus or deficiency exhibited at the previous valuation. Having established an expected surplus or deficiency at this valuation, comparison of this with the liabilities evaluated at this valuation leads to an implied notional asset share.
- Analysis of gains and losses methods will also be used where the results of the cashflow approach appears to give unreliable results perhaps because of unknown internal transfers.

4.7 Stability of Employer Contributions

4.7.1 Deficit Recovery Periods

The administering authority instructs the actuary to adopt specific deficit recovery periods for all employers when calculating their contributions.

The administering authority normally targets the recovery of any deficit over a period not exceeding 20 years. However, these are subject to the maximum lengths set out in the table below.

Type of Employer	Maximum Length of Deficit Recovery Period
Statutory bodies with tax raising powers (including employers within the same group/pool as a statutory body), Colleges, Universities and Academies	A period of 20 years
Community Admission Bodies with funding guarantees	A period of 20 years
Best Value Admission Bodies	The period from the start of the revised contributions to the end of the employer's contract. In the event of a contract being extended it is not expected that an exit valuation would be required.
Community Admission Bodies that are closed to new entrants e.g. Bus Companies	A period equivalent to the expected future working lifetime of the remaining scheme members allowing for expected leavers.
Deferred employers	The remaining period of the deferred debt agreement.
All other types of employer	A period equivalent to the expected future working lifetime of the remaining scheme members.

This maximum period is used in calculating each employer's minimum contributions. Employers may opt to pay higher regular contributions than these minimum rates.

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The administering authority reserves the right to propose alternative spreading periods, for example to improve the stability of contributions.

4.7.2 Surplus Spreading Periods

Any employers deemed to be in surplus may be permitted, at the discretion of the administering authority, to reduce their contributions below the cost of accruing benefits, in the circumstances below:

- In line with the desirability of maintaining as nearly constant a contribution rate at this and future valuations, any employer with a funding level of between 100% - 105% will be required to pay the primary rate (i.e. the future service rate) in full, without any adjustment for a surplus.
- For tax-raising scheduled bodies, a contribution adjustment may be applied to the primary (future service) contribution rate equal to the surplus above the 105% funding level spread over 22 years.
- For other employers subject to the Ongoing (Scheduled Body / Subsumption) Funding Target, a contribution adjustment may be applied to the primary (future service) contribution rate not larger than the surplus above the 105% funding level spread over 22 years. Contribution rates will not be permitted to be reduced below the lower of:
  - the contributions being paid over the year immediately following the valuation date, and
  - the primary (future service) rate plus allowance for benefit improvement uncertainties.
- For employers subject to the Ongoing (Orphan body) Funding Target, a contribution adjustment for surplus will not be permitted unless the employer is over 100% funded on the expected basis to be used on exit.

4.7.3 Phasing in of Contribution Rises

Best Value Admission Bodies are not eligible for phasing in of contribution rises. Other employers may opt to phase in contribution rises as follows:

- for employers contributing at or above their primary contribution rate, phasing in the rise in employer contributions over a period of 6 years;
- for employers contributing at less than their primary contribution rate, phasing in the rise in contribution rises over a period of 3 years.

4.7.4 Phasing in of Contribution Reductions

Normally contribution reductions will not be phased but the administering authority may decide that in exceptional circumstances phasing in of contribution reductions may be appropriate.

4.7.5 The Effect of Opting for Longer Spreading or Phasing-In

Employers which are permitted and elect to use a longer deficit spreading period than was used at the 2016 valuation or to phase-in contribution changes will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Thus, deferring paying contributions will lead to higher contributions in the long-term.

However any adjustment is expressed for different employers, the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

4.7.6 Pooled Contributions

4.7.6.1 Smaller Employers

The administering authority allows smaller employers of similar types to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service. Under normal circumstances any employer other than those listed at 4.7.6.2 will not be pooled once they exceed 50 active members. Consideration may also be given to voluntary pooling arrangements between councils and admission bodies.

Community Admission Bodies that are deemed by the administering authority to have closed to new entrants are not permitted to participate in a pool.

4.7.6.2 Other Contribution Pools

Academy schools are pooled together

Colleges are pooled together.

Some Admission Bodies with guarantors are pooled with their contracting Council.

Those employers that have been pooled are identified in Annex A.

4.7.6.3 Pooling of Risk Benefits

All employers in the Fund are grouped together in respect of the risks associated with payment of lump sum benefits on death in service and, from 1 April 2019, survivors' pensions on death in service and payment of ill health pensions – in other words, the cost of such benefits is shared across the employers in the Fund. Such benefits can cause funding strains which could be significant for some of the smaller employers without insurance or sharing of risks. The Fund, in view of its size, does not see it as cost effective or necessary to insure these benefits externally and this is seen as a pragmatic and low cost approach to spreading the risk.

4.7.7 Interim reviews

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or pool of employers. The administering authority also monitors the position and may amend contributions between valuations as permitted by Regulations 64(4) and 64A.

4.8 Employers exiting the fund

Admission Agreements for Best Value contractors are assumed to expire at the end of the contract or any extension to the original contract. In the event that a Best Value contractor, which is already a member of the fund, wins a re-tendered contract the existing Admission Agreement will generally be allowed to continue.

Admission Agreements for other employers are generally assumed to be open-ended and to continue until the last active member ceases to contribute to the fund. These Admission Agreements can however be terminated at any point. Scheduled bodies may also exit the Fund.

If an employer exits the Fund, the administering authority instructs the fund actuary to carry out an exit valuation to determine whether there is any deficit or surplus, except in cases where the administering authority enters into a deferred debt arrangement with the employer.

On exit, the administering authority must look to protect the interests of ongoing employers and will require the actuary to adopt valuation assumptions for the exit valuation which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. To give effect to this, the administering authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities remaining after any transfer of active members to another employer in the fund with low risk investments, generally Government bonds.

Any deficit would be levied on the departing admission body as a capital payment although, under exceptional circumstances, the administering authority, at its sole discretion, may allow phased payments as permitted under Regulation 64B.

For exits where the calculations are carried out on or after 23 June 2021, the following refinements will be made to the approach that was used at the 2019 funding valuation:

- allowance will be made for the cost management process and the proposed McCloud remedy as set out in MHCLG's consultation on draft Regulations, which may be applied in an approximate manner as advised by the fund's actuary and agreed by the administering authority
- allowance will be made for the payment of increases on Guaranteed Minimum Pensions (GMPs) at the full rate of CPI for members whose State Pension Age (SPA) is after 5 April 2016, consistent with Government's policy intention.

Where the exit date is on or after 14 May 2018, if a surplus is shown, then the administering authority has the discretion to return all or part of this surplus to the exiting employer within 6 months of the later of the exit date and the date at which all information has been provided to the administering authority to request a final exit valuation from the Actuary. The administering authority will take the following factors into account when determining the exit credit payment to be made, with the aim of protect the interests of the members and employers in the fund as a whole:

- The surplus shown in the exit valuation carried out by the fund actuary
- The proportion of this surplus that has arisen due to the contributions paid by the employer
- Representations made to the administering authority by the exiting employer and any guarantor (or relevant scheme employer for Best Value Admission Bodies)
- Any other relevant factors

For Best Value Admission Bodies, the relevant scheme employer will subsume the assets and liabilities of the exiting employer. For other employers, the administering authority may allow another participating scheme employer (such as a guarantor) to subsume the assets and liabilities of the exiting employer. The administering authority will consider all such requests in accordance with its policy on employers exiting the Fund and retains its right to either accept or refuse such requests. The subsuming employer will assume responsibility for all assets and liabilities of the exiting employer and for the future funding of those assets and liabilities. In these circumstances, no exit payment would be required from the exiting employer. All or part of any surplus revealed by the exit valuation could be paid to the employer as an exit credit, unless the agreement between the exiting employer and any employer providing a subsumption agreement provides that a surplus is not returned on exit. Where admission bodies are pooled with the relevant contracting Council / guarantor for the purposes of setting contribution rates, any deficit or surplus on exit would remain with the contracting Council / guarantor unless the pooling arrangement states otherwise.

In certain circumstances it may be agreed to enter into a deferred debt agreement rather than require an immediate exit payment. In that case, the employer would remain a participating body as a deferred employer. For deferred employers where a deferred debt agreement is in place the funding target will take into account any likely change in the notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date the deferred debt agreement is expected to end and any other factors considered to be relevant by the administering authority on the advice of the actuary, which may include, without limitation:

- the agreed period of the deferred debt agreement;
- the type/pool of the employer;
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

4.9 Early Retirement Costs

4.9.1 Non Ill Health retirements

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. Employers are required to pay additional contributions wherever an employee retires before attaining the normal retirement age. The current costs of these are specified in tables supplied by the fund's actuary which are modified from time to time.

4.9.2 Ill health monitoring

The fund monitors each employer's, or pool of employers', ill health experience on an ongoing basis. It may be that an employer or group of employers exceeds the actuarial predictions in any given year. If this happens in consecutive years the fund reserves the right to increase employer contributions accordingly.

4.10 Long Term Cost Efficiency

In order to ensure that measures taken to maintain stability of employer contributions are not inconsistent with the statutory objective for employer contributions to be set so as to ensure the long-term cost efficiency of the Fund, the administering authority has assessed the actual contributions payable by considering:

- The implied average deficit recovery period, allowing for the stepping of employer contribution changes;
- The investment return required to achieve full funding over the recovery period; and
- How the investment return compares to the administering authority's view of the expected future return being targeted by the Fund's investment strategy.

4.11 Benefit uncertainties

Current benefit uncertainties are set out in section 6.4 Regulatory Risk.

At present, the administering authority considers that an allowance should be made for:

- The potential future costs of Scheme changes that are expected to be made following the McCloud/Sargeant cases and cost management, via an increase in ongoing employer contributions and an increase to the liabilities calculated in exit valuations. This allowance will be monitored by the administering authority and fund actuary and may be updated once further information is available.

- The potential future costs of GMP indexation by including in the liabilities the cost of full indexation of all GMPs for members reaching SPA after 5 April 2016.

5. Links to Investment Strategy

Funding and investment strategy are inextricably linked. Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice.

5.1 Investment Strategy

The investment strategy currently being pursued is described in the fund's Investment Strategy Statement (ISS).

The investment strategy is set for the long-term, but is reviewed every three years as part of the fund's Asset/Liability Study to ensure that it remains appropriate to the fund's liability profile. In addition short-term investment strategy is reviewed every three months by the fund's advisors. The administering authority has adopted a strategic benchmark, which determines the mix of assets best able to meet the long-term liabilities of the fund. As at 31 March 2019 the actual assets of the fund, compared with the current strategic benchmark can be shown:

	Fund Assets %	Target Strategic Benchmark %
UK Equities	30	22
Overseas Equities	45	28
Bonds/Cash	13	20
Property	9	15
Alternatives	3	15

The investment strategy of lowest risk – but not necessarily the most cost-effective in the long-term – would be 100% investment in index-linked government bonds.

The fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from index-linked bonds

The same investment strategy is currently followed for all employers. The administering authority does not currently have the facility to operate different investment strategies for different employers.

5.2 Consistency with Funding Basis

The fund actuary has based the risk assessment underpinning the ongoing funding target on its asset class return, volatility and correlation assumptions. The return assumptions are best estimates of annualised returns, that is, there is a 50/50 chance that actual returns will be above or below the assumptions. The assumptions are long-term assumptions, based on 10 year and 30 year projection periods and are based on a quarterly basis.

By setting the discount rate such that it is expected that there is a 75% chance the fund would reach or exceed its Solvency Target after 25 years, the fund can demonstrate that it has taken a prudent-longer term view of funding the liabilities.

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of those required to meet the solvency target. The risk-based approach and other stability measures described in Section 5 will damp down, but not remove, the effect on employers' contributions.

5.3 Balance between risk and reward

Prior to implementing its current investment strategy, the administering authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Asset-Liability techniques to model the range of potential future solvency levels and contribution rates.

6. Key Risks and Controls

6.1 Types of Risk

The administering authority's has an active risk management programme in place. The measures that the administering authority has in place to control key risks are summarised below under the following headings:

- Financial;
- Demographic;
- Regulatory;
- Governance; and
- Pooling

6.2 Financial Risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning valuation of liabilities over the long-term	Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing. Analyse progress at three yearly valuations for all employers. Regular funding updates will be obtained between formal valuations.
Inappropriate long-term investment strategy	The fund sets fund-specific benchmarks, informed by Asset-Liability modelling of liabilities. The fund measures performance and sets managers' targets relative to a Liability / Customised Benchmark Portfolio. Fund uses two Independent investment advisors to inform strategy setting.
Price inflation is significantly above expectation, leading to increase in liabilities	Inter-valuation monitoring, as above. Investment in diverse range of assets to ensure some asset values should rise in inflationary environment.

Active investment manager under-performance relative to benchmark	Short term (quarterly) investment monitoring analyses market performance of the investment team relative to their benchmark. This is supplemented with an analysis of absolute returns against a Liability Benchmark portfolio. This gives an early warning of contribution rises ahead. However, if underperformance is sustained over periods greater than 5 years, contributions would rise more.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	Seek feedback from employers on scope to absorb short-term contribution rises. Mitigate impact through deficit spreading and phasing in of contribution rises.
Climate change - potential impact on the value of both assets and liabilities	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 In relation to the funding implications, the administering authority keeps the effect of climate change on future returns and demographic experience, e.g. longevity, under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.

6.3 Demographic Risks

Risk	Summary of Control Mechanisms
Pensioners living longer leads to increased fund liabilities	Set mortality assumptions with some allowance for future increases in life expectancy.
Unanticipated pay rises increase final salary linked liabilities	Employers will monitor own experience and are made aware of generic impact salary increases can have upon final salary linked elements of LGPS benefits.

6.4 Regulatory

Risk	Summary of Control Mechanisms
Changes to regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees	The administering authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself. It considers all consultation papers issued by the DCLG and comments where appropriate. The administering authority will consult employers where it considers that it is appropriate.

There are a number of uncertainties associated with the benefit structure at the current time including:

- The timing of regulations to extend the interim solution to the issues of GMP indexation and equalisation for the LGPS beyond expiry of the current interim solution from 6 April 2021
- The timing of any final regulations in relation to the remedy to compensate members for illegal age discrimination following the outcome of the McCloud/Sargeant cases.
- The outcome of the 2016 and 2020 cost management processes, noting the agreement reached in relation to the 2016 Scheme Advisory Board (SAB) process for member contributions to be reduced and benefits enhanced to achieve an additional cost of 0.9% of pay, before the process was paused due to the McCloud/Sargeant ruling.
- The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the chief secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

In determining how these uncertainties should be allowed for in employer contributions from 1 April 2020 the administering authority will have regard to guidance issued by the SAB, taking account of the fund actuary's advice.

In addition, a consultation document was issued by MHCLG entitled "Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk" dated May 2019. This included a proposal to change the LGPS local fund valuations to quadrennial cycles. The administering authority will have regard to any changes in the LGPS 2013 Regulations as a result of this consultation and consider any actions required at the 2019 or subsequent valuations, taking account of the advice of the fund's actuary.

6.5 Governance

Risk	Summary of Control Mechanisms
The administering authority is unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements). The administering authority not advised of an employer closing to new entrants.	The administering authority monitors membership movements on an annual basis, via a report from the administrator. The actuary may be instructed to consider revising the Rates and Adjustments certificate to increase an employer's contributions (under Regulation 64) between triennial valuations Deficit contributions are generally expressed as monetary amounts (see Annex A).
The administering authority fails to commission the fund actuary to carry out a termination valuation for a departing employer and losing the opportunity to call in a debt.	In addition to the administering authority monitoring membership movements on an annual basis, it requires employers with Best Value contractors to inform it of forthcoming changes. It also operates a diary system to alert it to the forthcoming termination of Best Value Admission Agreements.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The administering authority believes that it would normally be too late to address the position if it was left until the time of departure. The risk is mitigated by: • Maintaining a knowledge base on employers, their basis of participation and their legal status (e.g. charities, companies limited by guarantee, group/subsidiary arrangements) and using this information to inform the FSS. • Carrying out risk assessments for employers and deferred employers, as appropriate, to inform covenant risk. • Seeking a funding guarantee from another scheme employer, or external body, where-ever possible. • Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. • Vetting prospective employers before admission. • Requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer failed. • Imposing higher employer contributions for

	Employers to reduce the risk of volatile contributions and a significant debt crystallising on termination. • In due course the administering authority will also ask the Fund Actuary to review the funding position of any deferred employers on a regular basis between triennial valuations, to assess when the deferred employer has paid sufficient secondary contributions to cover the exit payment.
The response to the COVID-19 pandemic may have adverse consequences in relation to employer finances and their ability to make contributions.	The administering authority monitors employer payments and expects employers in financial difficulty to engage with the fund, noting that contributions can be reviewed between formal valuations if the conditions in Regulation 64A and the terms of the fund's policy are met.

6.6 Pooling

Risk	Summary of Control Mechanisms
Pooling investment underperformance: Investments in the investment pool not delivering the required return	Border to Coast sub-fund performance is monitored on an on-going basis, as part of a formal part of the normal Border to Coast governance, and reported upon to the Committee. As joint owner of Border to Coast, the administering authority has a degree of control and oversight over the funding and operation of the investment pooling company. Working collectively with the other partner funds in Border to Coast and liaising with the company on a regular basis ensures the best chance of delivering effective investment outcomes.
Systemic and other investment risks not being properly managed within the investment pool; for example appropriate diversification, credit, duration, liquidity and currency risks	Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. Border to Coast sub-fund investment elements are monitored on an on-going basis, and reported to the Committee.

7. Responsibilities of the Key Parties

7.1 Responsibilities

The efficient and effective management of the pension fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently.

There are a wide range of stakeholders in LGPS funds, all of whom have a role in its effective management. Bankers, custodians, investment managers, auditors and legal, investments and governance advisors all form part of the fund management process. Consequently the Funding Strategy Statement (FSS) should recognise these roles and define the responsibilities attached to them. However, the primary parties to the FSS are the administering authority, scheme employers and the fund actuary. The FSS should document their specific roles in more detail.

Many of the roles and responsibilities of administering authorities, scheme employers and actuaries are set out in LGPS legislation. Others are defined in guidance and professional standards or by an agreement between the parties.

7.2 Responsibilities of Primary Parties

The administering authority is required to:

- Operate a pension fund;
- Collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations;
- Pay from the pension fund the relevant entitlements as stipulated in LGPS Regulations;
- Invest surplus monies in accordance with the LGPS Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the regulations to safeguard the fund against the consequences of employer default;
- Manage the valuation process in consultation with the fund's actuary;
- Prepare and maintain a FSS and an Investment Strategy Statement (ISS), both after proper consultation with interested parties;
- Monitor all aspects of the fund's performance and funding, and amend the FSS accordingly;
- Effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer; and
- Enable the local pension board to review the valuation process as set out in their terms of reference.
- Ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into deferred debt arrangements and spreading exit payments, and ensure the process of applying those policies is clear and transparent to all fund employers.

The individual scheme employer is required to:

- Deduct contributions from employees' pay correctly;
- Pay all ongoing contributions, including employer contributions determined by the actuary and set out in the rates and adjustments certificate, promptly by the due date;

- Develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework;
- Make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain;
- Notify the administering authority promptly of all changes to active membership which affect future funding; and
- Pay any exit payments on ceasing participation in the fund.

The fund actuary should:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and LGPS Regulations;
- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added year costs, etc.;
- Provide advice and valuations on the termination of admission agreements and exit of employers;
- Provide advice to the administering authority on bonds and other forms of security against the financial effect on the fund of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations, and in particular in relation to any review of contributions under regulation 64A;
- Assist the administering authority is relation to any decision by the administering authority to put in place a deferred debt agreement under regulation 64(7A) or spread and exit payment under regulation 64B; and
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the fund.

Annex A – Employers' Contributions, Spreading and Phasing Periods

Following the 2019 valuation, the minimum employer contributions shown in the Rates and Adjustment certificate attached to the 2019 valuation report are based on the deficit recovery periods and phasing periods shown in the table below. The table also shows the individual adjustments under Regulation 62(7) to each employer's contributions from the Primary Contribution Rate.

Table to be updated when employer contribution rates agreed

Employer Code	Employer	Recovery Period Years	Phasing Period Years
Scheduled Body Pools			
Hartlepool Borough Council Pool			
102	Hartlepool Council	22.0	n/a
151	Community Integrated Care	n/a	n/a
Middlesbrough Council Pool			
104	Middlesbrough Council	22.0	n/a
329	SLM Charitable Trust (MBC)	22.0	n/a
330	SLM Food and Beverage Ltd (MBC)	22.0	n/a
331	SLM Fitness and Health (MBC)	22.0	n/a
X0384	XPS	22.0	n/a
Redcar and Cleveland Borough Council Pool			
103	Redcar and Cleveland	22.0	n/a
237	Fleet Factors (RCBC)	22.0	n/a
241	SLM Community Leisure Charitable Trust (RCBC)	22.0	n/a
242	SLM Food and Beverage Ltd (RCBC)	22.0	n/a
243	SLM Fitness and Health Ltd (RCBC)	22.0	n/a
Stockton Borough Council Pool			
105	Stockton Council	22.0	n/a
Other Scheduled Bodies Pool			

Employer Code	Employer	Recovery Period Years	Phasing Period Years
6	Guisborough Town Council	22.0	n/a
7	Saltburn and Marske Parish Council	22.0	n/a
20	Loftus Town Council	22.0	n/a
191	Ingleby Barwick Town Council	22.0	n/a
200	Yarm Town Council	22.0	n/a
214	Skelton and Brotton Parish Council	22.0	n/a
215	Billingham Town Council	22.0	n/a
274	Lockwood Parish Council	22.0	n/a
College Pool			
27	Hartlepool College of Further Education	Surplus used to reduce contribution rate to current level	n/a
33	Hartlepool Sixth Form College	Surplus used to reduce contribution rate to current level	n/a
38	Cleveland College of Art and Design	Surplus used to reduce contribution rate to current level	n/a
51	Redcar and Cleveland College	Surplus used to reduce contribution rate to current level	n/a
61	Middlesbrough College	Surplus used to reduce contribution rate to current level	n/a
194	Stockton Riverside College	Surplus used to reduce contribution rate to current level	n/a
Cleveland Fire Pool			
48	Cleveland Fire Brigade	22.0	n/a
202	Cleveland Fire Support Network	22.0	n/a
Cleveland Police Pool			
49	Cleveland Police	22.0	n/a
211	Steria Ltd	22.0	n/a
235	Police and Crime Commissioner for Cleveland	22.0	n/a
236	Chief Constable for Cleveland	22.0	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
Academy Pool			
37	Stockton Sixth Form College	Surplus used to reduce contribution rate to current level	n/a
63	Unity City Academy	Surplus used to reduce contribution rate to current level	n/a
64	Emmanuel Schools Foundation	Surplus used to reduce contribution rate to current level	n/a
181	Macmillan Academy	Surplus used to reduce contribution rate to current level	n/a
207	North Shore Academy	Surplus used to reduce contribution rate to current level	n/a
226	Pennyman Primary Academy	Surplus used to reduce contribution rate to current level	n/a
227	Chandlers Ridge Academy	Surplus used to reduce contribution rate to current level	n/a
228	Nunthorpe Academy	Surplus used to reduce contribution rate to current level	n/a
229	Ormesby School	Surplus used to reduce contribution rate to current level	n/a
230	KTS Academy	Surplus used to reduce contribution rate to current level	n/a
231	All Saints Academy	Surplus used to reduce contribution rate to current level	n/a
233	North Ormesby Primary Academy	Surplus used to reduce contribution rate to current level	n/a
234	Redcar Academy	Surplus used to reduce contribution rate to current level	n/a
238	Conyers School	Surplus used to reduce contribution rate to current level	n/a
239	St Gregory’s Catholic Academy	Surplus used to reduce contribution rate to current level	n/a
244	Dyke House Academy	Surplus used to reduce contribution rate to current level	n/a
245	Caldicotes Primary Academy	Surplus used to reduce contribution rate to current level	n/a
249	Hardwick Green Primary Academy	Surplus used to reduce contribution rate to current level	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
251	Extol Academy Trust	Surplus used to reduce contribution rate to current level	n/a
252	Stranton Academy Trust	Surplus used to reduce contribution rate to current level	n/a
253	Eskdale Academy	Surplus used to reduce contribution rate to current level	n/a
254	Catcote Academy	Surplus used to reduce contribution rate to current level	n/a
255	Horizons Academy Trust	Surplus used to reduce contribution rate to current level	n/a
256	St Michaels Catholic Academy	Surplus used to reduce contribution rate to current level	n/a
260	Fredrick Nattrass Primary Academy	Surplus used to reduce contribution rate to current level	n/a
261	Oak Tree Primary Academy	Surplus used to reduce contribution rate to current level	n/a
262	Outwood Academy Acklam	Surplus used to reduce contribution rate to current level	n/a
263	Dormanstown Primary Academy	Surplus used to reduce contribution rate to current level	n/a
264	Skelton Primary Academy	Surplus used to reduce contribution rate to current level	n/a
265	St Bede's Catholic Academy	Surplus used to reduce contribution rate to current level	n/a
267	Sunnyside Academy	Surplus used to reduce contribution rate to current level	n/a
268	Rose Wood Academy	Surplus used to reduce contribution rate to current level	n/a
269	Viewley Hill Academy Trust	Surplus used to reduce contribution rate to current level	n/a
270	Hemlington Hall Academy	Surplus used to reduce contribution rate to current level	n/a
271	Norton Primary Academy	Surplus used to reduce contribution rate to current level	n/a
272	Yarm Primary School	Surplus used to reduce contribution rate to current level	n/a
273	Grangefield Academy	Surplus used to reduce contribution rate to current level	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
276	English Martyrs Education Trust	Surplus used to reduce contribution rate to current level	n/a
277	Easterside Academy	Surplus used to reduce contribution rate to current level	n/a
278	St Margaret Clithero's Primary Academy	Surplus used to reduce contribution rate to current level	n/a
279	St Gabriel's Catholic Academy	Surplus used to reduce contribution rate to current level	n/a
281	St Peters Academy of Maths and Computing	Surplus used to reduce contribution rate to current level	n/a
282	Green Lane Primary Academy	Surplus used to reduce contribution rate to current level	n/a
283	Kader Primary School	Surplus used to reduce contribution rate to current level	n/a
284	Normanby Primary School	Surplus used to reduce contribution rate to current level	n/a
285	Nunthorpe Primary Academy	Surplus used to reduce contribution rate to current level	n/a
286	Ingleby Manor Free School	Surplus used to reduce contribution rate to current level	n/a
287	Hillsview Academy	Surplus used to reduce contribution rate to current level	n/a
289	Harrow Gate Primary Academy	Surplus used to reduce contribution rate to current level	n/a
290	Ian Ramsey COE Academy	Surplus used to reduce contribution rate to current level	n/a
291	Ash Trees Academy	Surplus used to reduce contribution rate to current level	n/a
296	West View Academy	Surplus used to reduce contribution rate to current level	n/a
297	Outwood Academy Bydales	Surplus used to reduce contribution rate to current level	n/a
298	West Park Primary School	Surplus used to reduce contribution rate to current level	n/a
299	Our Lady & St Bede Academy	Surplus used to reduce contribution rate to current level	n/a
312	Manor Community Academy	Surplus used to reduce contribution rate to current level	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
316	Saint Benedict's PCV Academy	Surplus used to reduce contribution rate to current level	n/a
317	Our Lady – Christ the King	Surplus used to reduce contribution rate to current level	n/a
319	Our Lady – St Patrick Primary	Surplus used to reduce contribution rate to current level	n/a
320	Our Lady St Therese of Lisieux	Surplus used to reduce contribution rate to current level	n/a
321	Wynyard C of E Primary School	Surplus used to reduce contribution rate to current level	n/a
322	Outwood Academy – Ormesby	Surplus used to reduce contribution rate to current level	n/a
323	Sacred Heart SCV Academy	Surplus used to reduce contribution rate to current level	n/a
324	Tees Valley Education Trust	Surplus used to reduce contribution rate to current level	n/a
325	Enquire Learning Trust Central	Surplus used to reduce contribution rate to current level	n/a
327	St Hilda's Catholic Academy Trust	Surplus used to reduce contribution rate to current level	n/a
332	Tees Valley Collaborative Trust	Surplus used to reduce contribution rate to current level	n/a
333	River Tees Multi Academy Trust	Surplus used to reduce contribution rate to current level	n/a
334	St Thomas of Canterbury Multi Academy Trust	Surplus used to reduce contribution rate to current level	n/a
338	Brougham Primary School	Surplus used to reduce contribution rate to current level	n/a
339	Vision Learning Trust	Surplus used to reduce contribution rate to current level	n/a
340	Jesmond Gardens Primary School	Surplus used to reduce contribution rate to current level	n/a
342	Rosebrook Primary School	Surplus used to reduce contribution rate to current level	n/a
344	Teesside Learning Trust	Surplus used to reduce contribution rate to current level	n/a
345	Ormesby Primary School	Surplus used to reduce contribution rate to current level	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
346	Zetland Primary School	Surplus used to reduce contribution rate to current level	n/a
347	Outwood Academy Bishopsgarth	Surplus used to reduce contribution rate to current level	n/a
349	Our Children 1st Academy	Surplus used to reduce contribution rate to current level	n/a
350	Rye Hills Academy	Surplus used to reduce contribution rate to current level	n/a
351	St Mark's Academy	Surplus used to reduce contribution rate to current level	n/a
352	Pentland Academy	Surplus used to reduce contribution rate to current level	n/a
357	Outwood Academy Redcar	Surplus used to reduce contribution rate to current level	n/a
358	Riverdale Primary School	Surplus used to reduce contribution rate to current level	n/a
359	Holy Trinity Primary School	Surplus used to reduce contribution rate to current level	n/a
360	St Aydan’s Primary School	Surplus used to reduce contribution rate to current level	n/a
361	Egglescliffe Primary School	Surplus used to reduce contribution rate to current level	n/a
363	Crooksbarn Primary School	Surplus used to reduce contribution rate to current level	n/a
365	Galileo Multi Academy Trust	Surplus used to reduce contribution rate to current level	n/a
367	Endeavour Academies Trust	Surplus used to reduce contribution rate to current level	n/a
369	Legacy Learning Trust	Surplus used to reduce contribution rate to current level	n/a
371	Nicholas Postgate Catholic Academy Trust	Surplus used to reduce contribution rate to current level	n/a
373	Ayresome Primary School	Surplus used to reduce contribution rate to current level	n/a
374	Our Lady of Most Holy Rosary	Surplus used to reduce contribution rate to current level	n/a
375	St Joseph's Catholic Primary	Surplus used to reduce contribution rate to current level	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
376	James Cook Learning Trust	Surplus used to reduce contribution rate to current level	n/a
377	Overfields Primary School	Surplus used to reduce contribution rate to current level	n/a
378	Prince Regent Street	Surplus used to reduce contribution rate to current level	n/a
380	Northern Lights Learning Trust	Surplus used to reduce contribution rate to current level	n/a
Other Employers (Not Pooled)			
25	Teesside University	22.0	n/a
60	Future Regeneration of Grangetown	20.0	n/a
72	Stagecoach Transit	10.0	n/a
155	One Awards	20.0	n/a
163	Beyond Housing (formerly Coast and Country Housing)	20.0	6
170	Liberata UK Ltd	22.0	n/a
177	Tees Active Limited	Surplus used to reduce contribution rate to current level	n/a
193	Beamish Museum	Surplus used to reduce contribution rate to current level	n/a
195	Thirteen Group	20.0	6
199	Business and Enterprise North East	20.0	n/a
201	Care Quality Commission	Surplus used to reduce contribution rate to current level	n/a
246	One IT Solutions Ltd	Future working lifetime of active members	n/a
250	Ecocleen Services Ltd	n/a	n/a
266	Mellors Catering Services Ltd	TBC	n/a
275	Diocese of Middlesbrough Trust	Future working lifetime of active members	n/a
288	Creative Management Services Ltd	20.0	3
295	Mellors Catering Services Ltd (Central)	TBC	n/a
313	Mellors Catering – Dormanstown	Surplus used to reduce contribution rate to current level	n/a

Employer Code	Employer	Recovery Period Years	Phasing Period Years
315	KGB Cleaning Ltd – LJS	Surplus used to reduce contribution rate to current level	n/a
328	Tees Valley Combined Authority	22.0	n/a
335	Onsite Building Trust	Future working life time of active members	n/a
336	NMRN Operations	Future working lifetime of active members	n/a
337	Hartlepool Care Services Ltd	20.0	3
341	One IT Solutions – Porter	n/a	n/a
348	Tees Valley Community Asset Preservation Trust	Future working lifetime of active members	n/a
353	Caterlink – RCBC	Future working lifetime of active members	n/a
355	Caterlink – St Oswalds	Future working lifetime of active members	n/a
364	South Tees Development Corporation	20.0	n/a
366	Compass Contract Services Ltd	TBC	n/a
370	Care and Custody Health Ltd	Future working lifetime of active members	n/a
394	Mellors NPCAT	TBC	n/a
395	Mellors Ironstone	TBC	n/a

Annex B – Further Explanation of the Fund's Treatment of Employers

1. Background

This Annex explains the fund’s policies and procedures in the treatment of employers including the commencement or admission, participation and exit of employers in the fund, as administered by Middlesbrough Council.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

Where the information relates to a particular type of employer, this will be explained. If no type of employer is indicated the information relates to all employers in the Fund.

The administering authority's aim is to minimise risk to the fund by ensuring that the employers participating in the Fund are managed in a way that ensures they are able to adequately fund the liabilities attributable to them and, in particular to pay any deficit due when leaving the fund.

The administering authority has an obligation to pursue all liabilities owed so any shortfall from an individual employer does not fall back on other employers.

2. Process for Admission Bodies

An employer who wishes to join the fund may apply to the administering authority for admission. If admitted, that employer becomes an admission body and specified categories of its employees can participate as members of the Fund.

The administering authority is responsible for deciding whether an application from an employer to become an admission body within the Fund should be declined or accepted.

Bond, Indemnity or Guarantee

It is important to minimise the risk that a new admission body might create for the Fund and the other employers in the Fund. This risk will be taken into account by the administering authority in considering the application for admission, who may put in place conditions on any approval of admission to the fund to minimise this risk, such as a satisfactory guarantee, indemnity or bond and a satisfactory risk assessment.

An indemnity / bond is a way of insuring against the potential cost of the admission body failing by reason of insolvency, winding up or liquidation and hence being unable to meet its obligations to the Fund.

In order to reduce the risk of the liabilities not being funded at the point of exit, the Regulations require that a risk assessment be carried out, taking account of actuarial advice, on the level of risk arising on premature termination on insolvency, winding up or liquidation. This assessment is carried out by the Admission Body to the satisfaction of the administering authority. In an outsourcing situation, the risk assessment must also be to the satisfaction of the letting employer (i.e. the employer that the outsourcing is coming from). Usually the actuarial advice is provided to the administering authority by the fund's actuary and the cost for this is recharged to the admission body or, where appropriate, to the letting employer.

The risk must be kept under review throughout the period of the admission and assessed at regular intervals and otherwise as required by the administering authority.

Where there is an employer prepared to act as a guarantor (including a letting employer in an outsourcing situation), the bond will be largely for that fund employer's protection (rather than for all employers in the fund), in which case the guarantor must decide if the admitted body will be required to provide a higher bond than that calculated by the fund's actuary.

Where the liabilities on exit from the fund cannot be fully met by a guarantor or insurer, the Regulations provide that:

- the letting employer will be liable in an outsourcing situation; and
- in all other cases the liabilities will fall on all the other employing authorities within the Fund.

3. Actuarial Calculations

Funding Target

The funding target relates to what is expected to happen to the liabilities in respect of the employees of the employer on exit of that employer.

For tax raising scheduled bodies, the funding target is set out in section 4 of the FSS.

For Best Value Admission the letting employer will provide a "subsumption commitment" (i.e. be responsible for the future funding of the Admission Body's pension liabilities after any exit payment has been made).

Best Value Admission Bodies and other employers subject to a subsumption commitment from another scheduled body employer in the Fund (e.g. via a guarantee) will be subject to the funding target of the body providing the subsumption commitment.

Outstanding liabilities of employers from whom no further funding can be obtained are known as orphan liabilities. The administering authority must look to protect the interests of ongoing employers and will require the actuary to adopt valuation assumptions for such employers which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future.

To achieve this, the exit valuation for an employer is carried out to enable the Fund to match the transferring liabilities with low risk investments. (Generally Government fixed-interest and index-linked bonds).

Initial notional asset transfer

When a new employer starts in the Fund, and members transfer from another employer in the Fund, a notional transfer of assets is needed from the original employer to the new employer.

When a new admission body starts in the Fund, they will usually start as fully funded. This means that any past service surplus or deficit for the members who are transferring to the new employer remains with the original employer and does not transfer to the new employer.

Another option for the initial notional asset transfer is to allow for the funding level of the original employer, and therefore to transfer any past service surplus or deficit in respect of the transferring membership to the new employer. This approach would normally apply to new scheduled bodies.

For academies, a prioritised share of fund approach is followed. This involves fully funding the non-active members of the original employer, and using the residual assets to calculate the funding level applicable to the active members of the original employer, to a maximum of the overall funding level of the original employer. This funding level is then used to calculate the notional asset transfer to the new employer.

Where the new employer will participate in a pool of employers, the notional asset transfer would be to the relevant pool of employers.

Employer Contribution Rate

Initial Rate

When a new employer joins the fund, the fund's actuary determines the initial employer contribution rate payable. The contribution rate will include an addition of 0.9% of pay to allow for the potential Scheme changes arising from the cost management process and the McCloud/Sargeant judgement. The form and extent of any such increase in benefits is currently uncertain, and so this is an approximate allowance calculated to cover the expected increase in liabilities for an average employer in the Fund, and is the same as the allowance added to employer contribution rates at the 2019 valuation of the Fund.

Where the new employer:

- has less than 10 members,
- the notional asset transfer is on a fully funded approach, and
- is not subject to the ongoing (orphan body) funding target

an interim contribution rate is set until the next Actuarial Valuation of the fund. Currently the interim contribution rates are 17.9% of pay for an employer open to new entrants and 18.9% of pay for an employer closed to new entrants. The administering authority may change these interim contribution rates from time to time at its discretion.

Where the new employer joins a pool of employers, then it will generally pay the employer’s contribution rate applicable to that pool. New academies will automatically join the Academy Pool.

In other cases, the fund’s actuary will calculate an individual contribution rate for the new employer to be paid from commencement.

The employer contribution rate will be set in accordance with the Funding Strategy Statement, taking into consideration elements such as:

- Any past service or inherited liabilities.
- Whether the new employer is open or closed to new entrants.
- For admission bodies, whether the admission agreement is fixed term or not, and the period of any fixed term contract period.
- The funding target that applies to the employer.
- Other relevant circumstances.

Varying the Employer Contribution Rate

The Regulations require a triennial Actuarial Valuation of the fund. As part of each Actuarial Valuation the contribution rates paid by each employer in the fund are reviewed and may be increased or reduced.

Employer contribution rates may also be reviewed outside of the triennial Actuarial Valuations as permitted by Regulations 64(4) and 64A.

The administering authority will consider reviewing employer contributions between formal valuations in the following circumstances:

- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme;
- it appears to the administering authority that it is likely that the Scheme employer will become an exiting employer before the next Rates and Adjustments Certificate is due and that employer's funding plan is not adequately targeting the expected exit position; or
- Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review;

For the avoidance of doubt, the administering authority will not consider a review of contributions under Regulation 64A purely on the grounds of a change in market conditions affecting the value of assets and/or liabilities.

<u>Determining whether a review is appropriate</u>

In determining whether or not a review should take place under 64A, the administering authority will consider the following factors (noting that this is not an exhaustive list):

- the circumstances leading to the change in liabilities arising or likely to arise, for example whether this is the result of a decision by the employer, such as a significant outsourcing or transfer of staff, closure to new entrants, material redundancies or significant pay awards, or other factors such as ill-health retirements, voluntary withdrawals or the loss of a significant contract;
- the materiality of any change in the employer's membership or liabilities, taking account of the actuary's view of how this might affect its funding position, primary or secondary contribution rate;
- whether, having taken advice from the actuary, the administering authority believes a change in ongoing funding target or deficit recovery period would be justified, e.g. on provision or removal of any security, subsumption commitment, bond, guarantee, risk-sharing arrangement, or other form of indemnity in relation to the employer's liabilities in the Fund;
- the materiality of any change in the employer's financial strength or longer-term financial outlook, based on information supplied by the employer and supported by a financial risk

assessment or more detailed covenant review carried out by the actuary or other covenant adviser to the fund;
- the general level of engagement from the employer and its adherence to its legal obligations as set out in the fund's pension administration strategy and elsewhere, including the nature and frequency of any breaches such as failure to pay contributions on time and data quality issues due to failure to provide new starter or leaver forms.

For an admission body where contributions may be reviewed under Regulation 64(4), the following considerations will apply:
- Whether a review has been requested by the relevant guarantor or subsuming employer, or for transferee and Schedule 2 Part 3 (1)(d) admission bodies the relevant scheme employer;
- A material change in circumstances, such as the date of exit becoming known, material membership movements or material financial information coming to light may cause the administering authority to informally review the situation and subsequently formally request an interim valuation;
- Where an employer has a subsumption guarantee from another employer in the fund, annual reviews of contribution rates are anticipated in the period prior to exit.

Notwithstanding the above guidelines, the administering authority reserves the right to request an interim valuation of any employer at any time if Regulation 64(4) or 64A applies.

<u>Impact on other employers</u>

In determining whether or not a review should take place, the administering authority will generally focus on the materiality of any potential changes in the context of the employer concerned; its financial position and current contribution levels. As a matter of principle, the administering authority does not consider that a review is not justified just because an employer is small in the context of the fund as a whole, noting that failure to act could make discussions at the next formal valuation more difficult and compound the risk to the fund. However, in determining the extent and speed of any changes to the employer's contributions the administering authority will consider the effect on the overall funding position of the fund, i.e. other fund employers.

Where contributions are being reviewed for an employer with links to another fund employer, particularly where this is a formal organisational or contractual link, e.g. there is a tripartite admission agreement, an ownership relationship or a formal guarantee, subsumption commitment or risk sharing arrangement is in place, the administering authority will consider the potential risk/impact of the contribution review on those other employer(s), taking advice from the fund's actuary as required.

<u>Employer involvement</u>

It is expected that in most cases the employer will be aware of the proposed review of their contributions since this will be triggered by an employer's action and employers should be aware of the need to engage with the fund in relation to any activity which could materially affect their liabilities or ability to meet those liabilities.

In other cases information will be required from the employer, e.g. in relation to its financial position and business plans which could be the catalyst for informing the employer that a review is being proposed. In all cases the administering authority will advise the employer that a review is being carried out and share the results of the review and any risk or covenant assessment as appropriate. It should be noted that the fact of a review being carried out does not automatically mean that contributions will be amended (up or down) since that will depend upon the materiality of the changes and other factors such as the outcome of discussions with the employer and any related/linked employer in the fund and the proximity to the next formal valuation.

Where, following representations from the employer, the administering authority is considering not increasing the employer's contributions following a review, despite there being good reason to do so from a funding and actuarial perspective, e.g. if it would precipitate the failure of the employer or otherwise seriously impair the employer's ability to deliver its organisational objectives or it is expected that the employer's financial position will improve significantly in the near-term, the administering authority will consult with any related/linked employers with a view to seeking their agreement to this approach.

The administering authority will consult with the employer on the timing of any contribution changes and there will be a minimum of 4 weeks' notice given of any contribution increases. In determining whether, and when, any contribution changes are to take effect the administering authority will also take into account the timing of contribution changes flowing from the next formal valuation. As a result, contribution reviews are unlikely to be carried out during the 12 month period from the valuation date although if there were any material changes to the expected amount of liabilities arising or the ability of the employer to meet those liabilities during that period, this should be taken into account when finalising the Rates and Adjustments Certificate produced from the valuation.

Appeals process

Any appeal against the administering authority's decision must be made in writing to the administering authority's Director of Finance within two months of being notified of the decision.

An appeal will require the employer to evidence one of the following:

- A deviation from the published policy or process by the administering authority, or
- Any further information (or interpretation of information provided) which could influence the outcome, noting new evidence to be considered at the discretion of the Administering Authority.

The appeals process itself will be subject to the following parameters:
- The process and any amendments to it are subject to consultation with employers through inclusion in this FSS, which is subject to employer consultation.
- The appellant will be granted a reasonable period of time both to make any appeal following a decision and in order to prepare the basis of their appeal (an initial two months to submit an appeal and a further two months to prepare any further evidence).
- The process will reflect the responsibilities of the Administering Authority in respect of the triennial Fund valuation or other regulatory obligations which may supersede prior to the completion of any appeal.
- The process, including the timescales and requirements for evidence will be accessible, clearly signposted and transparent, as shown through its inclusion in this FSS.
- Any review of a decision will be considered independently from those directly involved in the original decision.

The appeals process described above does not supersede or replace the ability for a person to make a complaint under Regulation 74 (applications for adjudication of disagreements).

Requesting a review

Before requesting a review, employers should consider the regulatory requirements and the Fund's policy as set out above and satisfy themselves that there has been a relevant change in the expected amount of liabilities or their ability to meet those liabilities. The employer should use the contact details in section 1.2 and complete the necessary information requirements for submission to the administering authority in support of their application.

The administering authority will consider the employer's request and may ask for further information or supporting documentation/evidence as required. If the administering authority, having taken actuarial advice as required, is of the opinion that a review is justified, it will advise the employer and provide an indicative cost. Employers should be aware that all advisory fees incurred by the fund associated with a contribution review request, whether or not this results in contributions being amended, will be recharged to the employer.

Exit from the Fund (terminations)

If an exit is triggered, the employer will be responsible for all costs (including any deficit). An exit valuation will be carried out when an employer becomes an "exiting employer", i.e. it either:

- ceases to be a Fund employer (including ceasing to be an admission body participating in the Fund); or
- no longer has any active members contributing towards the Fund and does not enter into a deferred debt agreement; or
- a deferred debt agreement ends.

If an employer exits the fund (for example, an admission body's admission agreement is terminated), the administering authority will instruct the fund's actuary to carry out an exit valuation to determine whether there is any deficit or surplus in the fund.

The assumptions adopted to value the departing employer's liabilities for this valuation will be set to enable the Fund to match the exiting employer's former liabilities (after any transfer of active members to other employers in the fund) with low risk investments (generally Government fixed-interest and index-linked bonds).

For exits where the calculations are carried out on or after 23 June2021, the following refinements will be made to the approach that was used at the 2019 funding valuation:

- allowance will be made for the cost management process and the proposed McCloud remedy as set out in MHCLG's consultation on draft Regulations, which may be applied in an approximate manner as advised by the fund's actuary and agreed by the administering authority
- full indexation of GMPs assumed to be paid by the fund for all of the employer's members whose State Pension Age is on or after 6 April 2016.

This policy will be kept under review and may change at any time.

For Best Value Admission bodies, and other employers where the administering authority has agreed that another employer within the fund may subsume the assets and liabilities of the exiting employer (i.e. the subsuming employer will assume responsibility for all assets and liabilities of the exiting employer and for the future funding of those assets and liabilities), the assets, liabilities and any deficit or surplus will be transferred to the subsuming employer. In such cases, no exit payment would be required from the exiting employer, but all or part of any surplus revealed by the exit valuation could be paid to the employer as an exit credit, unless the agreement between the exiting employer and any employer providing a subsumption commitment provides that any surplus is not returned on exit.

At the administering authority's discretion it is possible to suspend a demand for an exit payment for up to 3 years where the administering authority believes that the employer is likely to have one or more active members contributing to the fund within the period specified in the suspension notice. The administering authority considers that it may be appropriate to exercise that discretion in relation to Town and Parish Councils.
If this occurs, the Fund will issue written notice of the period of the suspension. Whilst under such a suspension notice, the employer must continue to pay any deficit payments and the fund's actuary will recalculate any deficit at the next Actuarial Valuation.

Where the exit date is on or after 14 May 2018, if a surplus is shown in the exit valuation then the administering authority has the discretion to return all or part of this surplus to the exiting employer as an exit credit payment. The exit credit will be paid within 6 months of the later of the exit date and the date at which all information has been provided to the administering authority to request a final exit valuation from the Actuary, unless the agreement between the exiting employer and any employer providing a subsumption commitment provides that any surplus is not returned on exit.

The administering authority will take the following factors into account when determining the exit credit payment to be made, with the aim of protect the interests of the members and employers in the fund as a whole:

- The surplus shown in the exit valuation carried out by the fund actuary
- The proportion of this surplus that has arisen due to the contributions paid by the employer
- Representations made to the administering authority by the exiting employer and any guarantor (or relevant scheme employer for Best Value Admission Bodies)
- Any other relevant factors

Pooled employers

1. Admission bodies pooled with the outsourcing employer

Where an admission body is pooled with the outsourcing employer the exit valuation will be carried out in accordance with the agreement between the admission body and the outsourcing employer. Generally, any deficit or surplus on exit would remain with the contracting Council / guarantor unless the pooling arrangement states otherwise.

2. Other pools of employers

When a pooled employer (other than those admission bodies pooled with the original outsourcing employer, covered in 1 above) is exiting the fund, the assets notionally allocated to the relevant employer are deemed to be equal to the product of the liabilities relating to that employer and the funding level of the pool as a whole. Normally the funding level of the pool will be measured at triennial Actuarial Valuation dates and will then be rolled forward on a pooled basis between Actuarial Valuations.

Exit payments

Any deficit would normally be levied on the departing employer as a single capital payment although, under exceptional circumstances, the administering authority may, at its sole discretion, allow phased payments as permitted under Regulation 64B.

It is envisaged that spreading of exit payments will only be considered at the request of an employer. The administering authority will then engage/consult with the employer to consider its application and determine whether or not spreading the exit payment is appropriate and the terms which should apply.

In determining whether or not to permit an exit payment to be spread, the administering authority will consider factors including, but not limited to:

- The ability of the employer to make a single capital payment;
- Whether any security is in place, including a charge over assets, bond, guarantee or other indemnity;
- Whether the overall recovery to the Fund is likely to be higher if spreading the exit payment is permitted.

In determining the employer's ability to make a single payment the administering authority will seek actuarial, covenant or legal advice as required. Where the administering authority considers that the employer is financially able to make a single capital payment it will not normally be appropriate for the exit payment to be spread.

The employer will be required to provide details of its financial position, business plans and financial forecasts and such other information as required by the administering authority in order for it to make a decision on whether or not to permit the exit payment to be spread. This information must be provided within 2 months of request.

In determining the appropriate length of time for an exit payment to be spread, the administering authority will consider the affordability of the instalments using different spreading periods for the employer. The default spreading period will be 3 years but longer periods will be considered where the administering authority is satisfied that this doesn't pose undue risk to the fund in relation to the employer's ability to continue to make payments over the period.

Whilst the administering authority's preference would be for an employer to request spreading of any exit payment in advance of the exit date, it is acknowledged that a final decision by the employer (and the administering authority) on whether this will be financially beneficial/appropriate may not be possible until the employer has exited. Exiting employers will be advised of the exit deficit and the spreading of any payment will only be considered at the request of the employer. Where there is a guarantor or subsuming employer, the guarantor/subsuming employer will also be consulted and any agreement to spread the exit deficit may be conditional on the guarantee continuing in force during the spreading period.

The amount of the instalments due under an exit deficit spreading agreement will generally be calculated as level annual amounts allowing for interest over the spreading period in line with the discount rate used to calculate the exit liabilities. Where the exit amount is significant, monthly payments may be required or the administering authority may require a higher initial payment with lower annual payments thereafter to reduce the risk to the Fund. Alternative payment arrangements may be made in exceptional circumstances as long as the administering authority is satisfied that they don't materially increase the risk to the Fund.

Where it has been agreed to spread an exit payment the administering authority will advise the employer in writing of the arrangement, including the spreading period; the annual payments due; interest rates applicable; other costs payable and the responsibilities of the employer during the spreading period. Where a request to spread an exit payment has been denied the administering authority will advise the employer in writing and provide a brief explanation of the rationale for the decision. The administering authority will endeavour to notify the employer of its decision within 2 months of the provision of the required information by the employer. The employer will be given a period of 1 month to respond to the decision. Payments will be expected to commence by the later of 2 months following the administering authority's decision, or 6 months of the exit date.

The administering authority will generally review spreading agreements as part of its preparation for each triennial valuation and will take actuarial, covenant, legal and other advice as considered necessary. In addition, employers will be expected to engage with the administering authority during the spreading period and adhere to the notifiable events framework as set out in the fund's administration strategy. If the administering authority has reason to believe the employer's circumstances have changed such that a review of the spreading period (and hence the payment amounts) is appropriate, it will consult with the employer and a revised payment schedule may be implemented. Whilst this review may also consider the frequency of payments, it should be noted that it is not envisaged that any review will consider changes to the original exit amount nor interest rate applicable. An employer will be able to discharge its obligations under the spreading arrangement by paying off all future instalments at its discretion. The administering authority will seek actuarial advice in relation to whether or not there should be a discount for early payment given interest will have been added in line with the discount rate used for the exit valuation.

Deferred debt agreements (DDAs)

Regulation 64(7A) permits the administering authority to enter into a written agreement with an exiting Scheme employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the secondary rate (a 'deferred debt agreement' or 'DDA'). An employer which has entered into a DDA is known as a 'deferred employer'.

The administering authority's policy in relation to the entering of a DDA under Regulation 64(7A) is set out below.

In determining whether or not to enter into a DDA with an employer the administering authority will take into account the following factors, including but not limited to:

- The materiality of the employer and any exit deficit in terms of the fund as a whole;
- The risk to the fund of entering into a DDA, in terms of the likelihood of the employer failing before the DDA has ended, based on information supplied by the employer and generally supported by a financial risk assessment or more detailed covenant review carried out by the actuary or other covenant adviser;
- The rationale for the employer requesting a DDA, particularly if the administering authority believes it would be able to make an immediate payment to cover the exit deficit; and
- Whether an upfront payment will be made towards the deficit, and/or any security is, or can be, put in place (for example a charge over assets, bond, guarantee or other indemnity), to reduce the risk to other employers.

Where it is expected that the employer's covenant may materially weaken over time, or where the employer's financial capacity to support an increase in the exit debt is limited, the administering authority is very unlikely to consider entering into a DDA with that employer. Further, where an employer can demonstrably meet the exit payment in a single instalment, the administering authority would be unlikely to enter into a DDA unless it was clear that this wouldn't increase risk to the fund, e.g. if the employer was fully taxpayer-backed and sufficient assurance was in place that all contributions due, including any residual deficit at the end of the DDA, would be met in full.

It is envisaged that DDAs will only be entered into at the request of an employer. The administering authority will then engage/consult with the employer to consider the application and determine whether or not a DDA is appropriate and the terms which should apply. As part of its application for a DDA, the administering authority will require information from the employer to enable the administering authority to take a view on the employer's strength of covenant. Information will also be required on an ongoing basis to enable the employer's financial strength/covenant to be monitored.

The matters which the administering authority will reflect in the DDA include:

- An undertaking by the employer to meet all requirements on Scheme employers, including payment of the secondary rate of contributions, but excluding the requirement to pay the primary rate of contributions;
- A provision for the DDA to remain in force for a specified period, which may be varied by agreement of the administering authority and the deferred employer;
- A provision that the DDA will terminate on the first date on which one of the following events occurs-
  - the deferred employer enrols new active members;
  - the period specified, or as varied, elapses;
  - the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
  - the administering authority serves a notice on the deferred employer that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months; or
  - the fund's actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment that would have been due if the employer had become an exiting employer on the calculation date.
- The responsibilities of the deferred employer;
- the circumstances triggering a cessation of the arrangement leading to an exit payment (or credit) becoming payable, in addition to those set out in Regulation 64 (7E) and above.

The administering authority will monitor the funding position and risk/covenant associated with deferred employers on a regular basis. This will be at least triennially and most likely annually, but the frequency will depend on factors such as the size of the employer and any deficit and the materiality of movements in market conditions or the employer's membership.

The circumstances in which the administering authority may consider seeking to agree a variation to the length of the agreement under regulation 64(7D) include:

- Where the exit deficit has reduced (increased) such that it is reasonable to reduce (extend) the length of the recovery period and associated period of the DDA assuming that, in the case of the latter, this does not materially increase the risk to the other employers/Fund;
- Where the deferred employer's business plans, staffing levels, finances or projected finances have changed significantly, but, in the case of a deterioration, the administering authority, having taken legal, actuarial, covenant or other advice as appropriate, does not consider that there is sufficient evidence that deferred employer’s ability to meet the contributions payable under the DDA has weakened materially, or is likely to weaken materially in the next 12 months; and

- Where the level of security available to the Fund has changed in relation to the DDA, as determined by the administering authority, taking legal, actuarial or other advice as appropriate.

At each triennial valuation, or more frequently as required, the administering authority will carry out an analysis of the financial risk or covenant of the deferred employer, considering actuarial, covenant, legal and other advice as necessary. Where supported by the analysis and considered necessary to protect the interests of all employers, the administering authority will serve notice on the deferred employer that the DDA will terminate on the grounds that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially, or is likely to weaken materially in the next 12 months, as set out under regulation 64(7E)(d).

It is expected that employers will make a request to consider a DDA before they would otherwise have exited the Fund under Regulation 64(1) and that a DDA should be entered into within 6 months of that date. The employer should continue to make secondary contributions at the prevailing rate whilst the DDA is being considered unless the administering authority, having taken actuarial and other advice as appropriate, determines that increased contributions should be payable. In exceptional circumstances, e.g. where there has been a justifiable delay due to circumstances outside of the employer's control, and at the sole discretion of the administering authority, a DDA may be entered into more than 6 months after the exit date.

Deferred employers will be expected to engage with the administering authority during the period of the DDA and adhere to the notifiable events framework as set out in the pensions administration strategy as well as providing financial and other information on a regular basis. This will be necessary to support the effective monitoring of the arrangement and will be a requirement of the DDA.

Responsibilities of employers in the Fund

Individual employers will pay for any legal, covenant and actuarial costs incurred on their behalf. This includes costs in respect of joining and exiting the fund, including in respect of spreading exit costs or entering into and monitoring a DDA.

The administering authority expects all employers in the Fund to take into consideration the effect of their behaviours on the Fund and any pool they are part of, for example when considering:

- Discretions policies
- Outsourcing decisions
- Salary increases

Employers should have regard to the fund administration strategy at all times.

All employers need to inform the Fund of any changes to the organisation that will impact on their participation in the Fund. This includes change of name or constitution or mergers with other organisations or other decision which will or may materially affect the employer's Fund membership.

Employers considering outsourcing any services should have regard to and adhere to the requirements of the Fair Deal Policy/Best Value direction. They should also advise the administering authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

PENSION FUND COMMITTEE REPORT

23 JUNE 2021

DIRECTOR OF FINANCE – IAN WRIGHT

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: Nick Orton – Head of Pensions Governance and Investments

TEL NO.: 01642 729040

Linch pin

Independent Adviser's Report for Teesside Pension Fund Committee

William Bourne **11th June 2021**

Market commentary

1. When I last wrote in February, I suggested that the global economy would continue to recover on the back of pandemic monetary and fiscal easing, and that equity markets would broadly continue upwards. I commented that as recovery happened it was normal for equities to perform less well and bond markets to perform poorly.

2. Bond yields have indeed risen (from 0.6% to 0.8% redemption yield for the 10-year gilt, and from 1.3% to 1.6% for the equivalent US Treasury), and many equity markets are either at or close to new highs. **I stress that this is normal behaviour at this stage of the economic cycle**. Within equity markets, value stocks, which are more sensitive to economic cycles, have continued to outperform and have now recovered about half the relative underperformance of the last ten years.

3. Central bank and governments around the world are continuing to provide very substantial monetary and fiscal support to ensure economic recovery. In 2020 the total amount of monetary easing was the equivalent of $30 trillion (£22 trillion), or roughly a third of global GDP. In 2021 there is likely to be a further $15 trillion. The authorities have erred on the side of safety at the risk of higher inflation. The surge in industrial commodity prices, including oil, is a clear sign that this strategy is working in economic terms, as I have predicted it would for a year now.

4. New variants of COVID-19 are continuing to put pressure on the world's ability to move on. While the vaccination strategy which the US and the UK have followed seems to be relatively effective in preventing deaths, it appears less so in preventing a third wave. The main impact is on the leisure and travel industries, where there is little pick-up while the global picture is so mixed.

5. **Headline inflation numbers have gone up**, boosted by higher agricultural and industrial commodities prices, as well as house prices in the U.K. The May U.S. consumer inflation number rose to 5.0%, the highest for 13 years. I still believe this is more likely to be a 'bump' as consumers start spending again after the lockdowns and not the start of a more sustained rise. However, it needs careful watching.

6. U.S. 2021 1st quarter earnings have come in much stronger than expected. It is no surprise that the comparison with COVID-affected 2020 1st quarter looks good, nor that tech stocks have been particularly strong, but most corporates have handsomely beaten analysts' expectations (e.g. Amazon's diluted earnings were 40% ahead).

7. The UK local elections in May resulted in a resounding victory for incumbents. This will provide increased stability in terms of policy, though the question of Scottish independence may be more prominent. The fall-out from BREXIT remains very unclear, and may depend more on what happens in

the German (September 2021) and French (April 2022) elections than any action or inaction in the U.K.

8. The big question is what happens next. In a normal cycle we would see bond yields rise (i.e. prices fall) further as the economy recovers and money is switched away from safe assets and into the real economy. The prospect of higher inflation would add further fuel. Equities would perform less well too – earnings might rise but valuations fall.

9. However, this cycle is not normal. The inflation impetus has until very recently been focused on financial assets and housing rather than the high street. Bond yields, while they have risen, are still very low by historic standards. The Bank of England borrowed 14.5% of GDP (over £300bn) in the 2020/21 financial year, a deficit only ever exceeded during the two World Wars. A rate rise in the U.S. is possible in response to inflation, but central banks are constrained how far they can raise rates.

10. For the last 15 months I have emphasized the scale of monetary support and how it has benefited financial assets. End-May data is for the first time showing a clear slackening of the pace. Equity valuations are high, albeit reduced a little by the strong earnings growth in areas such as tech. Investors now have relatively high exposure to equities in Europe and the U.S and Emerging Markets, but less so in Japan and Europe. **The likelihood that this long bull market will finally come to an end within the next twelve months is growing.**

11. In the longer term it is hard to see a painless exit from where we are today. The authorities are committed to ambitious spending programmes in order to 'level up' inequalities. Some of the financing will come from an increased tax take, both as the economy recovers and as a result of some targeted tax increases. Borrowing will take the strain for some time, but not for ever, and at some point in the future, governments will either need to restrain spending or let inflation reduce the real value of their debt (for the U.K. now 100% of GDP, the highest for 55 years).

Portfolio recommendations

12. The end to the bull market will only be postponed if a third wave of COVID frightens the authorities into resuming their monetary stimulus. Even that might be ineffective if investors look further down the track and are put off by levels of debt or the increase in inflation. The Committee agreed a new strategic asset allocation at the March meeting. In my view, given the high level of equities in the fund, **we should be looking to move to these revised allocations on an accelerated timescale**. A possible alternative is to revisit some form of equity protection strategy, even though we have decided against in the past.

13. The big problem always is where to put money coming out of equities. Areas which I consider to be relatively attractive in an emerging environment of economic recovery but higher inflation include core infrastructure, real estate debt, non-mainstream private equity and bond or credit strategies which rely on volatility rather than taking directional positions.

Appendix B

Investment report for Teesside Pension Fund June 2021

Political and economic outlook

Bedding down the movement of goods after Brexit is being managed with the usual aplomb of this remarkably incompetent government. The situation in Northern Ireland has reached a critical state and God knows how they're going to manage without a good old British banger. In all seriousness the difficulties over the Northern Ireland border, the one in the middle of the Irish Sea and the one between Eire and Northern Ireland have to be sorted out in short order. Hopefully the upcoming G7 meeting will lead to a workable compromise on this very important issue.

Great work by the NHS and Kate Bingham on the Covid immunisation programme has broken the link between the covid virus and hospitalisations and death. However the Delta variant is of great concern as it is tending to infect younger unvaccinated people and while it is out in the population the chance of further mutations is very high. The unfortunate likely consequence will be that any delay in opening up to normality will have a serious impact on the UK economy.

Internationally, continuing tensions between China and most other countries is making life pretty uncomfortable. China's blatant disregard of international law greatly increases the chances of a war over Taiwan between the United States and China. The tensions are exacerbated by the United States' determination, albeit misguidedly, to try to retain its position as the world's number one economy and by China's determination to overtake it by any means fair or foul. International politics is destined to change significantly over the next few years. Totalitarianism is on the rise and democracy for many reasons is currently in decline.

Worldwide governments' stance towards economic policy remains the same as it has been for more than a decade in that it remains extremely

loose and additionally fiscal stimulus is on the rise. Up to now this has had no impact on traded goods inflation but has caused significant rises in asset markets especially equities and bonds but also property and other stores of value. It has also kept economic growth above what it otherwise would have been and fueled corporate profits but not wage inflation especially in the United States. Profit share as a percentage of GDP has risen to extremely high, almost certainly unsustainable levels.
Given where we are, the most disturbing economic number to come out recently has been the rise in annual inflation in the United States to 4.2% from 2.6% previously and from 1.4% in 2020. The Federal Reserve has announced that this is a blip and that inflation will decline when the economy returns to normal. I am not so sure. To put this in context I will use US data but the story is similar in most of the developed world. Since the global financial crisis of 2008 US bank reserves have risen by over 500% and M2 by about 300%. Consumer price inflation over the same period has risen by about 1.7% per annum. If the share of profits in GDP reverts to normal as it tends to over the long term there will be a shift of about 7% of GDP from profits to wages and hence prices. The impact on consumer prices will be significant. All this shift requires is an improvement in consumer confidence and there are signs that this is occurring to a significant extent, enough to cause a change in consumer behaviour.

Markets

Given the falling interest rates and bond yields equity markets have performed rationally not exuberantly and valuations are within the parameters that would be expected in the prevailing conditions and discount rates. However bond yields are showing signs of turning upwards which will make any further substantial gains in equity markets more difficult to achieve. In short bond prices are likely to fall and equities are unlikely to make progress and could well fall back from this level.

Property markets are beginning to show a bit of resilience as the pathway out of the pandemic becomes clearer. However there are indications that people's work patterns might not change that much from the previous pre pandemic behaviour which would also be supportive to commercial property. Uncertainty still prevails though which is likely to dampen enthusiasm and prevent any significant progress in this market.

Within the alternative space large infrastructure assets are beginning to look overpriced as demand for them has increased due to the weight of money being devoted to this area. Smaller projects are still showing attractive returns as the balance between supply and demand appears more equal. Likewise in private equity those investors prepared to search for smaller lot sizes are likely to see higher returns than at the upper end of the market. The private credit market shows better returns than conventional fixed interest but, depending on how the instrument is structured headway is likely to be difficult if interest rates do rise significantly.

Cash continues to remain unattractive except for facilitating portfolio adjustments.

Portfolio recommendations

Despite the team's best efforts the equity portion of the portfolio remains north of 75%. In an increasingly inflationary climate equities have become

less attractive. Other quoted asset classes are equally unattractive and should receive no further investment.
This leaves the alternatives portion of the portfolio with a huge amount of work to do and with a large investment requirement.
Borders to Coast will struggle to invest the amount of money that the pension fund has already committed to them and struggle even more to invest what is needed by the overall fund over the medium term. Furthermore they are not offering the wide spectrum of investment approaches which will serve the fund well over the longer term. Some of their chosen managers are working in very crowded marketplaces which will make attractive returns difficult to achieve. Although it will put the internal team under pressure I believe other alternative managers should be sought to work alongside Borders to Coast. In my opinion this is the only way we will come close to achieving the desired alternatives weighting as set out in our strategic asset allocation. Maybe Borders to Coast should be viewed as a preferred fund manager, as they already have been, but certainly not an exclusive one. If other manager's can do a better job, the pension fund should feel free to use them.

Peter Moon

9 June 2021

Agenda Item 10

TEESSIDE PENSION FUND Q1 2020

Quarterly Report

Prepared: 28th May 2021

Fund Objectives

Teesside's Pension Fund's primary objective is to create a sustainable income stream to match its long term pension liabilities. It does this through investing into 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/core plus properties, over the long term, diversifying the portfolio through different property types, unit sizes, occupier businesses, quality, 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 under weight position in offices.

We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio, as well as diversifying 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's Pension Fund's Responsible Investment Policy, CBRE considers Environmental, Social and Governance issues (otherwise known as ESG criteria) as part of its decision making process.

Executive Summary

At 31st March 2021, the portfolio comprised 28 mixed-use properties located throughout the UK, with a combined value of £277.20m. This reflects an overall Net Initial Yield of 5.28%, and an Equivalent Yield of 5.69%.

The portfolio comprises principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprise 87.0% of the portfolio by capital value. There are 75 demises and a total net lettable area of 1,949,442 sq ft.

The portfolio has a current gross passing rent of £16,126,215 per annum against a gross market rent of £16,512,145 per annum, making the portfolio slightly reversionary in nature.

The weighted average unexpired term is 8.0 years to the earlier of first break or expiry, and 8.9 years to expiry, ignoring break dates.

Fund Summary

Total Pension Fund Value (December 2020)	**£4,385m**
Real Estate Weighting (allocation)	6% (9%)
Direct Portfolio Value	£277.2m

Direct Portfolio

	TEESSIDE PF
Direct portfolio value	**£277.2m**
Number of holdings	28
Average lot size	£9.9m
Number of demises	75
Void rate (% of ERV) (Benchmark)	1.78% (11.90%)
WAULT to expiry (break)	8.0 years (8.9 years)
Current Gross Passing Rent (Per Annum)	£16,126,215
Current Gross Market Rent (Per Annum)	£16,512,145
Net Initial Yield	5.28%
Reversionary Yield	5.58%
Equivalent Yield	5.69%

Portfolio Highlight (Q1 2021)

The Fund has completed the purchase of an income strip as a liability matching asset. This is focussed on the forward funding of the development of a 210,000 sq ft industrial unit. Purchased for £30.0m reflecting 5.24% NIY.

UK Economic Commentary

- Growth of 0.4% in GDP during February reversed some of January's 2.2% fall in activity: a result of the implementation of tougher restrictions in England and Wales. While the outlook is improving and positive the UK economy is sitting around 8% below its pre-Covid level. High frequency leading indicators pointed to continued increases in activity in March, with credit and debit card spending and job advertisements trending notably higher. Coupled with the reopening of schools on 8 March (which will have also boosted activity) we expect Q1's GDP fall to be have been just 2% quarter-on-quarter; a fraction of the 19% quarter-on-quarter fall seen in the first lockdown in Q2 2020.

- First, if all goes well with the vaccine roll-out and the emergence of vaccine-resistant variants does not become an issue, the government's roadmap for relaxing restrictions should remain set: a large part of the economy will have re-opened by mid-May, with the remaining restrictions gone by late June. The UK's economic performance is heavily dependent on consumer-facing service spending and rules relaxation will unlock considerable service spending.

- Second, continued restrictions on spending and travel mean households have accumulated unanticipated savings of around £150bn, or 7% of 2020 UK GDP. This means household spending will be a support to the recovery once restrictions are lifted. However, higher-income households will have saved more and typically have a lower propensity to spend but we do expect some of these savings to be spent.

- Third, the government extended the Job Retention Scheme (furlough) until the autumn, beyond the lifting of restrictions. Because of this we now expect unemployment to peak below 6 per cent, severely reducing joblessness and protecting household incomes that will support the recovery.

- We therefore remain optimistic about the UK outlook for the rest of the year. Taken together, we expect GDP growth of 6% in Q2 and 6.7% for 2021 as a whole. This is considerably higher than our 4.2% forecast for the Euro Area which is wrestling with another wave of Covid-19 infections.

UK Real Estate Market Commentary

- Year on year total returns for All UK Property fell by -0.8% (-6.7%* capital return, 6.3%* income return) for the period Q1 2020 to Q1 2021**. Year on year returns at this level are significantly lower than the 5-year average as the down draft of the pandemic hits performance but especially the Retail sector.

- Quarterly total returns for All UK Property for Q1 2021 recorded 2.1% (0.7% capital return, 1.4% income return).

- Industrials total returns were 5.8% over Q1 2021 (4.6% capital return, 1.1% income return).

- Rental values for All UK Property increased by 0.1% over the first quarter of 2021. This figure was largely pulled up by the 1.4% rise in values in the Industrial sector. Office sector rents rose marginally at 0.2% over the quarter while Retail rents fell -1.0%.

- The investment market for UK commercial real estate reached volumes of £10.9bn in Q1 2021. Investment totals were similar to the same period last year (c. £10bn) if large £500m+ transactions are excluded from the quarterly volumes. This brings the 12-month rolling total to £39.2bn, the lowest level since 2013 Q1.

- International investors were responsible for over half the capital invested into UK commercial real estate in Q1, above the 10-year quarterly average of 43%. The easing of global travel restrictions boosted international investment from 32% in Q2 and Q3 2020, to 52% in 2020 Q4 and 2021 Q1.

- Office investment volumes were £2.3bn in 2021 Q1. This brought the 12-month rolling total to £11.8bn, nearly half the five-year average of £21.6bn. Central London office transactions totalled £1.3bn in Q1, bringing volumes for the last 12 months to £7.2bn, the lowest levels since 2009 Q4.

- The industrial sector had another strong quarter, with £3.5bn of deals transacting in Q1. This pushed volumes to £11.2bn over the last 12 months, making it the only sector with volumes above the five-year average (£8.3bn).

- Retail saw just over £1.0bn in transactions in Q1, which was similar to volumes seen in 2020 Q1.

* Return figures will not always sum due to separate compound calculations

** Based on CBRE Monthly Index, all property total returns March 2021

Investments

Sales

No sales this period.

Acquisitions

The Fund has completed the purchase of an income strip as a liability matching asset. This is focussed on the forward funding of the development of a 210,000 sq ft industrial unit. Purchased for £30.0m reflecting 5.24% NIY. The unit will be let to Leonardo UK Limited on a 35-year lease, with fixed annual uplifts. There is an option to purchase the asset in favour of the tenant at lease expiry.

Direct Portfolio Analysis

Top Ten Holdings (by Value)

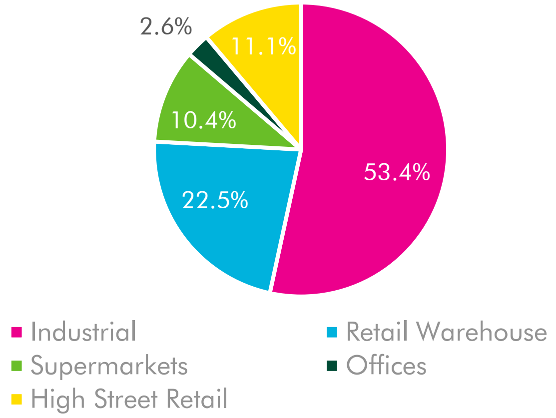
No.	Asset	Sector	Value	% of Direct Portfolio
1	THORNE - Capitol Park	Industrial	£30,350,000	10.9%
2	GATESHEAD - Team Valley	Industrial	£20,500,000	7.4%
3	BIRMINGHAM - Bromford Central	Industrial	£18,150,000	6.5%
4	RUGBY - Valley Park	Industrial	£17,250,000	6.2%
5	LUTTERWORTH - Magna Park	Industrial	£15,700,000	5.7%
6	STOW-ON-THE-WOLD - Fosse Way	Supermarkets	£15,175,000	5.5%
7	EXETER - H&M High Street	High Street Retail	£13,900,000	5.0%
8	PARK ROYAL - Minerva Road	Industrial	£13,600,000	4.9%
9	SWADLINCOTE - WILLIAM NADIN WAY	Industrial	£12,650,000	4.6%
10	PARK ROYAL - Coronation Road	Industrial	£11,700,000	4.2%
		Total	**£168,975,00**	**61%**

We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio, as well as diversifying the lease expiry profile.

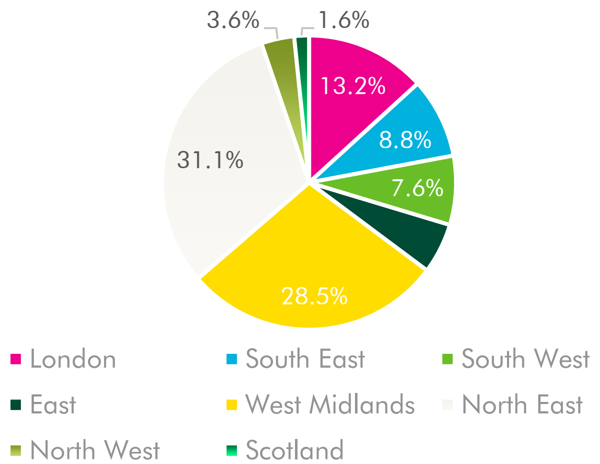
In addition to recommendations on industrial purchases, we may also recommend alternative and long-let investments that offer good covenants, attractive yields and long unexpired terms; these may include hotels, car showrooms, healthcare, leisure, supermarkets and student housing.

Set against a backdrop of low economic growth, we will seek to make purchases where both occupational and investment supply and demand conditions are strong. This will ensure that purchases are accretive to the portfolio's performance.

Sector Allocation (by Value)



Geographical Allocation (by Value)



Direct Portfolio Analysis (continued)

Top Ten Tenants (by Contracted Income)

The portfolio currently has 75 different demises let to 69 tenants. The largest tenant is Omega Plc which accounts for c.8% of the annual contracted income. Experian currently lists Omega as representing a "Very Low Risk" of business failure.

As a significant portion of the portfolio income will be from the top ten tenants, we will monitor their covenant strength and flag any potential issues. This is particularly relevant at the current time as the Covid-19 pandemic is putting increased pressure on all businesses. Our most recent assessment shows that all of these tenants are classed as having a "low risk" of business failure.

Top Ten Tenants (by Contracted Rent)

#	Tenant	Sector	Number of Leases	Gross Contracted Rent	% of Portfolio Rent	Risk Rating (Experian)
1	Omega Plc	Industrial	1	£1,413,690	8.42%	Very Low Risk
2	Royal Mail Group Limited	Industrial	1	£1,040,000	6.19%	Very Low Risk
3	B&Q plc	Retail	2	£997,000	5.94%	Very Low Risk
4	DHL Supply Chain Ltd.	Industrial	1	£868,635	5.17%	Very Low Risk
5	Brunel Healthcare	Industrial	1	£843,761	5.03%	Very Low Risk
6	Libra Textiles	Retail	1	£762,500	4.54%	Very Low Risk
7	ASDA Stores Limited	Industrial	1	£755,000	4.50%	Very Low Risk
8	H&M	Industrial	1	£740,000	4.41%	Very Low Risk
9	Tesco Stores Limited	Supermarkets	1	£713,853	4.25%	Very Low Risk
10	Matalan Retail Limited	Retail	1	£500,000	2.98%	Very Low Risk
			Total	£8,634,439	51%	

Key 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 below graph identifies the years where more than 10% of the portfolio income is due to expire.

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 Funds strategy. Whilst many of these have not progressed quickly we are optimistic that we may gain traction over the next few weeks as investors begin to consider their strategies and start making decisions. TPF's requirement has been articulated to the market and we are still receiving a substantial number of investment ideas each week.

Asset Management Update

Halfords, Congleton – May 2021

The Fund completed a 5-year reversionary lease with Halfords at a rent of £79,650 per annum, including a tenant only break option on the 3rd anniversary of the reversionary lease.

Speedy Assets, Park Royal – May 2021

A new 10-year lease with Speedy Assets has been completed reflecting a rent of £310,700 per annum, an uplift in rent passing of 27%. The lease does not benefit from any rent free and will include a tenant only break option on the 5th anniversary.

Acre Road, Reading – March 2021

Terms have been agreed with Active PCB, an existing occupier of Unit C on the estate, to take a new 10-year lease on both Unit B and Unit C.

Lutterworth, Magna Park – February 2021

A new 10-year reversionary lease has been completed with ASDA, the sitting tenant, at a rent of £755,000 pax, an increase of 14%. This Lease completed 12th February 2021.

Bromford Central, Birmingham – February 2021

The Fund completed a new 10-year lease on Unit 4 of the estate, with a tenant only break in the 5th anniversary of the Lease. Agreed at a rent of £110,461 pax, in-line with the current unit valuation.

Unit 1, Cirencester – December 2020

Terms have been agreed with a gym operator to occupy the vacant unit at Cirencester Retail Park. The lease is for a 15 year term with a tenant break option on the 10th anniversary. Solicitors are currently appointed to complete the letting.

Portfolio Arrears Update

			Targets	92.00%	96.00%	98.00%	99.00%		
	Rent Due 29 September	Collectable Rent	Quarter Date up to and including 25/03/21	Week 1 up to and including 01/04/2021	Week 2 up to and including 08/04/2021	Week 3 up to and including 15/04/2021	Week 4 up to and including 22/04/2021	Payment after 22/04/2021	Difference
	4,093,094.53	4,093,094.53	2,520,598.41	142,714.62	78,195.00	24,060.10	241,314.00	681,461.63	404,750.77
Non Collectable Total		0.00							
Collections Including non collectables			61.58%	65.07%	66.98%	67.57%	73.46%	90.11%	
Collections Excluding non collectables			61.58%	65.07%	66.98%	67.57%	73.46%	90.11%	

Portfolio Arrears Update – 28th May 2021

The rent collection across the entire portfolio in the previous three quarters has reflected the following.

March 2021 – 90.1%

December 2020 – 88.4%

September 2020- 95.1%

The total Collectable Arrears on the entire portfolio is £1,531,781 as at 28th May.

The Collectable Arrears exclude the following:

Tenants that are insolvent (99p Stores Limited at Cirencester, Laura Ashley Ltd at Congleton, Homestyle Group Operations Ltd at Congleton) and also tenants that have overall credit balances on their accounts.

Below, is a summary of the top six tenants with the greatest arrears, which account for 76.5% (£1,171,161) of the total arrears:

River Island Clothing Co. Limited (Lincoln) – Total arrears of £332,453 (21.7% of the collectable arrears). A new lease backdated lease is being finalised to River Island Fashion Limited, due to commence on 7 July 2020. This will see most of the arrears cleared.

Halcyon Fine Art Group Holding Limited (Park Royal) – Total arrears of £305,902 (20.0% of the collectable arrears). Most of these arrears relate to a back dated rent review increase going back to 2018, albeit they have not yet paid their December quarter's rent. A 50% rent concession is being agreed for the December 2020 and March 2021 due to assist with Covid-trading issues. The tenant has paid £258,000 and agreed they will pay the arrears off at £50,000 per week.

Nuffield Health (Guildford) – Total arrears of £219,949 (14.4% of the collectable arrears). This tenant was granted a one-quarter rent concession for the March 2020 quarter. Their arrears relates mainly to the June 2020 quarter rent to which they have made no payment towards and the December quarter rent where they have only paid one third's instalment. There are also some insurance and head landlord service charges outstanding. Discussions with the tenant have been initiated.

Matalan Retail Limited (Northwich) – Total arrears of £157,844 (10.3% of the collectable arrears). These arrears relate mainly to the March 2021 quarter's rent and annual insurance premium, to which Matalan have made no payments towards. We are continuing to chase. Communications with the tenant are on-going.

Sportsdirect.com Retail Limited (Cirencester) – Total arrears of £155,013 (10.1% of the collectable arrears). This tenant has not been granted any rent concession and the arrears relates to their monthly rent from 28th March 2020 through to 27th June 2021 (15-months), plus service charge and insurance premium. No payments have been received at all since 2nd March 2020. There has been no response from the tenant.

The remaining £560,621 (23.5% of the collectable arrears) of arrears is spread across 56 tenants, ranging from £50,902 to £.01.

Responsible Investment Initiatives

Environmental, Social and Governance (ESG) criteria are having an increasingly prominent role in investment decision making and will influence the attractiveness of investments going forward. CBRE will ensure that responsible investment is put 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 relevant of each of the ESG factors below. These will be expanded upon with portfolio level principles and asset specific initiatives as the importance of ESG grows.

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 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.

Fund Advisor Contacts

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 11

PENSION FUND COMMITTEE REPORT

23 JUNE 2021

DIRECTOR OF FINANCE – IAN WRIGHT

XPS PENSION ADMINISTRATION REPORT

1. PURPOSE OF THE REPORT

1.1 To provide an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

2. RECOMMENDATIONS

2.1 That Board Members note the contents of the paper.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications for the Fund.

4. BACKGROUND

4.1 To enable the Board to gain an understanding of the work undertaken by XPS Administration and whether they are meeting the requirements of the contract. The report is contained within Appendix A.

4.2 The report will also cover progress on recruitment to the posts discussed at previous meetings relating to the improvement to services.

CONTACT OFFICER: Graeme Hall (Operations Manager)

TEL. NO.: (01642) 030643

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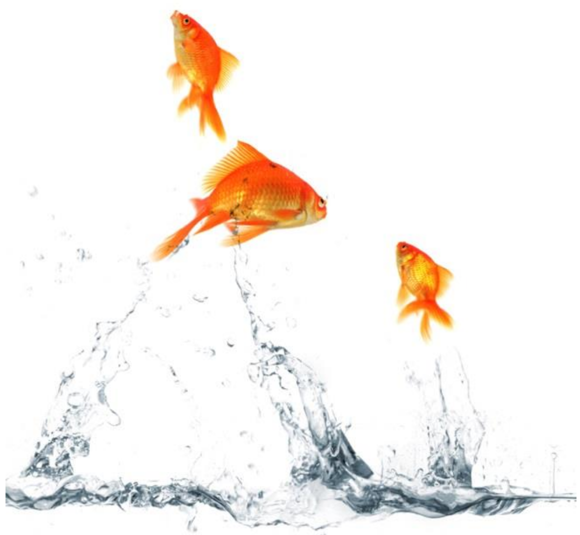
Appendix A

XPS Administration



Teesside Pension Fund

Service Delivery Report

2020/21

Teesside Pensions Fund

Headlines

2020 LGPS Scheme Annual Report

On 18 May 2021, Councillor Roger Phillips, the SAB Chair, launched the 2020 LGPS England and Wales Scheme Annual Report. Highlights from the report include:

Total membership up by 4.2% to 6.1 million members compared with 2019.

Total assets decreased by 4.9% to £276 billion. These assets were invested in:
- 68% pooled investment vehicles
- 14% public equities
- 6% bonds
- 3% direct property
- 9% other asset classes.

The Local Authority return on investment over 2019/20 was -4.8%. This was reflective of the market conditions during the year and set against the UK return of -28.3%.

The Scheme maintained a positive cash-flow position overall, including investment income.

Over 1.8 million pensioners paid in the year.

LGPS liabilities estimated at £291 billion on 31 March 2019. This indicates an overall funding level of 98%. The next triennial valuation of the LGPS will be as at 31 March 2022.

Written Ministerial Statement on McCloud

On 13 May 2021, Luke Hall, Minister for Regional Growth and Local Government, made a Written Ministerial Statement on McCloud and the LGPS. The statement confirms the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination. The statement confirms that:

• The age requirement for underpin protection will be removed

• A member will not need to leave with an immediate entitlement to benefits to qualify for underpin protection • the remedy period will end on 31 March 2022

• The underpin calculation will be based on final pay at the underpin date, even when this is after 31 March 2022

• There will be two stages to the underpin calculation:

> ♣ the first on the underpin date – the date of leaving or on the normal pension age in the 2008 Scheme, if earlier
>
> ♣ the second when the benefits are paid • the regulations will be retrospective to 1 April 2014.

We expect MHCLG to issue a full response to the consultation and to publish draft regulations later this year.

DWP -Consultation on pension scams

On 14 May 2021, the DWP launched a consultation on pension scams: empowering trustees and protecting members. The consultation proposes new requirements on trustees and scheme managers before a pension transfer can be completed. The consultation document can be found at https://www.lgpsregs.org/landscape/consultations.php

The Queen's Speech

The Government's legislative programme was laid out in the Queen's Speech delivered on 11 May 2021.

The Government announced:

• A Public Service Pensions and Judicial Offices Bill that will introduce amendments to incorporate the McCloud judgment into public service pension schemes including the LGPS, and

• A Boycotts, Divestment and Sanctions Bill which aims to stop public bodies imposing their own views about international relations by preventing boycott, divestments or sanctions against foreign countries.

Direction on GMP indexation

The Government has decided to discount conversion as a long-term policy solution and make the interim solution the permanent solution for indexing guaranteed minimum pensions (GMPs) in public service pension schemes. HMT has updated their direction under section 59A of the Social Security Pensions Act 1975, implementing the decision. The updated direction commenced on 6 April 2021 and applies in England, Scotland and Wales.

Prudential

Prudential has announced that they will be updating their brand with a fresh new look and feel (including a new logo). This will include updating their websites, social media, brochures, letters and emails. Prudential has said that the brand update will have no impact on either their contact details or login details to their online services.

Covid-19

XPS update

Following easing of lockdown restrictions, we have seen an increase in staff returning to the office. XPS have released a new working model called "My XPS, My Choice" which will trial from August 2021 whereby staff can decide if they want to be office based, home based, or work flexibly between the two. Due to the requirements of the Teesside Pension Fund contract, there will always be a member of the Local Government team in the office to take queries from walk in members.

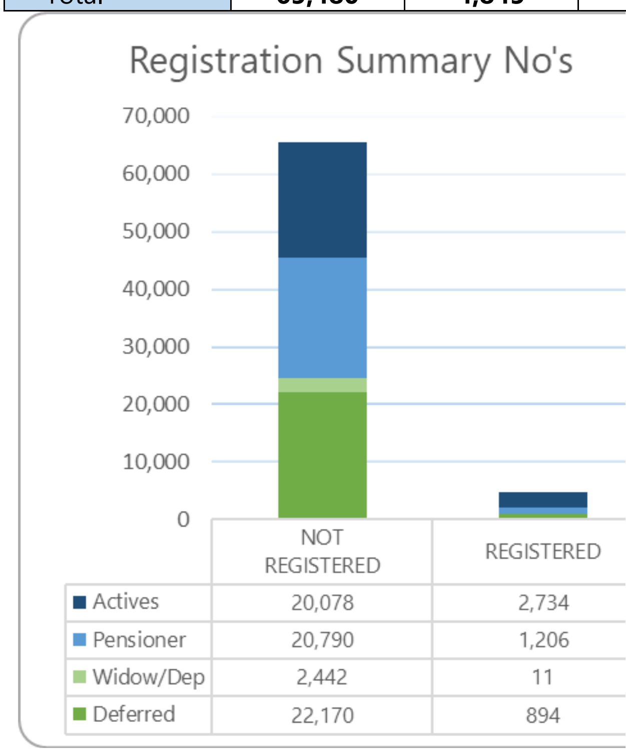
Membership Movement

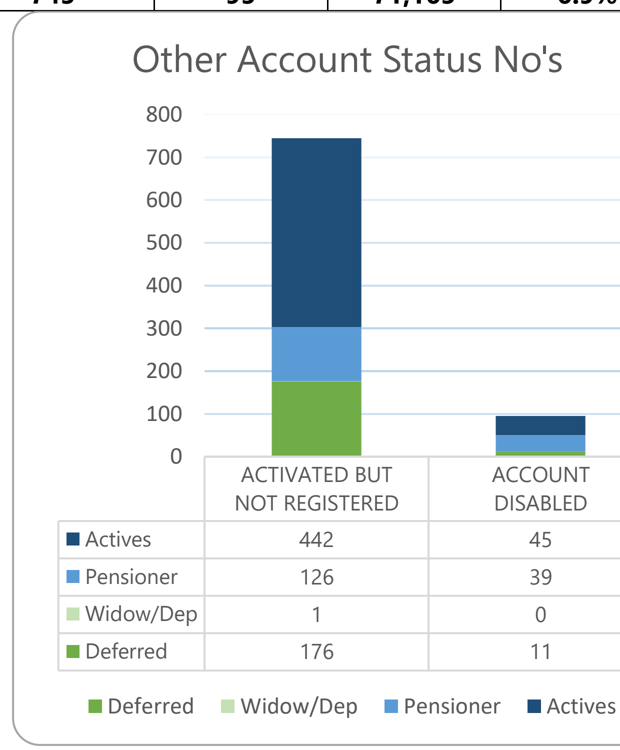
	Actives		Deferred		Pensioner		Widow/Dependent	
Q4 2020/21	23,332	▲	25,703	▼	22,100	▲	3,191	▲
Q3 2020/21	23,199	▲	25,713	▼	21,971	▲	3,182	▲
Q2 2020/21	23,018	▼	25,936	▼	21,763	▲	3,134	▲
Q1 2020/21	23,243	▲	25,958	▲	21,538	▲	3,101	▼
Q4 2019/20	22,997	▼	25,799	▼	21,521	▲	3,114	▲
Q3 2019/20	23,123	▲	25,948	▼	21,355	▲	3,093	▲

Member Self Service

Below is an overview on the activity and registration of the Member Self Service System:

	NOT REGISTERED	**REGISTERED**	**ACTIVATED BUT NOT REGISTERED**	**ACCOUNT DISABLED**	**TOTAL**	**% Uptake**
Actives	20,078	2,734	442	45	**23,299**	**11.9%**
Deferred	22,170	894	176	11	**23,251**	**3.9%**
Pensioner	20,790	1,206	126	39	**22,161**	**5.6%**
Widow/Dep	2,442	11	1	0	**2,454**	**0.4%**
Total	**65,480**	**4,845**	**745**	**95**	**71,165**	**6.9%**



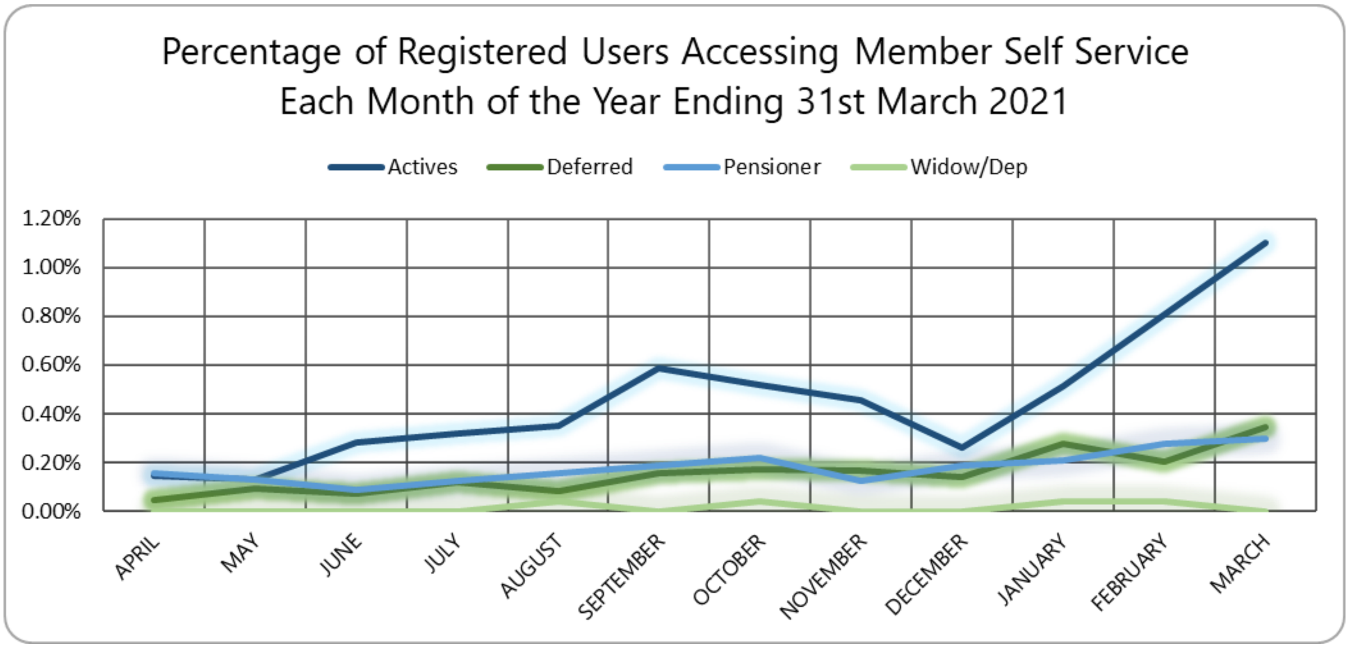


		APRIL		MAY		JUNE	
QUARTER 1	Actives	34	0.15%	30	0.13%	66	0.28%
	Deferred	10	0.04%	22	0.09%	17	0.07%
	Pensioner	34	0.15%	29	0.13%	19	0.09%
	Widow/Dep	-	-	-	-	-	-
	Total	**78**		**81**		**102**	

		JULY		AUGUST		SEPTEMBER	
QUARTER 2	Actives	74	0.32%	82	0.35%	137	0.59%
	Deferred	27	0.12%	19	0.08%	36	0.15%
	Pensioner	27	0.12%	35	0.16%	42	0.19%
	Widow/Dep	-	-	1	0.04%	-	-
	Total	**128**		**137**		**215**	

		OCTOBER		NOVEMBER		DECEMBER	
QUARTER 3	Actives	121	0.52%	106	0.45%	61	0.26%
	Deferred	40	0.17%	38	0.16%	33	0.14%
	Pensioner	48	0.22%	28	0.13%	41	0.19%
	Widow/Dep	1	0.04%	-	-	-	-
	Total	**210**		**172**		**135**	

		JANUARY		FEBRUARY		MARCH	
QUARTER 4	Actives	119	0.51%	188	0.81%	257	1.10%
	Deferred	64	0.28%	47	0.20%	80	0.34%
	Pensioner	46	0.21%	61	0.28%	66	0.30%
	Widow/Dep	1	0.04%	1	0.04%	-	-
	Total	**230**		**297**		**403**	



Additional Work

Guaranteed Minimum Pension reconciliation exercise

Work continues on this project, with expectation being Stage 2 will be complete by end of May. We will then move on to Rectification Stage 1 which will highlight those cases that need recalculating.

Complaints

Type of complaint	Date received	Date responded

Internal Dispute Resolution Process

For the 3 months to 31st March 2021 there are two known IDRP cases:

- Relates to a misquote of benefits for a member with multiple employments – Stage One appeal with the Scheme Employer.
- Relates to a 2nd stage appeal which has been partially upheld. The correct benefits are being paid, however, a suggestion has been made to offer compensation. The Scheme Member appears unhappy with this and will approach the pensions ombudsman.

Pensions Ombudsman

For the 3 months to 31st March 2021 there are no known cases passed for consideration to, nor a ruling by, the Pensions Ombudsman. We are expecting a ruling shortly on an ongoing case which relates to the backdating of ill health benefits.

High Court Ruling

For the 3 months to 31st March 2021 there are no known cases.

Common Data

Data Item	Teesside Pension Fund Max Population	Total Fails	% OK	Prev %	
NINo	74,742	140	99.81%	99.80%	107 dependents
Surname	74,742	0	100.00%	100.00%	
Forename / Inits	74,742	0	100.00%	100.00%	
Sex	74,742	0	100.00%	100.00%	
Title	74,742	52	99.93%	99.96%	
DoB Present	74,742	0	100.00%	100.00%	
Dob Consistent	74,742	0	100.00%	100.00%	
DJS	74,742	0	100.00%	100.00%	
Status	74,742	0	100.00%	100.00%	
Last Status Event	74,742	652	99.13%	99.27%	
Status Date	74,742	1,349	98.20%	98.62%	
No Address	74,742	349	99.53%	99.53%	
No Postcode	74,742	467	99.38%	99.37%	
Address (All)	74,742	4,104	94.51%	94.61%	
Postcode (All)	74,742	4,115	94.49%	94.61%	
Common Data Score	**74,742**	**2,597**	**96.53%**	**97.07%**	
Members with Multiple Fails	**74,742**	**396**	**99.47%**	**99.50%**	

Conditional Data

XPS Administration, Middlesbrough are working on a method to report Conditional Data. Discussions are ongoing with Aquila Heywood on a cost for this reporting function along with investigation on whether this can be achieved internally. This follows the issuance by SAB of 22 data fields that should be reported on.

An overview of the Conditional (Scheme Specific) Data for the Teesside Pension Fund:

Scheme	Member Total	Errors from tests carried out	%age accuracy based on tests carried out
TPF (inc GMP)	68,296	9,151	86.60
TPF (exc GMP)	68,296	1,197	98.25

These scores come from the following tests. Only those tests shown in yellow have been reported on; the other reports will be developed and added to results in future reports.

Report	Report Description	Test 1	Test 2	Test 3	Member Totals	Errors	%
1.1.1	Divorce Details						
1.1.2	Transfers in	Date the transfer in was received is present on record	Ensure the transfer value on record isn't blank	N/A	45,183	65	99.86
1.1.3	Additional Voluntary Contribution (AVC) Details and other additional benefits						
1.1.4	Total Original Deferred Benefit						
1.1.5	Tranches of Original Deferred Benefit						
1.1.6	Total Gross Pension						
1.1.7	Tranches of Pension						
1.1.8	Total Gross Dependant Pension						
1.1.9	Tranches of Dependant Pension						
1.2.1	Date of Leaving	Date of Leaving Blank	Date joined blank or <01/01/1900	Date joined later than Date of Leaving	4,164	43	98.97
1.2.2	Date Joined scheme	Check all Key Dates are present and later than 01/01/1900	N/A	N/A	68,296	11	99.98
1.2.3	Employer Details	Employer Code present	N/A	N/A			

<table>
<tr><td>1.2.4</td><td>Salary</td><td>Pay not within 12 months</td><td>N/A</td><td>N/A</td><td>46,338</td><td>1,078</td><td>97.67</td></tr>
<tr><td>1.3.1</td><td>CARE Data</td><td>CARE Missing on relevant records</td><td>N/A</td><td>N/A</td><td></td><td></td><td></td></tr>
<tr><td>1.3.2</td><td>CARE Revaluation</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>1.4.1</td><td>Benefit Crystallisation Event (BCE) 2 and 6</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>1.4.2</td><td>Lifetime allowance</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>1.4.3</td><td>Annual allowance</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>1.5.1</td><td>Date Contracted Out</td><td>Date Contracted Out missing</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>1.5.1</td><td>NI contributions and earnings history</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>1.5.2</td><td>Pre-88 GMP</td><td></td><td></td><td></td><td rowspan="2">24,400</td><td rowspan="2">7,954</td><td rowspan="2">67.40</td></tr>
<tr><td>1.5.3</td><td>Post-88 GMP</td><td></td><td></td><td></td></tr>
</table>

Customer Service

Since December 2016, XPS Administration, Middlesbrough have included a customer satisfaction survey with the retirement options documentation.

A summary of the main points are as follows:

Issued	Returned	%
15,867	3,055	19.25

Question	Previous Response*	Current Response*
1. It was easy to see what benefits were available to me	4.26	4.27
2. The information provided was clear and easy to understand	4.19	4.19
3. Overall, the Pensions Unit provides a good service	4.29	4.29
4. The retirement process is straight forward	4.03	4.03
5. My query was answered promptly	4.45	4.45
6. The response I received was easy to understand	4.43	4.44
7. Do you feel you know enough about your employers retirement process	76.46%	76.51%
8. Please provide any reasons for your scores (from 18/05/17)		
9. What one thing could improve our service		
10. Did you know about the www.teespen.org.uk website? (from 18/05/17)	47.27%	47.53%
11. Did you use the website to research the retirement process? (from 18/05/17)	27.24%	27.40%
12. Have you heard of Member Self Service (MSS)? (from 18/05/17)	23.75%	23.80%

*scoring is out 5, with 5 being strongly agree and 1 being strongly disagree

Service Development

Following the agreement of the Pensions Committee to fund enhancements to the Pensions Administration Services at their meeting of 7th March 2018, XPS Administration, Middlesbrough has looked to recruit into the roles required to provide this enhanced service.

Additional funds were only drawn down when roles were filled to undertake the additional services. This has so far led to:

Initial Planning

To help with the creation of the teams that will assist with the additional services two new posts were created to covering Governance & Communications plus Systems & Payroll. These were filled by Paul Mudd and Neale Watson respectively on 11th July 2018. Their roles were then to look at how XPS could then provide the agreed services to the Fund.

Employer Liaison

On 1st May 2019, the Employer Liaison team leader was appointed. Quickly followed by an assistant on 24th June 2019.

Since appointment, they have undertaken numerous tasks including Employer training, late contribution monitoring, and data cleansing. They have recently started Employer Health checks, which are now undertaken virtually due to the Covid restrictions.

The team are also working with the actuary to provide relevant and timely information.

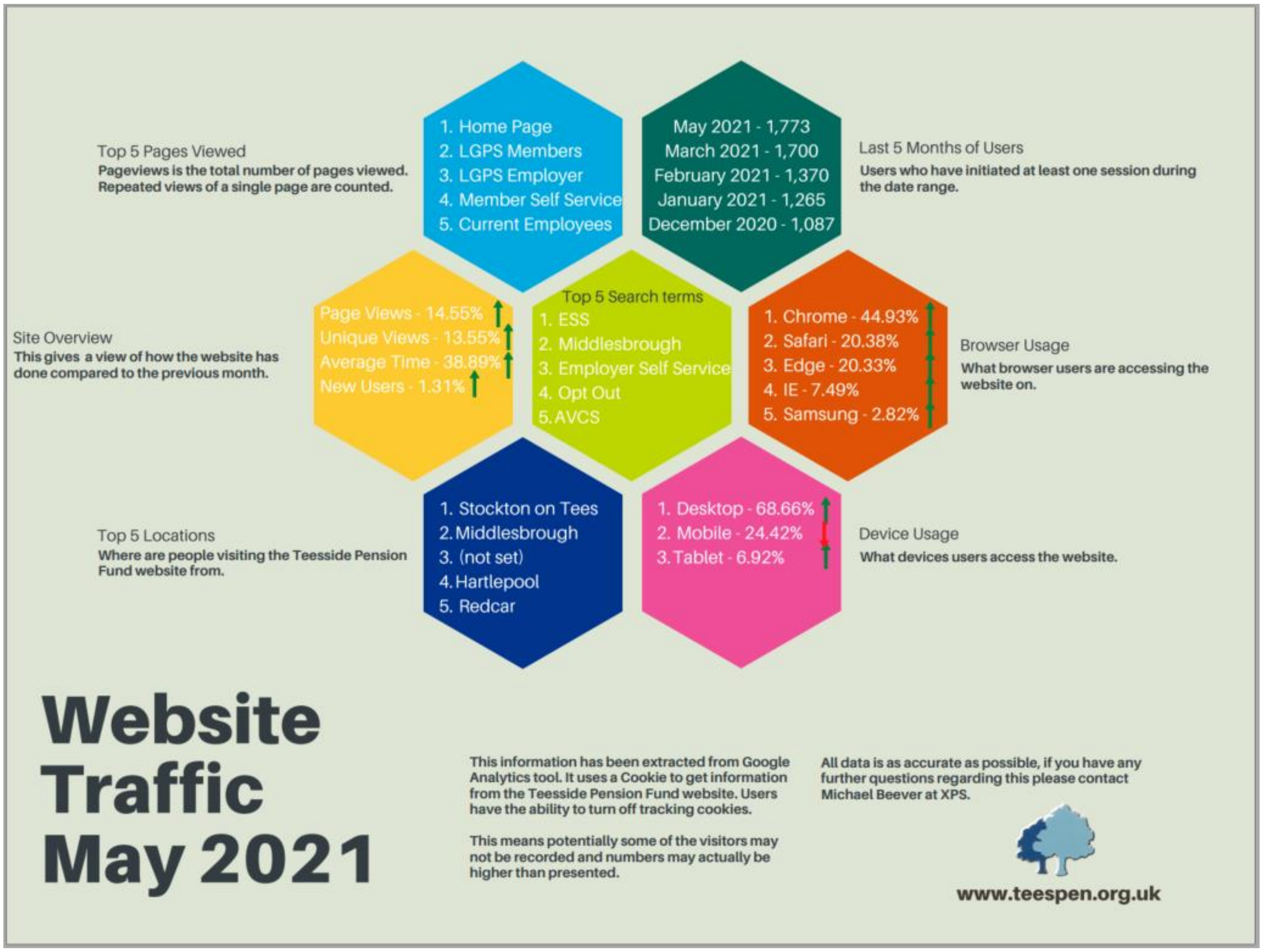
Next steps will be to work with the Fund to determine how to undertake employer covenant and introducing the monthly contribution process across all employers.

Communications

The new website was launched to Scheme Members and Employers on the 5th May 2021 and feedback received from both cohorts has been very positive. We are conducting a full feedback review of the site and will share this with the Board.

Underpinning the website is a raft of analytical data which serves to tell us limited information about the audience. This allows us to target news and important items to pages we now know people are viewing and searching for.

Below is an infographic showing a number of measures for the month 5th May 2021 to 4th June 2021:



We can learn a lot from this data and we will of course be trying to increase footfall to the site by strategically linking the site with participating employers.

As well as these above analytics, we are testing the website regularly to prove its structural and technical integrity. This ensures that people see exactly what we want them to see, regardless of what browser or device they use. We are able to test these levels and do so several times per week to ensure the web coding is robust and modern. It all helps with the overall Member and Employer experience and allows web indexation to be that much better. This promotes the website in something like a google search.

Next Steps

XPS are currently reviewing processes to enable a move to monthly contribution postings which should lead to greater efficiencies, and more up to date information on member records. It is expected that this will occur during the 2021/22 financial year. Since March 2018, the plan has changed from the recruitment of two additional members of staff to use a piece of software that will provide an auditable process that will allow employers to upload member data directly to records. This will help ensure starters, leavers and variations are provided in a timely manner and current data is held to speed up the calculation process.

The next steps will include the procurement of the additional software and the recruitment of at least one further member of staff to assist with the processing of the data.

Performance

Following discussions with both the Pension Board and Committee, XPS Administration are investigating a way to report the time between a member being entitled to a benefit and it being finalized (e.g. time between date of leaving and deferred benefit statement being issued or pension being brought into payment).

XPS Administration are therefore investigating whether sufficient reporting tools already exist within the pension administration system or whether bespoke reports are required to be developed (either internally or via the administration software providers).

The Pension Committee will be kept updated on the progress to provide this information.

Employer Liaison

Employers & Members

Employer Health Checks have continued as well as some face to face employer training which has been extremely well received and a lovely easing back into a normal way of life. With restrictions easing we are keen to get back out and about and already the enquiries on delivering member awareness sessions and employer training have increased, I believe this is due to the pandemic and members reassessing options in relation to their pension and retirement.

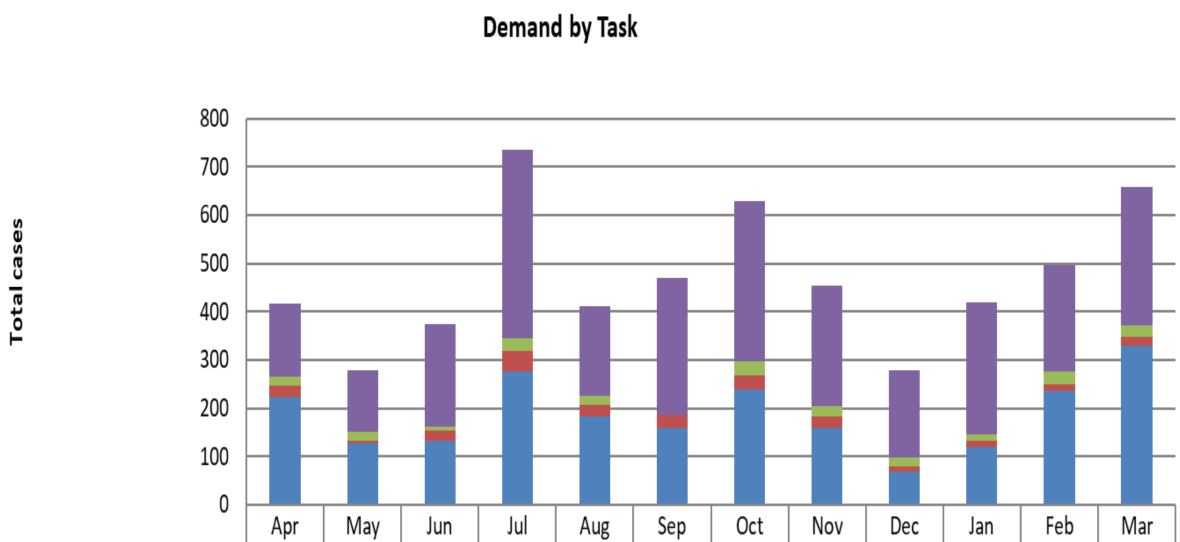
Late Payments

Date	Late Payments	Expected Payments	% Late	<10 Days Late	>10 Days Late
Apr-20	4	151	3.00%	0	4
May-20	3	151	2.00%	0	3
Jun-20	2	151	1.00%	1	1
Jul-20	6	150	4.00%	6	0
Aug-20	9	150	6.00%	0	9
Sep-20	8	149	5.00%	3	5
Oct-20	3	149	2.00%	3	0
Nov-20	3	149	2.00%	3	0
Dec-20	2	149	1.00%	0	2
Jan-21	2	149	1.00%	2	0
Feb-21	4	149	3.00%	0	4
Mar-21	3	149	2.00%	1	2
Apr-21	8	148	5.00%	7	1

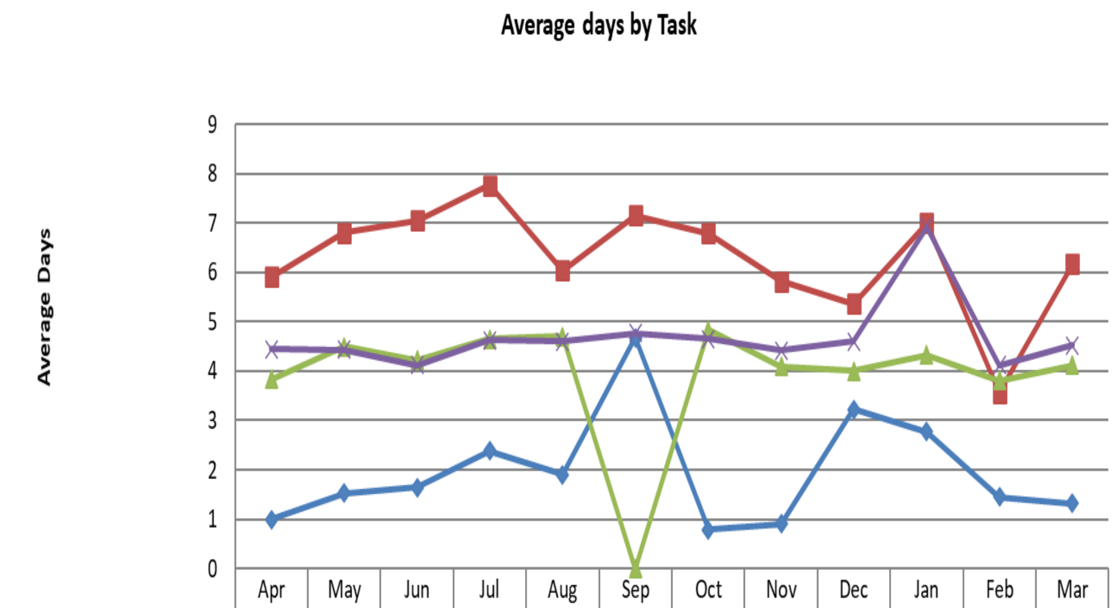
April 21 late payments are due to not receiving the sheets … we now have a very good system with accounts and hope the numbers go down for May onwards. We continue to work closely with the regular late employers.

Performance Charts

Overall Demand



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Estimates & Deferreds	151	128	213	392	186	285	331	248	181	272	220	287
Refunds	19	18	9	26	20		29	23	17	15	27	25
Transfer Values	24	5	21	43	23	26	29	23	11	14	14	18
Processing new entrants	222	128	132	275	183	159	239	159	69	118	235	329



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Processing new entrants	1	2	2	2	2	5	1	1	3	3	1	1
Transfer Values	6	7	7	8	6	7	7	6	5	7	4	6
Refunds	4	5	4	5	5	0	5	4	4	4	4	4
Estimates	4	4	4	5	5	5	5	4	5	7	4	5

The following charts show performance against individual service level requirements.

April 2020

Standard Reference No.	KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
F64	All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	99.55%	1.00	222	1	222	221
F65	Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	24	0	24	24
F67	Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	19	0	19	19
F68 & F72	Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	151	0	151	151
F78	Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
F83	Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
F86	Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
F87	Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
F88	All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

May 2020

Standard Reference No.	KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
F64	All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.53	128	0	128	128
F65	Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	5	0	5	5
F67	Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	18	0	18	18
F68 & F72	Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	128	0	128	128
F78	Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
F83	Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
F86	Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
F87	Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
F88	All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

June 2020

Standard Reference No.	KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
F64	All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.64	132	0	132	132
F65	Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	21	0	21	21
F67	Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	9	0	9	9
F68 & F72	Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	213	0	213	213
F78	Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
F83	Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
F86	Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
F87	Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
F88	All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

July 2020

Standard Reference No.	KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
F64	All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.39	275	0	275	275
F65	Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	8	43	0	43	43
F67	Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	26	0	26	26
F68 & F72	Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	392	0	392	392
F78	Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
F83	Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
F86	Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
F87	Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
F88	All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

August 2020

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.90	183	0	183	183
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	23	0	23	23
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	20	0	20	20
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	186	0	186	186
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

September 2020

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	4.68	159	5	159	159
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	26	0	26	26
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	0%	#DIV/0!	0	0	0	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	0.0%	5	285	0	285	285
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

October 2020

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	0.79	239	0	239	239
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	29	0	29	29
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	29	0	29	29
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	331	0	331	331
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

November 2020

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	0.91	159	0	159	159
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	23	0	23	23
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	23	0	23	23
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	248	0	248	248
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

December 2020

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	3.23	69	0	69	69
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	5	11	0	11	11
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	17	0	17	17
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	181	0	181	181
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

January 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.77	118	0	118	118
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	14	0	14	14
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	15	0	15	15
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	7	272	0	272	272
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

February 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.45	235	0	235	235
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	4	14	0	14	14
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	27	0	27	27
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	220	0	220	220
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

March 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.32	329	0	329	329
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	18	0	18	18
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	25	0	25	25
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	287	0	287	287
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A		
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A		
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A		
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A		
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A		

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Agenda Item 15

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