

## TEESSIDE PENSION FUND COMMITTEE

<b>Date:</b> Wednesday 16th March, 2022
<b>Time:</b> 11.00 am
<b>Venue:</b> Council Chamber

### AGENDA

1. Apologies for Absence
2. Declarations of Interest  
To receive any declarations of interest.
3. Minutes - Teesside Pension Fund Committee - 15 December 2021 3 - 10
4. Investment Activity Report 11 - 38
5. External Managers' Reports 39 - 108
6. Presentation from the Fund Actuary 109 - 128
7. Pension Fund Business Plan 2021-22 129 - 176
8. Current Issues 177 - 196
9. Investment Advisors' Reports 197 - 204
10. CBRE Property Report 205 - 212
11. XPS Pensions Administration Report 213 - 242

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|-----|--|-----------|
| 12. | Breaches Log   | 243 - 260 |
| 13. | Any other urgent items which in the opinion of the Chair, can be considered  |           |
| 14. | Exclusion of Press and Public  |           |
|     | To consider passing a Resolution Pursuant to Section 100A (4) Part 1 of the Local Government Act 1972 excluding the press and public from the meeting during consideration of the following items on the grounds that if present there would be disclosure to them of exempt information falling within 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. |           |
| 15. | Presentation from Border to Coast's CEO  | 261 - 278 |
| 16. | Border to Coast ESG Reports  | 279 - 290 |
| 17. | Local Investments Update   | 291 - 298 |

Charlotte Benjamin  
Director of Legal and Governance Services

Town Hall  
Middlesbrough  
Tuesday 8 March 2022

#### MEMBERSHIP

Councillors D Coupe (Chair), E Polano (Vice-Chair), J Beall, A Bell, R Creevy, Ms J Flaws, Mr B Foulger, T Furness, J Hobson, G Nightingale, J Rostron, M Storey, S Walker, G Wilson and Mr 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](mailto:susan_lightwing@middlesbrough.gov.uk)**

**TEESSIDE PENSION FUND COMMITTEE**

A meeting of the Teesside Pension Fund Committee was held on Wednesday 15 December 2021.

**PRESENT:** Councillors D Coupe (Chair), J Beall, (Stockton On Tees Borough Council), R Creevy, (Hartlepool Borough Council), T Furness, J Hobson, J Rostron, M Storey and S Walker  
J Flaws (Other Employers Representative), B Foulger (GMB Representative) and T Watson (UNISON Representative)

**ALSO IN ATTENDANCE:** W Bourne (Independent Adviser), P Moon (Independent Adviser), P Mudd (XPS Administration)  
A Owen (CBRE), A Peacock (CBRE)  
A Stone (Border to Coast Pension Partnership)

**OFFICERS:** S Bonner, W Brown, S Lightwing, J McNally, N Orton, S Smithyman and I Wright

**APOLOGIES FOR ABSENCE:** were submitted on behalf of Councillors A Bell, E Polano, G Nightingale and G Wilson

21/29 **WELCOME**

The Chair welcomed all present to the meeting.

21/30 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/Nature of Interest
Councillor J Beall	Non pecuniary	Member of Teesside Pension Fund
Councillor R Creevy	Non pecuniary	Member of Teesside Pension Fund
B Foulger	Non pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non pecuniary	Member of Teesside Pension Fund
Councillor M Storey	Non pecuniary	Member of Teesside Pension Fund

21/31 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 8 OCTOBER 2021**

The minutes of the meeting of the Teesside Pension Fund Committee held on 8 October 2021 were taken as read and approved as a correct record.

21/32 **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 Fund had no investments in Bonds currently.

At the June 2018 Committee it was agreed that a maximum level of 20% of the Fund would be held in cash. Cash levels at the end of March 2021 were 11.03%. 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, £63.9 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 July 2021 to 30 September 2021. There were net sales of £100.8 million in the period, this compared to net sales of £76.6 million in the previous reporting period.

As at 31 December 2020, the Fund had £534.7 million invested with approved counterparties. This was a decrease of £144.9 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 30 September 2021, including cash, was £4,871 million, compared with the last reported valuation as at 30 June 2021, of £4,705 million.

It was noted that the cash currently held amounted to 11% of the Fund total.

A summary analysis of the valuation showed the Fund's percentage weightings in the various asset classes as at 30 September 2021 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, local investments and alternatives were included in paragraph 8 of the submitted report.

To date the Fund had agreed 3 Local Investments:

- GB Bank – Initial agreement of a £20m investment, this has been called in full. A further investment was agreed at the June 2021 Committee, dependent on the bank meeting agreed criteria.
- Ethical Housing Company - £5m investment of which £361k had been called.
- Waste Knot - £10m investment agreed at the June 2021 Committee.

**ORDERED** that the report was received and noted.

21/33

## **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 and the Border to Coast Overseas Developed Markets Equity Fund. For both sub funds the return target was an annual amount, expected to be delivered over rolling three year periods, before calculation of the management fee.

The Fund also had 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 2020/2021, in addition to £100 million commitments to each sub-fund in 2019/2020. These investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report.

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

proportions invested in each region as at 30 September 2021.

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

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

The Head of Pensions Governance and Investments commented that he had no concerns in relation to current the Fund's investments.

**ORDERED** that the report was received and noted.

21/34

### **BORDER TO COAST UPDATE**

A report was presented which provided an update on the following:

- Progress at Border to Coast.
- Existing Investments:
  - UK Listed Equity Fund.
  - Overseas Developed Markets Equity Fund.
  - Emerging Markets Equity Fund.
  - Alternatives.
- Responsible Investment Policies.

In relation to emerging markets, it was suggested that China would be a huge growth story and become its own region in terms of separate investment.

In relation to the cautious approach to the developed market funds, it was queried why the UK Fund was under performing but the Overseas Fund was out performing. At a high level the UK Fund was one Fund run by a couple of Fund Managers. This particular approach had been taken partly in light of Brexit. The Overseas Fund was four individual regional sleeves run by different Managers that were run with a slightly more aggressive approach and not all low risk. BCP Funds had a similar approach for internal management which was quality driven and focused on companies that had robust balance sheets.

**ORDERED** that the information provided was received and noted.

21/35

### **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. It was highlighted that economic growth was slowing down quickly with the US and Europe below trend growth, China almost zero growth in the last quarter and Japan falling by 3% in the last twelve months. Inflation was up 7% in the US and 5% in the UK. The Fund still had quite a high weighting in Equities and continuing to diversify was the most appropriate action for the Fund, although it was acknowledged this would take time.

There were not a lot of opportunities at the current time to invest the Fund's cash and one Adviser commented that he hoped the investments in infrastructure, private equity markets and alternatives, would be drawn down at a faster rate than they had been to date.

**ORDERED** that the information provided was received and noted.

**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.

Since the last Committee meeting, buyers were still keen to acquire property in logistics, retail and offices. Logistics were at an all-time high in terms of what people were prepared to pay and yields were down about three and a quarter percent, which was unheard of. Offices remained in a state of dormancy because of the covid-19 pandemic and people being asked to work from home again.

The retail market had fractured into different parts with supermarkets are going very strongly in terms of demand because of their characteristics: good covenants, long leases, and often with inflation linked kickers along the way. Investors liked that income stream so they were trading very well. Retail warehousing had also come back into favour and values had come in by about 150 bases points over the last six months. This had overcorrected in the downturn and had bounced back.

The High St remained out of favour with the exception of the very best properties, for example in market towns. Unfortunately the lot sizes were very small and could not be justified in terms of investing for the Fund. Overall, investors were only buying the best assets and because they were relatively hard to come by, prices were rising.

The Advisor commented that the prime logistics market was unsustainable in terms of the deals being made now because investors would be relying on high rental growth in the future. It was very uncertain and rents would need to double to justify the yields. Tenants would start to have the ability to hold back rents which would impact the overall return.

There were no purchases or sales during the latest quarter due to the current economic climate. However, CBRE continued to seek opportunities.

CBRE had acted as Adviser on a real estate loan for the Fund. Although this would not sit in the portfolio it provided an opportunity to diversify and spend some cash. The loan was £20 million on a four year term to the existing owner of a high quality, fully-let retail park and replaced an existing debt facility.

Steady progress was being made on asset management and the tenant at Harrow Green had now indicated their willingness to renew their lease, subject to some alterations included the installation of a security fence around the premises.

At the time the report was written, the collectable arrears were just under £1.9 million. That figure had reduced by 30% as at today to £1.349 million as of today. This was the lowest it had been for the last three or four reports to Committee.

A summary of the top eight tenants with the greatest arrears was included in the submitted report and several of those had now paid in full.

**ORDERED** that the information provided was received and noted.

**RISK REGISTER REVIEW**

The Head of Pensions Governance and Investments presented a report to advise the Committee of an additional risk that had been added to the Pension Fund Risk Register and also to provide Members with an opportunity to review the Risk Register

The Pension Fund's Risk Register was an attempt to document the various investment, funding, governance, administration, demographic, economic and other risks there were that could prevent or make it harder for the Fund to achieve its long term objectives. The Pension Fund Committee was presented with a copy of the Risk Register at its March meeting each year as part of the Pension Fund's Business Plan and the Board reviewed this each year as part of its April meeting.

When the Fund's Funding Strategy Statement was updated in June this year, an additional risk was added in relation to climate change and the impact that could have on the Fund's

assets and liabilities. This risk had now been formally included within the Fund's Risk Register, an updated copy of which was attached at Appendix A to the submitted report.

Climate change had the potential to have wide-ranging impacts on all aspects of human society, including economies, trade, the value of companies and all classes of financial assets. As such, it was sensible to include it as a separate stand-alone risk instead of allowing it to be covered by existing risks like "Global Financial Instability" or "Investment Class Failure".

The full description of the climate change risk was as follows:

"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 took climate change into account in relation to its investments was set out in its Investment Strategy Statement and Responsible Investment Policy. In relation to the funding implications, the administering authority kept the effect of climate change on future returns and demographic experience, for example longevity, under review and would commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.

Likely sources and risk triggers were: Global climate change, the financial impact of both the change, and the policies implemented to tackle the change.

Potential impacts and consequences of this risk were: Significant changes to valuations of assets and asset classes. Potential for some assets owned by companies to become effectively worthless 'stranded assets', significantly impacting company valuations. Opportunities would also arise, for example in respect of sectors seen as positively contributing to the transition to a low carbon economy.

The Risk Register would continue to be presented to the Committee and Board at least on an annual basis. In relation to climate change risk, the Fund will continue to work with its advisers and investment managers (including Border to Coast) in order to better understand its exposure to this risk, how this could be mitigated and how to take advantage of any opportunities that might arise as global markets increasingly took account of this risk.

**ORDERED** that the information provided was received and noted.

21/38

## **BORDER TO COAST RESPONSIBLE INVESTMENTS AND VOTING POLICIES**

A report of the Director of Finance was presented to advise the Committee of recent changes made by Border to Coast Pensions Partnership Limited to its Responsible Investment Policy and Corporate Governance and Voting Guidelines.

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

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

To allow a practical and consistent approach to pooled investments, Border to Coast developed a Responsible Investment Policy and a Corporate Governance and Voting Guidelines document for all its Partner Funds to approve, that applied across all the investments it held on their behalf. These documents were subject to annual review.

A copy of a stand-alone Climate Change Policy was attached at Appendix A to the submitted report, as previously agreed. One significant aspect of the Climate Change Policy was that it included specific exclusions eg companies that Border to Coast would not invest in.

Copies of the Responsible Investment Policy and Corporate Governance and Voting Guidelines were attached at Appendices B and C to the submitted report.

Amendments to the Responsible Investment Policy included: wording on diversity and diversity of thought and on climate change since there was now a separate policy, the inclusion of Real Estate as an asset class, and information about four new engagement themes.

A request was made that Border to Coast give due consideration to the exclusion of companies producing tobacco in future annual reviews of their Responsible Investment Policy.

**ORDERED** that the revised Border to Coast Responsible Investment Policy and Corporate Governance and Voting Guidelines were approved.

21/39

## **GOVERNANCE POLICIES REVIEW**

A report of the Director of Finance was presented to provide Members with updated versions of a number of governance policies for comment and/or noting as appropriate. Some policy updates would be circulated to Pension Fund Employers for further comment.

Most of the Pension Fund's governance policies were required to be formally updated every three years. This review was overdue for some policies, mainly as an overarching review of Local Government Pension Scheme (LGPS) governance had been expected for over a year now, as a follow-on from work carried out on behalf of the Scheme Advisory Board. Since there was still no certainty of when the expected revised regulations or guidance on LGPS governance would appear, and as internal audit had recommended the Fund should update the existing governance documents, the following documents had been reviewed and updated based on the existing regulations and guidance:

- Governance Policy and Compliance Statement
- Training Policy
- Conflict of Interest Policy
- Risk Management Policy
- Procedures for Reporting Breaches of Law
- Communication Policy
- Pension Administration Strategy and Charging Policy
- Fund Officers' Scheme of Delegation

Copies of the documents were attached at Appendices A to H of the submitted report. Most of the changes made were minor and cosmetic, with the exception of the Pensions Administration Strategy which had been substantially rewritten to make it a shorter, more usable document. Significantly, the Pensions Administration Strategy now also included a Charging Policy, setting out a range of possible charges that employers could incur if they failed to comply with requirements in the Pensions Administration Strategy and Charging Policy. The Charging Policy had been introduced following an internal audit recommendation. The intention was only to levy these charges as a last resort - the Fund and its administrator would always seek to work with employers to help them fulfil data exchange and other requirements.

The Head of Pensions Governance and Investments confirmed that the Pensions Administration Strategy and Charging Policy would be sent to employers for consultation and brought back to the Committee for approval, should substantive changes be made following that consultation. The other governance policies would take immediate effect, subject to any comments from the Committee.

**ORDERED** as follows that:

1. The following policies were approved and adopted: Governance Policy and Compliance Statement, Training Policy, Conflict of Interest Policy, Risk Management Policy, Procedures for Reporting Breaches of Law, Communication Policy, Fund Officers' Scheme of Delegation.
2. The Pension Administration Strategy and Charging Policy was approved and adopted, subject to there being no substantive changes following consultation on the policy with employers.



21/40 **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:
  - Potential increase to normal minimum retirement age from 55 to 57.
  - Pensions Guidance Consultation.
  - Scheme Return.
- Membership Movement.
- Member Self-Service.
- Complaints.
- Common Data.
- Conditional Data.
- Customer Service.
- Service Development
- Performance.
- Employer Liaison.

In relation to the Annual Benefits Statements, it was noted that the statutory deadline was not met for issue of 1536 statements and this was a breach of regulations. The Head of Pensions Governance and Investments confirmed that he was awaiting a formal update from XPS and would ensure that the policy for reporting breaches would be followed once all the relevant information was made available.

It was highlighted that the numbers for quarter two on the Membership Movement Chart were the same as for quarter one, which seemed unlikely. It was confirmed that this would be checked.

**ORDERED** that the information provided was received and noted.

21/41 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

21/42 **EXCLUSION OF PRESS AND PUBLIC**

**ORDERED** that the press and public be excluded from the meeting for the following items on the grounds that, if present, there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

21/43 **BORDER TO COAST ESG REPORTS**

A report was presented to provide Members of the Committee with Border to Coast's Environmental Social and Governance (ESG) reports for the quarter ending 30 September 2021 in relation to the three listed equity sub-funds the Pension Fund invested in.

**ORDERED** that the information provided was received and noted.

21/44 **PROCUREMENT OUTCOME**

A report was presented to advise Members of the outcome of a procurement process to appoint the Pension Fund Actuary.

**ORDERED** that the information provided was received and noted.



## TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 4

### PENSION FUND COMMITTEE REPORT

16 MARCH 2022

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 October – December 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.

The Fund has no investments in Bonds at this time.

- 4.2 At the June 2018 Committee it was agreed that, a maximum level of 20% of the Fund would be held in cash – cash levels at the end of December 2021 were 11.23%. 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 purchases or sales were made in the period.

- 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 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 £87.2m 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 October 2021 – 31 December 2021

- 5.2 There were net sales of £60.3m in the period, this compares to net sales of £100.8m 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 30 December 2021, the Fund had £565.2 million invested with approved counterparties. This is an increase of £30.5 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 December 2021, and is prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, is **£5,040 million**. The detailed valuation attached as Appendix C is also available on the Fund's website [www.teespen.org.uk](http://www.teespen.org.uk). This compares with the last reported valuation, as at 30 September of **£4,871 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 December 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
<b>GROWTH ASSETS</b>	<b>75%</b>	<b>78%</b>
UK Equities	10%	12%
Overseas Equities	45%	53%
Property	10%	7%
Private Equity	5%	3%
Other Alternatives	5%	3%
<b>PROTECTION ASSETS</b>	<b>25%</b>	<b>22%</b>
Bonds / Other debt / Cash	15%	14%
Infrastructure	10%	8%

### 8.3 EQUITIES

As at the end of December 2021 the Fund's equity weighting was 67.1% compared to 70.9% at the end of September 2021.

A schedule is in place to reduce our investment in equities over the period 1 April 2021– 31 March 2022 by £725m, this figure will be under review throughout the year. In the quarter October - December 2021 we sold £185m, further transactions will be reported at future 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.

Summary of equity returns for the quarter 1 October 2021 – 31 December 2021:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	3.83%	4.20%	-0.37%
BCPP Overseas	5.59%	5.14%	0.45%
BCPP Emerging Market	-1.00%	-1.47%	0.47%
SSGA Pacific	-0.35%	-0.40%	0.05%
SSGA Japan	-4.87%	-4.91%	0.04%
SSGA Europe	5.07%	5.10%	-0.03%
SSGA North America	9.66%	9.56%	0.10%

(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 11.23%. 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 3 Local Investments:

**GB Bank** – Initial agreement of £20m called in full in September 2020.

A further investment was agreed at the June 2021 Committee, dependent on the bank meeting agreed criteria.

An additional £6.5m was paid to the bank in December 2021.

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

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

## 8.7 ALTERNATIVES

The Border to Coast Series 2 Alternative Funds will be live from 1<sup>st</sup> April, we have agreed to commit £150m per year for the next 3 years to the Infrastructure Fund and £100m per year for the next 3 years to the Private Equity Fund.

We will also be committing £100m over the 3 year period to a new Border to Coast Climate Opportunities Fund. This amount may be scaled back due to over-commitments.

As at 28 February 2022 total commitments to private equity, infrastructure, other alternatives and other debt were approaching £1,203m, as follows:

	Total committed	Total Invested
Border to Coast Infrastructure	£200m	£70m
Other Infrastructure Managers	£257m	£149m
Border to Coast Private Equity	£200m	£63m
Other Private Equity Managers	£327m	£168m
Other Alternatives	£144m	£97m
Other Debt	£75m	£49m
<b>Totals</b>	<b>£1,203m</b>	<b>£596m</b>

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

TEL NO.: 01642 729040

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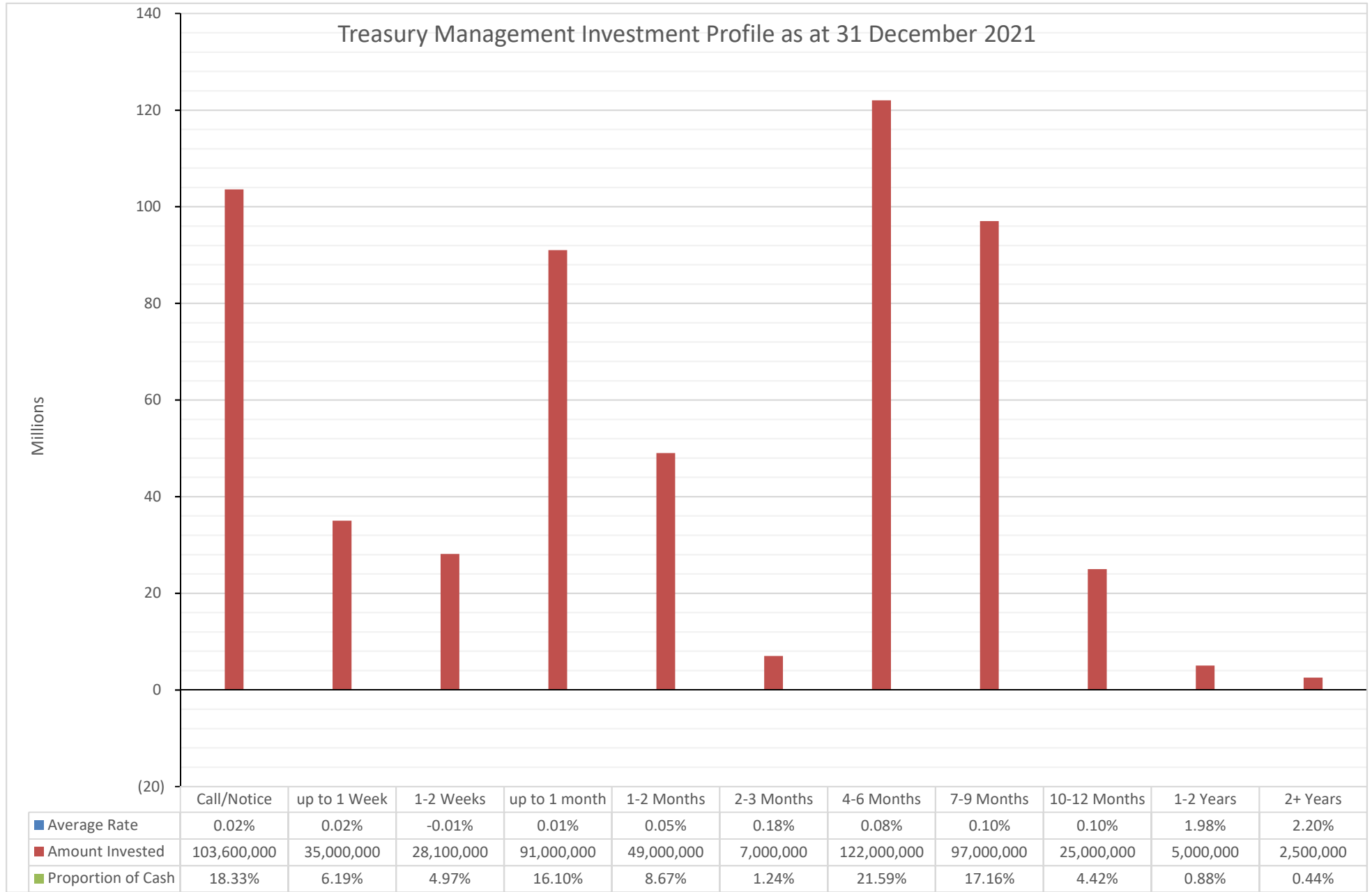
# Appendix A

<u>Bargain Date</u>	<u>Buy / Sell</u>	<u>Stock Name</u>	<u>Country/Category</u>	<u>Sector/Country</u>	<u>Nominal Amount of Shares</u>	<u>Price</u>	<u>CCY</u>	<u>Purchase Cost / Sale Proceeds £</u>	<u>Book Cost of Stock Sold</u>	<u>Profit/ (Loss) on Sale</u>
						(P)		(£)	(£)	(£)
01 October 2021	P	ACIF Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	102,495.53	102,495.53	0.00
01 October 2021	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	227,198.42	227,198.42	0.00
01 October 2021	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	2,663,489.93	2,663,489.93	0.00
01 October 2021	P	Blackrock Renewable Power Infrastructure III	Infrastructure	Infrastructure	~	~	USD	1,036,464.91	1,036,464.91	0.00
05 October 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	343,852.23	343,852.23	0.00
12 October 2021	P	Ancala Infrastructure Fund II LP	Infrastructure	Infrastructure	~	~	EUR	3,122,113.55	3,122,113.55	0.00
14 October 2021	P	ACIF Infrastructure Fund II	Infrastructure	Infrastructure	~	~	EUR	1,297,416.44	1,297,416.44	0.00
15 October 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-119,938.87	-119,938.87	0.00
15 October 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	105,495.57	105,495.57	0.00
15 October 2021	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	1,051,527.56	1,051,527.56	0.00
20 October 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	1,873,730.66	1,873,730.66	0.00
22 October 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	643,903.78	643,903.78	0.00
22 October 2021	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-59,204.08	-59,204.08	0.00
27 October 2021	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-86,874.71	-86,874.71	0.00
27 October 2021	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	172,886.52	172,886.52	0.00
10 November 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	333,372.80	333,372.80	0.00
15 November 2021	P	ACIF Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	1,920,435.35	1,920,435.35	0.00
16 November 2021	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	424,571.34	424,571.34	0.00
22 November 2021	P	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	640,023.23	640,023.23	0.00
25 November 2021	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-27,043.49	-27,043.49	0.00
25 November 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	694,665.05	694,665.05	0.00
26 November 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	810,667.47	810,667.47	0.00
30 November 2021	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	292,326.92	292,326.92	0.00
30 November 2021	P	ACIF Infrastructure LP	Infrastructure	Infrastructure	~	~	EUR	158,398.26	158,398.26	0.00
03 December 2021	P	Gresham House BSI Infrastructure Fund	Infrastructure	Infrastructure	~	~	GBP	5,011,652.36	5,011,652.36	0.00
06 December 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	GBP	1,330,869.00	1,330,869.00	0.00
06 December 2021	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-85,394.22	-85,394.22	0.00
06 December 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	1,158,682.96	1,158,682.96	0.00
07 December 2021	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	GBP	2,941,000.00	2,941,000.00	0.00
07 December 2021	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-1,422,559.19	-1,422,559.19	0.00
07 December 2021	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	554,771.64	554,771.64	0.00
08 December 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	32,315.61	32,315.61	0.00
08 December 2021	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-740.01	-740.01	0.00
08 December 2021	P	Ancala Infrastructure Fund II LP	Infrastructure	Infrastructure	~	~	EUR	2,112,990.32	2,112,990.32	0.00
08 December 2021	S	Ancala Infrastructure Fund II LP	Infrastructure	Infrastructure	~	~	EUR	-172,550.21	-172,550.21	0.00
09 December 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	28,543.43	28,543.43	0.00
09 December 2021	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-512,948.44	-512,948.44	0.00
09 December 2021	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	53,048.82	53,048.82	0.00
10 December 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	659,876.79	659,876.79	0.00
10 December 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	468,532.04	468,532.04	0.00
13 December 2021	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-79,745.55	-79,745.55	0.00
15 December 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	145,511.74	145,511.74	0.00
15 December 2021	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	EUR	-173.79	-173.79	0.00
15 December 2021	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	EUR	87,496.67	87,496.67	0.00
16 December 2021	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	7,352,862.69	7,352,862.69	0.00
20 December 2021	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	5,032,530.59	5,032,530.59	0.00
20 December 2021	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	2,463,604.27	2,463,604.27	0.00
21 December 2021	S	Ancala Infrastructure Fund II LP	Infrastructure	Infrastructure	~	~	EUR	-164,701.92	-164,701.92	0.00
22 December 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	58,828.72	58,828.72	0.00
23 December 2021	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	15,156.86	15,156.86	0.00
23 December 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	44,755.00	44,755.00	0.00

23 December 2021	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-11,794.64	-11,794.64	0.00
29 December 2021	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	471,298.74	471,298.74	0.00
29 December 2021	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-160,452.55	-160,452.55	0.00
								<b>45,035,242.09</b>		
07 December 2021	P	TPF Co-Investment BSI LP - Waste Knot	Infrastructure	Local Investments	~	~	GBP	9,950,000.00	9,950,000.00	0.00
								<b>9,950,000.00</b>		
19 November 2021	P	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	EUR	1,172,681.07	1,172,681.07	0.00
30 November 2021	P	Gresham House BSI Housing Fund LP	Other Alternatives	Other Alternatives	~	~	GBP	3,389,831.00	3,389,831.00	0.00
03 December 2021	S	Pantheon Private Debt PSD II	Other Alternatives	Other Alternatives	~	~	USD	-178,105.01	-178,105.01	0.00
07 December 2021	S	Amedeo Air Four Plus Ltd	Other Alternatives	Other Alternatives	-1,333,333.00	34.55	GBP	-460,666.55	-1,366,666.33	-905,999.78
08 December 2021	S	Hearthstone Residential Fund 2 LP	Other Alternatives	Other Alternatives	~	~	GBP	-641,431.37	-641,431.37	0.00
								<b>3,282,309.14</b>		
19 October 2021	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	3,150.00	3,150.00	0.00
25 October 2021	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	426,687.81	426,687.81	0.00
09 November 2021	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	3,150.00	3,150.00	0.00
24 November 2021	P	Greyhound Retail Park, Chester	Other Debt	Property Debt	~	~	GBP	20,000,000.00	20,000,000.00	0.00
25 November 2021	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	406,250.77	406,250.77	0.00
14 December 2021	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	3,150.00	3,150.00	0.00
17 December 2021	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	336,662.47	336,662.47	0.00
								<b>21,179,051.05</b>		
27 October 2021	S	Border to Coast Overseas Dev Markets Equity Fund	Overseas Equities	Overseas Developed Markets	-20,433,497.32	146.95	GBP	-30,027,024.32	-25,925,760.28	4,101,264.04
27 October 2021	P	Border to Coast Emerging Markets Equity Fund	Overseas Equities	Overseas Developed Markets	24,823,113.61	120.65	GBP	30,000,000.00	30,000,000.00	0.00
01 December 2021	S	Border to Coast Overseas Dev Markets Equity Fund	Overseas Equities	Overseas Developed Markets	-17,040,670.29	146.84	GBP	-25,022,520.26	-21,620,984.71	3,401,535.55
								<b>-25,049,544.58</b>		
05 October 2021	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-76,473.44	-76,473.44	0.00
05 October 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	612,113.44	612,113.44	0.00
06 October 2021	P	Access Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	848,835.11	848,835.11	0.00
13 October 2021	P	Crown Co-Investment Opportunities III	Private Equity	Private Equity	22,800.00	~	USD	1,660,647.31	1,660,647.31	0.00
14 October 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	1,607,490.03	1,607,490.03	0.00
18 October 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	452,289.83	452,289.83	0.00
19 October 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	451,637.56	451,637.56	0.00
19 October 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	790,275.76	790,275.76	0.00
20 October 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	239,606.15	239,606.15	0.00
25 October 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	45,854.44	45,854.44	0.00
26 October 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	508,793.74	508,793.74	0.00
26 October 2021	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	3,110.09	~	EUR	514,464.73	514,464.73	0.00
28 October 2021	S	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	-996,159.18	-996,159.18	0.00
29 October 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	265,779.97	265,779.97	0.00
29 October 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	EUR	863,748.10	863,748.10	0.00
04 November 2021	P	Pantheon Global Co-Investment Opportunities IV	Private Equity	Private Equity	~	~	USD	1,684,938.77	1,684,938.77	0.00
05 November 2021	P	Crown Secondaries Special Opportunities II	Private Equity	Private Equity	8,372.40	~	USD	1,020,681.30	1,020,681.30	0.00
10 November 2021	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	596,723.09	596,723.09	0.00
12 November 2021	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	494,389.43	494,389.43	0.00
12 November 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	973,337.30	973,337.30	0.00

15 November 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	660,746.81	660,746.81	0.00
15 November 2021	P	Unigestion Secondary V	Private Equity	Private Equity	~	~	EUR	4,221,903.23	4,221,903.23	0.00
18 November 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	960,354.44	960,354.44	0.00
19 November 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	240,160.44	240,160.44	0.00
22 November 2021	P	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	2,803,357.72	2,803,357.72	0.00
23 November 2021	P	Capital Dynamcs LGPS Collective Private Equity for Pools 18/19	Private Equity	Private Equity	~	~	GBP	500,000.00	500,000.00	0.00
25 November 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	51,826.69	51,826.69	0.00
25 November 2021	P	Access Capital Fund VIII Growth Buy-Out Europe	Private Equity	Private Equity	~	~	EUR	386,185.77	386,185.77	0.00
26 November 2021	P	Crown Secondaries Special Opportunities II	Private Equity	Private Equity	9,821.69	~	USD	1,231,578.24	1,231,578.24	0.00
26 November 2021	P	Unigestion Secondary V	Private Equity	Private Equity	~	~	EUR	2,135,656.93	2,135,656.93	0.00
26 November 2021	P	Unigestion Direct II (Europe)	Private Equity	Private Equity	~	~	EUR	1,475,761.41	1,475,761.41	0.00
26 November 2021	P	Unigestion Direct II - Asia	Private Equity	Private Equity	~	~	EUR	1,246,411.66	1,246,411.66	0.00
29 November 2021	P	Crown Co-Investment Opportunities II	Private Equity	Private Equity	4,844.96	~	EUR	569,411.14	569,411.14	0.00
29 November 2021	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	~	~	EUR	770,104.61	770,104.61	0.00
30 November 2021	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-788,375.93	-788,375.93	0.00
30 November 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	70,956.88	70,956.88	0.00
02 December 2021	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-49,355.90	-49,355.90	0.00
02 December 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	1,188,867.37	1,188,867.37	0.00
03 December 2021	P	Blackrock Private Opportunities Fund IV	Private Equity	Private Equity	~	~	USD	1,897,446.00	1,897,446.00	0.00
03 December 2021	P	Access Capital Fund VIII Buy-Out Europe	Private Equity	Private Equity	~	~	EUR	2,942,430.70	2,942,430.70	0.00
03 December 2021	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	458,407.02	458,407.02	0.00
03 December 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	379,947.01	379,947.01	0.00
06 December 2021	P	Hemes GPE Innovation Fund	Private Equity	Private Equity	~	~	GBP	988,608.07	988,608.07	0.00
08 December 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	34,609.64	34,609.64	0.00
08 December 2021	P	Crown Global Opportunities VII	Private Equity	Private Equity	9,209.51	~	USD	908,499.76	908,499.76	0.00
13 December 2021	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	336,772.52	336,772.52	0.00
13 December 2021	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	223,038.25	223,038.25	0.00
16 December 2021	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	1,717,966.14	1,717,966.14	0.00
16 December 2021	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-1,162,493.59	-1,162,493.59	0.00
21 December 2021	S	Hermes GPE Innovation Fund	Private Equity	Private Equity	~	~	GBP	-505,644.96	-505,644.96	0.00
23 December 2021	P	Crown Secondaries Special Opportunities II	Private Equity	Private Equity	3,777.57	~	USD	461,235.11	461,235.11	0.00
								<b>38,915,346.64</b>		
22 December 2021	P	The Model T Finance Company	Private Equity	Local Investments	86,667.00	75.00	GBP	6,500,025.00	6,500,025.00	0.00
								<b>6,500,025.00</b>		
13 October 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-35,625,980.99	112.39	GBP	-40,040,040.04	-35,622,697.56	4,417,342.48
27 October 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-35,076,688.60	114.15	GBP	-40,040,040.04	-35,073,455.79	4,966,584.25
24 November 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-34,844,695.88	114.91	GBP	-40,040,040.04	-34,841,484.46	5,198,555.58
08 December 2021	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-34,588,839.01	115.76	GBP	-40,040,040.04	-34,585,651.17	5,454,388.87
								<b>-160,160,160.16</b>		
<b>Periods October, November and December 21 (Cumulative) Total</b>								<b>-60,347,730.83</b>		
<b>Total Profit - NB: Losses are shown with a ( )</b>										<b>26,633,670.99</b>

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**New Folder**

31 Dec 21

**TEESSIDE PENSION FUND**

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## ◆ Asset Detail - Customizable

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Equities</b>					
<b>Common stock</b>					
<b>Australia</b>					
Common Stock FINEXIA FINL GROUP NPV SEDOL : BMY4539	0.00 AUD	428.000	0.000	0.06350000	14.590
Common Stock YOUNG AUSTRALIAN MINES LTD SEDOL : 6741626	0.00 AUD	225,391.000	287,505.650	0.06900000	8,348.090
<b>Total Australia</b>	<b>0.00</b>	<b>225,819.000</b>	<b>287,505.650</b>		<b>8,362.680</b>
<b>Europe Region</b>					
Common Stock ACIF INFRASTRUCTURE FUND LP CUSIP : 9936FC996	0.00 EUR	18,130,779.190	16,157,610.310	1.19135560	18,135,592.590
<b>Total Europe Region</b>	<b>0.00</b>	<b>18,130,779.190</b>	<b>16,157,610.310</b>		<b>18,135,592.590</b>
<b>Guernsey, Channel Islands</b>					
Common Stock AMEDEO AIR 4 PLUS LIMITED SEDOL : BMZQ5R8	0.00 GBP	5,333,332.000	4,682,127.850	0.28500000	1,519,999.620
<b>Total Guernsey, Channel Islands</b>	<b>0.00</b>	<b>5,333,332.000</b>	<b>4,682,127.850</b>		<b>1,519,999.620</b>
<b>Malta</b>					
Common Stock BGP HOLDINGS PLC BENEFICIAL INTEREST SHSNPV SEDOL : 3A1MX0W	0.00 EUR	200,000.000	0.000	0.00000000	0.000
<b>Total Malta</b>	<b>0.00</b>	<b>200,000.000</b>	<b>0.000</b>		<b>0.000</b>
<b>United Kingdom</b>					
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
<b>Total United Kingdom</b>	<b>0.00</b>	<b>1,686,400.000</b>	<b>2,383,993.820</b>		<b>80,193.800</b>
<b>Total Common stock</b>	<b>0.00</b>	<b>25,576,330.190</b>	<b>23,511,237.630</b>		<b>19,744,148.690</b>
<b>Funds - common stock</b>					
<b>United Kingdom</b>					
Funds - Common Stock BORDER TO COAST PE UK LISTED EQUITY A GBP ACC SEDOL : BDD86K3	0.00 GBP	660,889,848.940	660,828,938.740	1.16720000	771,390,631.680
<b>Total United Kingdom</b>	<b>0.00</b>	<b>660,889,848.940</b>	<b>660,828,938.740</b>		<b>771,390,631.680</b>

\*Generated by Northern Trust from periodic data on 24 Jan 22

◆ Asset Detail - Customizable

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Equities</b>					
<b>Total Funds - common stock</b>	<b>0.00</b>	<b>660,889,848.940</b>	<b>660,828,938.740</b>		<b>771,390,631.680</b>
<b>Unit trust equity</b>					
<b>Guernsey, Channel Islands</b>					
Unit Trust Equity DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION SEDOL : 4A8UCZU	0.00 GBP	14,359,563.469	15,000,000.000	1.17280000	16,840,896.040
<b>Total Guernsey, Channel Islands</b>	<b>0.00</b>	<b>14,359,563.469</b>	<b>15,000,000.000</b>		<b>16,840,896.040</b>
<b>Japan</b>					
Unit Trust Equity SSGA MPF JAPAN EQUITY INDEX SEDOL : 001533W	0.00 GBP	48,440,992.757	89,842,364.060	2.26210000	109,578,369.720
<b>Total Japan</b>	<b>0.00</b>	<b>48,440,992.757</b>	<b>89,842,364.060</b>		<b>109,578,369.720</b>
<b>Luxembourg</b>					
Unit Trust Equity ABERDEEN STANDARD EUR PPTY GROWTH FD LP SEDOL : 8A8TB3U	0.00 EUR	324.970	21,282,170.990	139,706.94000000	38,118,440.320
<b>Total Luxembourg</b>	<b>0.00</b>	<b>324.970</b>	<b>21,282,170.990</b>		<b>38,118,440.320</b>
<b>Pacific Region</b>					
Unit Trust Equity SSGA MPF PAC BASIN EX-JAPAN INDEX SEDOL : 001532W	0.00 GBP	50,692,305.509	242,515,511.220	6.51280000	330,148,847.320
<b>Total Pacific Region</b>	<b>0.00</b>	<b>50,692,305.509</b>	<b>242,515,511.220</b>		<b>330,148,847.320</b>
<b>United Kingdom</b>					
Unit Trust Equity CANDOVER INVSTMNTS PLC GBP0.25 SEDOL : 0171315	0.00 GBP	60,000.000	323,674.020	0.00000000	0.000
Unit Trust Equity DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS SEDOL :	0.00 GBP	15,000,000.000	15,000,000.000	1.22140000	18,321,000.000
Unit Trust Equity LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY SEDOL : 0521664	0.00 GBP	1,368,174.000	1,282,865.490	3.29948000	4,514,262.750
Unit Trust Equity MPF EUROPE EX UK SUB-FUND SEDOL : 4A8NH9U	0.00 GBP	15,402,552.970	97,836,405.640	8.58520000	132,233,997.760
Unit Trust Equity MPF N AMER EQTY SUB-FUND SEDOL : 1A8NH9U	0.00 GBP	2,621,178.211	24,012,835.230	15.50900000	40,651,852.870
<b>Total United Kingdom</b>	<b>0.00</b>	<b>34,451,905.181</b>	<b>138,455,780.380</b>		<b>195,721,113.380</b>
<b>Total Unit trust equity</b>	<b>0.00</b>	<b>147,945,091.886</b>	<b>507,095,826.650</b>		<b>690,407,666.780</b>
<b>Total Equities</b>	<b>0.00</b>	<b>834,411,271.016</b>	<b>1,191,436,003.020</b>		<b>1,481,542,447.150</b>



◆ Asset Detail - Customizable

Asset Subcategory	Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Real Estate</b>						
<b>Real estate</b>						
<b>Europe Region</b>						
Real Estate	CAPITAL DYNAMICS MID-MARKET DIRECT V CUSIP : 993RBZ993	0.00 EUR	11,527,509.620	9,973,146.650	1.29835350	12,566,152.270
Real Estate	La Salle Real Estate Debt Strategies IV CUSIP : 9944J7997	0.00 EUR	794,988.550	678,543.750	78.10175380	52,130,937.070
<b>Total Europe Region</b>		<b>0.00</b>	<b>12,322,498.170</b>	<b>10,651,690.400</b>		<b>64,697,089.340</b>
<b>United Kingdom</b>						
Real Estate	HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP CUSIP : 9936FD994	0.00 GBP	9,895,775.630	9,895,775.630	0.96219160	9,521,632.190
Real Estate	HEARTHSTONE RESIDENTIAL FUND 2 CUSIP : 9942CJ992	0.00 GBP	2,143,297.630	2,143,297.630	1.04123830	2,231,683.580
Real Estate	TEESSIDE PENSION FUND - DIRECT PROPERTY CUSIP : 9936HG995	0.00 GBP	280,289,446.350	280,289,446.350	1.02875800	288,350,010.250
<b>Total United Kingdom</b>		<b>0.00</b>	<b>292,328,519.610</b>	<b>292,328,519.610</b>		<b>300,103,326.020</b>
<b>Total Real Estate</b>		<b>0.00</b>	<b>304,651,017.780</b>	<b>302,980,210.010</b>		<b>364,800,415.360</b>
<b>Funds - real estate</b>						
<b>United Kingdom</b>						
Funds - Real Estate	DARWIN LEISURE PRO UNITS CLS 'C' SEDOL : B29MQ57	0.00 GBP	6,493,057.480	9,427,738.910	3.59080000	23,315,270.800
Funds - Real Estate	DARWIN LEISURE PROPERTY FUND UNITS K GBP INC SEDOL : 4A9TBEU	0.00 GBP	15,000,000.000	15,000,000.000	1.03020000	15,453,000.000
Funds - Real Estate	HERMES PROPERTY UT SEDOL : 0426219	0.00 GBP	663,638.000	720,122.990	7.28500000	4,834,602.830
Funds - Real Estate	LEGAL AND GENERAL MANAGED PROPERTY FUND SEDOL : 004079W	0.00 GBP	108,263.760	385,000.000	64.48710000	6,981,615.920
Funds - Real Estate	THREADNEEDLE PROP THREADNEEDLE PROP UNITTRST SEDOL : 0508667	0.00 GBP	12,750.000	1,527,939.200	312.81000000	3,988,327.500
<b>Total United Kingdom</b>		<b>0.00</b>	<b>22,277,709.240</b>	<b>27,060,801.100</b>		<b>54,572,817.050</b>
<b>Total Funds - real estate</b>		<b>0.00</b>	<b>22,277,709.240</b>	<b>27,060,801.100</b>		<b>54,572,817.050</b>
<b>Total Real Estate</b>		<b>0.00</b>	<b>326,928,727.020</b>	<b>330,041,011.110</b>		<b>419,373,232.410</b>

◆ Asset Detail - Customizable

Asset Subcategory	Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Venture Capital and Partnerships</b>						
<b>Partnerships</b>						
<b>Europe Region</b>						
Partnerships	ACCESS CAPITAL FUND INFRASTRUCTURE II - EUR CUSIP : 993QEX997	0.00 EUR	11,792,000.000	10,462,820.120	1.03480470	10,245,183.340
Partnerships	ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE CUSIP : 993KDB999	0.00 EUR	13,541,403.330	11,783,676.270	0.94030510	10,690,704.780
Partnerships	ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2) CUSIP : 993SRL995	0.00 EUR	5,340,000.000	4,577,717.770	1.00567960	4,508,943.250
Partnerships	ACCESS CAPITAL, CO-INVESTMENT FUND BUY-OUT EUROPE II CUSIP : 993SRM993	0.00 EUR	4,100,000.000	3,542,108.670	1.56016540	5,370,668.800
Partnerships	Darwin Bereavement Services Fund, Incomeunits CUSIP : 993XBG992	0.00 GBP	10,000,000.000	10,000,000.000	1.02640000	10,264,000.000
<b>Total Europe Region</b>		<b>0.00</b>	<b>44,773,403.330</b>	<b>40,366,322.830</b>		<b>41,079,500.170</b>
<b>Global Region</b>						
Partnerships	CAPITAL DYNAMICS GLOBAL SECONDARIES V - GBP CUSIP : 993LJT992	0.00 GBP	8,541,365.000	8,541,365.000	2.09741130	17,914,755.470
Partnerships	CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD CUSIP : 993BRL992	0.00 USD	17,852,130.030	13,458,181.190	1.65388480	21,798,784.980
Partnerships	INSIGHT IIFIG SECURED FINANCE FUND II (GBP) CUSIP : 9946P0990	0.00 GBP	25,000,000.000	25,000,000.000	0.99327600	24,831,900.000
Partnerships	LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS2018/19 - GBP CUSIP : 993LRK992	0.00 GBP	3,700,000.000	3,700,000.000	1.25457920	4,641,943.040
Partnerships	PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV CUSIP : 993FYQ994	0.00 USD	27,896,186.000	22,136,401.590	1.28962910	26,561,135.950
Partnerships	UNIGESTION DIRECT II - EUR CUSIP : 993MTE992	0.00 EUR	3,511,840.110	3,085,588.660	1.27272180	3,752,684.810
<b>Total Global Region</b>		<b>0.00</b>	<b>86,501,521.140</b>	<b>75,921,536.440</b>		<b>99,501,204.250</b>
<b>United Kingdom</b>						
Partnerships	ANCALA INFRASTRUCTURE FUND II SCSP CUSIP : 993FSE998	0.00 EUR	15,975,382.070	14,467,708.490	0.81361920	10,913,054.240
Partnerships	BORDER TO COAST EMERGING MARKET HYBRID FUND - GBP CUSIP : 9942CC997	0.00 GBP	230,000,000.000	230,000,000.000	0.98933610	227,547,303.000
Partnerships	BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A CUSIP : 993BRK994	0.00 GBP	1,500,000,000.000	1,500,000,000.000	1.17034780	1,755,521,700.000
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1 CUSIP : 993FYP996	0.00 USD	58,103,232.220	43,318,612.400	1.10883220	47,566,709.770
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1B CUSIP : 993U46998	0.00 USD	13,369,452.860	9,707,396.360	1.09810730	10,839,154.410
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1C CUSIP : 993XGK998	0.00 GBP	4,494,243.060	4,494,243.060	1.00384860	4,511,539.600

◆ Asset Detail - Customizable

Asset Subcategory	Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Venture Capital and Partnerships</b>						
<b>Partnerships</b>						
<b>United Kingdom</b>						
Partnerships	CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP CUSIP :	0.00 GBP	4,550,377.040	4,550,377.040	1.07176260	4,876,923.930
Partnerships	CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp CUSIP : 993FP0991	0.00 GBP	9,078,775.220	9,078,775.220	1.04040560	9,445,608.580
Partnerships	GRESHAM HOUSE BSI HOUSING FUND LP CUSIP : 993FP6998	0.00 GBP	13,096,624.570	13,096,624.570	1.01437290	13,284,861.050
Partnerships	GRESHAM HOUSE BSI INFRASTRUCTURE LP CUSIP : 993FP5990	0.00 GBP	17,971,505.340	17,971,505.340	0.97399560	17,504,167.130
Partnerships	GREYHOUND RETAIL PARK, CHESTER CUSIP : 9948YV998	0.00 GBP	20,000,000.000	20,000,000.000	1.00000000	20,000,000.000
Partnerships	HERMES CPE INNOVATION FUND CUSIP : 993NEB992	0.00 GBP	10,020,037.420	10,020,037.420	1.33925500	13,419,385.210
Partnerships	INNISFREE PFI CONTINUATION FUND CUSIP : 9936FE992	0.00 GBP	8,672,972.000	8,672,972.000	1.08837210	9,439,420.750
Partnerships	INNISFREE PFI SECONDARY FUND 2 CUSIP : 9936FF999	0.00 GBP	7,728,331.000	7,728,331.000	1.09107060	8,432,154.740
Partnerships	LEONARD WAREHOUSE UNIT CUSIP : 9948YW996	0.00 GBP	2,778,413.770	2,778,413.770	0.99773250	2,772,113.720
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
<b>Total United Kingdom</b>		<b>0.00</b>	<b>1,935,839,296.570</b>	<b>1,915,884,946.670</b>		<b>2,176,074,046.130</b>
<b>United States</b>						
Partnerships	BLACKROCK GLOBAL ENERGY AND POWER INFRASTRUCTURE FUND III CUSIP :	0.00 USD	10,680,706.000	8,270,460.960	1.06131130	8,369,118.930
Partnerships	BLACKROCK GLOBAL RENEWABLE POWER FUND III CUSIP : 993QHY992	0.00 USD	1,481,686.000	1,123,851.560	1.74349900	1,907,281.830
Partnerships	BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL CUSIP : 993FYK997	0.00 USD	12,409,964.000	9,117,021.990	1.88593080	17,279,583.300
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 1 CUSIP : 993FT4999	0.00 USD	41,151,243.830	31,485,801.640	0.83553080	25,385,307.060
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 1B CUSIP : 993KGJ999	0.00 USD	13,434,254.890	9,953,595.850	0.82459120	8,178,794.010
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 1C CUSIP : 9942A6992	0.00 GBP	22,418,387.800	22,418,387.800	0.99691970	22,349,332.440
Partnerships	BRIDGES EVERGREEN TPF HOUSING CO-INVEST LP CUSIP : 993XEU998	0.00 GBP	360,633.330	360,633.330	0.90615590	326,790.020
Partnerships	CROWN CO-INVEST OPPORTUNITIES III CUSIP : 993XBM999	0.00 USD	4,260,000.000	3,095,544.450	0.94031550	2,957,468.890
Partnerships	CROWN GLOBAL OPPORTUNITIES VII CUSIP : 993FYN991	0.00 USD	13,480,000.000	10,309,462.080	1.26000560	12,540,052.590

◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Venture Capital and Partnerships</b>					
<b>Partnerships</b>					
<b>United States</b>					
Partnerships					
Crown Growth Opportunities Global III fund CUSIP : 993FYM993	0.00 USD	22,618,396.790	16,714,895.420	1.61931070	27,041,388.930
Partnerships					
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS CUSIP : 993FS9999	0.00 USD	3,171,967.530	2,350,094.030	0.91172540	2,135,156.820
Partnerships					
LGT CAPITAL CROWN SECONDARIES SPECIAL OPPORTUNITIES II CUSIP : 993QEY995	0.00 USD	11,987,500.000	9,047,562.770	1.39823790	12,375,041.970
Partnerships					
PANTHEON SENIOR DEBT SECONDARIES II CUSIP : 993UAP999	0.00 USD	6,274,390.000	4,608,100.090	0.98844910	4,578,917.410
Partnerships					
UNIGESTION SA CUSIP : 993FYL995	0.00 USD	20,871,556.500	15,302,690.200	1.63943480	25,263,061.420
<b>Total United States</b>	<b>0.00</b>	<b>184,600,686.670</b>	<b>144,158,102.170</b>		<b>170,687,295.620</b>
<b>Total Partnerships</b>	<b>0.00</b>	<b>2,251,714,907.710</b>	<b>2,176,330,908.110</b>		<b>2,487,342,046.170</b>
<b>Total Venture Capital and Partnerships</b>	<b>0.00</b>	<b>2,251,714,907.710</b>	<b>2,176,330,908.110</b>		<b>2,487,342,046.170</b>

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◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued				
Description/Asset ID	Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Hedge Fund</b>					
<b>Hedge equity</b>					
<b>Global Region</b>					
Hedge Equity					
IIF UK I LP CUSIP : 993FP3995	0.00 USD	48,734,259.840	37,242,092.680	0.97048640	34,918,921.260
<b>Total Global Region</b>	<b>0.00</b>	<b>48,734,259.840</b>	<b>37,242,092.680</b>		<b>34,918,921.260</b>
<b>Total Hedge equity</b>	<b>0.00</b>	<b>48,734,259.840</b>	<b>37,242,092.680</b>		<b>34,918,921.260</b>
<b>Total Hedge Fund</b>	<b>0.00</b>	<b>48,734,259.840</b>	<b>37,242,092.680</b>		<b>34,918,921.260</b>

◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>All Other</b>					
<b>Recoverable taxes</b>					
Recoverable taxes					
GBP - British pound sterling	97,715.75	0.000	0.000	0.00000000	0.000
Recoverable taxes					
DKK - Danish krone	286,515.85	0.000	0.000	0.00000000	0.000
Recoverable taxes					
EUR - Euro	1,081,124.96	0.000	0.000	0.00000000	0.000
Recoverable taxes					
CHF - Swiss franc	2,186,207.47	0.000	0.000	0.00000000	0.000
<b>Total</b>	<b>3,651,564.03</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>
<b>Total Recoverable taxes</b>	<b>3,651,564.03</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>
<b>Total All Other</b>	<b>3,651,564.03</b>	<b>0.000</b>	<b>0.000</b>		<b>0.000</b>

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◆ **Asset Detail - Customizable**

Asset Subcategory	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
<b>Cash and Cash Equivalents</b>					
<b>Cash</b>					
Cash					
GBP - British pound sterling	0.00	372.950	372.950	1.00000000	372.950
<b>Total</b>	<b>0.00</b>	<b>372.950</b>	<b>372.950</b>		<b>372.950</b>
<b>Total Cash</b>	<b>0.00</b>	<b>372.950</b>	<b>372.950</b>		<b>372.950</b>
<b>Invested cash</b>					
Invested cash					
USD - United States dollar	0.00	11,848.720	11,848.720	1.00000000	11,848.720
<b>Total</b>	<b>0.00</b>	<b>11,848.720</b>	<b>11,848.720</b>		<b>11,848.720</b>
<b>Total Invested cash</b>	<b>0.00</b>	<b>11,848.720</b>	<b>11,848.720</b>		<b>11,848.720</b>
<b>Cash (externally held)</b>					
Cash (externally held)					
GBP - British pound sterling	0.00	565,632,309.900	565,632,309.900	1.00000000	565,632,309.900
<b>Total</b>	<b>0.00</b>	<b>565,632,309.900</b>	<b>565,632,309.900</b>		<b>565,632,309.900</b>
<b>Total Cash (externally held)</b>	<b>0.00</b>	<b>565,632,309.900</b>	<b>565,632,309.900</b>		<b>565,632,309.900</b>
<b>Funds - short term investment</b>					
Funds - Short Term Investment					
GBP - British pound sterling	0.00	544,000.000	544,000.000	1.00000000	544,000.000
<b>Total</b>	<b>0.00</b>	<b>544,000.000</b>	<b>544,000.000</b>		<b>544,000.000</b>
<b>Total Funds - short term investment</b>	<b>0.00</b>	<b>544,000.000</b>	<b>544,000.000</b>		<b>544,000.000</b>
<b>Total Cash and Cash Equivalents</b>	<b>0.00</b>	<b>566,188,531.570</b>	<b>566,188,531.570</b>		<b>566,188,531.570</b>
<b>Report Total:</b>					
	<b>3,651,564.03</b>	<b>4,027,977,697.156</b>	<b>4,301,238,546.490</b>		<b>4,989,365,178.560</b>

◆ **Asset Detail - Customizable**

Asset Subcategory

Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
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<u>ASSET</u>	<u>BOOK COST</u>	<u>PRICE</u>	<u>MARKET VALUE</u>	<u>FUND %</u>
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**GROWTH ASSETS**

**UK EQUITIES**

BORDER TO COAST PE UK LISTED EQUITY A GBP ACC	660,828,938.74	1.17	771,390,631.68	15.31%
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	323,674.02	0.00	0.00	0.00%
NEW WORLD RESOURCE ORD EURO.0004 A	1,294,544.76	0.00	375.00	0.00%
<b>TOTAL UK EQUITIES</b>			<b>771,470,825.48</b>	<b>15.31%</b>

**OVERSEAS EQUITIES**

YOUNG AUSTRALIAN MINES LTD	287,505.65	0.07	8,348.09	0.00%
MEJORITY CAPITAL NPV (FINEXIA FINL GROUP)	0.00	0.06	14.59	0.00%
BGP HOLDINGS PLC BENEFICIAL INTEREST SHSNPV	0.00	0.00	0.00	0.00%
SSGA MPF PAC BASIN EX-JAPAN INDEX	242,515,511.22	6.51	330,148,847.32	6.55%
SSGA MPF JAPAN EQUITY INDEX	89,842,364.06	2.26	109,578,369.72	2.17%
MPF EUROPE EX UK SUB-FUND	97,836,405.64	8.59	132,233,997.76	2.62%
MPF N AMER EQTY SUB-FUND	24,012,835.23	15.51	40,651,852.87	0.81%
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	1,500,000,000.00	1.17	1,772,114,989.25	35.16%
BORDER TO COAST EMERGING MARKET HYBRID FUND	230,000,000.00	0.99	224,778,470.55	4.46%
<b>TOTAL OVERSEAS EQUITIES</b>			<b>2,609,514,890.15</b>	<b>51.78%</b>

<b>TOTAL EQUITIES</b>			<b>3,380,985,715.63</b>	<b>67.09%</b>
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**PRIVATE EQUITY**

CAPITAL DYNAMICS LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS 18/19	3,700,000.00	1.25	4,641,943.04	0.09%
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	13,458,181.19	1.65	21,798,784.98	0.43%
CROWN CO INVESTMENT OPPORTUNITIES III	3,095,544.45	0.94	2,957,468.89	0.06%
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	9,047,562.77	1.40	12,375,041.97	0.25%
UNIGESTION SA	15,302,690.20	1.64	25,263,061.42	0.50%
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	22,136,401.59	1.29	26,561,135.95	0.53%
CROWN GLOBAL OPPORTUNITIES VII	10,309,462.08	1.26	12,540,052.59	0.25%
CROWN GROWTH OPPORTUNITIES GLOBAL III	16,714,895.42	1.62	27,041,388.93	0.54%
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	9,117,021.99	1.89	17,279,583.30	0.34%

BORDER TO COAST PRIVATE EQUITY SERIES 1A	43,318,612.40	1.11	57,156,775.00	1.13%
BORDER TO COAST PRIVATE EQUITY SERIES 1B	9,707,396.36	1.10	10,839,154.41	0.22%
BORDER TO COAST PRIVATE EQUITY SERIES 1C	4,494,243.06	1.00	4,511,539.60	0.09%
UNIGESTION DIRECT II	10,257,530.39	1.27	11,043,894.00	0.22%
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE	11,783,676.27	0.94	10,690,704.78	0.21%
ACCESS CAPITAL CO INVESTMENT FUND BUY OUT EUROPE II	3,542,108.67	1.56	5,370,668.80	0.11%
HERMES GPE INNOVATION FUND	10,020,037.42	1.34	13,419,385.21	0.27%
CAPITAL DYNAMICS GLOBAL SECONDARIES V	8,541,365.00	2.10	17,914,755.47	0.36%
CAPITAL MID-MARKET DIRECT V	9,973,146.65	1.30	12,566,152.27	0.25%
<b>PRIVATE EQUITY</b>			<b>293,971,490.61</b>	<b>5.83%</b>
THE MODEL T FINANCE COMPANY	26,499,975.00	1.00	26,499,975.00	0.53%
<b>PRIVATE EQUITY - LOCAL INVESTMENT</b>			<b>26,499,975.00</b>	<b>0.53%</b>
<b>TOTAL PRIVATE EQUITY</b>			<b>320,471,465.61</b>	<b>6.36%</b>

#### **OTHER ALTERNATIVES**

AMEDEO AIR FOUR PLUS LTD	4,682,127.85	0.29	1,519,999.62	0.03%
DARWIN LEISURE PRO UNITS CLS 'C'	9,427,738.91	3.59	23,315,270.80	0.46%
DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION	15,000,000.00	1.17	16,840,896.04	0.33%
DARWIN BEREAVEMENT SERVICES FUND, INCOME UNITS	10,000,000.00	1.03	10,264,000.00	0.20%
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	15,000,000.00	1.22	18,321,000.00	0.36%
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	15,000,000.00	1.03	15,453,000.00	0.31%
HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP	9,895,775.63	0.96	9,521,632.19	0.19%
HEARTHSTONE RESIDENTIAL FUND 2	2,143,297.63	1.04	2,231,683.58	0.04%
GRESHAM HOUSE BSI HOUSING LP	13,096,624.57	1.01	13,284,861.05	0.26%
PANTHEON SENIOR DEBT SECONDARIES II	8,798,946.40	0.99	11,351,998.00	0.23%
LA SALLE REAL ESTATE DEBT STRATEGIES IV	2,952,190.40	0.78	2,302,708.51	0.05%
<b>OTHER ALTERNATIVES</b>			<b>124,407,049.79</b>	<b>2.47%</b>
BRIDGES EVERGREEN TPF HOUSING CO-INVESTMENT LP	360,633.33	0.91	326,790.02	0.01%
<b>OTHER ALTERNATIVES - LOCAL INVESTMENT</b>			<b>326,790.02</b>	<b>0.01%</b>
<b>TOTAL OTHER ALTERNATIVES</b>			<b>124,733,839.81</b>	<b>2.48%</b>

#### **PROPERTY**

##### **DIRECT PROPERTY**

TEESSIDE PENSION FUND - DIRECT PROPERTY	280,289,446.35	1.03	313,800,000.00	6.23%
<b>TOTAL DIRECT PROPERTY</b>			<b>313,800,000.00</b>	<b>6.23%</b>

#### **PROPERTY UNIT TRUSTS**

ABERDEEN STANDARD LIFE EUROPEAN PROPERTY GROWTH FUND	21,282,170.99	139,706.94	38,118,440.32	0.76%
LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY	1,282,865.49	3.30	4,514,262.75	0.09%
HERMES PROPERTY PUT	720,122.99	7.29	4,834,602.83	0.10%
THREADNEEDLE PROP PROPERTY GBP DIS	1,527,939.20	312.81	3,988,327.50	0.08%
LEGAL AND GENERAL MANAGED PROPERTY FUND	385,000.00	64.49	6,981,615.92	0.14%
<b>TOTAL PROPERTY UNIT TRUSTS</b>			<b>58,437,249.32</b>	<b>1.16%</b>

<b>TOTAL PROPERTY</b>			<b>372,237,249.32</b>	<b>7.39%</b>
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#### **PROTECTION ASSETS**

##### **INFRASTRUCTURE**

ACIF INFRASTRUCTURE FUND LP	16,157,610.31	1.19	18,135,592.59	0.36%
ACCESS CAPITAL FUND INFRASTRUCTURE II	10,462,820.12	1.03	10,245,183.34	0.20%
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2)	4,577,717.77	1.01	4,508,943.25	0.09%
INNISFREE PFI CONTINUATION FUND	8,672,972.00	1.09	9,439,420.75	0.19%
INNISFREE PFI SECONDARY FUND 2	7,728,331.00	1.09	8,432,154.74	0.17%
BORDER TO COAST INFRASTRUCTURE SERIES 1A	31,485,801.64	0.84	29,024,333.00	0.58%
BORDER TO COAST INFRASTRUCTURE SERIES 1B	9,953,595.85	0.82	8,178,794.01	0.16%
BORDER TO COAST INFRASTRUCTURE SERIES 1C	22,418,387.80	1.00	22,349,332.44	0.44%
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	8,270,460.96	1.06	8,369,118.93	0.17%
BLACKROCK GLOBAL RENEWABLE POWER FUND III	3,124,943.11	1.74	1,907,281.83	0.04%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP	4,550,377.04	1.07	4,876,923.93	0.10%
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp	9,078,775.22	1.04	9,445,608.58	0.19%
IIF UK I LP	37,242,092.68	0.97	47,295,937.17	0.94%
ANCALA INFRASTRUCTURE FUND II SCSP	17,868,480.67	0.81	16,085,282.00	0.32%
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS	2,350,094.03	0.91	2,135,156.82	0.04%
GRESHAM HOUSE BSI INFRASTRUCTURE LP	17,971,505.34	0.97	17,504,167.13	0.35%

<b>INFRASTRUCTURE</b>			<b>217,933,230.51</b>	<b>4.32%</b>
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CO-INVESTMENT BSI LP - WASTE KNOT	9,950,000.00	1.00	9,950,000.00	0.20%
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<b>INFRASTRUCTURE - LOCAL INVESTMENT</b>			<b>9,950,000.00</b>	<b>0.20%</b>
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<b>TOTAL INFRASTRUCTURE</b>			<b>227,883,230.51</b>	<b>4.52%</b>
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**OTHER DEBT**

INSIGHT IIFIG SECURED FINANCE II FUND	25,000,000.00	0.99	24,831,900.00	0.49%
GRAFTONGATE INVESTMENTS LTD (LEONARDO)	2,778,413.77	1.00	2,772,113.72	0.06%
GREYHOUND RETAIL PARK CHESTER	20,000,000.00	1.00	20,000,000.00	0.40%
<b>TOTAL OTHER DEBT</b>			<b>47,604,013.72</b>	<b>0.94%</b>

**CASH**

	372.95	1.00	372.95	0.00%
	11,848.72	1.00	11,848.72	0.00%
	544,000.00	1.00	544,000.00	0.01%

<b>CUSTODIAN CASH</b>			<b>556,221.67</b>	<b>0.01%</b>
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<b>INVESTED CASH</b>	565,236,811.29	1.00	<b>565,236,811.29</b>	<b>11.22%</b>
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<b>TOTAL CASH</b>			<b>565,793,032.96</b>	<b>11.23%</b>
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<b>TOTAL FUND VALUE - 31st December 2021</b>			<b>5,039,708,547.56</b>	<b>100%</b>
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**Market Value timing differences included in valuation above****Market Value****Private Equity**

UNIGESTION DIRECT II	7,291,209.90
THE MODEL T FINANCE COMPANY	6,500,025.00
BORDER TO COAST PRIVATE EQUITY SERIES 1A	9,590,065.23
	<b>23,381,300.13</b>

**Other Alternatives**

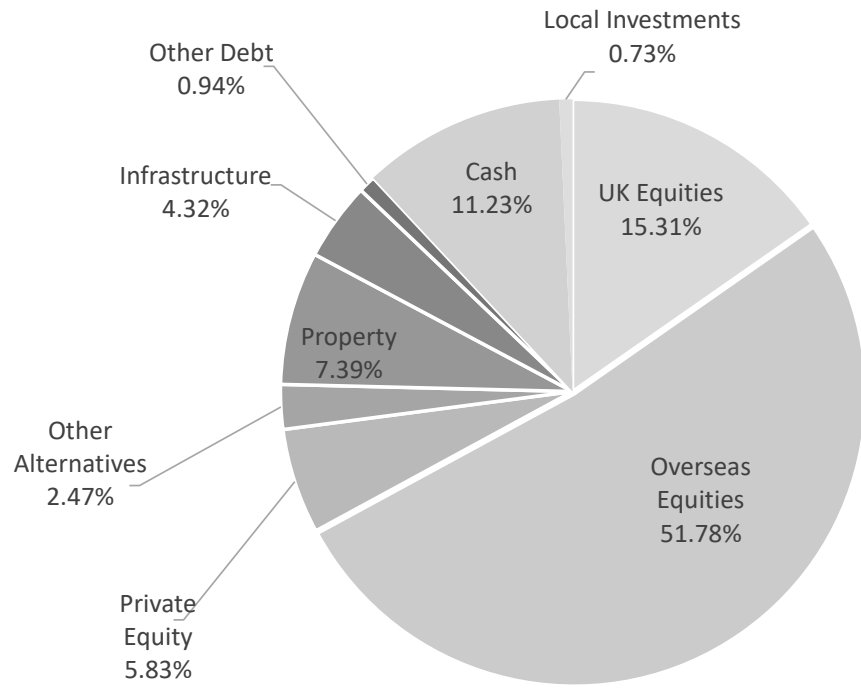
PANTHEON SENIOR DEBT SECONDARIES II	6,773,080.59
	<b>6,773,080.59</b>

**Direct Property**

TEESSIDE PENSION FUND - DIRECT PROPERTY	25,449,989.75
	<b>25,449,989.75</b>
<b>Infrastructure</b>	
BORDER TO COAST INFRASTRUCTURE SERIES 1A	3,639,025.94
CO-INVESTMENT BSI LP - WASTE KNOT	9,950,000.00
	<b>13,589,025.94</b>
<b>Other Debt</b>	
IIF UK I LP	12,377,015.91
ANCALA INFRASTRUCTURE FUND II SCSP	5,172,227.76
	<b>17,549,243.67</b>
<b>Total</b>	<b>86,742,640.08</b>

**Asset Allocation Summary**

		<b>Actual</b>	<b>Benchmark</b>
UK Equities	771,470,825.48	15.31%	12%
Overseas Equities	2,609,514,890.15	51.78%	53%
Private Equity	293,971,490.61	5.83%	3%
Other Alternatives	124,407,049.79	2.47%	3%
Property	372,237,249.32	7.39%	7%
Infrastructure	217,933,230.51	4.32%	8%
Other Debt	47,604,013.72	0.94%	4%
Cash & Bonds	565,793,032.96	11.23%	10%
Local Investments - Private Equity, Other Alternatives & Infrastructure	36,776,765.02	0.73%	0%
	5,039,708,547.56	100.00%	100%



## TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 5

### PENSION FUND COMMITTEE REPORT

16 MARCH 2022

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 December 2021 the Fund had investments in the following three Border to Coast listed equity sub-funds:

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

For all three sub-funds the return target is 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. 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 December 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 Fund is slightly below target and their Overseas Developed Markets Equity Fund is slightly above target since inception. The performance of the Emerging Markets Equity Fund was above benchmark (but below target) in the last quarter, however the Fund's investments only began earlier this year and it is too early to draw any meaningful conclusions from such a short investment period.
- 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 December 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 just over three 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):

### Human Rights

- 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.

### Labour

- 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.

### Environment

- 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.

### Anti-Corruption

- 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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# Teesside Pension Fund

## Quarterly Investment Report - Q4 2021

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### Note

1) Border to Coast

# Executive Summary

## Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,829,667,434
Inflows	£30,000,000
Outflows	£(215,000,000)
Net Inflows / Outflows	£(185,000,000)
Realised / Unrealised gain or loss	£123,616,657
Value at end of the quarter	£2,768,284,091

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Over Q4 2021, Teesside's holdings performed as follows:

- The UK Listed Equity Fund underperformed its benchmark by 0.16%
- The Overseas Developed Markets Equity Fund outperformed its benchmark by 0.95%
- The Emerging Markets Equity Fund outperformed its benchmark by 0.30%

Teesside made redemptions totalling £160,000,000 from the UK Listed Equity Fund and £55,000,000 from the Overseas Developed Markets Fund, and a Subscription of £30,000,000 to the Emerging Markets Equity Fund during Q4 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. Performance start date of 18/05/2021 for the overall Emerging Markets Equity Fund with performance start date of the underlying managers being 29/04/2021 following the restructure of the 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 December 2021

## Funds Held

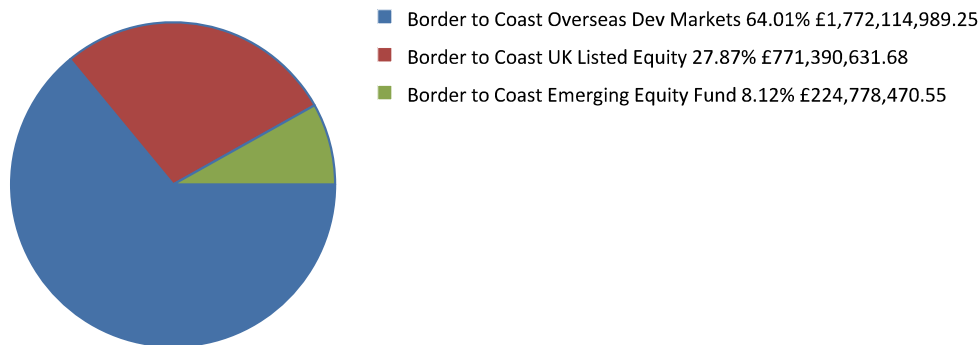
Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	771,390,631.68	27.87
Border to Coast Overseas Dev Markets	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	1,772,114,989.25	64.01
Border to Coast Emerging Equity Fund	EM Equity Fund Benchmark <sup>3</sup>	224,778,470.55	8.12

## 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
Border to Coast Multi Asset Credit

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## Teesside Pension Fund - Fund Breakdown



Note

1) Source: Northern Trust

## Portfolio Contribution - Teesside Pension Fund at 31 December 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	27.83	4.04	4.20	(0.16)	1.21
Border to Coast Overseas Dev Markets	64.09	6.09	5.14	0.95	3.75
Border to Coast Emerging Equity Fund	8.07	(1.16)	(1.47)	0.30	(0.11)
<b>Total</b>	<b>100.00</b>	<b>4.85</b>			

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The UK Listed Equity Fund returned 4.04% over the quarter, which was 0.16% behind the FTSE All Share Index.  
 The Overseas Developed Markets Equity Fund returned 6.09% over the quarter, which was 0.95% ahead of the composite benchmark.  
 The Emerging Markets Equity Fund returned -1.16% over the quarter, which was 0.30% ahead of the FTSE Emerging Markets.

Overall, Teesside's investments with Border to Coast returned 4.85% during Q4 2021.

### Note

1) Source: Northern Trust & Border to Coast

## Valuation Summary at 31 December 2021

Fund	Market value at start of the quarter			Inflows (GBP)	Outflows (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter		
	GBP (mid)	Total weight (%)	Strategy weight (%)				GBP (mid)	Total weight (%)	Strategy weight (%)
Border to Coast UK Listed Equity	900,513,489.25	31.82			160,000,000.00	30,877,142.43	771,390,631.68	27.87	
Border to Coast Overseas Dev Markets	1,731,999,632.57	61.21			55,000,000.00	95,115,356.68	1,772,114,989.25	64.01	
Border to Coast Emerging Markets Equity	197,154,312.28	6.97		30,000,000.00		(2,375,841.73)	224,778,470.55	8.12	
<b>Total</b>	<b>2,829,667,434.10</b>	<b>100.00</b>		<b>30,000,000.00</b>	<b>215,000,000.00</b>	<b>123,616,657.38</b>	<b>2,768,284,091.48</b>	<b>100.00</b>	

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### 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 December 2021

Fund	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Border to Coast UK Listed Equity	4.29	3.61	0.68	3.83	4.20	(0.37)	16.88	18.32	(1.45)	8.99	8.34	0.65	--	--	--
Border to Coast Overseas Dev Markets	12.20	11.07	1.13	5.59	5.14	0.45	18.32	17.13	1.19	17.91	16.45	1.46	--	--	--
Border to Coast Emerging Markets Equity	7.15	8.74	(1.59)	(1.00)	(1.47)	0.47	2.26	0.42	1.84	7.50	8.79	(1.29)	--	--	--

### Note

- 1) Source: Northern Trust
- 2) Values do not always sum due to rounding
- 3) Performance start date of 26/07/2018 for the UK Listed Equity Fund and 17/10/2018 for the Overseas Developed Equity Fund. Performance start date of 18/05/2021 for the overall Emerging Markets Equity Fund with performance start date of the underlying managers being 29/04/2021 following the restructure of the 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 December 2021

Fund	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Border to Coast UK Listed Equity	4.30	3.61	0.69	3.82	4.20	(0.37)	16.88	18.32	(1.45)	8.99	8.34	0.66	--	--	--
Border to Coast Overseas Dev Markets	12.22	11.07	1.15	5.60	5.14	0.45	18.33	17.13	1.20	17.92	16.45	1.47	--	--	--
Border to Coast Emerging Markets Equity	7.26	8.74	(1.48)	(0.92)	(1.47)	0.55	2.55	0.42	2.12	7.62	8.79	(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. Performance start date of 18/05/2021 for the overall Emerging Markets Equity Fund with performance start date of the underlying managers being 29/04/2021 following the restructure of the 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 December 2021

## UK Listed Equity Fund

The fund generated a total return of 3.83% during the quarter, compared to the benchmark return of 4.20%, resulting in 0.37% of underperformance.

The UK lagged broader global market indices by a small margin during the quarter. The Omicron variant impacted the UK before Europe, affecting sentiment towards UK markets as restrictive measures were adopted, threatening a second consecutive Christmas under lockdown. Ultimately, having a high proportion of the population vaccinated and successfully ramping the booster roll-out, along with the seemingly milder nature of the Omicron variant, combined to allow the Government to avoid imposing the level of restrictions of previous waves. Nonetheless, Omicron impacted sentiment and had a material negative impact on the hospitality and travel sectors. In addition, the Bank of England mismanaged its communication of the likely future path of interest rate rises while the Chancellor raised taxes in his November budget statement, further impacting sentiment. The relatively high index representation of the Energy and Materials sectors also acted as a headwind, as these segments lagged the broader markets.

The Fund benefited from the following factors:

- Underweight Consumer Discretionary, in particular Travel & Leisure, which was impacted by the emergence of the Omicron variant;
- Overweight Consumer Staples, with overweight positions in Diageo, Reckitts and Tesco the main contributors; and
- Positive stock selection in Healthcare with an overweight position in GlaxoSmithKline.

This was offset by the following:

- Underweight Real Estate with an underweight position in Segro (logistics) the main contributor;
- Underweight Financial Services with the largest contributor an underweight position in 3i Group; and
- Underweight Technology with the largest contribution from Autotrader (underweight).

The Portfolio Managers have increased exposure to mid-cap companies (generally those present in the FTSE 250 index) as Brexit risks have diminished and high vaccination rates suggest more limited potential impact from further Covid variants going forward.

They have also 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

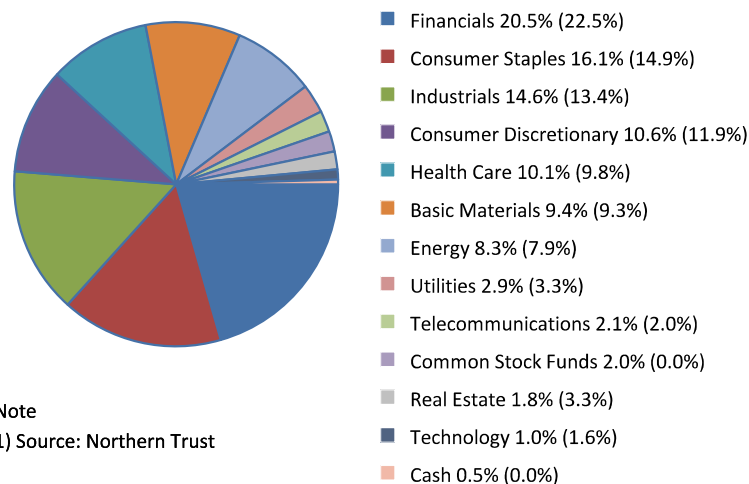
1) Source: Border to Coast

# Border To Coast UK Listed Equity Fund at 31 December 2021

## Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+2.01
Consumer Staples	+1.21
Industrials	+1.13
Energy	+0.44
Health Care	+0.32
Financials	-2.00
Real Estate	-1.55
Consumer Discretionary	-1.32
Technology	-0.64
Utilities	-0.40

## 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.

**Consumer Staples (o/w)** – broad mix of food, beverage, beauty & personal care and home care product producers and food retailers which collectively offer strong cash generation, robust balance sheets and have benefited from resilient trading throughout the pandemic.

**Industrials (o/w)** – broad mix of companies typically with significant global market positions, benefitting from the post-pandemic global economic re-opening and rising infrastructure expenditure such as in the US.

**Financials (u/w)** – predominantly due to being underweight investment trusts and Asian-focused banks (US-China relations remain strained), 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, costs associated with mandatory energy rating improvements, rent renegotiations and accumulated rent arrears, together with uncertainty around the on-going impact of Covid and home/flexible working on the long-term demand for office space.

**Consumer Discretionary (u/w)** – bricks and mortar non-food retail structurally challenged by increasing online penetration and high occupancy costs, exacerbated by extended shut down of high street stores and leisure sites in response to the Covid pandemic. Ongoing international travel restrictions has left travel sector balance sheets carrying significantly higher levels of debt, with an unclear longer-term impact on business travel.

## Border To Coast UK Listed Equity Fund Attribution at 31 December 2021

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Entain	0.00	0.00	0.39	(20.99)	0.12
Scottish Mortgage Investment Trust	0.00	0.00	0.76	(6.24)	0.08
National Grid	2.08	21.75	1.53	21.89	0.08
IAG	0.00	0.00	0.21	(20.18)	0.06
Marks & Spencer	0.49	26.16	0.18	26.10	0.06

**Entain (u/w)** – DraftKings abandoned its bid for the company and UK regulatory risk weighed on the shares from the ongoing review of the UK Gambling Act over concerns it may incorporate a cap on online betting.

**Scottish Mortgage Investment Trust (u/w)** – impacted by poor performance of two of its largest holdings – Moderna (Covid antiviral competition and US patent challenge) and Illumina (depressed sales and heavily dilutive Grail acquisition).

**National Grid (o/w)** – interim results beat expectations with guidance raised, disposals on track and positive reaction to capital markets day.

**IAG (u/w)** – emergence of the Omicron variant risks further delays to the recovery of the travel sector, with long-haul and business travel particularly exposed.

**Marks & Spencer (o/w)** – interim results confirmed strategic progress and profit guidance raised following a positive trading outcome from both the Food and Clothing & Home divisions.

Note

1) Source: Northern Trust & Border to Coast

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

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
SEGRO	0.00	0.00	0.69	20.21	(0.09)
Schroder UK Smaller Companies Fund	1.04	(4.19)	0.00	0.00	(0.09)
James Fisher & Sons	0.07	(56.60)	0.01	(56.98)	(0.08)
Prudential	1.71	(12.41)	1.40	(12.41)	(0.06)
Johnson Matthey	0.32	(22.87)	0.16	(22.99)	(0.06)

**SEGRO (u/w)** – positive trading statement and significant growth in the development pipeline driven by continued strong demand for logistics/warehouse space.

**Schroder UK Smaller Companies Fund (o/w)** – UK small-cap stocks underperformed during the quarter following an extended period of outperformance since the initial onset of the Covid lockdown.

**James Fisher & Sons (o/w)** – profit warning and potential bad debt issue triggered the announcement of a review of the group’s cost base and balance sheet.

**Prudential (o/w)** – risks from the impact of extended Hong Kong/China border closure on sales growth, triggered by the emergence of the omicron variant and China’s zero Covid policy.

**Johnson Matthey (o/w)** – surprise strategy announcement to exit the battery materials business, and key departures with the head of Clean Air division leaving and the CEO to retire.

Note

1) Source: Northern Trust & Border to Coast

# Border To Coast UK Listed Equity Fund at 31 December 2021

## Largest Relative Over/Underweight Stock Positions (%)

Schroder UK Smaller Companies Fund	+1.04
Impax Environmental Markets	+0.98
Liontrust UK Smaller Companies	+0.97
Antofagasta	+0.64
Herald Investment Trust	+0.56
Glencore	-0.80
Scottish Mortgage Investment Trust	-0.76
SEGRO	-0.69
3I Group plc	-0.55
NatWest	-0.46

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Note

1) Source: Northern Trust

### Top 5 Holdings Relative to Benchmark:

**Schroder UK Smaller Companies Fund** – specialist UK small-cap fund with a strong long term track record. Schroders incorporate proprietary ESG scoring systems in their investment process and undertake significant direct ESG engagement with portfolio holdings.

**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 with an investment style focussed on intellectual property, strong distribution channels and durable competitive advantage. Strong emphasis on sustainable investment and undertakes extensive ESG engagement and reporting.

**Antofagasta** – benefits from attractive long-term demand for copper, driven by electric vehicles, transition to renewable energy and global infrastructure investment. Water supply and self-sufficiency, key environmental concerns in Chile, are set to improve significantly with the completion of the company's desalination plant in 2023.

**Herald Investment Trust** – specialist UK small-cap investment fund with a strong long term track record, focussed on telecommunications, multimedia and technology opportunities.

### Bottom 5 Holdings Relative to Benchmark:

**Glencore** – historically a higher risk commodity company with significant operations in geographies with weaker governance; ongoing corruption investigations including US Department of Justice and UK Serious Fraud Office into allegations of bribery; and coal exposure higher than peers. Glencore's MSCI ESG rating is currently BBB.

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

**SEGRO** – real estate holding company focussed on logistics and industrial units across Europe; fund benefitted from similar UK exposure through its holding in St Modwen until its acquisition by private equity firm Blackstone.

**3I Group plc** – global private equity investor with a highly concentrated investment portfolio, with nearly half the current net asset value invested in a single asset – Action, a European discount retailer.

**NatWest** – UK-focussed retail and commercial bank, with the UK government as the controlling shareholder (53% stake). The fund has similar UK bank exposure through the holding in Lloyds Bank PLC.

### Major transactions during the Quarter

#### **Purchases:**

**Glencore (£11.0m)** – further reduced underweight position on valuation grounds, largely funded by sector switch from BHP Group.

#### **Sales:**

**WM Morrison PLC (£16.1m)** – exited holding following competitive private equity auction and cash bid from Clayton, Dubilier & Rice.

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

## Overseas Developed Markets Fund

The Fund generated a total return of 5.59% during the quarter compared to the composite benchmark return of 5.14% resulting in outperformance of 0.45%. The US (10.4%) was the strongest region, while Japan (-4.9%) was the weakest. All regional portfolios outperformed their respective benchmarks, with the Asia Pacific ex-Japan portfolio making the largest contribution to the Fund's outperformance.

The Fund has continued to benefit from ongoing strength in equity markets, supported by extensive monetary and fiscal stimulus, along with the natural recovery from Covid disruptions. Companies have, by and large, managed to deal with the problems created by supply chain disruptions and continue to generate strong earnings growth, though this may become more difficult the longer the situation persists.

The Fund has outperformed due to the following:

- Strong stock selection across all regions, but particularly in Asia Pacific ex-Japan and Europe; and
- Small overweight to Technology across most regions which has performed strongly.

This has been partly offset by:

- Underweight position in Real Estate and Utilities across most regions, sectors which performed well.

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. The 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.

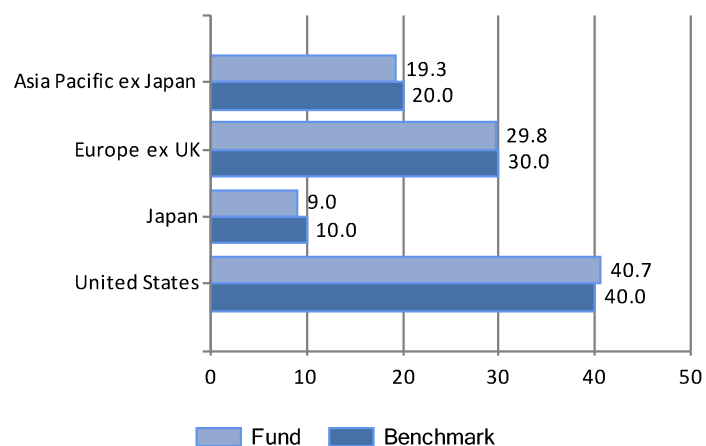
### Note

1) Source: Border to Coast



# Border To Coast Overseas Developed Markets Equity Fund at 31 December 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

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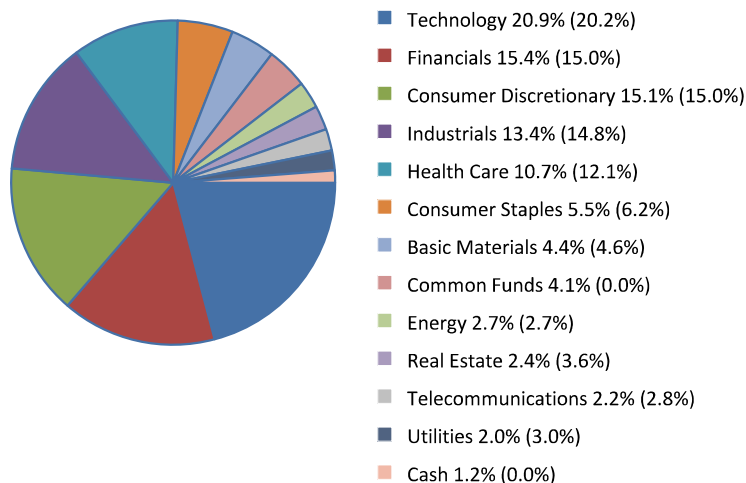
Fund	Inception to Date			Quarter			1 Year			3 Years		
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
<b>Overseas Developed Equity Fund</b>	<b>12.20</b>	<b>11.07</b>	<b>1.13</b>	<b>5.59</b>	<b>5.14</b>	<b>0.45</b>	<b>18.32</b>	<b>17.13</b>	<b>1.19</b>	<b>17.91</b>	<b>16.45</b>	<b>1.46</b>
United States	17.70	16.65	1.06	10.64	10.41	0.23	30.94	29.35	1.59	23.78	22.88	0.90
Japan	7.13	4.56	2.57	(4.46)	(4.91)	0.45	5.01	2.13	2.88	11.99	8.95	3.04
Europe ex UK	9.10	8.89	0.21	5.61	5.07	0.54	17.74	16.75	0.99	15.60	14.66	0.94
Asia Pacific ex Japan	8.26	6.08	2.18	0.81	(0.26)	1.07	2.25	2.19	0.06	12.40	9.74	2.65

### 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 December 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)** – small overweight position driven by larger overweight in Pacific ex-Japan and more neutral positions in other regions. Interest rate cycle looking more favourable for Banks’ earnings than has been the case for some time, particularly in the Pacific region.

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

**Healthcare (u/w)** – one of the sectors to benefit from the pandemic, but this has been reflected in valuations. With economic recovery fuelling a rebound in earnings in other segments of the market, opportunities have appeared more attractive elsewhere.

**Real Estate (u/w)** – the high leverage that is typically associated with Real Estate leaves the sector 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 world.

### 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 December 2021

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
NVIDIA Corporation	1.23	41.45	0.73	41.35	0.15
PayPal	0.00	0.00	0.22	(27.85)	0.10
Home Depot	0.83	26.31	0.43	26.22	0.07
Vanguard US Mid Cap ETF	2.95	7.48	0.00	0.00	0.07
Microsoft	3.04	19.06	2.50	18.91	0.06

**NVIDIA Corporation (o/w)** – shares buoyed by exposure to the embryonic “metaverse”, continued growth in AI workloads and the semi-conductor growth cycle.

**PayPal (u/w)** – concern around competitive disruption of the payment sector weighed on the share’s premium rating.

**Home Depot (o/w)** – strong results and forward guidance confounded the market’s anticipation of a moderation in business conditions.

**Vanguard US Mid Cap ETF (o/w)** – although US mid-cap companies underperformed the broader US market, outperformance of the Fund’s composite benchmark, reflecting the relative strength of US equities, was beneficial.

**Microsoft (o/w)** – defensive growth companies outperformed.

#### Note

1) Source: Northern Trust & Border to Coast

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

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Tesla	0.00	0.00	0.85	35.66	(0.20)
Qualcomm	0.00	0.00	0.20	41.53	(0.06)
Ballie Gifford Shin Nippon	0.31	(10.98)	0.00	0.00	(0.05)
Koninklijke Philips	0.31	(16.50)	0.11	(16.52)	(0.05)
LG Chemical	0.30	(20.20)	0.15	(20.44)	(0.05)

**Tesla (u/w)** – despite a volatile quarter, optimism around electric vehicle (“EV”) demand and Tesla’s resilience in production had a positive impact overall.

**Qualcomm (u/w)** – positive results and guidance on continuing strength in handsets and broader digital connectivity.

**Baillie Gifford Shin Nippon (o/w)** – impacted by a weak Yen and underperformance of smaller companies.

**Koninklijke Philips (o/w)** – weakness in sleep and respiratory business in part due to a significant product recall and the potential for regulatory intervention.

**LG Chemical (o/w)** – general underperformance of EV battery companies as well as continued concerns over a conglomerate discount for the company’s upcoming IPO of its energy solutions business.

Note

1) Source: Northern Trust & Border to Coast

# Border To Coast Overseas Developed Markets Equity Fund at 31 December 2021

## Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.95
Alphabet A	+1.16
Vanguard US Small Cap Value ETF	+0.67
Microsoft	+0.54
NVIDIA Corporation	+0.50
Tesla	-0.85
Alphabet C	-0.80
Mastercard	-0.31
Samsung Electronics Prefs	-0.31
Exxon Mobil	-0.26

### Top 5 Holdings Relative to Benchmark:

**Vanguard US Mid Cap ETF** – provides exposure to the smaller companies in the 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 moderate overweight exposure to Alphabet overall.

**Vanguard US Small Cap Value ETF** – at a time of economic expansion the fund offers exposure to 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.

**NVIDIA Corporation** – product leadership offers exposure to PC gaming refresh cycle and structural growth in AI data centre workloads.

### Bottom 5 Holdings Relative to Benchmark:

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

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

**Mastercard** – preference for Visa, the other global payment network company with similar exposure to growth trends in the payments space, but which trades on a lower valuation.

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

**Exxon Mobil** – integrated energy company exposure gained via names with a better record of ESG engagement.

## Summary of Performance - Funds (Net of Fees) Border to Coast Emerging Markets Equity Fund at 31 December 2021

Fund	Inception to Date			Quarter to Date			1 Year			Benchmark
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	
Border to Coast Emerging Markets Equity Fund	7.15	8.74	(1.59)	(1.00)	(1.47)	0.47	2.26	0.42	1.84	EM Equity Fund Benchmark <sup>3</sup>
Border to Coast	6.77	8.80	(2.03)	0.88	1.23	(0.35)	--	--	--	FTSE Emerging ex China (Net)
FountainCap	(12.99)	(21.13)	8.14	(4.21)	(6.02)	1.81	--	--	--	FTSE China (Net)
UBS	(21.92)	(21.13)	(0.79)	(3.59)	(6.02)	2.42	--	--	--	FTSE China (Net)

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Manager/Strategy	Role in fund	Target	Actual
Border to Coast	Core strategy focused on Emerging Markets ex-China with a tilt towards quality companies.	58%	62%
FountainCap	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.	17%	17%
UBS	China specialist seeking to identify upcoming 'industry leaders' that will benefit from China's structural growth and transition to a services-led economy.	25%	21%

### Note

1) Source: Northern Trust & Border to Coast

2) Values do not always sum due to rounding and use of different benchmarks

3) <sup>3</sup>EM Benchmark = S&P EM BMI Net (22-Oct-18 to 9-Apr-21); Fund Return (10-Apr-21 to 28-Apr-21); FTSE EM Net (29-Apr-21 to current)

# Border to Coast Emerging Markets Equity Fund - Overview

## at 31 December 2021

### Emerging Markets Equity Fund

China woes continued into Q4 2021 as concerns over slowing growth, the re-emergence of Covid and government intervention in markets continued. It was, however, Turkey that was the weakest market over the period, falling more than 10% in GBP terms as extreme currency volatility caused havoc for investors. Brazil and Russia also lagged, with sentiment weighted down by political uncertainty (upcoming Presidential elections and Russian troops on the border with Ukraine respectively).

On the positive side, Taiwan (driven by IT stocks), Indonesia and Mexico all outperformed. Strength in these markets, as well as smaller constituents like UAE, Egypt, and Peru, was not sufficient to lift emerging markets in aggregate into positive territory, with the FTSE Emerging Index down 1.5% on the quarter.

Against this backdrop, the Fund outperformed the benchmark by 0.5%, bringing full-year 2021 relative performance to +1.8%. Absolute performance, however, was negative, with the benchmark again dragged down by China (roughly a third of the index) – which fell 6% in the period. Since the restructure of the Fund in April 2021, performance is flat vs. the benchmark, with the new externally-managed allocation to China outperforming by 2.9%. The EM ex-China allocation, however, has detracted (down 2% vs. the respective benchmark).

Over the quarter, the EM ex-China sleeve, managed internally by Border to Coast, delivered a positive absolute return, though it underperformed its benchmark by 0.4%. Underperformance was primarily driven by stock selection in Financials (0.6% detractor) and being overweight consumer staples (0.2% detractors). Within Financials, it was the Fund's overweight to Sberbank that distracted most, as investors took profits (net selling) in the face of political uncertainty. Positive contributions from stock selection in Communication Services (Emirate Telecom) and an overweight to Information Technology ("IT") were not sufficient to offset the aforementioned detractors.

In aggregate, the Fund's allocation to China was a positive contributor to relative returns, with the China portion of the Fund outperforming by 2.1% over the quarter. Within this allocation, both Fountain Cap and UBS were positive for performance. Since inception, Fountain Cap has outperformed UBS by roughly 9%. A key driver of this performance differential is positioning in big tech and tech-adjacent names (which are large benchmark constituents – and fall across a variety of sectors, for example Alibaba is Consumer Discretionary). FountainCap are materially underweight these names, instead taking select exposure in those names that are less likely to be caught in the regulatory headlights. UBS, in comparison, are closer to market weight in this part of the market.

In Q4 2021, Fountain Cap's outperformance was driven primarily by stock selection in the Healthcare and IT sectors – names like Sunny Optical and Will Semiconductor. Outperformance here was partially offset by an overweight to Anta Sports. For UBS, it was stock selection in Communication Services and Healthcare that drove returns – an overweight to NetEase the most important factor (+0.9% at the UBS level). An overweight to Kweichow Moutai in the Consumer Staples sector (+0.6%) was also a key positive for UBS in the period.

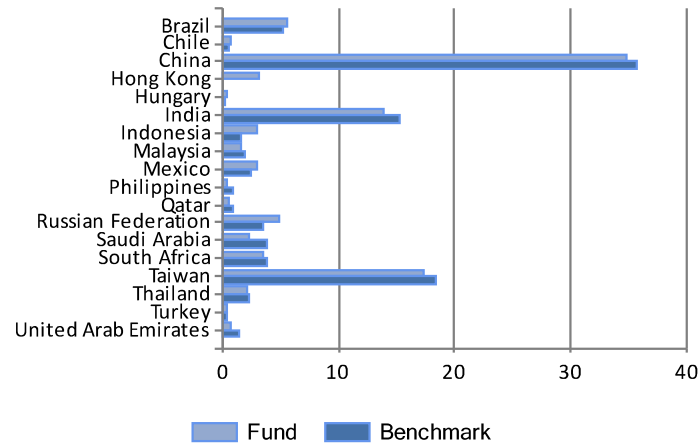
As we head into 2022, we remain cautiously optimistic about the global economic recovery but are cognisant of the risks that we face. While some are arguing recent Covid variants are milder, we are still seeing rolling lockdowns in some countries, restricting economic activity, and once again squeezing supply chains. Inflation continues to soar in certain economies and regulatory risks – particularly in China – are ever-present in investors' minds. Key political elections (e.g. Brazil and China) are also on the horizon. Our investment philosophy continues to be rooted in long-term thinking and analysis and we believe that our stock and thematic positioning, particularly in China, will serve us well in the long term.

Note

1) Source: Border to Coast

# Border to Coast Emerging Markets Equity Fund at 31 December 2021

## Regional Breakdown



## Emerging Markets Equity Fund

The Border to Coast Emerging Markets Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the FTSE Emerging Markets benchmark by at least 1.5% per annum over rolling 3 year periods (before calculation of the management fee).

The majority of the Fund's performance will arise from stock selection decisions.

### Sector Weights:

**Consumer Staples (o/w)** – the rapidly growing Emerging Market middle class population is expected to lead to an increase in the consumption of staple goods over the long-term. The Fund is overweight a number of stocks (particular in China) that are well positioned to benefit from such a tailwind.

**Common Funds (o/w)** – the aggregate ETF/Investment Trust exposure within the Fund, used to express country positioning in the internally managed Emerging Markets ex. China sleeve.

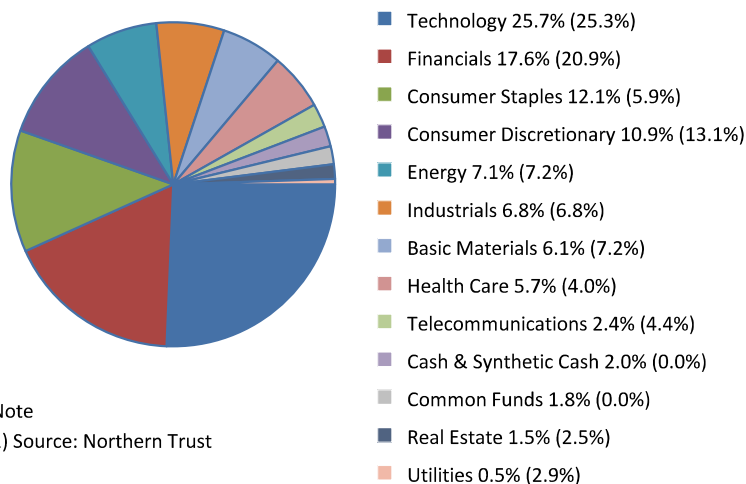
**Health Care (o/w)** – demographic trends (aging EM populations), increasing prosperity and perhaps even medical tourism are expected to drive medical spending higher (both personal and governmental) in Emerging Markets. The Fund is exposed to a diverse set of innovative businesses in this sector.

**Financials (u/w)** – the Fund maintains a broad exposure to a number of sub-sectors that fall under the broader Financials heading (for example, insurance, exchanges, and banking). The underweight position is driven primarily by an underweight exposure to banks, particular state-owned banks in China which are large index constituents.

**Utilities (u/w)** – the Fund is underweight to this highly regulated sector. Concerns over long-term sustainability of businesses and risk of regulatory interference warrants an underweight position.

**Consumer Discretionary (u/w)** – the Chinese e-commerce giant Alibaba is roughly 5% of the FTSE Emerging benchmark and dominates the consumer discretionary sector. The Fund is underweight Alibaba, instead deploying capital in names such as Anta Sports and NetEase. The Fund is also underweight to the automobiles sub-sector, where Chinese EV firm Nio is a large index weight.

## Sector Portfolio Breakdown



Note

1) Source: Northern Trust



## Border to Coast Emerging Markets Equity Fund Attribution at 31 December 2021

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Kweichow Moutai	2.94	13.14	0.40	13.18	0.33	Consumer Staples	China
Alibaba	1.26	(20.09)	3.08	(16.89)	0.28	Consumer Discretionary	China
MediaTek	1.67	31.47	0.90	31.82	0.19	Technology	Taiwan
Netease	1.78	18.28	0.43	19.26	0.14	Consumer Discretionary	China
Will Semiconductor	0.55	29.49	0.03	29.42	0.11	Technology	China
Sunny Optical	0.99	19.84	0.29	19.69	0.10	Technology	China
Pinduoduo	0.00	(36.06)	0.31	(35.99)	0.10	Consumer Discretionary	China
Grupo Mexico	0.93	10.33	0.20	10.36	0.08	Basic Materials	Mexico
Etisalat	0.41	29.23	0.43	31.38	0.08	Telecommunications	United Arab Emirates
WuXi Biologics	0.30	(27.01)	0.55	(27.28)	0.08	Health Care	China

#### Note

- 1) Source: Northern Trust & Border to Coast
- 2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

# Border to Coast Emerging Markets Equity Fund Attribution Continued at 31 December 2021

## Positive Issue Level Impacts

**Kweichow Moutai (o/w)** – shares of the leading Chinese baijiu (liquor) producer rallied in Q4 2021 after earnings results indicated that Moutai has begun to make positive (in the market’s eyes) adjustments to key distribution channels which should improve real consumption and support long-term sustainable growth for the business.

**Alibaba (u/w)** – Alibaba’s shares, which have suffered in 2021, continued to slide over the fourth quarter as slower revenue/earnings growth disappointed the market, with the firm coming under more competition from the likes of JD.com and Pinduoduo, but also newer players like ByteDance (TikTok).

**MediaTek (o/w)** – strong earnings and the prospect of growing demand for 5G chipsets awakened investor interest in Taiwan’s leading “fabless” semi-conductor designer during the period. Strong balance sheet, healthy margins, and attractive valuation, mean MediaTek looks a world away from the speculative “profitless” tech names facing headwinds currently.

**Netease (o/w)** – despite wider ‘tech’ headwinds, underlying business performance at NetEase, a leading Chinese online PC and mobile games developer, remains strong. Investors are excited by the firm’s portfolio of games and expect continued penetration into the key global markets of the US, Europe, and Japan (reducing reliance on the domestic market).

**Will Semiconductor (o/w)** – is a Chinese manufacturer of image sensor and semiconductor products. The firm’s share price rallied some 30% in Q4 2021 as investors began to price in opportunities for Will Semi in the metaverse and smart car arenas. For example, high-end virtual reality headsets are expected to contain 15 or more sensors/cameras, a potentially lucrative revenue stream for Will Semi if metaverse gaming/content delivery becomes mainstream in the near future.

**Sunny Optical (o/w)** – despite relatively soft results from core markets (e.g. phone cameras), much like with Will Semiconductor, investor interest in Sunny Optical picked up in the fourth quarter as a result of opportunities in the smart car and metaverse arena (e.g. lens and glass for VR/AR products).

**Pinduoduo (u/w)** – PDD operates a Chinese ‘group buying’ focused e-commerce platform, which is arguably the preferred e-commerce platform in lower-tier cities and the countryside. Uninspiring earnings results and continued regulatory headwinds saw the firm’s share price drift materially lower during the period.

**Grupo Mexico (o/w)** – Mexico’s largest mining company saw its share price slip over the summer on the back of stalling copper prices and fears of new mining taxes and regulation, particularly in Peru. Shares were arguably oversold heading into Q4 2021. As investors became less fearful of the socialist agenda of Peru’s new President, the stock price began to recover.

**Etisalat (u/w)** – based in Abu Dhabi, Etisalat is one of the leading providers of telecom services across the Middle East, with sizeable operations in the UAE, Morocco, and Egypt. The firm is conservatively financed and has an impressive track record of value creation, with Return on Equity above 20% for most of the last decade. An up-lift to the company’s weighting in emerging market equity indices helped boost demand for its shares during the quarter.

**WuXi Biologics (u/w)** – despite positive underlying business momentum, the firm’s shares performed poorly over the period, not helped by speculation that the firm could be placed on a US sanctions list – these rumours ultimately turned out to be false (and the shares partially recovered).

Note

1) Source: Northern Trust & Border to Coast

2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

## Border to Coast Emerging Markets Equity Fund Attribution at 31 December 2021

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
ANTA Sports Products	1.03	(20.82)	0.24	(20.84)	(0.18)	Consumer Discretionary	China
China Gas	0.12	(30.25)	0.09	(29.99)	(0.15)	Utilities	China
Chinasoft International	0.38	(26.58)	0.00	0.00	(0.13)	Technology	Hong Kong
Jereh Group	0.58	(16.55)	0.01	(16.53)	(0.11)	Energy	China
XPeng	0.25	0.00	0.35	40.98	(0.10)	Consumer Discretionary	China
Sberbank of Russia	1.16	(15.20)	0.57	(16.77)	(0.08)	Financials	Russian Federation
America Movil	0.00	0.00	0.44	19.88	(0.08)	Telecommunications	Mexico
Unimicron	0.00	0.00	0.15	75.43	(0.07)	Technology	Taiwan
Yum China	0.35	(17.24)	0.00	0.00	(0.06)	Consumer Discretionary	China
Fleury	0.24	(20.62)	0.01	(20.44)	(0.06)	Health Care	Brazil

#### Note

- 1) Source: Northern Trust & Border to Coast
- 2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

# Border to Coast Emerging Markets Equity Fund Attribution Continued at 31 December 2021

## Negative Issue Level Impacts

**ANTA Sports Products (o/w)** – Anta has exclusive rights to the FILA brand in China but also operates its own range of brands, which stand to benefit from younger Chinese consumers' increasing propensity to buy Chinese. Rising cotton costs during the year have put pressure on margins which, alongside Covid related supply issues, led to downgrades from analysts.

**China Gas (o/w)** – the share price fell sharply after China Gas reported half-yearly earnings that missed analyst expectations. While the firm saw strong growth in its core gas sales business, this wasn't enough to offset the decline in new residential household connections, the latter driven principally by a slowdown in new property development in cities.

**Chinasoft International (o/w)** – many investors like Chinasoft for its symbiotic relationship with Huawei (a private company) and the firm's share price suffered over the quarter as weak Huawei results suggest that margins at key suppliers (like Chinasoft) could get squeezed.

**Jereh Group (o/w)** – investors reacted negatively to a weak set of results (modest new order growth plus cost inflation pressure) in October with the share price falling some 15% before stabilising. Jereh, however, remains well positioned to benefit from the government's plan to grow shale gas production at the expense of coal.

**XPeng (u/w)** – shares rallied 40% during the period on the back of strong Q3 operating results as it ramps up volumes and margins improve. Investors are also starting to factor in wider applications for XPeng technology – e.g. partnering with robo-taxi firms. The Fund initiated a position in XPeng during the quarter (but was, on average, underweight during the period).

**Sberbank of Russia (o/w)** – Russia's leading bank began the quarter well, benefiting from domestic monetary tightening and higher energy prices. Investors began to worry that Russia could face further sanctions due to build-up of troops on Ukrainian border and with healthy profits to lock in, Sberbank fell victim to heavy profit taking, ending the quarter down 15%.

**America Movil (u/w)** – a pickup in Broadband subscriber growth in Q3, and the prospects of new revenue streams from 5G services helped propel the shares 20% higher over the quarter. The Fund has no exposure to America Movil.

**Unimicron (u/w)** – is one of the world's leading manufacturers of printed circuit boards (used in computers and mobile communications devices). Strong demand over the last two years – and in particular, better-than-expected Q3 results – have seen the shares re-rate sharply amidst analyst upgrades. The Fund has no exposure to Unimicron.

**Yum China (o/w)** – Yum operates restaurants for KFC (largest revenue source), Pizza Hut and Taco Bell, as well as some local Chinese brands. Pressures on leisure spending caused by the re-emergence of Covid and the uncertainty of zero tolerance local lockdowns have made this quarter difficult for the firm, softening the share price.

**Fleury (o/w)** – one of the leading diagnostics and testing companies in Brazil, Fleury's shares slipped by 20% in Q4 2021, in spite of reporting better than expected Q3 results in October. The Brazilian market has generally been very weak since the summer, with investors unimpressed by the government's recent decision to break its own fiscal rules.

Note

1) Source: Northern Trust & Border to Coast

2) Past performance is not an indication of future performance and the value of investments can fall as well as rise

# Border to Coast Emerging Markets Equity Fund at 31 December 2021

## Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.53
iShares South Africa ETF	+1.40
Netease	+1.34
Hong Kong Exchanges & Clearing	+1.09
Jiangsu Hengrui Medical	+0.92
Alibaba	-1.82
Tencent	-0.94
China Construction Bank	-0.92
Gazprom	-0.68
ICBC	-0.63

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Note

1) Source: Northern Trust

### Top 5 Holdings Relative to Benchmark:

**Kweichow Moutai** – a leading Chinese baijiu (liquor) producer with strong brand presence and scale. The business is well positioned to benefit from the consumption upgrade story in mainland China.

**iShares South Africa ETF** – provides exposure to a basket of South African businesses. Overall, the Fund is broadly neutral vs. the benchmark in respect of South African stocks.

**Netease** – despite some headwinds in its domestic market, growing success on the international stage (in particular Japan) along with a strong pipeline of games, including a new metaverse gaming platform, should bode well for sales and profit growth.

**Hong Kong Exchanges & Clearing** – operates a range of equity, commodity, fixed income, and currency markets through its range of subsidiaries. The firm is a key conduit of capital flows to/from China and should benefit from increasing Northbound (foreign investment into China) and Southbound (Chinese investors accessing global markets) volumes over time.

**Jiangsu Hengrui Medical** – JHM is a leader in the structural transformation from the generic drug model into the innovative drug model and should benefit from strong demand driven by demographic changes in China.

### Bottom 5 Holdings Relative to Benchmark:

**Alibaba** – Chinese multinational technology company, best known for e-commerce and online payment platforms. Stock is a material proportion of the benchmark, and whilst the Fund does hold some exposure, there are deemed to be better opportunities elsewhere.

**Tencent** – a Chinese technology conglomerate with numerous business units – for example, mobile messaging (WeChat) and video games. The stock is a material proportion of the benchmark, and whilst the Fund does hold some exposure, there are deemed to be better opportunities elsewhere.

**China Construction Bank** – is one of the “big four” banks in China, offering services to millions of personal and corporate customers. The Fund has a structural underweight to Chinese State-Owned Enterprises, many of which are within the banking and finance sector.

**Gazprom** – the Fund does not hold a position in Russian Gas titan, Gazprom. Gazprom has a record of poor governance and looks a less compelling investment than peer (and affiliate) Novatek, which has better long-term growth prospects driven by demand for LNG.

**ICBC** – is the world’s largest bank providing a multitude of services to corporate customers and individuals. The Fund maintains a structural underweight to Chinese State-Owned Enterprises, many of which are within the banking and finance sector.

### Major Transactions During the Quarter

#### **Purchases:**

**Netease (£7.4m)** – whilst the firm was subject to regulatory challenges over 2021, underlying business performance has remained strong. The firm has experienced growing success on the international stage and has developed a strong pipeline of games for global launches. In addition, the firm’s new metaverse gaming platform will see it compete for a share of this new and exciting market.

#### **Sales:**

**Xiaomi (£4m)** – despite Xiaomi’s improving business fundamentals (i.e. improving product mix with competitive high-end products rollout and market share gain through offline channel expansions), the company is very susceptible to a prolonged economic slowdown, frequent lockdowns in China, and ongoing supply chain disruptions.

## APPENDICES

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

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
NVIDIA Corporation	1.23	0.73	0.15
PayPal	0.00	0.22	0.10
Home Depot	0.83	0.43	0.07
Vanguard US Mid Cap ETF	2.95	0.00	0.07
Microsoft	3.04	2.50	0.06

**NVIDIA Corporation (o/w)** – shares buoyed by exposure to the embryonic “metaverse”, continued growth in AI workloads and the semi-conductor growth cycle.

**PayPal (u/w)** – concern around competitive disruption of the payment sector weighed on the share’s premium rating.

**Home Depot (o/w)** – strong results and forward guidance confounded the market’s anticipation of a moderation in business conditions.

**Vanguard US Mid Cap ETF (o/w)** – although US mid-cap companies underperformed the broader US market, outperformance of the Fund’s composite benchmark, reflecting the relative strength of US equities, was beneficial.

**Microsoft (o/w)** – defensive growth companies outperformed.

#### Note

1) Source: Northern Trust & Border to Coast

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

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tesla	0.00	0.85	(0.20)
Qualcomm	0.00	0.20	(0.06)
Citigroup	0.33	0.12	(0.04)
AMD	0.00	0.17	(0.04)
AbbVie	0.00	0.24	(0.04)

**Tesla (u/w)** – despite a volatile quarter, optimism around electric vehicle (“EV”) demand and Tesla’s resilience in production had a positive impact overall.

**Qualcomm (u/w)** – positive results and guidance on continuing strength in handsets and broader digital connectivity.

**Citigroup (o/w)** – impacted by international exposure in the face of concern around Omicron and a sense that new management may be slower than hoped in implementing self-help initiatives.

**AMD (u/w)** – strong semi-conductor cycle with particular strength in data centres.

**AbbVie (u/w)** – the pharmaceutical company was buoyed by better than anticipated results and company optimism around the near-term drug pipeline.

Note

1) Source: Northern Trust & Border to Coast



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

## Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.95
Alphabet A	+1.16
Vanguard US Small Cap Value ETF	+0.67
Microsoft	+0.54
NVIDIA Corporation	+0.50
Tesla	-0.85
Alphabet C	-0.80
Mastercard	-0.31
Exxon Mobil	-0.26
PepsiCo	-0.24

### Top 5 Holdings Relative to Benchmark:

**Vanguard US Mid Cap ETF** – provides exposure to the smaller companies in the 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 moderate overweight exposure to Alphabet overall.

**Vanguard US Small Cap Value ETF** – at a time of economic expansion the fund offers exposure to 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 customer stickiness.

**NVIDIA Corporation** – product leadership offers exposure to PC gaming refresh cycle and structural growth in AI data centre workloads.

### Bottom 5 Holdings Relative to Benchmark:

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

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

**Mastercard** – preference for Visa, the other global payment network company with similar exposure to growth trends in the payments space, but which trades on a lower valuation.

**Exxon Mobil** – energy company exposure gained via names with a better record of ESG engagement.

**PepsiCo** – preference for Coca Cola which has a greater exposure to a recovery from Covid via higher on-trade penetration.

### Major transactions during the Quarter

#### **Purchases:**

**Walmart (£12.3m)** – added to get to target position.

#### **Sales:**

**Meta Platforms (£18.2m)** – (née Facebook) concerns around impediment to tracking, resulting from new Apple privacy settings and potential political and regulatory oversight following whistle blower revelations.

Note

1) Source: Northern Trust

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

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Richemont	0.48	0.26	0.06
Novo Nordisk	1.07	0.59	0.05
Schneider Electric	0.77	0.35	0.04
Vestas Wind Systems	0.00	0.10	0.04
LVMH	1.03	0.69	0.03

**Richemont (o/w)** – impressive sales growth and discussions around forming an alliance with online luxury platform, Farfetch including the sale of subsidiary, Yoox Net-A-Porter.

**Novo Nordisk (o/w)** – improved revenue and earnings outlook from new diabetes drug, Wegovy.

**Schneider Electric (o/w)** – positive capital markets day with expectations for an improvement in organic revenue growth.

**Vestas Wind Systems (u/w)** – impacted by the departure of the CFO, supply chain issues and increasing commodity prices.

**LVMH (o/w)** – higher than expected sales growth, particularly in jewellery from recent acquisition, Tiffany.

Note

1) Source: Northern Trust & Border to Coast

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

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Koninklijke Philips	0.31	0.11	(0.05)
Umicore	0.10	0.03	(0.04)
Sika	0.00	0.20	(0.04)
BB Biotech	0.26	0.00	(0.03)
Hermes	0.00	0.18	(0.03)

**Koninklijke Philips (o/w)** – weakness in sleep and respiratory business in part due to a significant product recall and the potential for regulatory intervention.

**Umicore (o/w)** – battery recycler impacted by a production plant fire.

**Sika (u/w)** – positive response to takeover of German rival, MBCC Group, which enables the Swiss building materials company to broaden its product range.

**BB Biotech (o/w)** – Swiss biotech fund impacted by profit taking as currently trading at a 25% premium to net asset value.

**Hermes (u/w)** – benefited from the broad outperformance of luxury goods companies and expectations of positive pricing power.

Note

1) Source: Northern Trust & Border to Coast

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

### Largest Relative Over/Underweight Stock Positions (%)

Novo Nordisk	+0.47
ASML	+0.43
Schneider Electric	+0.42
TotalEnergies	+0.38
Teleperformance	+0.37
Prosus	-0.25
Zurich Insurance Group	-0.22
Daimler	-0.22
EssilorLuxottica	-0.21
Enel SPA	-0.21

#### Top 5 Holdings Relative to Benchmark:

**Novo Nordisk** – strong market position in diabetes treatment with extension of products into obesity treatment.

**ASML** – strong demand expected due to economic recovery, ongoing microchip shortages, and increasing trend for companies and governments to reduce their reliance on imported microchips.

**Schneider Electric** – only company with an integrated approach offering all critical aspects of the value chain with superior market access and high market share in higher margin low voltage products.

**TotalEnergies** – shifting away from its core oil business and is now the second largest player in LNG as well as seeking to diversify further into green energy.

**Teleperformance** – a French business process outsourcing company expected to benefit from the recent acquisition of Senture, a US government services provider.

#### Bottom 5 Holdings Relative to Benchmark:

**Prosus** – concerns about management conflict of interest with Naspers, an associated company in South Africa.

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

**Daimler** – structural concerns regarding the sector as a whole and particular concerns regarding the strength of the balance sheet.

**EssilorLuxottica** – high valuation and although previous governance concerns have been resolved there is integration risk around its last major acquisition.

**Enel SPA** – higher risk profile due to large exposure to Italy (political uncertainty) as well as exposure to Latin America, particularly Brazil.

#### Major transactions during the Quarter

##### **Purchases:**

**Sanofi (£2.2m)** – increasing overweight on drug pipeline expectations.

##### **Sales:**

**European Opportunities Trust (£2.6m)** – continuing to reduce exposure to off-benchmark collective holdings.

Note

1) Source: Northern Trust

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

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tokyo Electron	0.44	0.19	0.05
Fast Retailing	0.00	0.07	0.02
M3	0.00	0.05	0.02
Honda Motor	0.00	0.11	0.02
Central Japan Railway	0.00	0.05	0.01

**Tokyo Electron (o/w)** – excellent results combined with continued strong demand for chip making equipment.

**Fast Retailing (u/w)** – sales continued to disappoint with mild Autumn weather delaying purchases of some clothing lines combining with the continued cautious approach of the Japanese to Covid reducing footfall.

**M3 (u/w)** – this medical information services provider continues the decline from the “Covid winner” inspired over valuation at the start of the year.

**Honda Motor (u/w)** – stock drifted lower in the quarter, giving up some of the outperformance from earlier in the year.

**Central Japan Railway (u/w)** – stock drifted lower in the quarter on expectations that reopening to inbound tourism and a new “Go To” travel subsidy program will be delayed by the Covid Omicron variant.

#### Note

1) Source: Northern Trust & Border to Coast

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

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Baillie Gifford Shin Nippon	0.31	0.00	(0.05)
Softbank Group Corp	0.25	0.14	(0.04)
Pan Pacific International	0.07	0.01	(0.03)
Fujifilm	0.16	0.06	(0.03)
Takeda Pharmaceutical	0.19	0.09	(0.03)

**Baillie Gifford Shin Nippon (o/w)** – impacted by a weak Yen and underperformance of smaller companies.

**Softbank Group Corp (o/w)** – negative sentiment continues on general weakness in the Technology sector, and implications of Chinese policy on Alibaba and other Softbank holdings. The announcement of a substantial share buyback only provided a short-lived bounce.

**Pan Pacific International (o/w)** – very weak following poor results and concern that the Covid impacts are continuing due to avoidance of its confined space store format, lack of late-night shoppers, and no inbound tourist footfall.

**Fujifilm (o/w)** – stock drifted lower following a very good performance in the previous quarter.

**Takeda Pharmaceutical (o/w)** – shares reacted badly to drug trial news, particularly discontinuing two mid-stage narcolepsy trials on safety grounds.

Note

1) Source: Northern Trust & Border to Coast

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

### Largest Relative Over/Underweight Stock Positions (%)

Ballie Gifford Shin Nippon	+0.31
Tokyo Electron	+0.25
Shin-Etsu Chemical	+0.19
Renesas Electronics	+0.17
Hitachi	+0.16
Recruit Holdings	-0.18
Nidec	-0.12
Honda Motor	-0.11
Daiichi Sankyo	-0.11
Fanuc	-0.09

### Top 5 Holdings Relative to Benchmark:

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

**Tokyo Electron** – good growth prospects, strong balance sheet and potential for increased returns.

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

**Renesas Electronics** – continuing global chip shortages should support demand for chip production and enable increased margins with production now fully resumed following the fire earlier this year.

**Hitachi** – should continue to reap the benefits from restructuring and a more focused approach. The acquisition of GlobalLogic should expand the digital portfolio and prove to be a good long-term move.

### Bottom 5 Holdings Relative to Benchmark:

**Recruit Holdings** – trades at premium valuation relative to peers, but environment for recruitment improving.

**Nidec** – concern that future strategy is unclear for this manufacturer of small precision motors, and company forecasts are too optimistic. Stock remains priced for perfection.

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

**Daiichi Sankyo** – preference for other names in the health care sector due to the significant volatility of this pharmaceutical stock.

**Fanuc** – preference for Keyence in factory automation due to quality of earnings.

### Major transactions during the Quarter

#### **Purchases:**

**Baillie Gifford Shin Nippon (£1.1m)** – increasing exposure to smaller companies in anticipation of stronger performance from this segment of the market.

#### **Sales:**

**Fujifilm (£2.5m)** – reduced overweight, following outperformance, to limit exposure to this potentially volatile healthcare and imaging solutions company.

Note

1) Source: Northern Trust

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

### Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Afterpay	0.00	0.08	0.04
Goodman	0.48	0.22	0.04
SK Hynix	0.55	0.36	0.04
BeiGene	0.00	0.08	0.03
Macquarie Group	0.55	0.32	0.02

**Afterpay (u/w)** – weaker due to concerns around the delay in the acquisition by Square and continued regulation within the BNPL (“Buy Now Pay Later”) sector.

**Goodman (o/w)** – outperformance driven by another upgrade in guidance in all areas of the business, led by continued structural growth momentum in the Australian property sector.

**SK Hynix (o/w)** – after a mid-year lull for memory chips the outlook is turning more positive, with average selling prices recovering.

**BeiGene (u/w)** – Chinese biotechnology company with its US Nasdaq listing under threat.

**Macquarie Group (o/w)** – continued positive earnings guidance for this Australian financial services company due to favourable market conditions.

Note

1) Source: Northern Trust & Border to Coast



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

### Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
LG Chemical	0.30	0.15	(0.05)
AIA Group	0.93	0.76	(0.04)
SK Innovation	0.24	0.07	(0.03)
Samsung SDI	0.36	0.18	(0.03)
LG Household & Health Care	0.14	0.05	(0.02)

**LG Chemical (o/w)** – general underperformance of EV battery companies as well as continued concerns over a conglomerate discount for the company's upcoming IPO of its energy solutions business.

**AIA Group (o/w)** – ongoing Covid disruption and potential for Chinese regulatory concerns to be expanded to the life insurance sector.

**SK Innovation (o/w)** – general underperformance of EV battery companies as well as continued concerns over a conglomerate discount for the company's upcoming IPO of its battery business.

**Samsung SDI (o/w)** – general underperformance of EV battery companies despite positive results and outlook.

**LG Household & Health Care (o/w)** – market concerns regarding the slowdown of cosmetics sales in China.

#### Note

1) Source: Northern Trust & Border to Coast

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

### Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.49
Goodman	+0.26
Macquarie Group	+0.23
James Hardie	+0.23
Techtronic Industries	+0.22
Samsung Electronics Prefs	-0.31
UOB	-0.16
Kakao	-0.16
Kia	-0.11
Hong Kong & China Gas	-0.11

### 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.

**Goodman** – Goodman offers above-peer earnings growth supported by strong structural demand for modern logistics and warehouse space.

**Macquarie Group** – well diversified financial services company with large exposure to structural growth areas within infrastructure, strong balance sheet and very highly regarded management.

**James Hardie** – the group continues to benefit from a multi-year recovery in US housing, taking market share in all regions and generating industry-leading margins.

**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.

### 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 is benefiting from its fintech, e-commerce and entertainment businesses; the Fund has a preference for NAVER.

**Kia** – South Korean auto company with similar exposure as the preferred holding, Hyundai Motor, which also owns 34% of Kia.

**Hong Kong & China Gas** – although the company has a monopoly on gas supply in Hong Kong, it has a very high valuation with potentially slowing earnings growth and increased regulatory risk in China.

### Major transactions during the Quarter

#### Sales:

**Hyundai Mobis (£3.9m)** – weighting reduced following weak results and lack of potential catalysts.

Note

1) Source: Northern Trust

## Market Background at 31 December 2021

Markets overcame the jitters experienced late in the third quarter and rallied early in the fourth quarter, establishing new highs before the end of October and making further progress through to the end of the year. Higher volatility became evident though as the rise of the Omicron variant threatened Christmas for the second year running and cast a shadow over the prospects for economic recovery.

Bonds failed to offer much by way of direction as yields moved higher then lower before rising again towards year end, but this represented a respite for equity markets after the sharp rise in yields that had spooked investors at the end of the third quarter. Yields were impacted by mixed messaging from central banks, high energy prices, the spread of Omicron and its likely impact on economies, and political tension around the West's relations with China and Russia ratcheting higher. Given the backdrop the rise in equity markets in aggregate during the quarter was somewhat confounding. Weakness in Sterling resulted in stronger returns for UK investors.

In aggregate, global equity markets (MSCI indices) generated a total return (in sterling) of ~6% in the quarter, and 20% for the year marking a third successive year of double digit returns for equity markets. During the quarter, developed markets (7.3%) outperformed emerging markets (-1.8%) continuing a trend that has seen developed markets outperform emerging markets by ~25% in 2021. The US was the strongest performer boosted by its high representation of technology stocks. Japan was the weakest having been the strongest major market last quarter, while performance across the rest of the Asia Pacific region remained lacklustre as Chinese equities remained under a cloud affecting sentiment towards the rest of the region.

At a sector level, the respite from the rise in bond yields allowed longer duration investments such as real estate, technology and utilities sectors to outperform. The rise in yields was less favourable for the energy, industrials and financials sectors and they lagged the broad market, but the communication services sector was the worst performing, with the poor

performance of Facebook (now Meta Platforms) in particular putting pressure on the sector and compounding underwhelming performance from more traditional telecom companies.

Inflation remains the primary variable moving markets at present. In part this is because inflation is somewhat more fathomable than geopolitical risk, and partly because the inflation risk is more likely to manifest sooner than geopolitical risk where events and impacts tend to ratchet up more slowly. The inflation debate hinges around the degree to which current spikes in inflation will prove transitory or feed into something more sustained and more material than has been experienced for over 30 years. Price increases have become more widespread and there is evidence of them feeding through into wage inflation where low unemployment and skills shortages are resulting in inflation-busting pay deals in many spaces.

On the geopolitical front, China remains a concern as it seeks to manage the deflation of an unhealthy bubble in the property market whilst shifting its economic policy towards fairer distribution and greater control over certain elements of the economy – particularly the fast-growing technology segments. The unease of the US and its allies over China's human rights issues and more aggressive stance towards Taiwan has also increased in recent months. There is also a growing realisation that the dependence on China for the technology and materials necessary for the planned transition to a greener and more technologically enabled economy is a strategic weakness and countries will look to diversify their supply chains where possible.

Russia has meanwhile become more provocative in its actions, with the massing of troops on the Ukrainian border in recent months being a source of particular concern to the EU and US and other aligned countries. Europe has meanwhile become very dependent on Russian gas supplies to manage its energy transition which makes finding a solution much harder.

Note

1) Source: Border to Coast

## Market Background at 31 December 2021

The concerns around China and Russia combined are as high as they have been for almost a generation, and the issues at the heart of these tensions will not be easily or speedily resolved.

Valuations of equity markets remain above their long-term averages though strong earnings have managed to offset much of the rise in markets feeding into higher valuations. Investor sentiment has become more cautious as headwinds to markets have risen in the face of tighter monetary policy and heightened geopolitical risks and with stretched valuations not providing convincing support. Seemingly the only potential olive branch for markets is economic growth.

With China continuing to manage its way carefully through an economic transition alongside a shift in political priorities, the onus is likely to fall on the US and Europe to pick up the reins and drive global growth.

Consumer balance sheets are very strong suggesting the consumer spending should be firm while capital spending should also provide some support to growth as companies invest both to position for the energy transition and also to raise productivity in the face of increasing wage inflation.

Fiscal spending in Europe should also remain supportive as many of the programmes devised to support economies through Covid were of a longer duration than those devised in the US or elsewhere. While the strength of the prospective fiscal stimulus in the US has been eroded recently through a failure by the Democrats to draft a package which would secure the necessary majority it is still relatively substantial. The prospect of tax increases to repair sovereign balance sheets severely damaged by Covid could present a headwind to growth but remains relatively muted in 2022 even if some countries such as the UK have moved relatively early to address this.

The major threat to growth in 2022, though, seemingly remains Covid -and the possibility that the emergence of further variants of concern prompt another round of restrictive measures in those economies where vaccination rates are not yet high enough to provide governments with the comfort they need to “live with” the virus. Absent this, and to the extent that Omicron provides the natural immunisation that some have predicted, growth prospects in 2022 could be fairly robust. The flip side to that stronger growth though is the threat of inflation.

Entering 2022 there are a multitude of hurdles markets will have to overcome and challenges investors face. Leaving aside Covid, and the potential for a “Nexticrom”, geopolitical and monetary risks are at levels not encountered for many years with equity markets in many peoples’ eyes as precariously poised as they have been for over a decade. The inflation risk is one that presents potentially the biggest challenge for investors, as geopolitical risks can really head in two directions – higher or lower, with a relatively orthodox playbook for each scenario. With inflation there are the three scenarios outlined above, each with very different playbooks, making it more challenging for investors to plan for.

Thus, uncertainty rules, and challenges lie ahead, but the only outcome it seems reasonable to predict with any confidence is that 2022 will not be the third year in a row that equity markets return over 20%... although we would love to be proven wrong.

Note

1) Source: Border to Coast

## Border to Coast News

### People:

- Daniel Booth, our Chief Investment Officer (CIO), has announced his decision to leave the business. Having joined us in mid-2018, Daniel has been key in developing our investment capabilities and building a strong and capable team. He is leaving to establish a UK-based family office for a wealthy individual seeking a CIO to manage his assets, which will enable Daniel to do more of the elements of the CIO role he really loves: investing on a day-to-day basis.
- We have appointed John Harrison as our interim CIO. He will be a familiar figure to many of you – he acted as our interim CIO at our launch and has continued to provide support and advice (including being a member of our Investment Committee as well as chairing our annual conference). John has extensive asset management experience - having been the UK CIO for UBS, he has acted as an independent advisor to the LGPS for the last decade, served as Managing Director of MJ Hudson and, most recently, acted as the interim CIO for the British Airways Pension Fund.
- We are delighted to announce that Safa Al-Nagar joined us in October as Customer Relationship Manager. Safa previously worked for Halkin Asset Management, Bank of America Merrill Lynch and, most recently, Marathon Asset Management, where she worked in client service. She holds a BSc in Business and Law and an MSc in Accounting and Financial Management.

### Investment Funds:

- After much work by all involved, we're delighted to confirm that our Multi-Asset Credit Fund is now live. At £3.7bn and 10 of our 11 Partner Funds invested, it is one of our largest funds, and provides an innovative, diversified and cost-effective fixed income proposition to support Partner Funds' long-term asset allocations.
- We have formally announced the launch of our £1.3bn Listed Alternatives Fund. Scheduled to launch in early 2022, to be managed internally, it will hold listed securities that provide exposure to infrastructure, specialist real estate, private equity and alternative credit, complementing Border to Coast's existing £5.7bn private markets investment programme and providing funding for critical projects in the UK and beyond.

- We have committed a further £1.2bn to private markets as we continue to deliver new investment opportunities for our Partner Funds. The investments form part of the £2.7bn private markets programme announced in July 2021. The commitments include £593m to four infrastructure funds, £426m to four private equity funds, and £148m to one private credit fund.

### Responsible Investment:

- In October, following our commitment to achieving net zero carbon across our investments by 2050, we joined the global Net Zero Asset Managers initiative. The initiative, which now numbers 220 investors in total, seeks to mobilise action by the asset management industry to drive the transition to net zero and provides a forum to share best practice and overcome barriers to achieving it.
- As part of our work with our voting and engagement partner, Robeco, we participated in their client panel providing input to shape potential engagement themes for launch in 2022. We have carried out a significant amount of work to identify our own priority themes, with input from our Partner Funds and we are pleased to note that the new themes for 2022 are very much aligned with our work to date. These forthcoming themes include: 'Net Zero Emissions', 'Natural Resource Management', 'Diversity, Equity, and Inclusion' and adoption of a new, collaborative initiative 'Nature Action, which seeks to address a company's potential impact on biodiversity, such as deforestation, overfishing and pollution.

## Disclosures

Border to Coast Pensions Partnership Ltd is authorised and regulated by the Financial Conduct Authority (FRN 800511).  
Registered in England (Registration number 10795539) at the office 5th Floor, Toronto Square, Leeds, LS1 2HJ

The information contained herein is strictly confidential and is intended for review by the intended parties, their advisors and legal counsel only. It is not marketing material. The value of your investments may fluctuate. Past performance is not a reliable indication for the future. All reasonable care has been taken to ensure that the information contained herein is clear, fair and not misleading.

STATE STREET  
GLOBAL ADVISORS

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# Quarterly Investment Report - 80237

For the Period 01 Oct 2021 to 31 Dec 2021

## Middlesbrough Borough Council

Middlesbrough Borough Council

Report ID: 3140689.1 Published: 18 Jan 2022

# Quarterly Investment Report - 80237

As of 31 Dec 2021

Middlesbrough Borough Council

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## Quarterly Investment Report - 80237

As of 31 Dec 2021

Middlesbrough Borough Council

# Accounting Summary (expressed in GBP)

As of 31 Dec 2021

## Middlesbrough Borough Council

	Market Value 01 Oct 2021		Contributions	Withdrawals	Change in Market Value	Market Value 31 Dec 2021	
<b>Passive Equity Portfolio</b>							
North America ESG Screened Index Equity Sub-Fund	37,068,702	6.08%	0	0	3,583,151	40,651,853	6.64%
Europe ex UK ESG Screened Index Equity Sub-Fund	125,841,938	20.65%	0	0	6,392,059	132,233,998	21.59%
Japan ESG Screened Index Equity Sub-Fund	115,173,304	18.90%	0	0	(5,594,935)	109,578,370	17.89%
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund	331,279,286	54.36%	0	0	(1,130,438)	330,148,847	53.89%
<b>Total</b>	<b>609,363,231</b>	<b>100.00%</b>	<b>0</b>	<b>0</b>	<b>3,249,837</b>	<b>612,613,068</b>	<b>100.00%</b>

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## Quarterly Investment Report - 80237

As of 31 Dec 2021

Middlesbrough Borough Council

# Performance Summary (expressed in GBP)

As of 31 Dec 2021

## Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
<b>Passive Equity Portfolio</b>								
<b>North America ESG Screened Index Equity Sub-Fund</b>								21 Sep 2018
Total Returns	1.64%	9.67%	28.39%	28.39%	23.70%	N/A	N/A	17.41%
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	1.61%	9.56%	27.82%	27.82%	23.48%	N/A	N/A	17.21%
<b>Difference</b>	<b>0.03%</b>	<b>0.11%</b>	<b>0.57%</b>	<b>0.57%</b>	<b>0.22%</b>	<b>N/A</b>	<b>N/A</b>	<b>0.20%</b>
Total Returns (Net)	1.64%	9.66%	28.38%	28.38%	N/A	N/A	N/A	N/A
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	1.61%	9.56%	27.82%	27.82%	N/A	N/A	N/A	N/A
<b>Difference</b>	<b>0.03%</b>	<b>0.10%</b>	<b>0.56%</b>	<b>0.56%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Europe ex UK ESG Screened Index Equity Sub-Fund</b>								26 Sep 2018
Total Returns	3.60%	5.08%	17.68%	17.68%	15.26%	N/A	N/A	9.64%
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	3.64%	5.10%	17.33%	17.33%	15.28%	N/A	N/A	9.62%
<b>Difference</b>	<b>-0.04%</b>	<b>-0.02%</b>	<b>0.35%</b>	<b>0.35%</b>	<b>-0.02%</b>	<b>N/A</b>	<b>N/A</b>	<b>0.02%</b>
Total Returns (Net)	3.60%	5.07%	17.66%	17.66%	N/A	N/A	N/A	N/A
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	3.64%	5.10%	17.33%	17.33%	N/A	N/A	N/A	N/A
<b>Difference</b>	<b>-0.04%</b>	<b>-0.03%</b>	<b>0.33%</b>	<b>0.33%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Japan ESG Screened Index Equity Sub-Fund</b>								01 Jun 2001
Total Returns	-0.35%	-4.86%	2.39%	2.39%	9.30%	6.68%	10.21%	4.39%
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	-0.38%	-4.91%	1.99%	1.99%	9.16%	6.59%	10.16%	4.25%
<b>Difference</b>	<b>0.03%</b>	<b>0.05%</b>	<b>0.40%</b>	<b>0.40%</b>	<b>0.14%</b>	<b>0.09%</b>	<b>0.05%</b>	<b>0.14%</b>

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## Quarterly Investment Report - 80237

As of 31 Dec 2021

Middlesbrough Borough Council

### Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Total Returns (Net)	-0.35%	-4.87%	2.37%	2.37%	N/A	N/A	N/A	N/A
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	-0.38%	-4.91%	1.99%	1.99%	N/A	N/A	N/A	N/A
<b>Difference</b>	<b>0.03%</b>	<b>0.04%</b>	<b>0.38%</b>	<b>0.38%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund</b>								01 Jun 2001
Total Returns	2.13%	-0.34%	2.38%	2.38%	9.74%	7.90%	8.73%	9.81%
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	2.12%	-0.40%	2.31%	2.31%	9.74%	7.86%	8.69%	9.75%
<b>Difference</b>	<b>0.01%</b>	<b>0.06%</b>	<b>0.07%</b>	<b>0.07%</b>	<b>0.00%</b>	<b>0.04%</b>	<b>0.04%</b>	<b>0.06%</b>
Total Returns (Net)	2.13%	-0.35%	2.36%	2.36%	N/A	N/A	N/A	N/A
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	2.12%	-0.40%	2.31%	2.31%	N/A	N/A	N/A	N/A
<b>Difference</b>	<b>0.01%</b>	<b>0.05%</b>	<b>0.05%</b>	<b>0.05%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

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 Dec 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	74.80	74.80	0.00
ESG	75.50	75.50	0.00
Corporate Governance	45.42	45.42	0.00

Source: SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

## What is R-Factor?

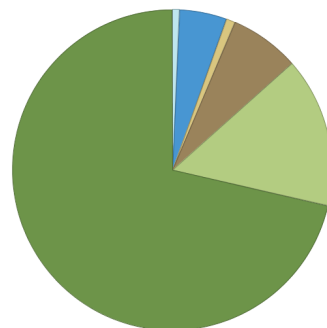
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-in-class ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors 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	453	98.05%	99.24%
Total Number of Securities in Portfolio	462		

Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

## Fund R-Factor Profile

Not Available	0.76%
Laggard	5.03%
Underperformer	0.91%
Average Performer	7.42%
Outperformer	15.89%
Leader	74.86%



Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 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.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Nestle S.A.	4.31%	4.31%	0.00%	91.79
ASML Holding NV	3.51%	3.51%	0.00%	78.82
Roche Holding Ltd	3.23%	3.23%	0.00%	72.15
LVMH Moet Hennessy Louis...	2.31%	2.31%	0.00%	68.81
Novartis AG	2.04%	2.04%	0.00%	86.66
Novo Nordisk A/S Class B	2.00%	2.00%	0.00%	73.33
SAP SE	1.76%	1.76%	0.00%	90.87
Siemens AG	1.46%	1.46%	0.00%	77.26
TotalEnergies SE	1.38%	1.38%	0.00%	80.04
L'Oreal SA	1.28%	1.28%	0.00%	95.38

Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

## Top 5 R-Factor Ratings

Danone SA	0.42%	0.42%	0.00%	100
Stellantis N.V.	0.43%	0.43%	0.00%	97.41
L'Oreal SA	1.28%	1.28%	0.00%	95.38
Icade SA	0.03%	0.03%	0.00%	94.87
Covivio SA	0.05%	0.05%	0.00%	94.41

Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

## Bottom 5 R-Factor Ratings

InPost S.A.	0.03%	0.03%	0.00%	30.21
CTS Eventim AG & Co. KGa...	0.04%	0.05%	-0.01%	30.43
AUTO1 Group SE	0.02%	0.02%	0.00%	31.26
PSP Swiss Property AG	0.06%	0.06%	0.00%	31.30
Sofina SA	0.08%	0.08%	0.00%	33.02

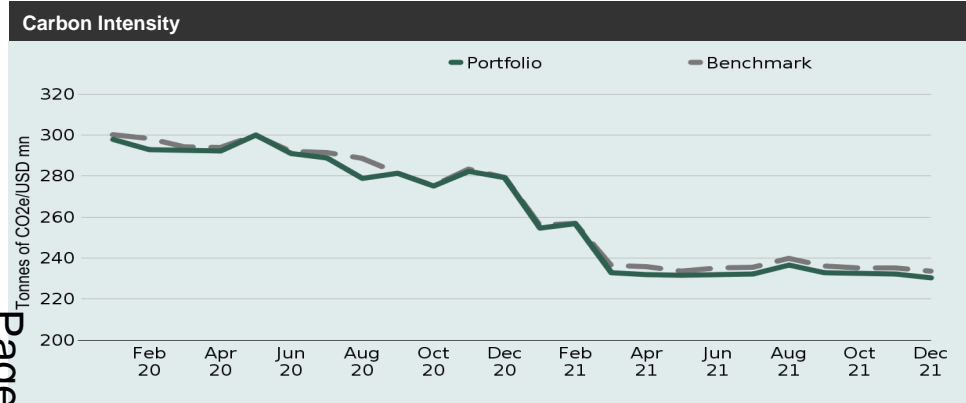
Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

# Climate Profile

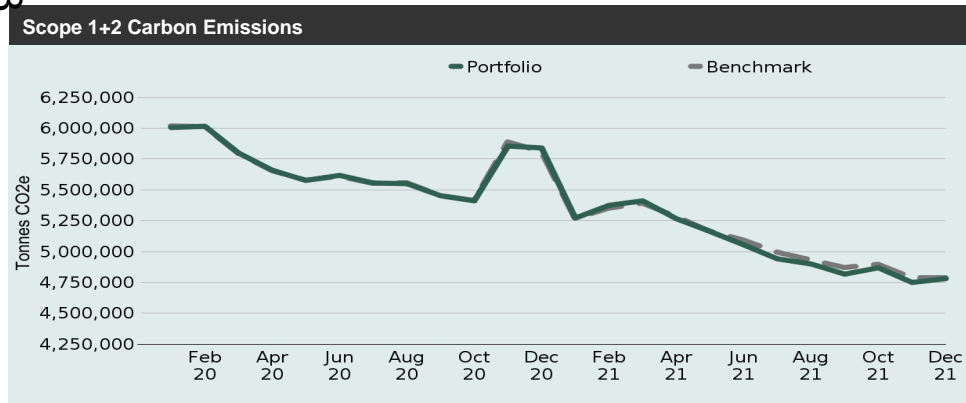
As of 31 Dec 2021

Europe ex UK ESG Screened Index Equity Sub-Fund

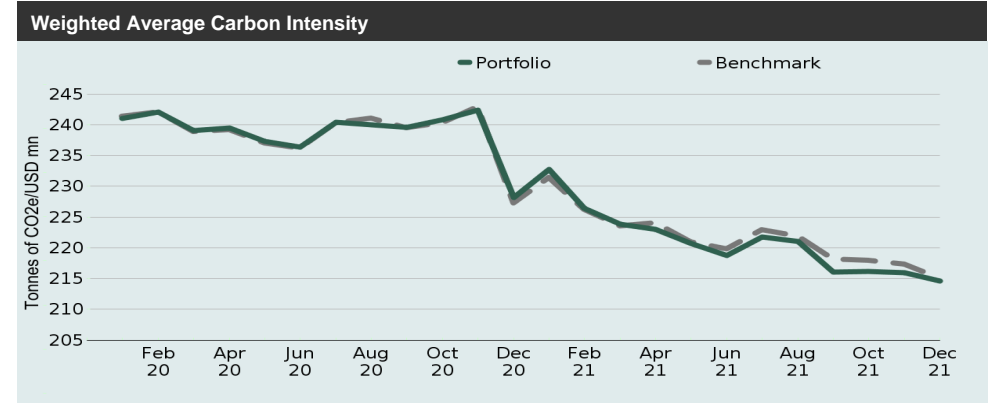
Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX



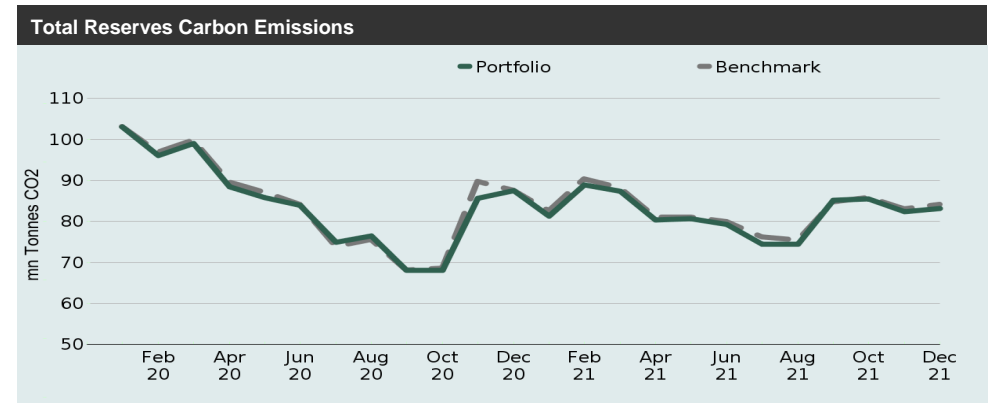
Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.



Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.



Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.



Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.

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## Quarterly Investment Report - 80237

As of 31 Dec 2021

Middlesbrough Borough Council

# Stewardship Profile

Europe ex UK ESG Screened Index Equity Sub-Fund

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

Stewardship Profile	Q3 2021
Number of Meetings Voted	548
Number of Countries	16
Management Proposals	8,930
Votes for	89.41%
Votes Against	10.59%
Shareholder Proposals	236
With Management	91.95%
Against Management	8.05%

Source: SSGA as of 30 Sep 2021

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.

As of 31 Dec 2021

Gender Diversity	
Women on Board	Number of Securities
0	7
1	32
2	59
3	102
4	77
5	74
6	53
7	35
8	11
9	7
10	0
10+	4
Not Available	1
<b>Total</b>	<b>462</b>

Source: Factset/SSGA. Holdings as of 31 Dec 2021, Factset data as of 30 Nov 2021.

# R-Factor™ Summary

As of 31 Dec 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	68.24	68.25	-0.01
ESG	66.84	66.85	-0.01
Corporate Governance	64.27	64.24	0.03

Source: SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

### What is R-Factor?

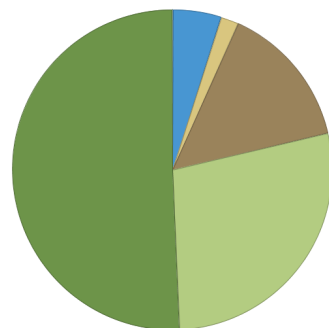
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-in-class ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors 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	645	98.93%	99.92%
Total Number of Securities in Portfolio	652		

Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

### Fund R-Factor Profile

Not Available	0.08%
Laggard	5.03%
Underperformer	1.83%
Average Performer	14.97%
Outperformer	28.73%
Leader	52.07%



Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 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.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Apple Inc.	6.45%	6.44%	0.00%	95.96
Microsoft Corporation	5.96%	5.96%	0.00%	79.46
Amazon.com Inc.	3.40%	3.40%	0.00%	67.57
Alphabet Inc. Class A	2.05%	2.05%	0.00%	70.37
Tesla Inc	2.01%	2.01%	0.00%	58.41
Alphabet Inc. Class C	1.91%	1.91%	0.00%	70.37
Meta Platforms Inc. Class A	1.87%	1.87%	0.00%	74.37
NVIDIA Corporation	1.65%	1.65%	0.00%	80.27
UnitedHealth Group Incorpo...	1.11%	1.11%	0.00%	54.12
JPMorgan Chase & Co.	1.09%	1.09%	0.00%	76.10

Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

### Top 5 R-Factor Ratings

HP Inc.	0.10%	0.10%	0.00%	100
Cisco Systems Inc.	0.63%	0.63%	0.00%	98.38
Apple Inc.	6.45%	6.44%	0.00%	95.96
salesforce.com inc.	0.56%	0.56%	0.00%	90.47
Adobe Inc.	0.63%	0.64%	0.00%	87.15

Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

### Bottom 5 R-Factor Ratings

Constellation Software Inc.	0.09%	0.08%	0.00%	6.75
AMC Entertainment Holding...	0.03%	0.03%	0.00%	14.05
Live Nation Entertainment In...	0.04%	0.04%	0.00%	16.35
Peloton Interactive Inc. Clas...	0.02%	0.02%	0.00%	16.62
Lennar Corporation Class A	0.08%	0.07%	0.00%	18.54

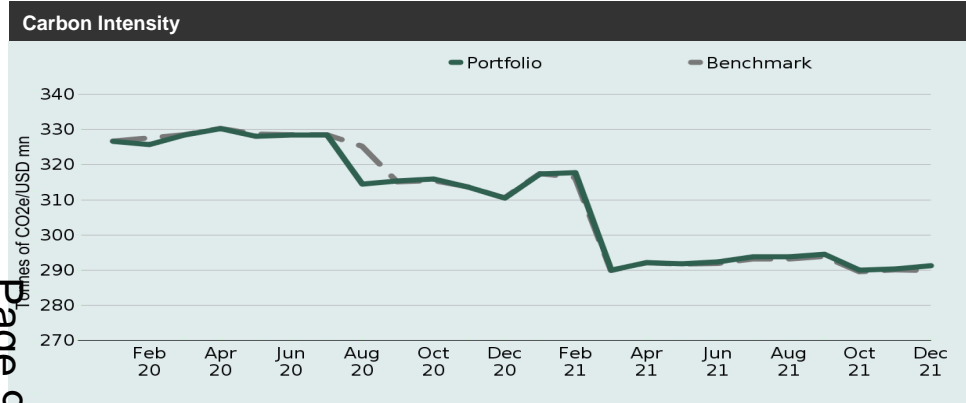
Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

# Climate Profile

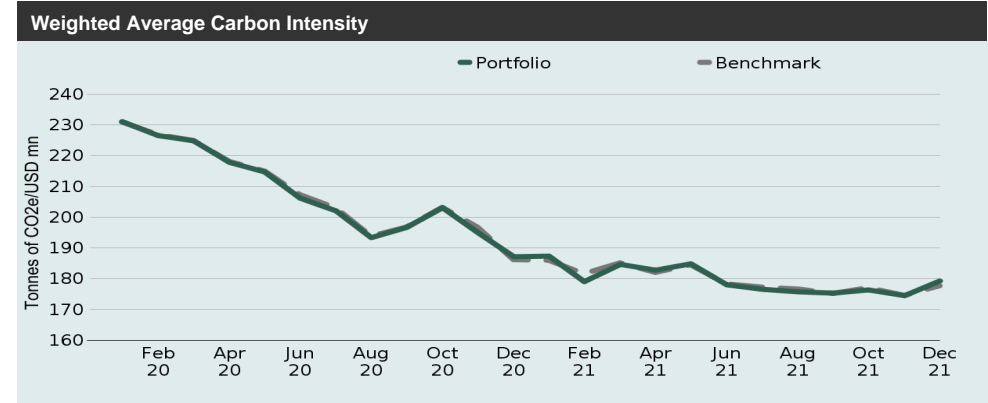
As of 31 Dec 2021

North America ESG Screened Index Equity Sub-Fund

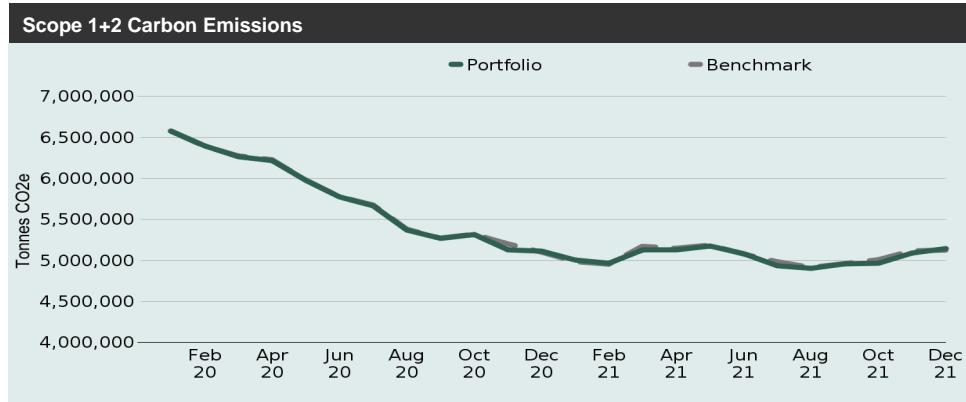
Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX



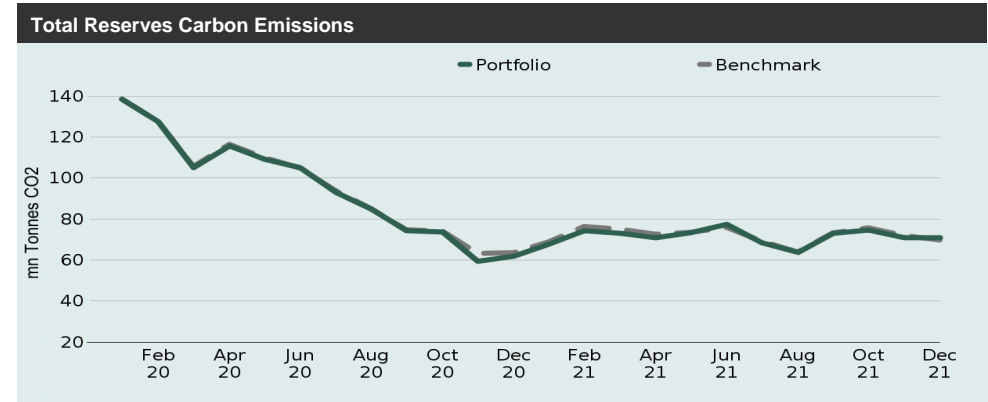
Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.



Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.



Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.



Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.

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As of 31 Dec 2021

Middlesbrough Borough Council

# Stewardship Profile

As of 31 Dec 2021

North America ESG Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q3 2021
Number of Meetings Voted	638
Number of Countries	16
Management Proposals	7,347
Votes for	91.44%
Votes Against	8.53%
Shareholder Proposals	376
With Management	71.81%
Against Management	28.19%

Source: SSGA as of 30 Sep 2021

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	1
1	29
2	127
3	229
4	162
5	68
6	25
7	4
8	3
9	0
10	0
10+	0
Not Available	4
<b>Total</b>	<b>652</b>

Source: Factset/SSGA. Holdings as of 31 Dec 2021, Factset data as of 30 Nov 2021.

# R-Factor™ Summary

As of 31 Dec 2021

## Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	63.49	63.49	0.00
ESG	61.74	61.74	0.00
Corporate Governance	66.83	66.83	0.00

Source: SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

### What is R-Factor?

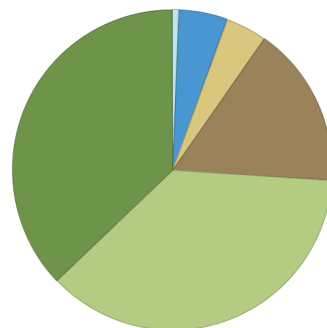
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-in-class ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors 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	490	96.46%	99.33%
Total Number of Securities in Portfolio	508		

Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

### Fund R-Factor Profile

Not Available	0.67%
Laggard	5.03%
Underperformer	4.26%
Average Performer	16.66%
Outperformer	37.63%
Leader	37.98%



Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 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.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Toyota Motor Corp.	5.12%	5.12%	0.00%	75.84
Sony Group Corporation	3.55%	3.54%	0.01%	84.12
Keyence Corporation	2.56%	2.57%	-0.01%	53.21
Tokyo Electron Ltd.	1.94%	1.93%	0.01%	75.53
Recruit Holdings Co. Ltd.	1.85%	1.84%	0.01%	57.75
Shin-Etsu Chemical Co Ltd	1.56%	1.56%	0.00%	64.41
Mitsubishi UFJ Financial Gr...	1.54%	1.53%	0.01%	66.64
SoftBank Group Corp.	1.43%	1.44%	-0.01%	57.90
DAIKIN INDUSTRIES LTD.	1.36%	1.36%	-0.01%	72.13
Nidec Corporation	1.23%	1.24%	-0.01%	62.17

Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

### Top 5 R-Factor Ratings

Kao Corp.	0.55%	0.55%	0.00%	84.56
Sony Group Corporation	3.55%	3.54%	0.01%	84.12
Nomura Research InstituteL...	0.26%	0.25%	0.01%	83.33
Bridgestone Corporation	0.56%	0.56%	0.00%	82.21
Konica Minolta Inc.	0.04%	0.05%	0.00%	82.12

Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

### Bottom 5 R-Factor Ratings

Nippo Corporation	0.05%	0.00%	0.05%	7.68
Relo Group Inc.	0.04%	0.04%	0.00%	8.46
SMS Co. Ltd.	0.04%	0.04%	0.00%	10.25
Sankyo Co. Ltd.	0.03%	0.03%	0.00%	12.95
COSMOS Pharmaceutical C...	0.06%	0.06%	0.00%	13.24

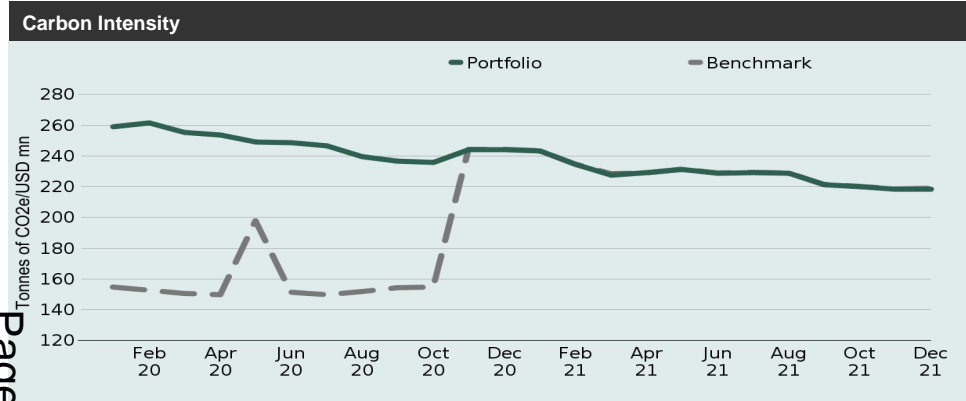
Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

# Climate Profile

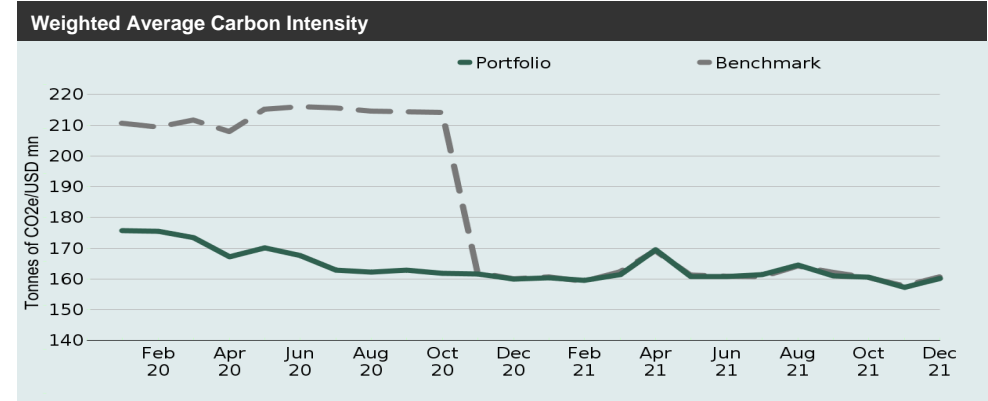
As of 31 Dec 2021

Japan ESG Screened Index Equity Sub-Fund

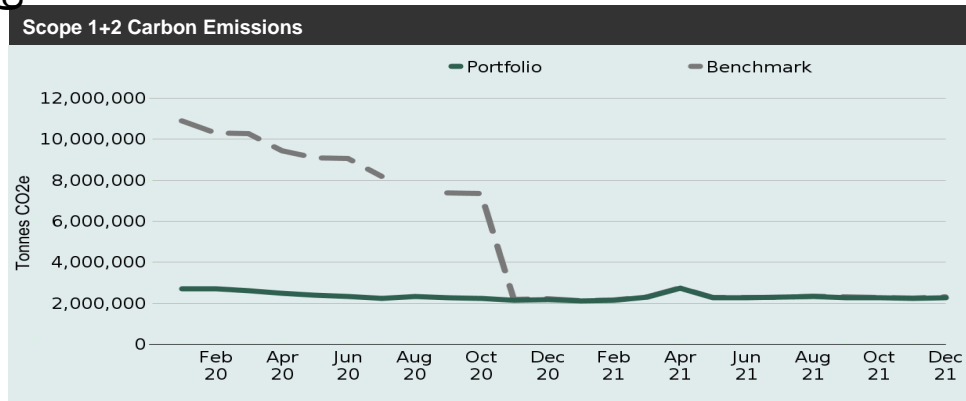
Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX



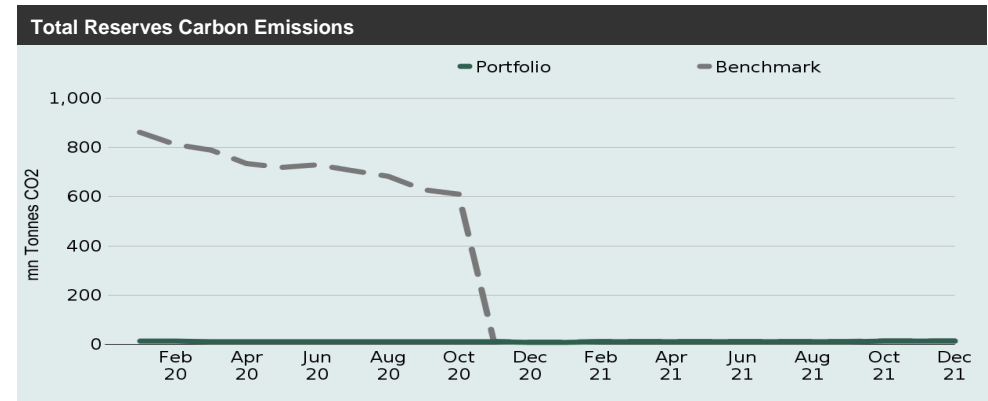
Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.



Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.



Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.



Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.

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As of 31 Dec 2021

Middlesbrough Borough Council

# Stewardship Profile

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q3 2021
Number of Meetings Voted	531
Number of Countries	1
Management Proposals	6,202
Votes for	91.29%
Votes Against	8.71%
Shareholder Proposals	132
With Management	91.67%
Against Management	8.33%

Source: SSGA as of 30 Sep 2021

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.

As of 31 Dec 2021

Gender Diversity	
Women on Board	Number of Securities
0	158
1	222
2	100
3	23
4	5
5	0
6	0
7	0
8	0
9	0
10	0
10+	0
Not Available	0
<b>Total</b>	<b>508</b>

Source: Factset/SSGA. Holdings as of 31 Dec 2021, Factset data as of 30 Nov 2021.

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As of 31 Dec 2021

Middlesbrough Borough Council

# R-Factor™ Summary

As of 31 Dec 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	64.98	65.02	-0.04
ESG	64.74	64.78	-0.04
Corporate Governance	53.61	53.63	-0.02

Source: SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

### What is R-Factor?

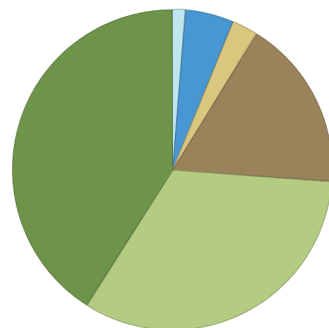
R-Factor™ is built off a transparent scoring methodology that leverages the Sustainability Accounting Standards Board (SASB) Materiality Map, corporate governance codes, and inputs from four best-in-class ESG data providers. R-Factor supports the development of sustainable capital markets by giving investors 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	389	97.25%	98.70%
Total Number of Securities in Portfolio	400		

Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

### Fund R-Factor Profile

Not Available	1.30%
Laggard	5.03%
Underperformer	2.65%
Average Performer	17.65%
Outperformer	33.30%
Leader	41.72%



Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 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.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Samsung Electronics Co. Lt...	10.09%	10.10%	-0.01%	80.89
Commonwealth Bank of Aus...	4.09%	4.08%	0.01%	77.11
AIA Group Limited	3.98%	3.98%	0.00%	77.41
CSL Limited	3.28%	3.29%	-0.01%	68.02
Hong Kong Exchanges & Cl...	2.42%	2.42%	0.00%	64.35
National Australia Bank Limi...	2.26%	2.25%	0.00%	79.85
Westpac Banking Corporati...	1.86%	1.85%	0.00%	75.06
Australia and New Zealand...	1.86%	1.85%	0.00%	80.61
SK hynix Inc	1.85%	1.86%	0.00%	70.36
Macquarie Group Limited	1.66%	1.66%	0.00%	65.38

Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

### Top 5 R-Factor Ratings

GPT Group	0.24%	0.25%	0.00%	89.75
Dexus	0.28%	0.28%	0.00%	85.04
LG Electronics Inc.	0.40%	0.41%	0.00%	82.08
LG Electronics Inc. Pfd Regi...	0.03%	0.03%	0.00%	82.08
City Developments Limited	0.08%	0.08%	0.00%	81.62

Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

### Bottom 5 R-Factor Ratings

JS Global Lifestyle Compan...	0.03%	0.04%	0.00%	5.59
SSANGYONGC&E.CO.LTD.	0.02%	0.02%	0.00%	6.40
Medy-Tox Inc.	0.02%	0.02%	0.00%	9.33
HOTEL SHILLA CO. LTD.	0.07%	0.07%	0.00%	9.72
Paradise Co. Ltd	0.02%	0.02%	0.00%	9.90

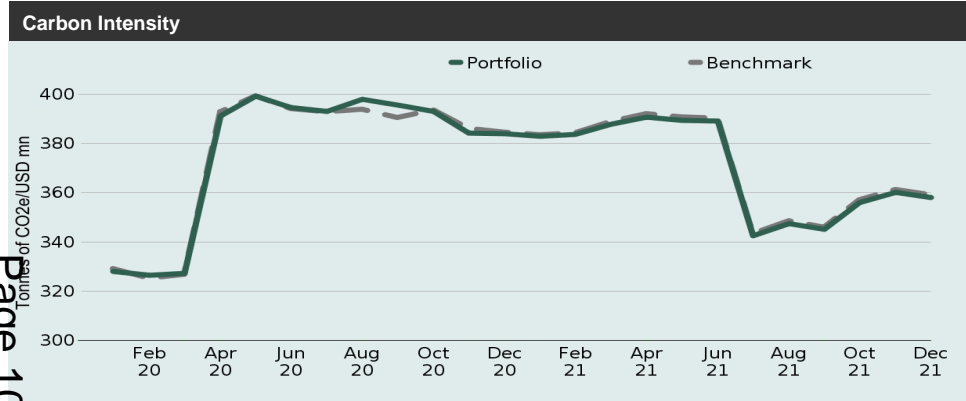
Source: Factset/SSGA. Holdings as of 31 Dec 2021, R-Factor data as of 30 Nov 2021.

# Climate Profile

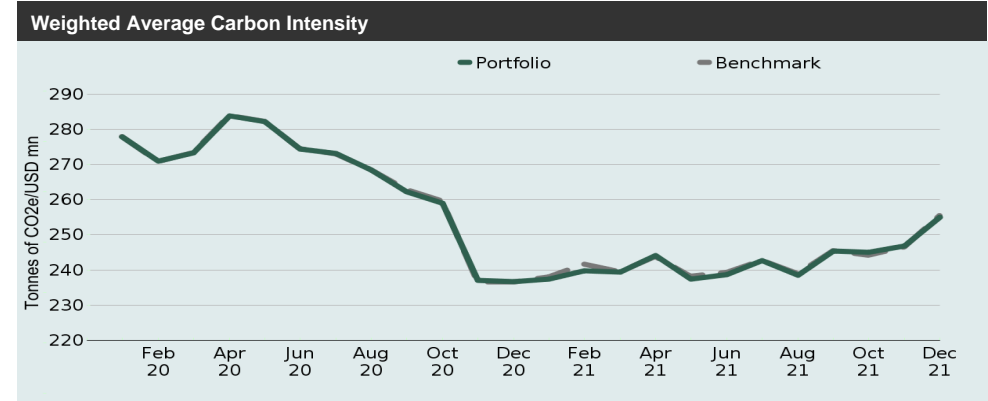
As of 31 Dec 2021

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

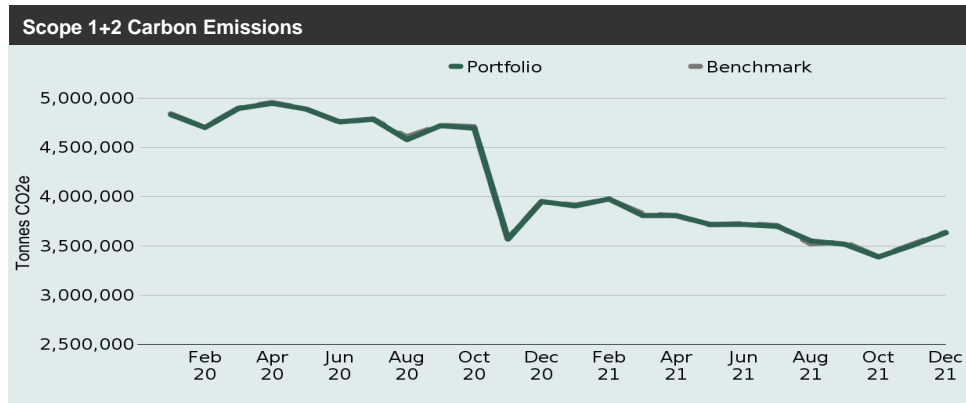
Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX



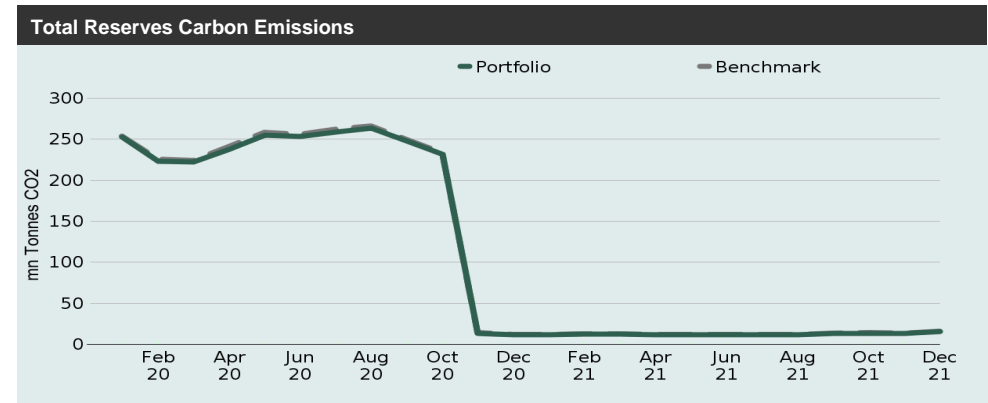
Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.



Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.



Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.



Source: SSGA Holdings as of 31 Dec 2021. Trucost data as of 30 Nov 2021.

# Stewardship Profile

As of 31 Dec 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	Q3 2021
Number of Meetings Voted	438
Number of Countries	12
Management Proposals	3,042
Votes for	82.08%
Votes Against	17.85%
Shareholder Proposals	62
With Management	77.42%
Against Management	22.58%

Source: SSGA as of 30 Sep 2021

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.

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Gender Diversity	
Women on Board	Number of Securities
0	124
1	84
2	76
3	78
4	26
5	8
6	1
7	0
8	1
9	0
10	0
10+	0
Not Available	2
<b>Total</b>	<b>400</b>

Source: Factset/SSGA. Holdings as of 31 Dec 2021, Factset data as of 30 Nov 2021.

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Middlesbrough Borough Council

# Relationship Management Team



### **Christopher Timms**

Sr Relationship Mgr II

Phone: 442033956617

Fax:

[Christopher\\_Timms@ssga.com](mailto:Christopher_Timms@ssga.com)



### **Kian Gheissari**

Phone: 442033956754

Fax:

[Kian\\_Gheissari@SSgA.com](mailto:Kian_Gheissari@SSgA.com)

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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

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revenues), weighted by the proportion of each constituent in the index.

- Scope 1+2 Carbon Emissions- Measured in Metric Tons of CO<sub>2</sub>e. 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 CO<sub>2</sub> Emissions - Measured in Metric tons of CO<sub>2</sub>. 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.
- Trucost Sections: Carbon Intensity, Weighted Average Carbon Intensity, Scope 1+2 Carbon Emissions, Total Reserves Carbon Emissions - Trucost® is a registered trademark of S&P Trucost Limited ("Trucost") and is used under license. The ESG Report is/are not in any way sponsored, endorsed, sold or promoted by Trucost or its affiliates (together the "Licensor Parties") and none of the Licensor Parties make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to (i) the results to be obtained from the use of Trucost data with the report, or (ii) the suitability of the Trucost data for the purpose to which it is being put in connection with the report. None of the Licensor Parties provide any financial or investment advice or recommendation in relation to the report. None of the Licensor Parties shall be liable (whether in negligence or otherwise) to any person for any error in the Trucost data or under any obligation to advise any person of any error therein.
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- State Street Global Advisors Limited is authorised and regulated by the Financial Conduct Authority.
- Registered Number: 4486031 England.

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- This report is prepared solely for the use of the named client and should not be used by any other party.
- All data sourced by State Street Global Advisors Limited unless stated otherwise.
- 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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## Quarterly Investment Report - 80237

As of 31 Dec 2021

Middlesbrough Borough Council

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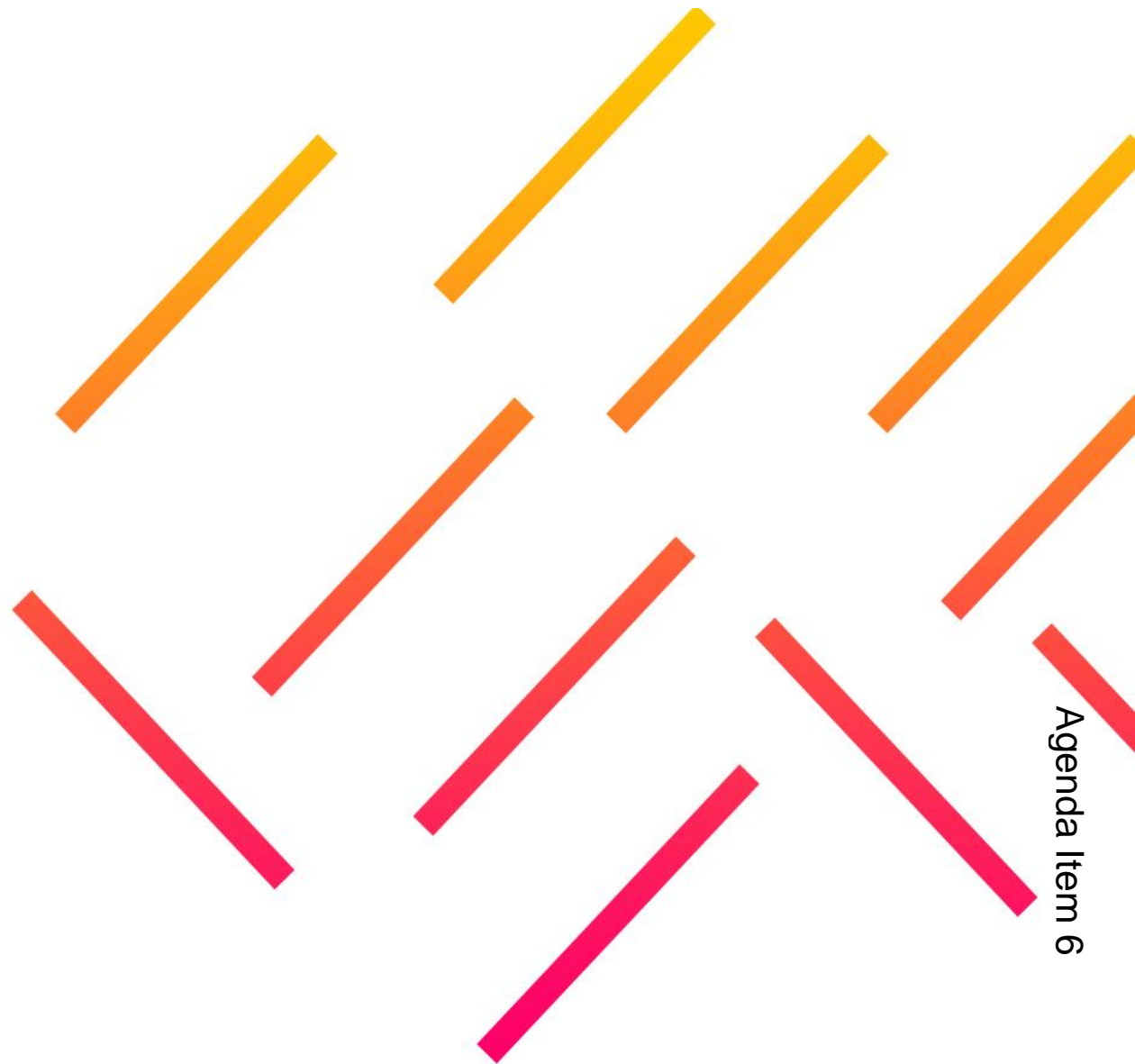
- If you are invested in a Luxembourg sub-fund applying swing pricing (as set out in the prospectus of the SSGA Luxembourg SICAV, the "Prospectus"), performance of the fund is calculated on an unswung pricing basis, however, the fund price quoted and your mandate's return may be adjusted to take into 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.

# Teesside Pension Fund

Page 109  
The 2022 Actuarial Valuation:  
an introduction

Douglas Green FFA

16 March 2022



# Agenda



Background to the actuarial valuation



Key valuation decisions and outcomes



Outlook for the 2022 valuation



Valuation timetable



**Douglas Green**  
Fund Actuary

# Background to the actuarial valuation



# How the Fund works

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**Collect money**  
(contributions)



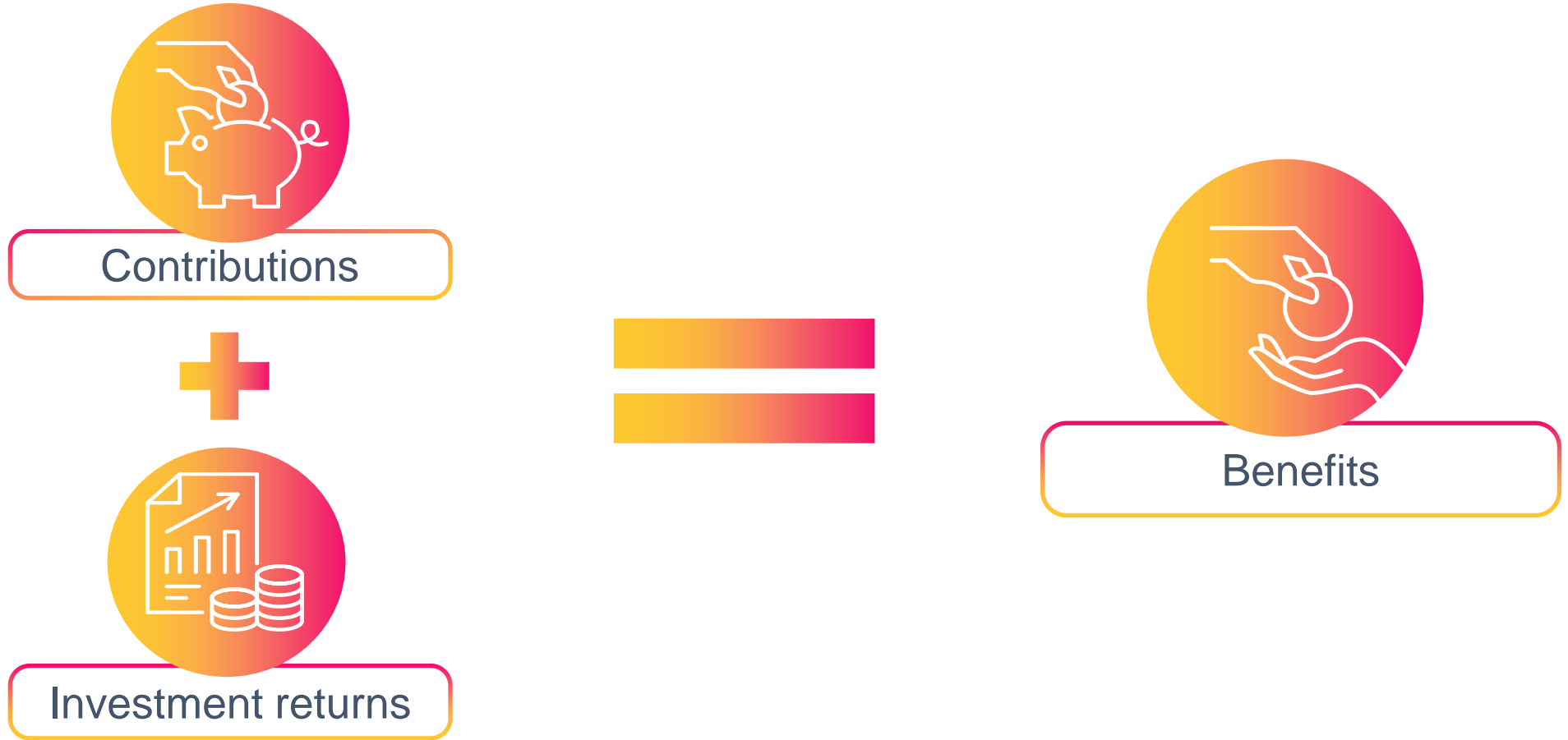
**Invest money**  
(its assets)



**Pay money out**  
(benefits)



# Number one reason to carry out a valuation

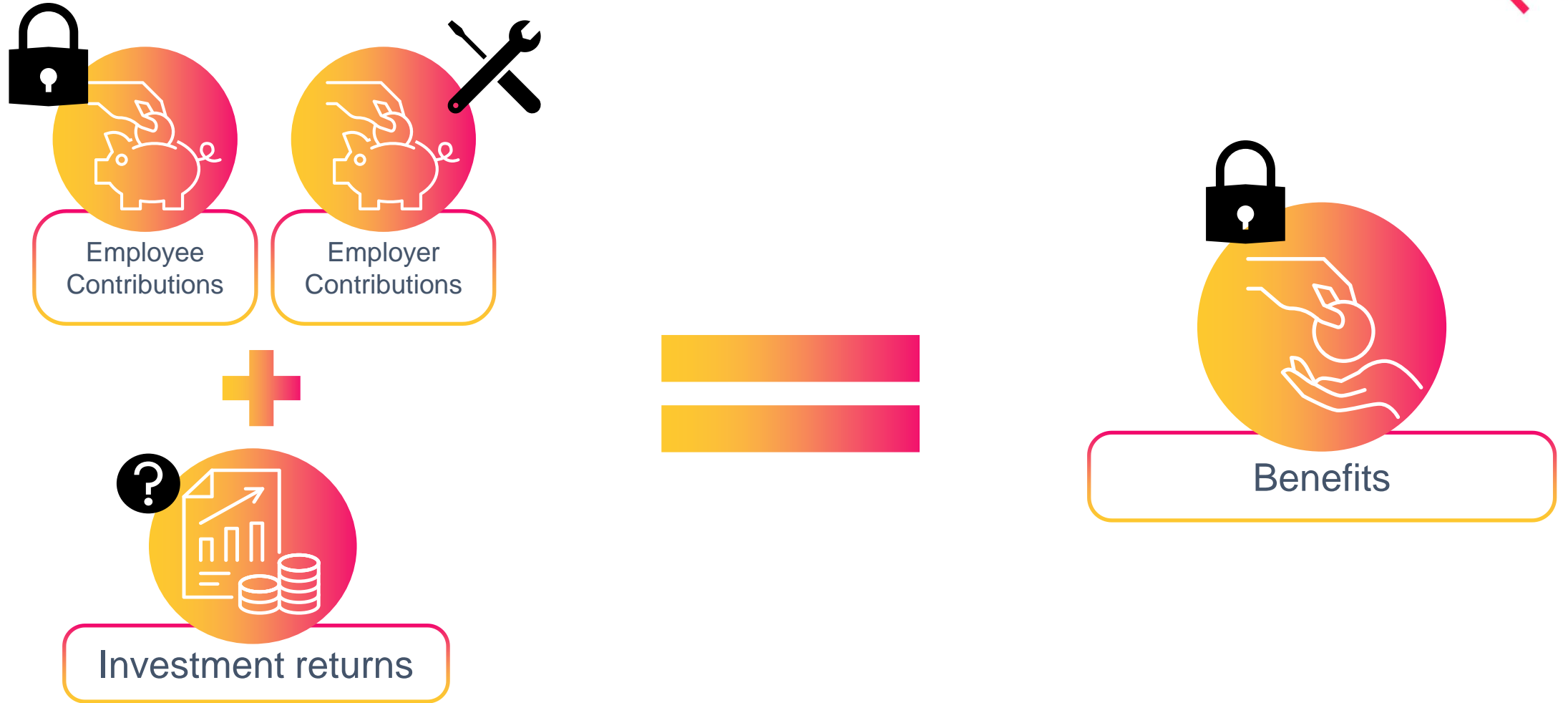


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**Overriding goal of the valuation is to make sure there is enough money to pay the benefits**

# How do we get the sides to balance?

Page 114



**Employer contributions are the main tool we can control to meet the balance of cost**

# Key valuation decisions and outcomes



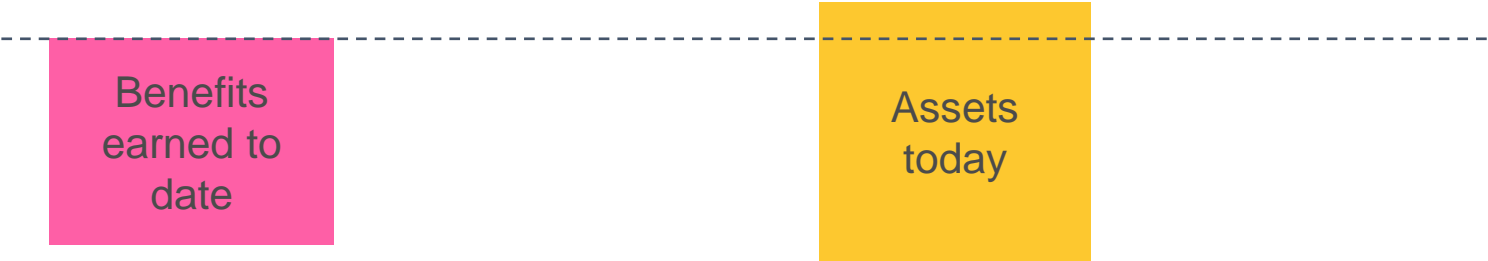
# Today's funding position



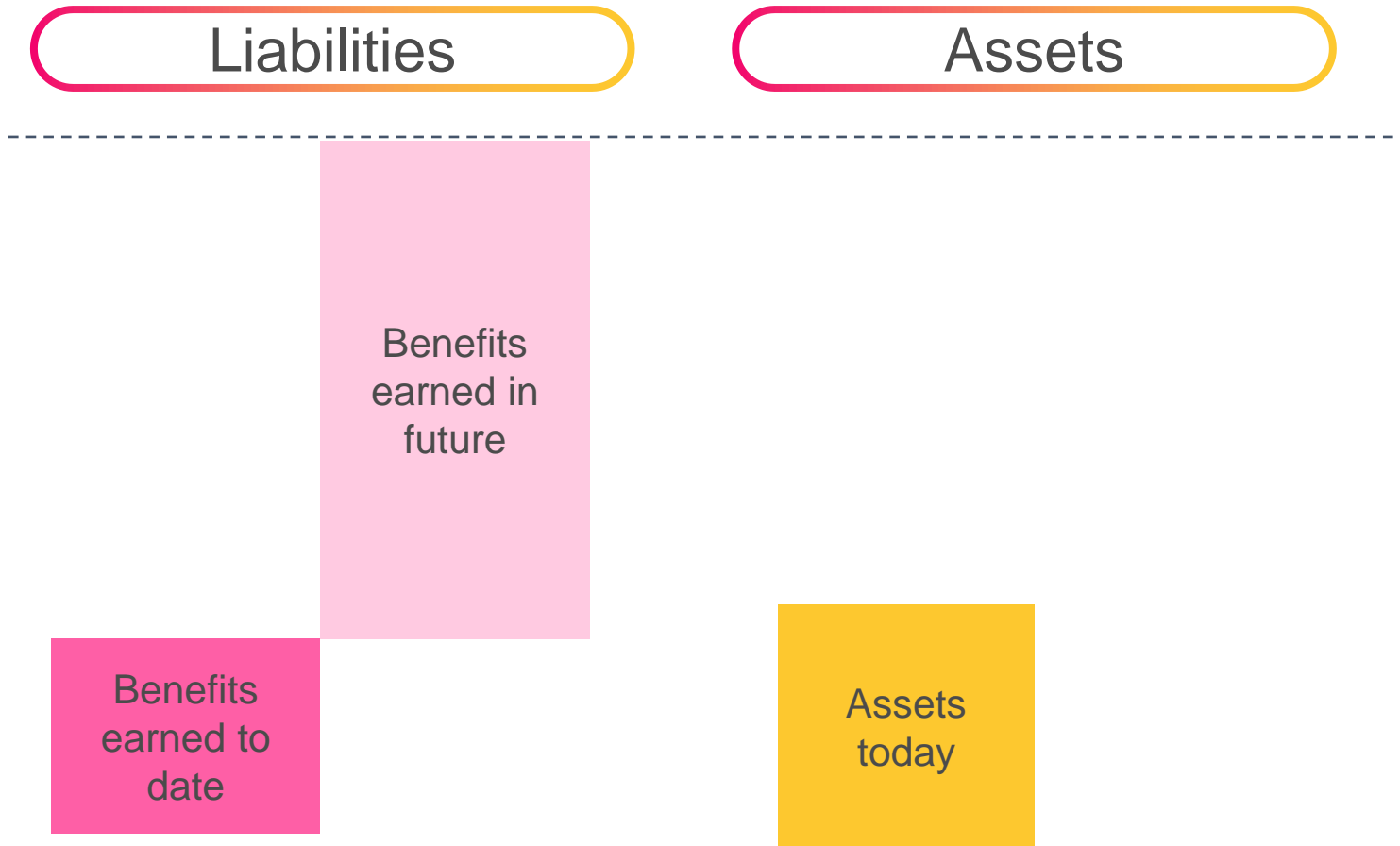
Liabilities

Assets

Page 116

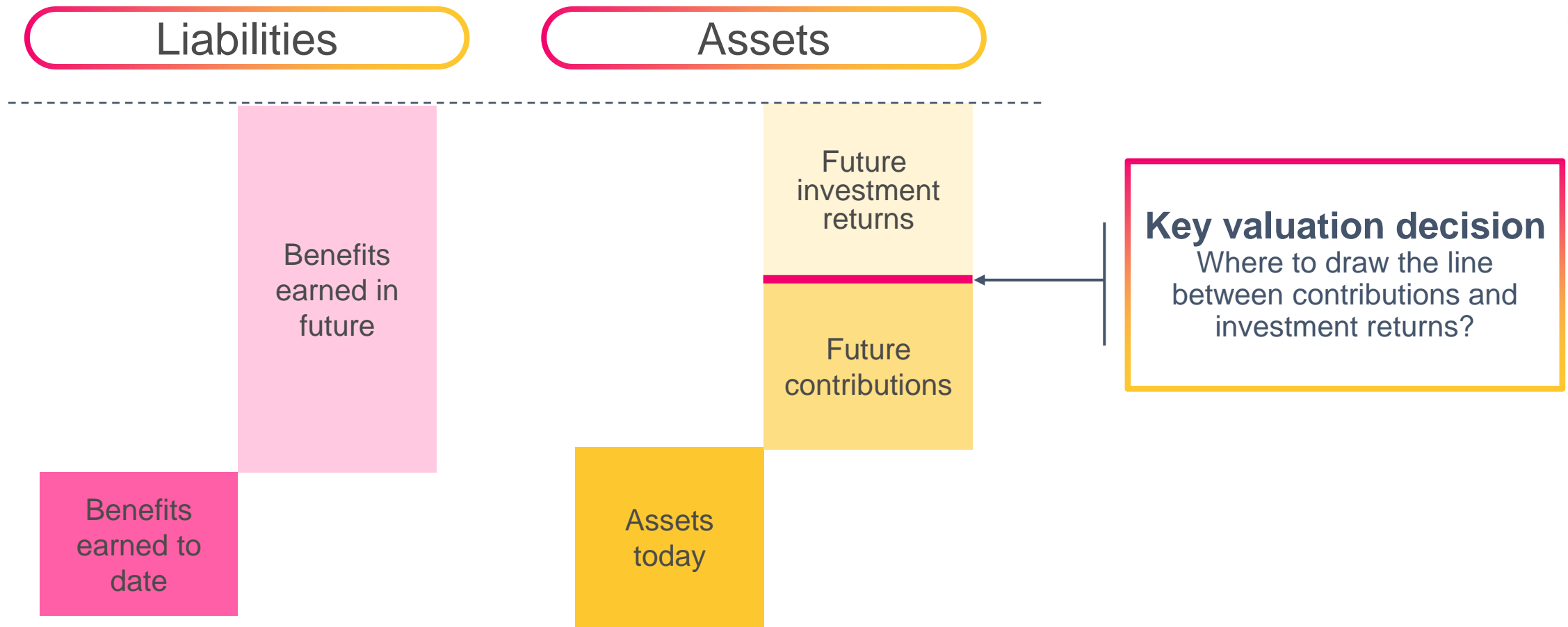


# The funding target



# The Fund's ultimate objective

Page 118



**The cost of benefits must be met somehow**

**Setting the funding strategy is determining the balance of contributions and investment risk**

# Outlook for 2022 valuation



# What's happened since 2019...

Asset value progression (31 March 2019 = 100)



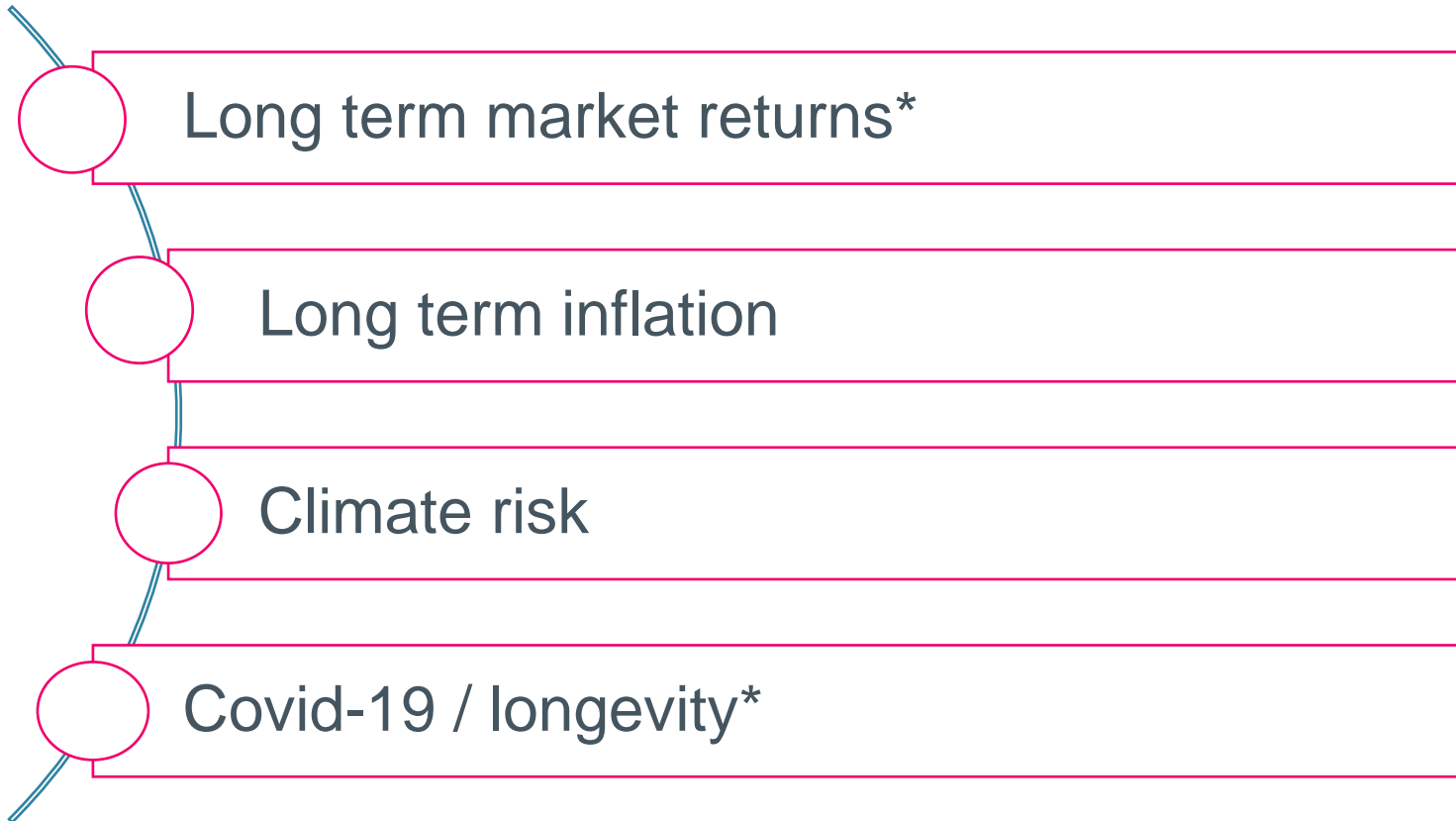
**Strong asset returns since 2019 – more than recovering from March 2020**



# Issues affecting 2022 valuation results





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**We will allow for all these in 2022 & report to you**

\*specific to Teesside Pension Fund



# But what is “the Fund” anyway?

- Collective noun for all (nearly 300) employers
- Each employer “tends its own field” within the Fund
- Each employer funds the benefits of its own membership (current & ex-employees)

# Two outputs from the valuation\*

Funding position

Contribution rate

Page 123

Benefits  
earned to  
date

vs

Assets  
today

= surplus / (deficit)

Benefits  
earned in  
future

**Primary contribution rate**  
(cost of new benefits accruing)

+

**Secondary contributions**  
(any adjustment to the primary rate –  
indirectly related to the funding position)

**\*Carried out for each employer**

# Outlook for 2022 valuation results

Funding position +  
Secondary contributions



Change  
from 2019

Likely to see an improvement in funding position and lower secondary contributions...

Primary contributions



...but Primary rates don't benefit from asset performance and may see upward pressure

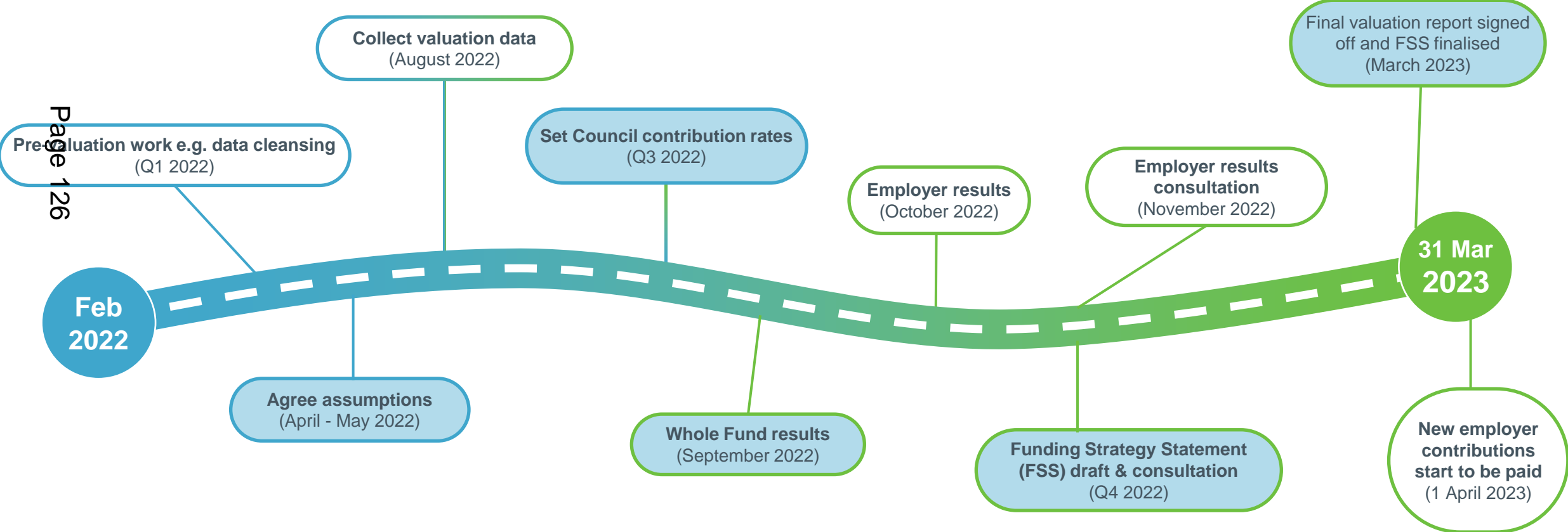
**Net impact will vary by employer**

# Valuation timetable



# Timetable for the 2022 valuation

Areas for Members' involvement

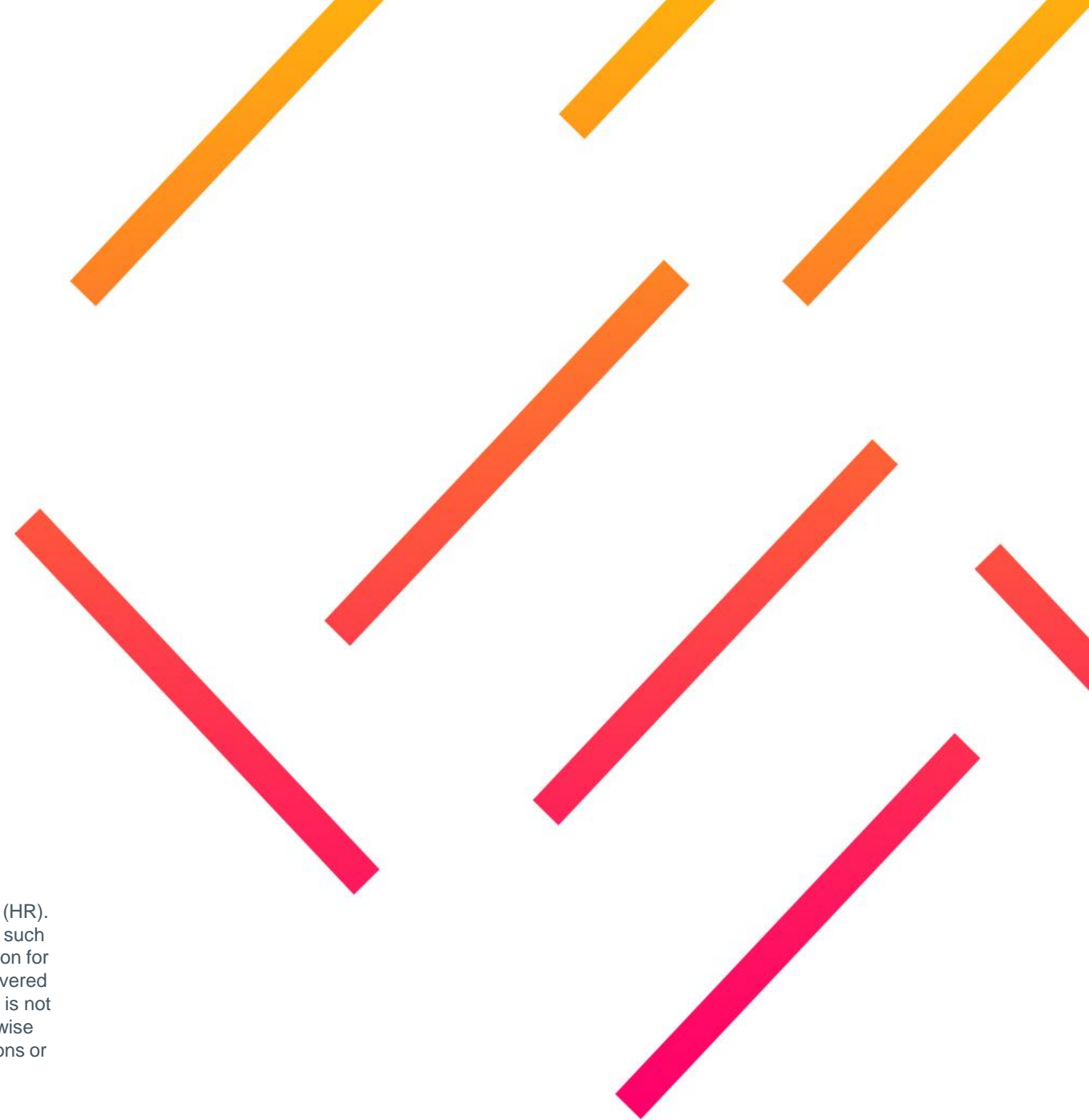


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Page 127

# Thank you

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**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

**AGENDA ITEM 7****PENSION FUND COMMITTEE REPORT****16 MARCH 2022****DIRECTOR OF FINANCE, IAN WRIGHT****PENSION FUND BUSINESS PLAN 2022/25****1. PURPOSE OF THE REPORT**

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

**2. RECOMMENDATION**

- 2.1 That Members approve the Business Plan including the 2022/23 Pension Fund budget.

**3. FINANCIAL IMPLICATIONS**

- 3.1 The 2022/23 forecast income and expenditure is set out in the Business Plan, and is summarised below (expenditure in brackets):

	<b>£ millions</b>
Income from members	101.9
Expenditure to members	(163.1)
Administration and management expenses	(7.4)
Estimates net return on investments	56.3
<b>Net increase/decrease in net assets available for benefits</b>	<b>(12.3)</b>

**4. BACKGROUND**

- 4.1 In order to comply with the recommendations of the Myners Review of Institutional Investment it was agreed that an annual Business Plan should be presented to Members for approval. The Business Plan should contain financial estimates for the Fund, including the budgeted costs for investment and management expenses.
- 4.2 The Teesside Pension Fund Business Plan is designed to set out how the Pension Fund Committee operates, what powers are delegated and to provide information on key issues. The Business Plan sits alongside the Fund's other governance documents, which set out the delegated powers and responsibilities of officers charged with the investment management function.

4.3 The Business Plan for 2022/25 is attached (Appendix 1). The Business Plan includes:

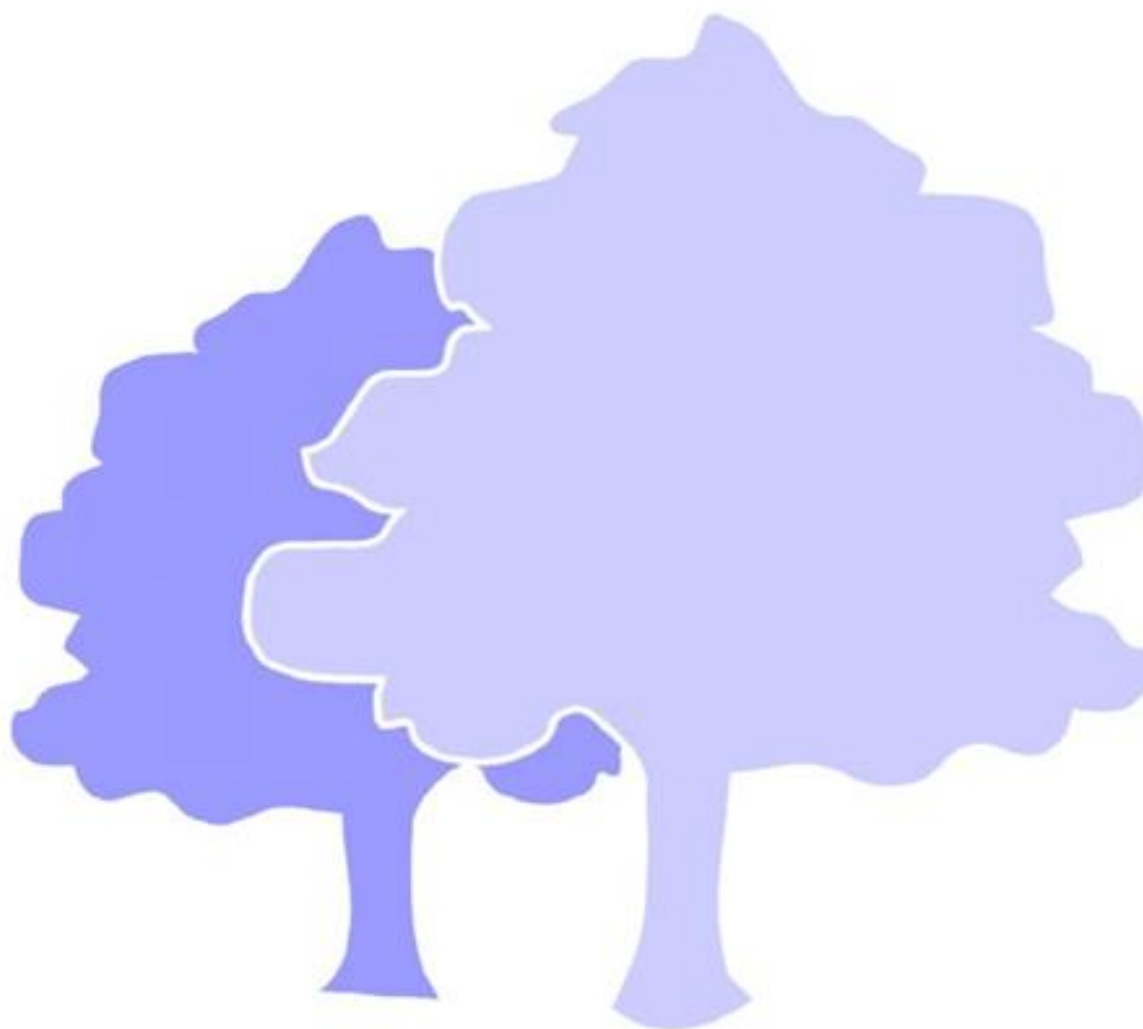
- The purpose of the Fund, including the Teesside Pension Fund Service Promise (see Appendix A);
- The current governance arrangements for the Fund;
- The performance targets for the Fund for 2022/23, and a summary of the performance for 2021/22 (see Appendix B);
- The arrangements in place for managing 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 2021/22 and an estimate for income and expenditure for 2022/23 (see Appendix D and page 21 of Appendix 1); and
- An annual plan for key decisions and a forward work programme for 2022/23 and an outline work plan for 2022 – 2025.

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

TEL NO.: 01642 729040

# Business Plan

## 2022 – 2025



Teesside Pension Fund

## EXECUTIVE SUMMARY

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

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

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

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

This Business Plan also outlines the expected non-investment related Fund receipts and payments for the financial year 2021-22, and projections for 2022-23, as well as the administration and investment expenses.

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

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

## INTRODUCTION

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

The Fund currently has around 73,000 scheme members from over 150 employer bodies, including four Local Authorities.

At the last Actuarial Valuation, as at March 2019, the assets worth £4.088 billion, were sufficient to meet 115% of the Fund's liabilities.

## PURPOSE OF THE FUND

### Mission Statement

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

### Purpose

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

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

### Aims

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due.
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to the taxpayers, and scheduled and admission bodies, while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the

risk profile of the fund and employers, and the risk exposure policies of the administering authority and employers alike.

- Seek returns on investments within reasonable risk parameters.

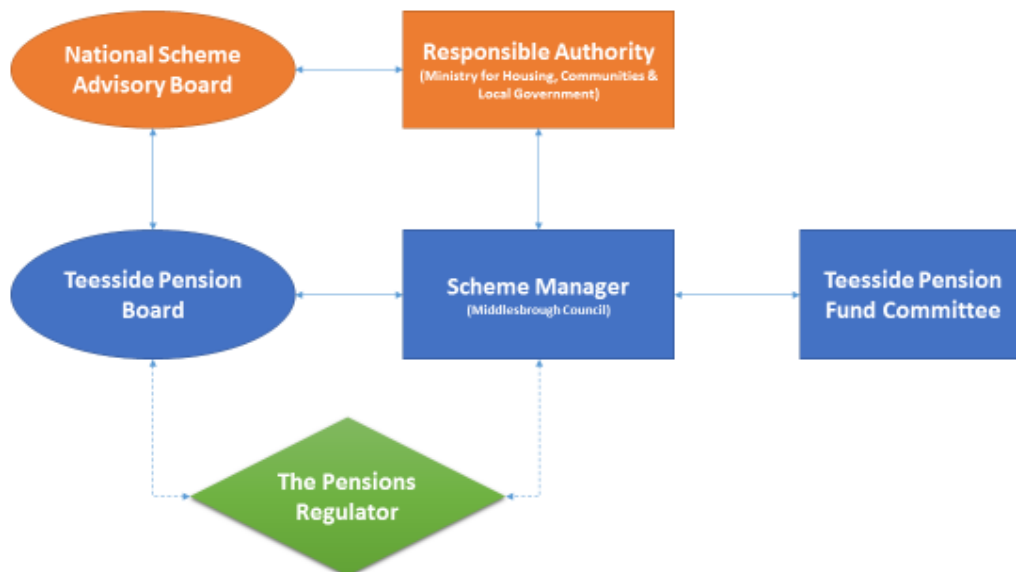
### Service Promise

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

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

## GOVERNANCE ARRANGEMENTS

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



### Responsible Authority

For the LGPS, this is the Department for Levelling Up, Housing & Communities (DLUHC); its primary roles being:

- The LGPS Scheme ‘sponsor’;
- Ensuring affordability of the LGPS for members and employing authorities;
- Developing policy for the operation of the LGPS to reflect government policy and LGPS specific experience; and

- Commissioning and updating legislation and actuarial guidance.

More information can be found on DLUHC at the following website:

<https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities>

### **National Scheme Advisory Board**

The Local Government Pension Scheme Advisory Board (SAB):

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

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

### **The Pensions Regulator**

The statutory objectives of the Pension Regulator are:

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

Please visit The Pensions Regulator website for more information:

<http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx> .

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

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

### **Teesside Pension Fund Committee**

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

In its role as the administering authority, Middlesbrough Council owes fiduciary duties to the employers and members of the Teesside Pension Fund and must not compromise this with

its own particular interests. Consequently this fiduciary duty is a responsibility of the Pension Fund Committee and its members must not compromise this with their own individual interests.

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

- a) Ensuring the Teesside Pension Fund is managed and pension payments are made in compliance with the Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs (HMRC)'s requirements for UK registered pension schemes and all other relevant statutory provisions.
- b) Ensuring robust risk management arrangements are in place.
- c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Teesside Pension Fund.
- d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
  - i) Governance – approving the Fund's Governance Policy and Compliance Statement for the Fund within the framework as determined by Middlesbrough Council and making recommendations to Middlesbrough Council about any changes to that framework.
  - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and any interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.
  - iii) Investment strategy - approving the Fund's Investment Strategy Statement and Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite.
  - iv) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.
  - v) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various



stakeholders including scheme members and employers.

- vi) Discretions – determining how the various administering authority discretions are operated for the Fund.
- e) Monitoring the implementation of these policies and strategies on an ongoing basis.
- f) In relation to the Border to Coast Pensions Partnership ('Border to Coast'); the Asset Pooling Collaboration arrangements:
  - i) Monitoring of the performance of Border to Coast and recommending actions to the Joint Committee, The Mayor or his Nominee (in his role as the nominated person to exercise Shareholder rights and responsibilities), Officers Groups or Border to Coast, as appropriate.
  - ii) Undertake the role of Authority in relation to the Border to Coast Inter Authority Agreement, including but not limited to:
    - Requesting variations to the Inter Authority Agreement
    - Withdrawing from the Inter Authority Agreement
    - Appointing Middlesbrough Council officers to the Officer Operations Group.
- g) Considering the Fund's financial statements and the Fund's annual report.
- h) Selection, appointment, dismissal and monitoring of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension fund administrator, independent professional advisers and Additional Voluntary Contribution (AVC) provider.
- i) Liaison with internal and external audit, including providing or agreeing recommendations in relation to areas to be covered in audit plans, considering audit reports and ensuring appropriate changes are made following receipt of audit findings
- j) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
- k) Agreeing the terms and payment of bulk transfers into and out of the Fund.
- l) Agreeing Pension Fund business plans and monitoring progress against them.
- m) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.
- n) Agreeing the Administering Authority responses to consultations on LGPS matters

and other matters where they may impact on the Fund or its stakeholders.

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

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

### **Teesside Pension Board**

The Board is responsible for assisting the Administering Authority:

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

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

### **Teesside Pension Officer Support**

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

- Internal advice comes from the **Director of Finance**, who has Section 151 responsibilities. It is the Director who is responsible for ensuring that adequate expertise is available internally and, where he deems that not to be the case, he will advise when external advice should be sought. Internal expertise and advice is provided by:
  - The **Head of Legal Services** on legal matters pertaining to the Fund.
  - The **Head of Pensions Governance and Investments** on investment and LGPS governance issues.
  - The **Head of Pensions (XPS Administration)** on fund administration and regulatory issues.
  - The **Head of Finance and Investment** on issues relating to the Statement of Accounts.

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

## PROCEDURE FOR THE REVIEW OF MANAGERS AND ADVISORS

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

- The LGPS (Management and Investment of Funds) Regulations 2016 include the requirement for all LGPS Funds to pool their assets. The Fund is one of eleven Funds who are shareholder partners in Border to Coast Pension Partnership Limited (‘Border to Coast’) and has now moved to a position where Border to Coast manages the majority of investment assets for the Fund.
- Initial asset transfers took place during 2018-19 which resulted in all the Fund’s UK equities being transferred to be under Border to Coast’s management. During 2021 most of the Fund’s overseas equities were also transferred from being managed passively by State Street Global Advisers to being managed by Border to Coast. In order to maintain the regional balance recommended by our investment advisers, a small proportion of the Fund’s overseas equities continue to be managed passively by State Street Global Advisers – as at 31 December 2021 around 18% of the Fund’s total equities were managed by State Street Global Advisers.
- There are a number of investment assets which will remain with the Fund to manage, either because they will never transfer to Border to Coast, e.g. cash, local investments or existing private markets investments, or their transfer is delayed until Border to Coast is in a position to begin management of these assets and the Fund has determined it is cost-effective to transfer them, e.g. property. These will continue to be managed by an internal team.
- Fund Investment Advisor arrangements were reviewed during 2018-19 and following a procurement exercise two independent Investment Advisors were appointed.

- The contract to provide Custodian Services to the Fund is carried out by Northern Trust – the contract started on 1 May 2019 and is due to be reviewed in 2022.
- Pension Administration Services are provided by XPS Administration (formerly Kier Group) under the terms of a contract for a period of ten years commencing 1 June 2001. This arrangement was approved by the Investment Panel on 2 March 2001. A five year extension to this contract was approved by the Investment Panel on 3 March 2010 and another five year extension was also approved on 17 June 2015. XPS Administration bought the Kier pension administration function with effect from November 2018, and the contract, staff and software to administer the Teesside Pension Fund transferred to XPS Administration as part of that sale. Following a further contract extension to the end of May 2023, the administration contract is being put out to tender during 2022.
- The contract to provide Actuarial Services to the Fund was put out to tender towards the end of 2021 and a new actuary, Hymans Robertson LLP, was appointed with effect from 1 January 2022. The contract is for six years (covering two valuation periods) with an option to extend for a further three years.
- Fund Additional Voluntary Contribution (AVC) provision was reviewed by the Investment Panel on 12 July 2002 and the Prudential Assurance Company Ltd were appointed. The long-term nature of AVC provision does not lend itself to the regular review of providers.

## PERFORMANCE TARGETS

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

### Funding

The Funding Strategy Statement sets out a comprehensive strategy for the whole Fund, balancing and reconciling the many interests which arise from the nature of the Scheme and the requirements to fund benefits now and in the future. The Funding Strategy Statement was last updated and published in June 2021.

The funding target of the Fund is to achieve fully funded status, i.e. the assets of the Fund match, exactly, its liabilities. This is expressed as a percentage, with fully funded status represented as 100% funded. The Fund's Actuary carries out a full actuarial valuation every three years, with the last valuation undertaken based on the assets and membership at 31 March 2019 – the final valuation report was published on 31 March 2020. The next valuation will be carried out based on assets, membership and financial conditions as at 31 March 2022 with the final report due by the end of March 2023.

## **Investments**

The Investment Strategy Statement sets out the Fund’s strategy asset allocation (also known as the customised benchmark), a tailor made mix of investments which is reached after an Actuarial Valuation and subsequent Asset/Liability Study. The strategic asset allocation was last updated in March 2021. The Investment Strategy Statement was last reviewed and published in April 2021.

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

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

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

## **Pensions Administration**

Key Performance Indicators (KPIs) relating to pensions administration are included within the terms of the contract with XPS Administration and performance against those KPIs is monitored as part of that contract. The current KPIs and targets are:

<b>Pension Administration KPI</b>	<b>Target</b>
All new entrant processed within eighteen working days of receipt of notification being received by pensions.	98.50%
Transfer Values - To complete the process within one month of the date of receipt/request for payment.	98.50%
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being received.	98.75%
Statements issued within ten working days - Estimate of benefits (of receipt of request) and Deferred Benefits (of receipt of all relevant information).	98.25%
Pension costs to be recharged monthly to all employers.	98.75%

<b>Pension Administration KPI</b>	<b>Target</b>
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	98.75%
Payment of retirement grant payment to be made within 6 working days of the later of the payment due date and the date of receiving all of the necessary information.	98.75%
Pay eligible pensioners a monthly pension on the dates specified by the Council.	100.00%
All calculations and payments are correct.	98.75%

These KPIs will be reviewed as part of the process for retendering the pensions administration contract, with a view to updating them and the target rates. Results against these KPIs are reported to each meeting of the Pension Fund Committee and the Pension Board.

### **Accounting**

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

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

### **Governance**

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

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

- Communication Policy
- Pension Administration Strategy and Employer Guide
- Discretions Policy and Fund Officers' Scheme of Delegation

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

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

## RISK MANAGEMENT

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

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

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

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

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

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

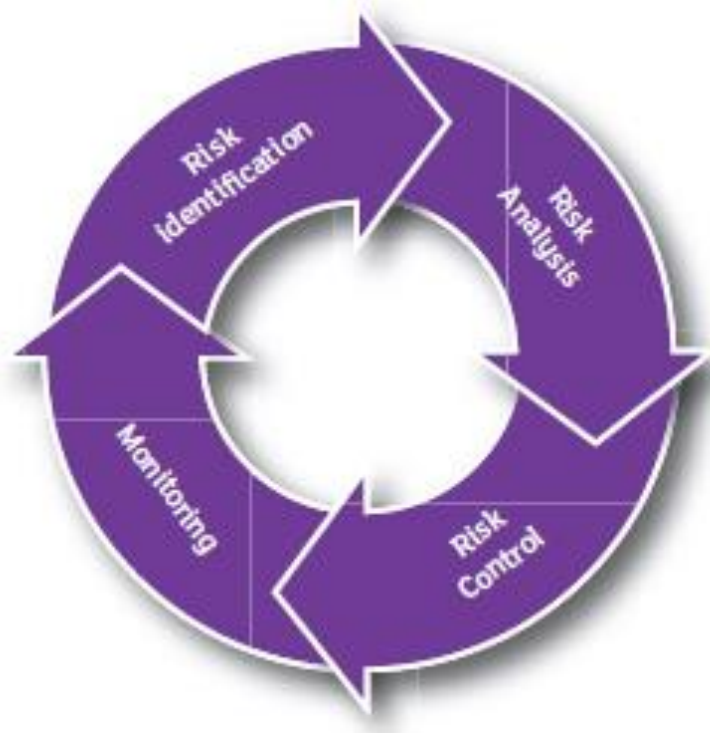
- Integrate risk management into the culture and day-to-day activities of the Fund.
- Raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners).
- Anticipate and respond positively to change.
- Minimise the probability of negative outcomes for the Fund and its stakeholders.

- Establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice.
- Ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

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

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

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



## **Risk Identification**

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



## Risk Analysis

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

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

## Risk Control

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

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

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

## Risk Monitoring

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

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

## Risk Reporting

Progress in managing risks will be monitored and recorded on the risk register. The risk register, including any changes to the internal controls, will be provided on an annual basis to the Pension Fund Committee – see attached Appendix C. The Pension Fund Committee

will be provided with updates on a quarterly basis in relation to any changes to risks and any newly identified risks and a formal review will be carried out at least twice a year.

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

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

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

### **Risk Matrix**

The risk matrix is adapted from the one used by the Council and the External Auditor’s assessment of materiality (for the 2020/21 audit £46 million) is used as a very high fund value for the purposes of scoring the identified risks.

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

## TRAINING PLAN

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

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

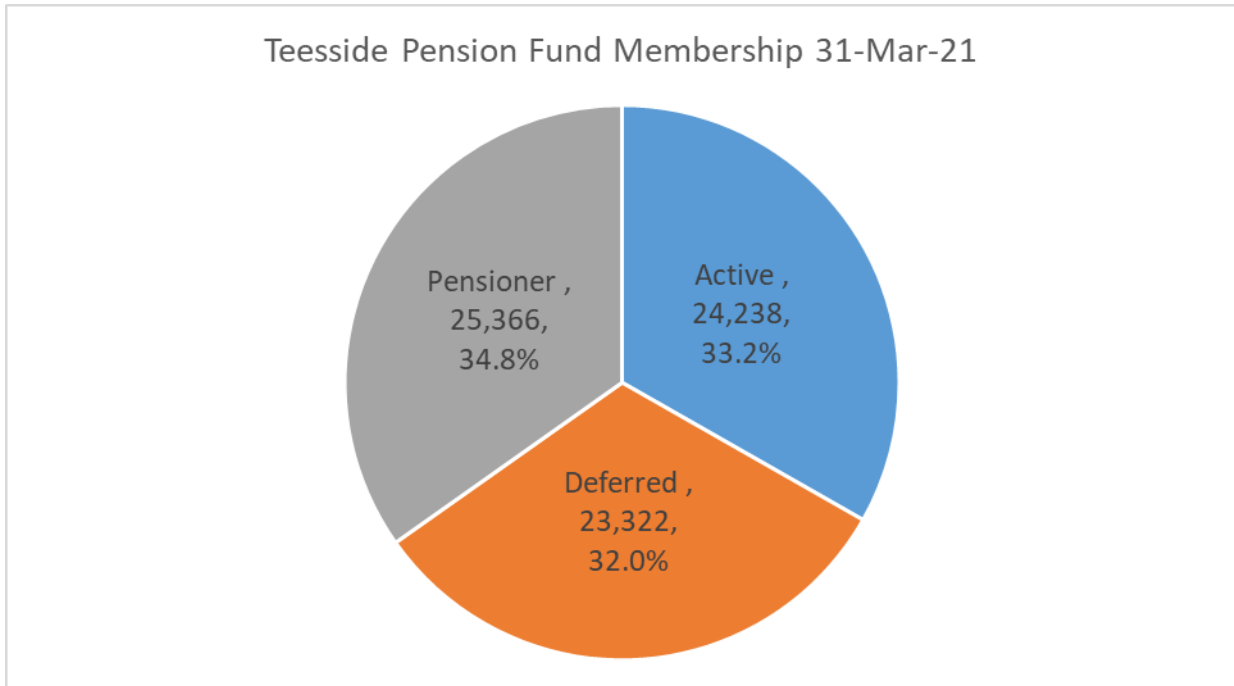
The Principles included in the Myners Review of Institutional Investment included a requirement under "Effective Decision Making" that Trustees should have sufficient expertise and be offered appropriate training.

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

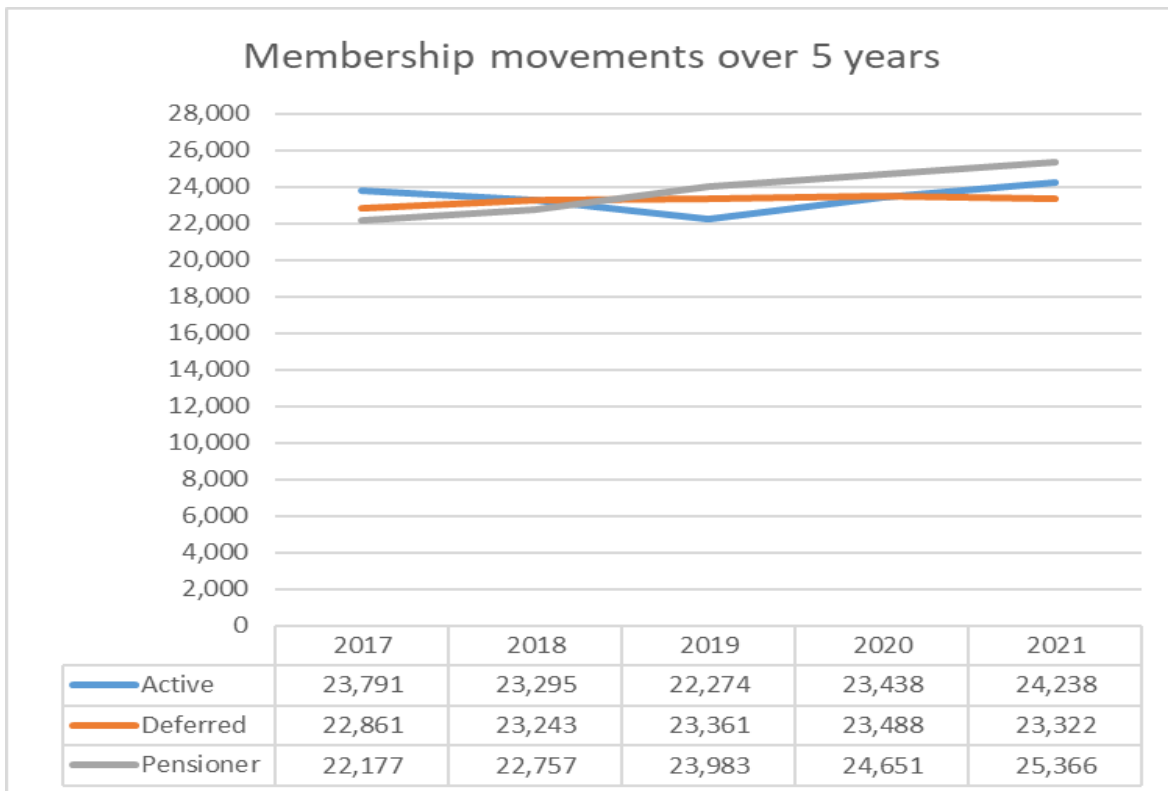
Training for Members and the staff employed by the Fund is essential as the Fund is moving to a position where its primary role will be managing two critically important outsourcing contracts with Border to Coast managing the majority of the Fund's investment assets, and XPS Administration managing the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

## MEMBERSHIP DATA

The total scheme membership for the Fund as at 31 March 2021 was 72,926 made up of the following membership types:

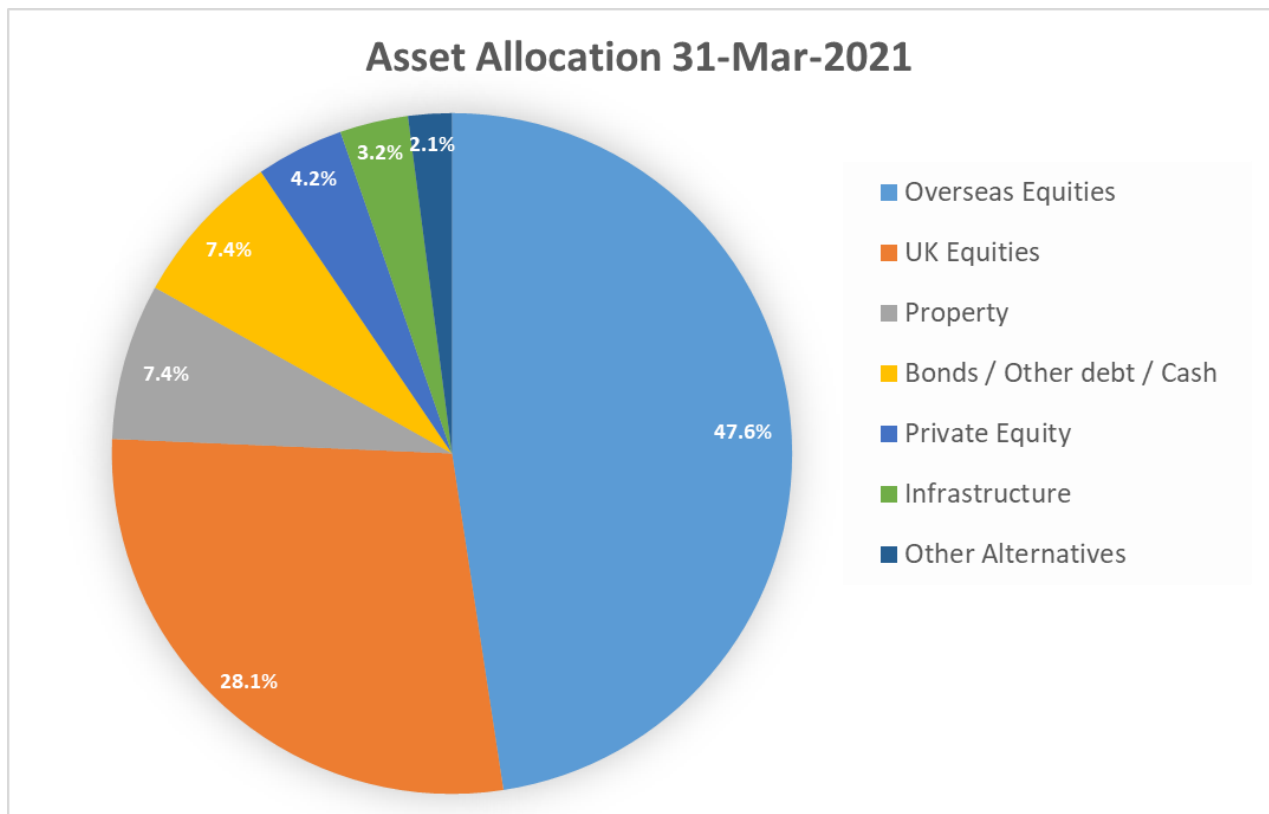


The changes to the scheme membership types is shown below. Whilst the total membership has increased by approx. 4,000 members over the period, the numbers of active members has fluctuated but increased slightly, whereas the numbers of deferred and pensioner members have increased more steadily over the period.

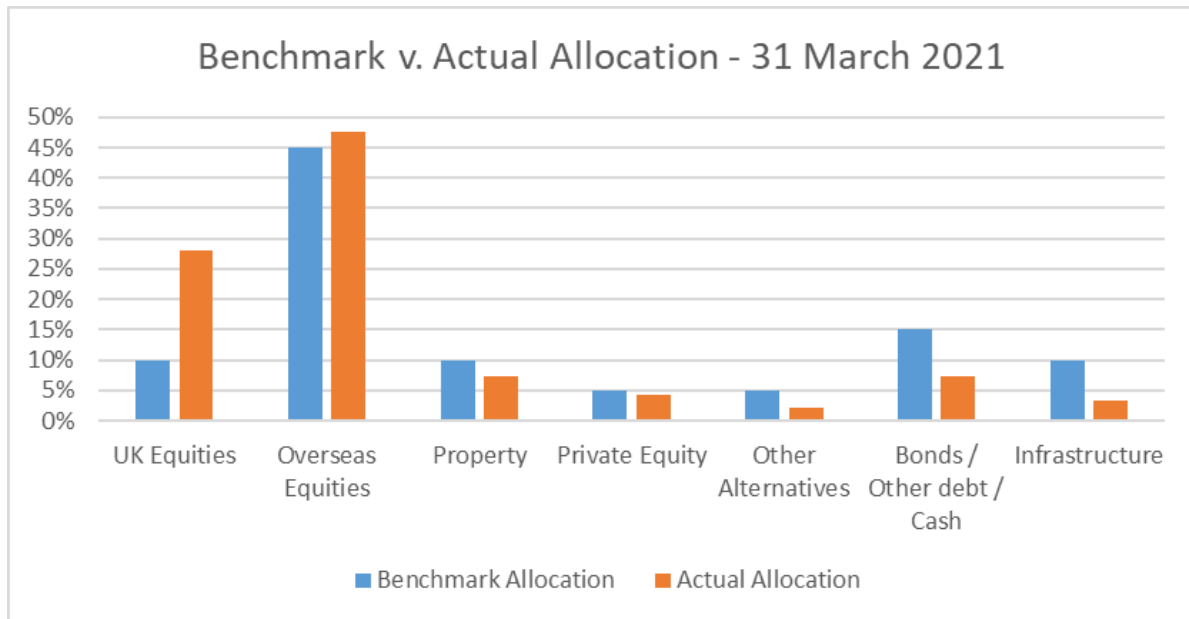


## INVESTMENTS AND FUNDING

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



The Fund's Investment Strategy Statement sets out the Asset Allocation Strategy. This strategy is set for the long term and is reviewed at least every three years as part of the Fund's Asset/Liability study to ensure that it remains appropriate to the Fund's liability profile. As part of the strategy the Administering Authority has adopted a strategic benchmark representing the mix of assets best able to meet the long term liabilities of the Fund. A revised strategic benchmark was agreed by the Pension Fund Committee at its March 2021 meeting, and this revised benchmark was used to update the Investment Strategy Statement. As at 31 March 2021 the actual assets compared to the revised strategic benchmark as follows:



Actuarial valuations are carried out every three years with the last completed valuation dated 31 March 2019. These valuations calculate the value of the Fund’s liabilities and compare them to the market value of the assets to determine a funding ratio. At the 2019 valuation, there was a surplus of £527.3 million, which corresponded to a funding ratio of 115%.

The next triennial valuation (as at 31 March 2022) will be published by 31 March 2023. The result of that valuation will be implemented from 1 April 2023, with any changes to employer contribution rates due to take effect then.

**FUND ACCOUNT, INVESTMENT AND ADMINISTRATION COSTS**

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

Description	2020-21 Actual £'000s	<b>2021-22 Estimate £'000s</b>	<b>2022-23 Estimate £'000s</b>
Contributions	-95,393	-93,753	-94,828
Transfers in from other pension funds	-3,061	-2,751	-2,751
Other income	-5,577	-4,328	-4,328
<b>Total income from members</b>	<b>-104,031</b>	<b>-100,832</b>	<b>-101,907</b>
Benefits payable	149,785	153,627	159,400
Payments to and on account of leavers	8,158	7,327	7,500
<b>Total expenditure to members</b>	<b>157,943</b>	<b>160,954</b>	<b>166,900</b>
Management expenses	7,521	8,165	7,415
<b>Total income less expenditure</b>	<b>61,433</b>	<b>68,287</b>	<b>72,408</b>
Investment income	-13,741	-47,300	-56,300
Change in Asset Market Value	-901,667	0	0
<b>Net return on investments</b>	<b>-915,408</b>	<b>-47,300</b>	<b>-56,300</b>
<b>Net (increase) / decrease in net assets available for benefits during the year</b>	<b>-853,975</b>	<b>20,987</b>	<b>16,108</b>

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

## ANNUAL PLAN FOR RECEIVING REPORTS

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

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

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

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

## FORWARD PLAN FOR KEY DECISIONS

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

### **2022/23:**

#### Pooling of Investment Assets:

- Continue to commit assets to Border to Coast's private equity and infrastructure funds as they become available.
- Commit assets to Border to Coast's climate opportunities fund as it becomes available.
- Receive regular reports and presentations from Border to Coast in relation to the assets the Fund has committed to the pool.



Pension Fund Governance:

- Assess the Fund against the Scheme Advisory Board’s recommended governance standards (expected to become statutory guidance).
- Prepare UK Stewardship Code submission.

Pension Investments:

- Review management of Property assets – assess whether to pool direct property investment through Border to Coast.
- Implement the asset allocation instructions from the Pension Fund Committee.
- Monitor and report investment performance of the Fund, as measured against the Fund's customised benchmark.
- Assess any local investment opportunities that arise, with a view to making recommendations to the Pension Fund Committee where appropriate.
- Continue to monitor the Fund’s overweight equity position against its strategic asset allocation, and assess and implement protection approaches if appropriate.

Pension Administration:

- Continue to implement customer service improvements – updated website, better liaison with scheme employers
- Carry out retendering exercise for pension administration

Funding:

- Carry out actuarial valuation as at 31 March 2022 – work with actuary to determine and understand outcomes. Incorporate asset / liability study and review investment approach as appropriate.
- Review and update the Funding Strategy Statement and Investment Strategy Statement if required.

**2023/24:**

- Implement new contribution rates as a consequence of triennial valuation.
- Continue / complete transfer of investment assets to Border to Coast. Property assets may be included subject to earlier value for money assessment.
- Monitor and report in line with expected Task Force on Climate-Related Financial Disclosures (TCFD) requirements.

**2024/25:**

- Further develop governance approach, taking into account UK Stewardship Code requirements.
- Develop Responsible Investments approach, incorporating TCFD reporting.
- Assess local investments approach in light of eventual 'levelling up' guidance.

# Teesside Pension Fund

## Our Service Promise

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

**Contact:**

Nick Orton, Head of Pensions Governance and Investments  
nick\_orton@middlesbrough.gov.uk / 01642 729040.

### Scheme Members

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

### Scheme Employers

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

### Pension Fund Committee

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

### Pension Board

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

### What we'll do for you:

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



### What you can do for us:

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

## SUMMARY OF PERFORMANCE AGAINST TARGETS

### **Funding:**

	Target	Actual
2019 Triennial Actuarial Valuation	100%	115%

### **Investments:**

	As at 31 December 2021	
	Benchmark	Actual
Performance Return – 1 Year	11.0%	16.5%
Performance Return – 3 Year (per annum)	9.7%	11.6%
Performance Return – 5 Year (per annum)	7.3%	8.5%
Performance Return – 10 Year (per annum)	9.1%	9.1%

### **Pensions Administration:**

	As at 31 December 2021	
	Target	Actual
All new entrant processed within eighteen working days of receipt of notification being received by pensions.	98.50%	99.66%
Transfer Values - To complete the process within one month of the date of receipt/request for payment.	98.50%	100.00%
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being received.	98.75%	100.00%
Statements issued within ten working days - Estimate of benefits (of receipt of request) and Deferred Benefits (of receipt of all relevant information). (Formerly F68 and F72)	98.25%	99.60%
Pension costs to be recharged monthly to all employers.	98.75%	100.00%
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	98.75%	93.59% (shortfall relates to deferred members with unknown addresses)

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

**Accounting:**

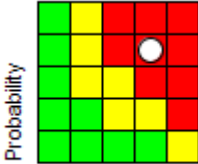
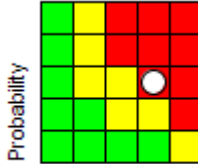
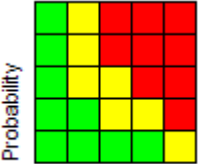

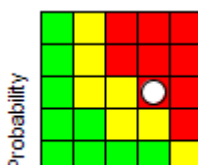


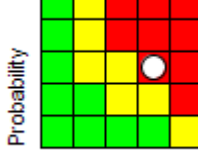

	Target	Actual
External Auditor Opinion	True & Fair View	True & Fair View (draft) –2020/21 accounts not signed off as at 25.05.22
Internal Audit Opinion – Investments	Strong Control Environment	Strong Control Environment
Internal Audit Opinion – Administration	Strong Control Environment	Strong Control Environment

**Governance:**

	Target	Actual
Funding Strategy Statement	Last 3 Years	June 2021
Investment Strategy Statement	Last 3 Years	April 2021
Governance Policy & Compliance Statement	Last 3 Years	December 2021
Training Policy	Last 3 Years	December 2021
Conflict of Interest Policy	Last 3 Years	December 2021
Risk Management Policy	Last 3 Years	December 2021
Procedures for Reporting Breaches of Law	Last 3 Years	December 2021
Communication Policy	Last 3 Years	December 2021
Pension Administration Strategy & Employer Guide	Last 3 Years	December 2021
Fund Officers' Scheme of Delegation	Last 3 Years	December 2021

## Appendix C - Teesside Pension Fund Risk Register

Code	Title	Original Score	Current Score	Target Score
TPF001	<p>INFLATION</p> <p>Price inflation is significantly more than anticipated: an increase in CPI inflation by X % will increase the liability valuation by Y %.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-5</p>	<p>Probability</p> <p>Impact</p> <p style="text-align: right;">20</p>	<p>Probability</p> <p>Impact</p> <p style="text-align: right;">15</p>	<p>Probability</p> <p>Impact</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
In assessing the member liabilities, the triennial Fund Actuary assumptions made for inflation are "conservatively" set based on independent economic data, and hedged against by setting higher investment performance targets.				
Code	Title	Original Score	Current Score	Target Score
TPF002	<p>ADVERSE ACTUARIAL VALUATION</p> <p>Impact of increases to employer contributions following the actuarial valuation.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-5 Member Impact-1</p>	<p>Probability</p> <p>Impact</p> <p style="text-align: right;">20</p>	<p>Probability</p> <p>Impact</p> <p style="text-align: right;">15</p>	<p>Probability</p> <p>Impact</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
<p>Trim valuations provide early warnings. Actuary has scope to smooth both impact for most employers.</p>				
Code	Title	Original Score	Current Score	Target Score
TPF003	<p>GLOBAL FINANCIAL INSTABILITY</p> <p>Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	<p>Probability</p> <p>Impact</p> <p style="text-align: right;">20</p>	<p>Probability</p> <p>Impact</p> <p style="text-align: right;">15</p>	<p>Probability</p> <p>Impact</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
Increasing investment diversification will allow the Fund to be better placed to withstand this type of economic instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				
Code	Title	Original Score	Current Score	Target Score

TPF004	<p>POLITICAL RISK</p> <p>Significant volatility and negative sentiment in investment markets following the outcome of adversely perceived political changes.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>20</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
Increasing investment diversification will allow the Fund to be better placed to withstand this type of political instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>
TPF005	<p>INVESTMENT CLASS FAILURE</p> <p>A specific industry investment class/market fails to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>20</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
Increasing investment diversification will allow the Fund to be better placed to withstand this type of market class failure. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.				
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>
TPF012	<p>POOLING INVESTMENT UNDERPERFORMANCE</p> <p>Investments in the investment pool not delivering the required return.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p> <p>15</p>	 <p>Probability</p> <p>Impact</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>

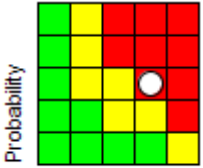
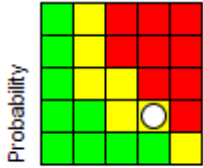
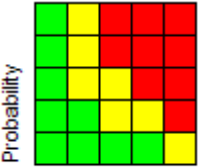



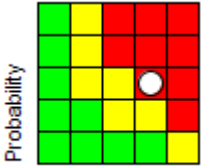
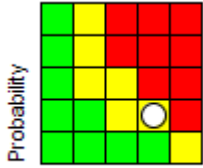
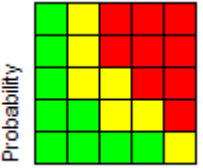


TPF053	CLIMATE CHANGE	<p>The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different 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, eg. longevity, under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.</p>	<p>Probability</p> <p>Impact</p> <p>20</p>	<p>Probability</p> <p>Impact</p> <p>15</p>	<p>Probability</p> <p>Impact</p>
	Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
TPF009	HIGHER THAN EXPECTED COSTS OF INVESTMENT POOLING	<p>Probability</p> <p>Impact</p> <p>21</p>	<p>Probability</p> <p>Impact</p> <p>14</p>	<p>Probability</p> <p>Impact</p>
	<p>Higher setup and ongoing costs of Border to Coast and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs).</p> <p>Fund &amp; Reputation Impact-7 Employers Impact-2 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
<p>Border to Coast's budget is set annually with the agreement of at least 9 of the 12 partner funds. Expenditure is monitored and reported to the quarterly Joint Committee meetings. Tenders for on-going suppliers and staff are all now in place.</p>				

Code	Title	Original Score	Current Score	Target Score
TPF010	INADEQUATE POOLING TRANSPARENCY	<p>Probability</p> <p>Impact</p> <p>21</p>	<p>Probability</p> <p>Impact</p> <p>14</p>	<p>Probability</p> <p>Impact</p>
	<p>Lack of transparency around investment pooling arrangements.</p> <p>Fund &amp; Reputation Impact-7 Employers Impact-1 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
<p>With the pooling of investment assets TPF staff will work closely with Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity of performance, with</p>				

training provided to TPF staff as required.				
Code	Title	Original Score	Current Score	Target Score
TPF021	<p>INAPPROPRIATE INVESTMENT STRATEGY</p> <p>Mismatching of assets and liabilities, inappropriate long term asset allocation of investment strategy, mistiming of investment strategy.</p> <p>Fund &amp; Reputation Impact-7 Employers Impact-7 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
This is mitigated by the Triennial Valuation and the engagement of Two Independent Investment Advisors.				
Code	Title	Original Score	Current Score	Target Score
TPF007	<p>KEYMAN RISK</p> <p>Concentration of knowledge &amp; skills in small number of officers and risk of departure of key staff - failure of succession planning.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-1 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Deputy positions were created in 2018/19 (although one remains to be filled). These act to support deputise as required for the Head of Investments, Governance and Pensions.				
Code	Title	Original Score	Current Score	Target Score
TPF008	<p>INSUFFICIENT STAFF</p> <p>Causes failure to have time to adopt best practice by properly developing staff and processes.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>			
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
In preparation for the pooling of investment assets to Border to Coast, the team was expanded and has a total complement of 9 staff. With a new investment strategy of passive rather than active management, investment transaction volumes have significantly reduced.				
Code	Title	Original Score	Current Score	Target Score

TPF011	<p>UNANTICIPATED PAY RISES</p> <p>Increases are significantly more than expected for employers within the Fund.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>15</p>	 <p>10</p>	 <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
<p>1) Fund employers will monitor own experience.</p> <p>2) Triennial Actuarial valuation Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) will be long term assumptions, any employer specific assumptions above the actuaries long term assumption would lead to further review.</p> <p>3) Employers are made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits.</p>				
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>
TPF013	<p>POOLING SYSTEMIC RISKS</p> <p>Systemic and other investment risks not being properly managed within the investment pool; for example appropriate diversification, credit, duration, liquidity and currency risks.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>15</p>	 <p>10</p>	 <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
<p>Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review Border to Coast sub-fund investment elements on an on-going basis, and reported to TPF Committee and Board.</p>				
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>
TPF014	<p>LONGEVITY</p> <p>Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8%.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>	 <p>15</p>	 <p>10</p>	 <p>10</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
<p>In assessing the member longevity and pension liabilities, the Triennial Actuary assumptions made for longevity are "conservatively" set based on the latest life expectancy economic data. They are reviewed and updated at each three year Actuarial</p>				

valuation. If required, further investigation can be carried out of scheme specific/employer longevity data.

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

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

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

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Pension Fund Committee new members have an induction programme and will have subsequent training based on the requirements of CIPFA Knowledge and Skills Framework including Pooling.			

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

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
XPS Administration is a well-resourced established pensions administration provider which is not in financial difficulty.			

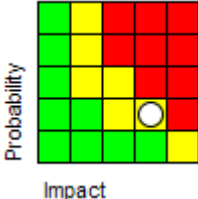
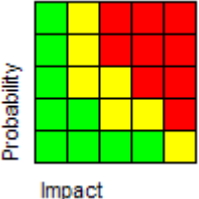
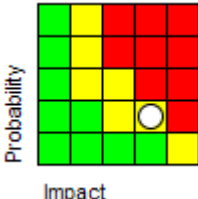
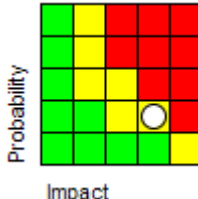
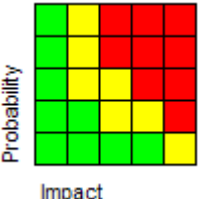
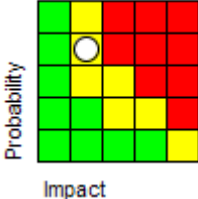
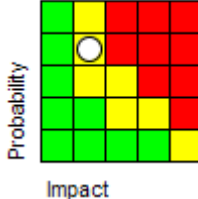

Code	Title	Original Score	Current Score	Target Score
TPF026	<p>INSECURE DATA</p> <p>Failure to hold personal data securely - i.e data stolen.</p> <p>Fund &amp; Reputation Impact-3 Employers Impact-1 Member Impact-5</p>			

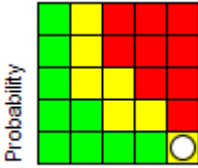
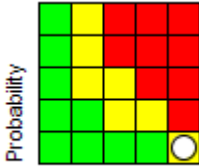
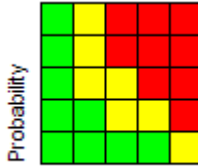
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
XPS Administration have advised they are not aware of any attempted hacking events.			

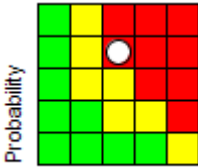
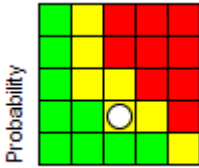
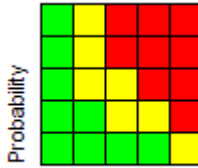
Code	Title	Original Score	Current Score	Target Score
TPF028	<p>INADEQUATE POOLING INVESTMENT EXPERTISE</p> <p>Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-5 Member Impact-1</p>			

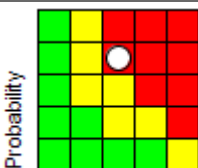
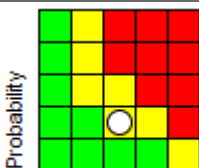
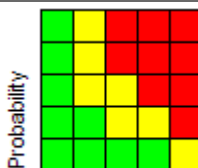
Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Border to Coast has completed recruitment of experienced and capable management team, alongside most of its final expected complement of 70 staff.			

Code	Title	Original Score	Current Score	Target Score

TPF029	<p>INSUFFICIENT RANGE OF POOLING ASSET CLASSES</p> <p>Insufficient range of asset classes or investment styles being available through the investment pool.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-3 Member Impact-1</p>	 <p>10</p>	 <p>10</p>	 <p>Impact</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
There is now in place a roll-out plan of different asset classes and engagement with Border to Coast to identify relevant future asset classes				
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>
Page 166 F031	<p>INTERNAL COMPLIANCE FAILURES</p> <p>Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator.</p> <p>Fund &amp; Reputation Impact-5 Employers Impact-1 Member Impact-1</p>	 <p>10</p>	 <p>10</p>	 <p>Impact</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>
TPF030	<p>COMMITTEE MEMBERSHIP CHANGE</p> <p>Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding.</p> <p>Fund &amp; Reputation Impact-2 Employers Impact-1 Member Impact-1</p>	 <p>8</p>	 <p>8</p>	 <p>Impact</p>
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
Officers and advisers provide continuity and training following changes to Committee membership.				
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>

TPF039	<b>BORDER TO COAST FAILURE</b> Failure of the operator itself, or its internal risks and controls failure of corporate governance, responsible investment, or the failure to exercise voting rights according to policy.  Fund & Reputation Impact-7 Employers Impact-4 Member Impact-1		7		7		
		<b>Current Mitigation</b>	<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>		

Code	Title	Original Score	Current Score	Target Score			
TPF015	<b>EMPLOYER FAILURE</b> An employer ceasing to exist with insufficient funding, or being unable to meet its financial commitments, adequacy of bond or guarantee. Any shortfall would be attributed to the fund as a whole.  Fund & Reputation Impact-2 Employers Impact-3 Member Impact-3		12		6		
		<b>Current Mitigation</b>	<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>		
1. Fund employers should monitor own experience. 2. Triennial Actuarial Assumptions will account for the possibility of employer(s) failure (for the purposes of IAS19/FRS102 and actuarial valuations). Any employer specific assumptions above the actuaries long term assumption, would lead to further review. 3. Employer covenant review.							

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

Code	Title	Original Score	Current Score	Target Score
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TPF022	GDPR COMPLIANCE Non-compliance with GDPR regulations. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	9	6	6
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
Data protection privacy notices have been distributed by XPS Administration. The Council has established GDPR-compliant processes and procedures.				
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>
TPF023	INACCURATE DATA RECORD COLLATION Failure to maintain proper, accurate and complete data records leading to increased errors and complaints. Fund & Reputation Impact-1 Employers Impact-3 Member Impact-3	9	6	6
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
Administration data quality is being assessed as part of the annual valuation process, as well as being assessed regularly in order to meet Pensions Regulator requirements on scheme data.				
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>
TPF024	STRUCTURAL CHANGES TO EMPLOYER MEMBERSHIP Risk that TPF are unaware of structural changes to an employer's membership, or changes (e.g. closing to new entrants) meaning the individual employer's contribution level becomes inappropriate. Fund & Reputation Impact-2 Employers Impact-3 Member Impact-2	9	6	6
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
The new XPS Administration employer liaison team will improve this by working closely with employers.				
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>
TPF032	INADEQUATE POOLING DATA Inability to gather robust, quality or timely information from Border to Coast. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	6	6	6



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

Code	Title	Original Score	Current Score	Target Score
TPF033	ESG REPUTATIONAL DAMAGE Insufficient attention to environmental, social and governance (ESG) leads to reputational damage. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 Probability <span style="float: right;">6</span> Impact	 Probability <span style="float: right;">6</span> Impact	 Probability <span style="float: right;">6</span> Impact

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome
Border to Coast provides increased focus on Responsible Investment.			

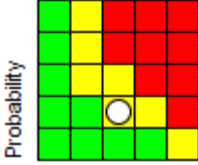





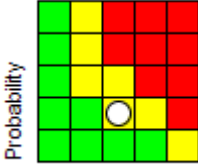
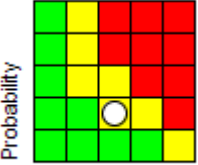

Code	Title	Original Score	Current Score	Target Score
TPF034	THIRD PARTY SUPPLIER FAILURE Financial failure of third party supplier results in service impairment and financial loss. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 Probability <span style="float: right;">6</span> Impact	 Probability <span style="float: right;">6</span> Impact	 Probability <span style="float: right;">6</span> Impact

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome

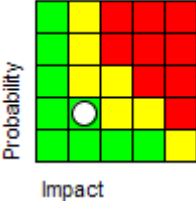
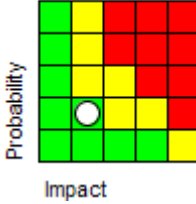

Code	Title	Original Score	Current Score	Target Score
TPF035	PROCUREMENT PROCESS CHALLENGES Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	 Probability <span style="float: right;">6</span> Impact	 Probability <span style="float: right;">6</span> Impact	 Probability <span style="float: right;">6</span> Impact

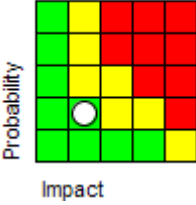
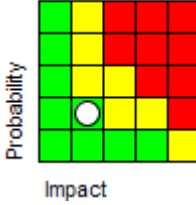

Current Mitigation	Future Mitigation	Responsible Officer	Expected Outcome

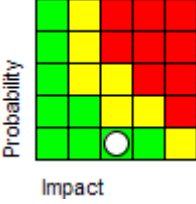
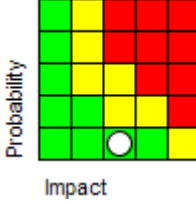
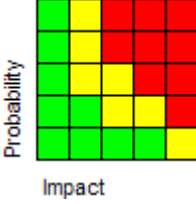
Code	Title	Original Score	Current Score	Target Score

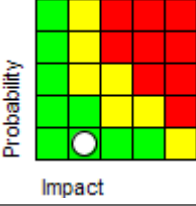
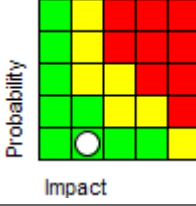

TPF036	ASSET POOLING TRANSITION RISK Loss or impairment as a result of Asset transition. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 6	 6	 6
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>
TPF037	COMPLIANCE FAILURES Failure to comply with legislative requirements e.g. SIP, FSS, Governance Policy, Freedom of Information requests, Code of Practice 14. Fund & Reputation Impact-3 Employers Impact-2 Member Impact-0	 6	 6	 6
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>
TPF038	CUSTODY DEFAULT The risk of losing economic rights to pension fund assets, when held in custody or when being traded. The risk might arise from missed dividends or corporate actions (e.g. rights issues) or problems arising from delays in trade settlements. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 6	 6	 6
<b>Current Mitigation</b>		<b>Future Mitigation</b>	<b>Responsible Officer</b>	<b>Expected Outcome</b>
<b>Code</b>	<b>Title</b>	<b>Original Score</b>	<b>Current Score</b>	<b>Target Score</b>

TPF020	INADEQUATE BORDER TO COAST OVERSIGHT Insufficient resources to properly monitor pooling & Border to Coast. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact	15	 Probability Impact	5	 Probability Impact	
<b>Current Mitigation</b>		<b>Future Mitigation</b>		<b>Responsible Officer</b>		<b>Expected Outcome</b>	
Sufficient resources exist within the team to oversee and monitor Border to Coast. External providers are also involved, such as Portfolio Evaluation Limited and the two independent investment advisors.							
<b>Code</b>	<b>Title</b>	<b>Original Score</b>		<b>Current Score</b>		<b>Target Score</b>	
TPF042	DECISION MAKING FAILURES Failure to take difficult decisions inhibits effective Fund management. Fund & Reputation Impact-5 Employers Impact-2 Member Impact-1	 Probability Impact	5	 Probability Impact	5	 Probability Impact	
<b>Current Mitigation</b>		<b>Future Mitigation</b>		<b>Responsible Officer</b>		<b>Expected Outcome</b>	
<b>Code</b>	<b>Title</b>	<b>Original Score</b>		<b>Current Score</b>		<b>Target Score</b>	
TPF043	CASH INVESTMENT FRAUD Financial loss of cash investments from fraudulent activity. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 Probability Impact	5	 Probability Impact	5	 Probability Impact	
<b>Current Mitigation</b>		<b>Future Mitigation</b>		<b>Responsible Officer</b>		<b>Expected Outcome</b>	
<b>Code</b>	<b>Title</b>	<b>Original Score</b>		<b>Current Score</b>		<b>Target Score</b>	
TPF027	SCHEME MEMBER FRAUD Fraud by scheme members or their relatives (e.g. identity, death of member). Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2	 Probability Impact	8	 Probability Impact	4	 Probability Impact	
<b>Current Mitigation</b>		<b>Future Mitigation</b>		<b>Responsible Officer</b>		<b>Expected Outcome</b>	

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

Code	Title	Original Score	Current Score	Target Score
TPF041	LIQUIDITY SHORTFALLS Risk of illiquidity due to difficulties in realising investments and paying benefits to members as they fall due. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 4	 4	 4
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
TPF044	ICT SYSTEMS FAILURE Prolonged administration ICT systems failure. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-3	 3	 3	 3
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
TPF045	CONTRIBUTION COLLECTION FAILURE Failure to collect employee/er member pension contributions. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-1	 2	 2	 2
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

Code	Title	Original Score	Current Score	Target Score
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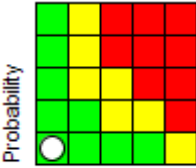
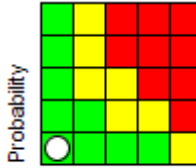
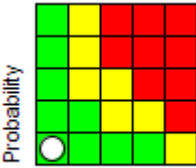
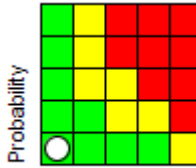
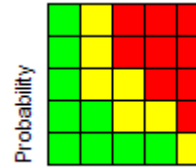
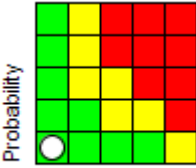
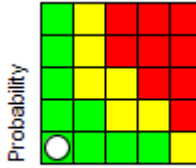
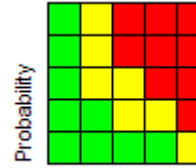
TPF046	INADEQUATE DISPUTES RESOLUTION PROCESS		2		2	
	Failure to agree and implement an appropriate complaints and disputes resolution process. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-2	Probability Impact		Probability Impact		Probability Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>		<b>Responsible Officer</b>		<b>Expected Outcome</b>

Code	Title	Original Score	Current Score	Target Score		
TPF047	BORDER TO COAST CESSATION		2		2	
	Partnership disbands or fails to produce a proposal deemed sufficiently ambitious. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	Probability Impact		Probability Impact		Probability Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>		<b>Responsible Officer</b>	<b>Expected Outcome</b>	

Code	Title	Original Score	Current Score	Target Score		
TPF048	POOLING CUSTODIAN FAILURE		2		2	
	Failure to ensure safe custody of assets. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	Probability Impact		Probability Impact		Probability Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>		<b>Responsible Officer</b>	<b>Expected Outcome</b>	

Code	Title	Original Score	Current Score	Target Score		
TPF049	OFFICER FRAUD		1		1	
	Fraud by administration staff. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1	Probability Impact		Probability Impact		Probability Impact
<b>Current Mitigation</b>		<b>Future Mitigation</b>		<b>Responsible Officer</b>	<b>Expected Outcome</b>	

Code	Title	Original Score	Current Score	Target Score
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TPF050	<p>EXCESSIVE ADMIN COSTS</p> <p>Excessive costs of member benefit administration leads to lack of VFM and loss of reputation.</p> <p>Fund &amp; Reputation Impact-1 Employers Impact-1 Member Impact-1</p>	 <p>1</p>	 <p>1</p>	
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Code	Title	Original Score	Current Score	Target Score
TPF051	<p>ERRONEOUS MEMBER BENEFIT CALCS</p> <p>Risk of incorrect calculation of members benefits.</p> <p>Fund &amp; Reputation Impact-1 Employers Impact-1 Member Impact-2</p>	 <p>1</p>	 <p>1</p>	
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome
Code	Title	Original Score	Current Score	Target Score
TPF052	<p>INADEQUATE MEMBER COMMS</p> <p>Increased workload for pensions team or increased opt-outs if communications inadequate or misunderstood.</p> <p>Fund &amp; Reputation Impact-2 Employers Impact-1 Member Impact-1</p>	 <p>1</p>	 <p>1</p>	
Current Mitigation		Future Mitigation	Responsible Officer	Expected Outcome

**Fund account, investment and administration - detailed analysis**

	2020-21 Actual £'000s	2021-22 Forecast £'000s	2022-23 Estimate £'000s
<b>Income from members</b>			
<i>Employers contributions normal</i>	-63,910	-63,761	-64,200
<i>Employers contributions additional</i>	-13	-8	-8
<i>Employers contributions deficit recovery</i>	-1,055	-520	-520
<i>Members contributions</i>	-30,415	-29,464	-30,100
<i>Transfers in from other schemes</i>	-3,061	-2,751	-2,751
<i>Other income</i>	-5,577	-4,328	-4,328
	<b>-104,031</b>	<b>-100,832</b>	<b>-101,907</b>

	2020-21 Actual £'000s	2021-22 Forecast £'000s	2022-23 Estimate £'000s
<b>Expenditure to members</b>			
<i>Pensions paid</i>	123,640	127,612	132,800
<i>Commutations and lump sum retirement benefits</i>	22,947	22,844	23,300
<i>Lump sum death benefits</i>	3,198	3,171	3,300
<i>Payments to and on account of leavers</i>	8,158	7,327	7,500
	<b>157,943</b>	<b>160,954</b>	<b>166,900</b>

	2020-21 Actual £'000s	2021-22 Forecast £'000s	2022-23 Estimate £'000s
<b>Management expenses:</b>			
<b>Administration costs</b>	<b>1,938</b>	<b>2,000</b>	<b>2,000</b>
<b>Investment management expenses</b>			
<i>Custody fees</i>	23	25	25
<i>External investment management expenses</i>	3,664	4,000	4,000
<i>Internal investment management expenses</i>	551	500	500
<i>Transaction costs</i>	719	1,000	200
<b>Total Investment management expenses</b>	<b>4,957</b>	<b>5,525</b>	<b>4,725</b>
<i>External audit cost</i>	38	40	40
<b>Oversight &amp; governance costs</b>	<b>588</b>	<b>600</b>	<b>650</b>
<b>Total Oversight &amp; governance costs</b>	<b>7,521</b>	<b>8,165</b>	<b>7,415</b>

	2020-21 Actual £'000s	2021-22 Forecast £'000s	2022-23 Estimate £'000s
<b>Investment Income</b>			
<i>Investment income from bonds</i>	0	0	0
<i>Investment income from equities</i>	0	0	0
<i>Investment income from pooled investment vehicles</i>	511	-32,000	-35,000
<i>Other investment income</i>	0	0	0
<i>Property gross rental income</i>	-13,563	-15,500	-15,500
<i>Property expenses</i>	979	1,200	1,200
<i>Interest on cash deposits</i>	-1,668	-1,000	-7,000
	<b>-13,741</b>	<b>-47,300</b>	<b>-56,300</b>



## TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

### PENSION FUND COMMITTEE REPORT

16 MARCH 2022

DIRECTOR OF FINANCE – IAN WRIGHT

#### Update on Current Issues

#### 1. PURPOSE OF THE REPORT

- 1.1 To provide Members of the Pension Fund Committee (the Committee) with an update on current issues affecting the Pension Fund locally or the Local Government Pension Scheme (LGPS) in general.

#### 2. RECOMMENDATIONS

- 2.1 That Members note this report.

#### 3. FINANCIAL IMPLICATIONS

- 3.1 There are no specific financial implications in respect of the information contained in this report.

#### 4. LGPS AND 'LEVELLING UP'

- 4.1 As Members may be aware, the Government published its "Levelling up the United Kingdom" White Paper on 2 February 2022. The full 332 page document along with a 17 page Executive Summary can be found at the following web page:  
<https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>
- 4.2 The scope of the White Paper is broad: its stated objective is to take radical steps to improve UK prosperity by "tackling the regional and local inequalities that unfairly hold back communities and to encourage private sector investment right across the UK". The White Paper covers a lot of ground, including twelve "ambitious medium term" levelling up "missions" grouped under one of four headings. For example (from page 6 of the Executive Summary) under the heading "*Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging*" there are three "missions" including "By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing."
- 4.3 Within the section on boosting productivity etc. the White Paper includes the following statement about the role the Local Government Pension Scheme will be expected to play:

“Levelling up requires mobilising previously underutilised sources of capital. That is why we’re using the tax system to incentivise private sector investment, through Freeports, Enterprise Zones and the Super-deduction. It is also why the Prime Minister and Chancellor have called on the UK’s institutional investors to seize the moment for an “Investment Big Bang” to boost Britain’s long-term growth. The UK Government will go further and work with **Local Government Pension Funds to publish plans for increasing local investment, including setting an ambition of up to 5% of assets invested in projects which support local areas.**”

- 4.4 A number of similar references to Local Government Pension Scheme (LGPS) Funds being used to support ‘local investment’ are included elsewhere in the White Paper, including the following:

“There are large pools of underutilised capital across the UK that could, in principle, be used to support investment. For example, Local Government Pension Funds have assets with a combined market value of £326bn as of March 2020. Only a few funds have so far invested with a local, place-based lens. As discussed further in Chapter 3, there is huge scope to mobilise more financing from UK institutional investors in local projects. Regulatory steps are now being taken to do so.”

(Full report: page 68 – page 100 of the PDF)

#### “Unlocking institutional investment

##### The case for action

There is huge potential for institutional investment to support levelling up, across infrastructure, housing, regeneration and SME finance. Institutional investors currently hold UK pension assets of over £3.5tn. Within that, the Local Government Pension Scheme (LGPS) has total investments of over £330bn, making it the largest pension scheme in the UK. Only a tiny fraction of these funds are currently allocated to local projects. If all LGPS funds were to allocate 5% to local investing, this would unlock £16bn in new investment.

##### The policy programme

The UK Government has committed itself to removing obstacles and costs to making long-term, illiquid investments in the UK. LGPS funds are investing in a wide range of existing UK and global infrastructure, largely through the eight LGPS asset pools. A dedicated infrastructure platform (GLIL) has been established jointly by the Northern and Local Pensions Partnership Investments and LGPS asset pools, and has around £2.5bn committed, with investments including Anglian Water, Forth Ports (including Tilbury) and Clyde Windfarm.

Infrastructure investment by the LGPS has grown from under £1bn in 2016 to £21bn in 2021. To build on this established capacity and expertise, and ensure that all LGPS funds play their full part, the UK Government is **asking LGPS funds, working with the LGPS asset**

**pools, to publish plans for increasing local investment**, including setting an ambition of up to 5% of assets invested in projects which support local areas.

The new UK Infrastructure Bank, based in Leeds, has a mandate to catalyse investment to support regional and local economic growth, and will help increase the capacity and capability of local authorities to deliver infrastructure in their areas. It will also co-invest, offer guarantees through the existing UK Guarantees Scheme, and provide a range of debt, equity and hybrid products. It is committed to expanding institutional investment in UK infrastructure, including exploring opportunities with the LGPS.”

(Full report: pages 162 and 163 – pages 194 and 195 of the PDF)

4.5 The detail of the White Paper’s aims in respect of LGPS investment in local areas is expected to be included in a forthcoming consultation document expected later in the year. There are some significant issues that need clarifying, including:

- How will “projects which support local areas” be defined? The reference to involving the asset pooling companies in this local investment approach suggests that ‘local’ may actually just mean ‘within the UK’ rather than within the confined geographical area covered by a particular LGPS Fund. This could mean, for example, a ‘local’ or ‘impact’ investment fund set up by Border to Coast could contain a mixture of assets located across its Partner Fund’s localities – from Cumbria to Surrey.
- What assets will be included as ‘local’ (or perhaps ‘UK’) investments for the purposes of measuring against the 5% target? Infrastructure and private equity investments are likely to have a meaningful impact on a local area so will probably be included. What about public equities? – if an LGPS Fund or LGPS Pool owns public equity in a company that is engaged in carrying out activity that ‘levels up’ a local UK community, will this count?
- What approach will be taken to LGPS Funds’ existing investments when determining whether the 5% local investments target has been met? It seems likely that the government is looking for an *extra* 5% of Funds to be invested locally, so existing local investments would not count in the assessment – this seems a little unfair to Funds that have already made efforts in this area.
- Most importantly, what level of compulsion will there be for Funds to invest ‘locally’? LGPS Funds have a fiduciary duty to invest their funds appropriately for the benefit of their beneficiaries. Up until now, this duty has been the most important one Funds have to consider when making asset allocation decisions. If the government is seen to be explicitly directing how LGPS Funds invest, this will be controversial and will presumably require legislation. The wording of the White Paper indicates the government may not be looking to be completely directive in this area: for example the White Paper refers to setting “an ambition” (not a target) of “up to 5% of assets invested in projects which support local areas”.

4.6 Since 2016 the Pension Fund has put in place a protocol to enable local investment opportunities to be considered and, where suitable, approved by the Pension Fund

Committee. The Fund defines “local” within the context of its own geographical area, so local investments in this context are those within the Teesside area (the areas covered by Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on Tees Councils).

- 4.7 The Fund’s investment approach allows up to 5% of its assets to be invested in local projects. One of the important criteria for assessing any potential local investment is to ensure it has the right risk and return characteristics to meet the Fund’s financial objectives. Any local investment in itself needs to generate an acceptable economic return for the Fund. The Fund cannot factor into its calculations secondary benefits, such as social or any other non-economic benefits that do not provide direct investment return. Having an appropriate governance structure around the investment is also very important, as is the need for the Fund to acquire and act on appropriate specialist advice as required when deciding whether to progress with a local investment.
- 4.7 Over the last six years the Fund has made a total of £41m in commitments to the following three ongoing local investments with different risk / return profiles – GB Bank, The Ethical Housing Company and WasteKnot. This commitment represents around 0.8% of the Fund’s assets (based on the Fund’s 31 December 2021 valuation). This is some way short of our 5% potential local investment allocation, and this reflects in part the difficulty of sourcing appropriate local investments for the Fund within the Teesside area.
- 4.8 A consultation document is expected later in the year which should provide more clarity on the government’s “ambition” for LGPS Funds to invest 5% of their assets in projects that support “local areas”, and on whether this will be implemented through statutory guidance or legislation.

## **5. GOVERNMENT ACTUARY’S DEPARTMENT SECTION 13 REPORT – MAIN FINDINGS**

- 5.1 On 16 December 2021 the Government Actuary’s Department (GAD) published its Section 13 Report on the actuarial valuations carried out across the LGPS as at 31 March 2019.
- 5.2 The Report is named after Section 13 of the Public Service Pensions Act 2013 which requires the government to commission a report after each triennial valuation to assess whether the following four aims have been achieved: compliance, consistency, solvency and long term cost efficiency. The Report is broadly positive about the LGPS and acknowledges that since the 31 March 2016 valuation market value of the scheme’s assets increased from £217 billion to £291 billion and its aggregate funding position “on prudent local bases” has increased from 85% to 98%. GAD does add a note of caution about potential funding issues in the future: “the size of funds has grown significantly over the three years to 31 March 2019. However, the ability of tax backed employers to increase contributions if this was to be required (as measured by their core spending power) has not kept pace. This could be a risk if, for example, there was to be a severe shock to return seeking asset classes.”

5.3 As regards the four aims, this is a summary of the report's findings:

5.3.1 Compliance

Fund valuations were compliant with relevant regulations, although more clarity on the assumptions used to determine employer contributions in the Rates and Adjustments certificate for some Funds would be helpful.

5.3.2 Consistency

There was greater consistency and better presentation of information in Fund's valuation reports than in the 31 March 2016 reports. Some areas of inconsistency remain which GAD believes should be addressed, leading to the Report's first recommendation:

**"Recommendation 1:**

The Scheme Advisory Board should consider the impact of inconsistency on the funds, participating employers and other stakeholders. It should specifically consider whether a consistent approach needs to be adopted for conversions to academies, and for assessing the impact of emerging issues including McCloud."

5.3.3 Solvency

GAD describes this in relation to setting an employer contribution rate. This rate is appropriate if the rate of employer contributions is set to target a funding level for the whole fund of 100% over an appropriate time period and using appropriate actuarial assumptions and either:

- employers collectively have the financial capacity to increase employer contributions, 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 an expectation of a future reduction in the number of fund employers, or a material reduction in the capacity of fund employers to increase contributions as might be needed

As Funding levels have improved between the 2016 and 2019 valuations, many LGPS Funds have reduced employer contribution rates. GAD believes this has not been the right approach: "In GAD's view, the prevailing economic conditions have deteriorated between 2016 and 2019. Many funds have reduced their contribution rates as a result of the improvement of their funding position. In our opinion, for some funds, the deterioration in economic conditions may have warranted a strengthening of the valuation basis, resulting in a requirement to maintain or increase contributions."

GAD highlights the growth in pension fund assets has not been matched by a growth in the size of the scheme's employers, leading to a growing mismatch which could cause problems in the event of a future asset shock. The report makes the following statement, whilst

acknowledging that administering authorities and their advisors are likely to already be aware of it:

**“General risk comment**

Local authorities have finite resources and in recent years the size of pension funds has increased considerably more than local authority budgets. Given that pension funding levels change it is not unlikely that a period of increased pension contributions may be required at some point in the future.

If additional spending is required for pension contributions this may lead to a strain on local authority budgets.

We would expect that administering authorities are aware of this risk in relation to solvency and would monitor it over time. Administering authorities may wish to discuss the potential volatility of future contributions with employers in relation to overall affordability.”

5.3.4 Long term cost efficiency

GAD makes an assessment as to whether each LGPS Fund has set employer contributions at the right level to ensure long term cost efficiency, meaning contributions are set at a rate sufficient to cover the cost of current benefit accrual with an appropriate adjustment to that rate for any surplus or deficit in the Fund. GAD have flagged four Funds as raising concerns following their long term cost efficiency assessment. GAD also make the following recommendations in relation to the presentation of deficit recovery plans and how that changes over time, together with a final recommendation around councils that have (in some Funds) made asset ‘gifts’ to their Funds to ensure these approaches are sufficiently assessed to ensure inter-generational fairness:

**“Recommendation 2:**

We recommend the Scheme Advisory Board consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.

**Recommendation 3:**

We recommend fund actuaries provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the dashboard.

**Recommendation 4:**

We recommend the Scheme Advisory Board review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency.”

**6. GOVERNMENT ACTUARY’S DEPARTMENT SECTION 13 REPORT – FUND COMPARISONS**

- 6.1 In producing the Report GAD compares each LGPS Fund’s 31 March 2019 valuation on a single standard basis which is typically less prudent than the Fund’s own basis but allows better comparison between Funds.

The full report and accompanying appendices can be found at the following web page:

<https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2019>

An extract from the Report's appendix including several relevant graphs is enclosed as Appendix A.

- 6.2 The main points to note from the comparison graphs are as follows (these comparisons all relate to the results of the last actuarial valuations of the LGPS Funds in England and Wales, as at 31 March 2019):
- The Fund had the second highest funding level in the LGPS on a 'local valuation' basis but was only the twentieth highest on a Scheme Advisory Board standard basis.
  - The Fund has the sixth smallest percentage difference between the funding level it reported in its valuation report and the standard basis funding level.
  - The Fund had the 22<sup>nd</sup> highest pre-retirement discount rate and the 10<sup>th</sup> highest assumed asset outperformance within its discount rate. This is an assessment by GAD of the degree of investment return the Fund is assuming compared with 'risk-free' (government bonds) investment taking inflation into account.
- 6.3 These points indicate that the Fund may have probability of funding success that could be lower than average, and may also be anticipating a higher return from its assets than the average LGPS Fund. However this needs to be considered in the context of the Fund's asset mix which, at the last valuation, was significantly more heavily weighted towards equities than the average LGPS Fund.
- 6.4 By its nature, GAD's Report is primarily backward looking, although the recommendations will be considered and taken into account, where relevant, by the Fund's actuary as the 31 March 2022 valuation is undertaken.

## **7. TRIENNIAL ACTUARIAL VALUATION AS AT 31 MARCH 2022**

- 7.1 2022 is a valuation year for the LGPS. Every three years the Fund's assets and liabilities are valued as at the 31 March by the Fund actuary, with the resulting report (expected to be published in final form in March 2023) showing the Fund's funding level and setting employer contribution rates for the next three years from 1 April 2023 onwards.
- 7.2 The Fund, in common with the rest of the LGPS, is a long term investor, whose pension liabilities are largely backed by secure employers with very strong covenants. This means the actuary is able to take a long term view when setting the financial and demographic assumptions for the valuation. However shorter term volatility in asset values has to be recognised as part of the valuation process, and the starting point for the valuation will be the actual market value of the Fund's assets on the valuation effective date (31 March 2022).
- 7.3 The Fund has recently appointed Hymans Robertson as its actuary after a tightly contested procurement process. Hymans Robertson were appointed from 1 January 2022 and have

been working with Pension Fund officers and with XPS to ensure there will be smooth exchange of data required for the valuation, and to finalise a valuation timetable.

## **8. DEPARTMENT FOR WORK AND PENSIONS (DWP) CONSULTATION ON THE DRAFT PENSIONS DASHBOARDS REGULATIONS 2022**

8.1 On 31 January 2022 the DWP published a consultation document on draft regulations designed to implement pensions dashboards. The consultation documents can be found at the following web page:

<https://www.gov.uk/government/consultations/pensions-dashboards-consultation-on-the-draft-pensions-dashboards-regulations-2022>

8.2 Pensions dashboards will be an internet-based service which will allow individuals to access information about their pensions, ideally from all sources (private sector, public sector and state pension) all in one place. The intention is that “Pensions dashboards will put individuals in control of planning for their retirement by bringing together their pensions information from multiple sources, including information on their State Pension, which can then be accessed at a time of their choosing.”

8.3 The consultation and the draft regulations set out what steps pension schemes and dashboards will be required to take, and proposes introducing the obligation to connect with and supply data to the dashboards systems. This is expected to happen in a staged way starting from April 2023 - public service pension schemes (including the LGPS) “should be compelled to connect no earlier than October 2023”.

8.4 The consultation sets out details of the type and format of data pension schemes and dashboard providers will be required to use to validate and process requests from scheme members, along with the penalties possible for those organisations for non-compliance.

8.5 The type of information the LGPS will initially be expected to provide on a pensions dashboard is similar to that already provided through annual benefit statements. However the introduction of pensions dashboards may increase interaction with scheme members, as well as putting even greater emphasis on the importance of data quality and timely processing.

8.6 Consultation responses are required by 13 March 2022. The Local Government Association (LGA) has said it will prepare a response to the consultation and will share this with LGPS Funds prior to the response deadline. The Head of Pensions Governance and Investments will consider whether a separate response is required from the Fund and, if so, will submit this after consultation with the Chair and Vice Chair of the Pension Fund Committee.

## **9. PUBLIC SERVICE PENSIONS AND JUDICIAL OFFICES BILL - AMENDMENT**

9.1 The Government is progressing a bill through parliament, the Public Service Pensions and Judicial Offices Bill, designed primarily to remove unlawful discrimination in the protections introduced when public sector schemes were changed in 2014 and 2015. MP Robert Jenrick proposed an amendment to the bill which, supported by the government, was subsequently accepted which will add an additional unconnected provision that directly affects the LGPS.



- 9.2 The amendment changes the Public Service Pensions Act 2013 to give the Secretary of State the explicit power to issue to administering authorities “guidance or directions on investment decisions which it is not proper for the scheme manager to make in light of UK foreign and defence policy.”
- 9.3 Clearly, it is disappointing that the amendment to this Bill allows the Secretary of State to gain potentially significant additional power to direct how LGPS funds can invest without allowing appropriate consultation with the LGPS itself. Also, without sight of the guidance, it is not clear how this new power would work – what exactly is an “investment decision which it is not proper for the scheme manager to make in the light of UK foreign and defence policy”?
- 9.4 More information on this issue will be presented to the Committee as and when it becomes available.

## **10. NEXT STEPS**

- 10.1 Further updates will be provided periodically.

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

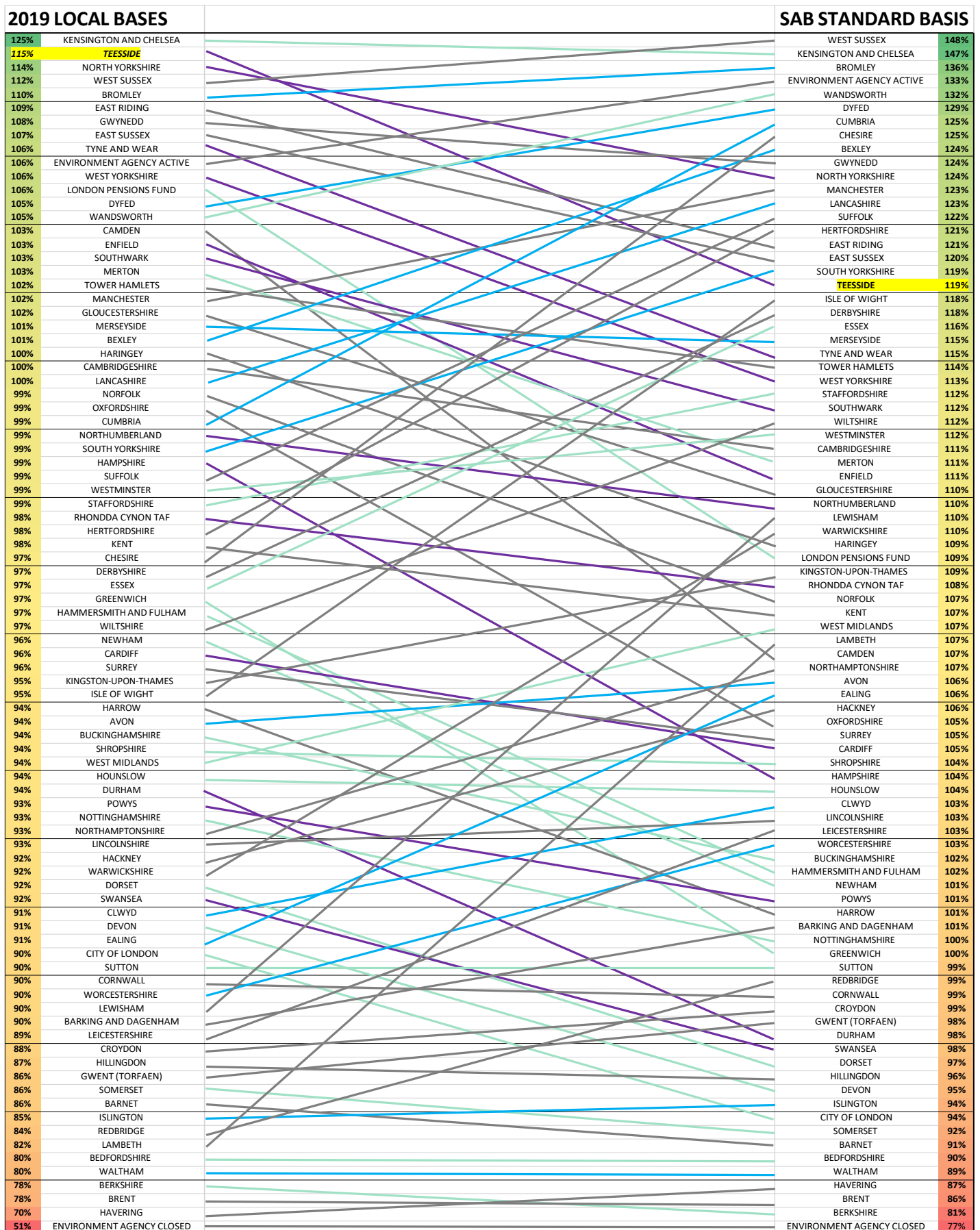
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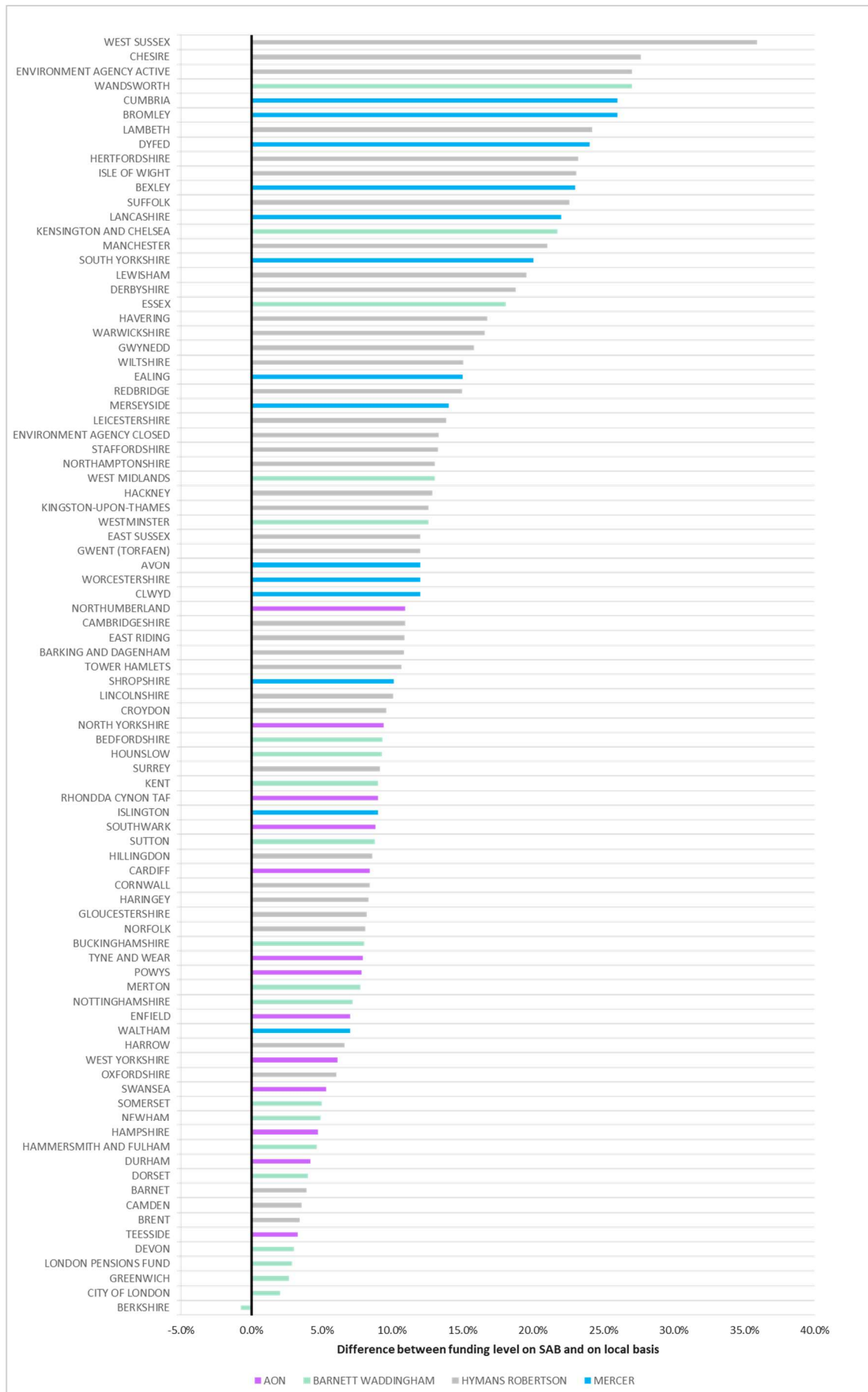
## Funding Levels

B.3 Chart B1 shows how the ranking of local funding levels varies when results are restated onto the SAB standardised basis. We might expect the rankings of funding levels when calculated on the local bases to correspond roughly to the rankings of funding levels when calculated on the SAB standard basis. We would therefore expect the lines in Chart B1 joining each fund in the column on the left with itself in the column on the right to be roughly horizontal. However, we see that there is no clear correlation between how funds rank on local bases and how they rank on the SAB standard basis. To choose a typical example, Cheshire is ranked mid-table on the local basis but is towards the top quartile of the table on the SAB standard basis, indicating that their local fund basis is, relatively, more prudent than the other funds. To note we would expect the local funding basis to be prudent. A prudent basis is one where there is a greater than 50% likelihood that the available assets will cover the benefits in respect of accrued service when they fall due if assets are valued equal to liabilities.

Chart B1: Standardising Local Valuation Results



**Chart B2: Difference Between Funding Level on SAB Standardised Basis and Funding Level on Local Bases**



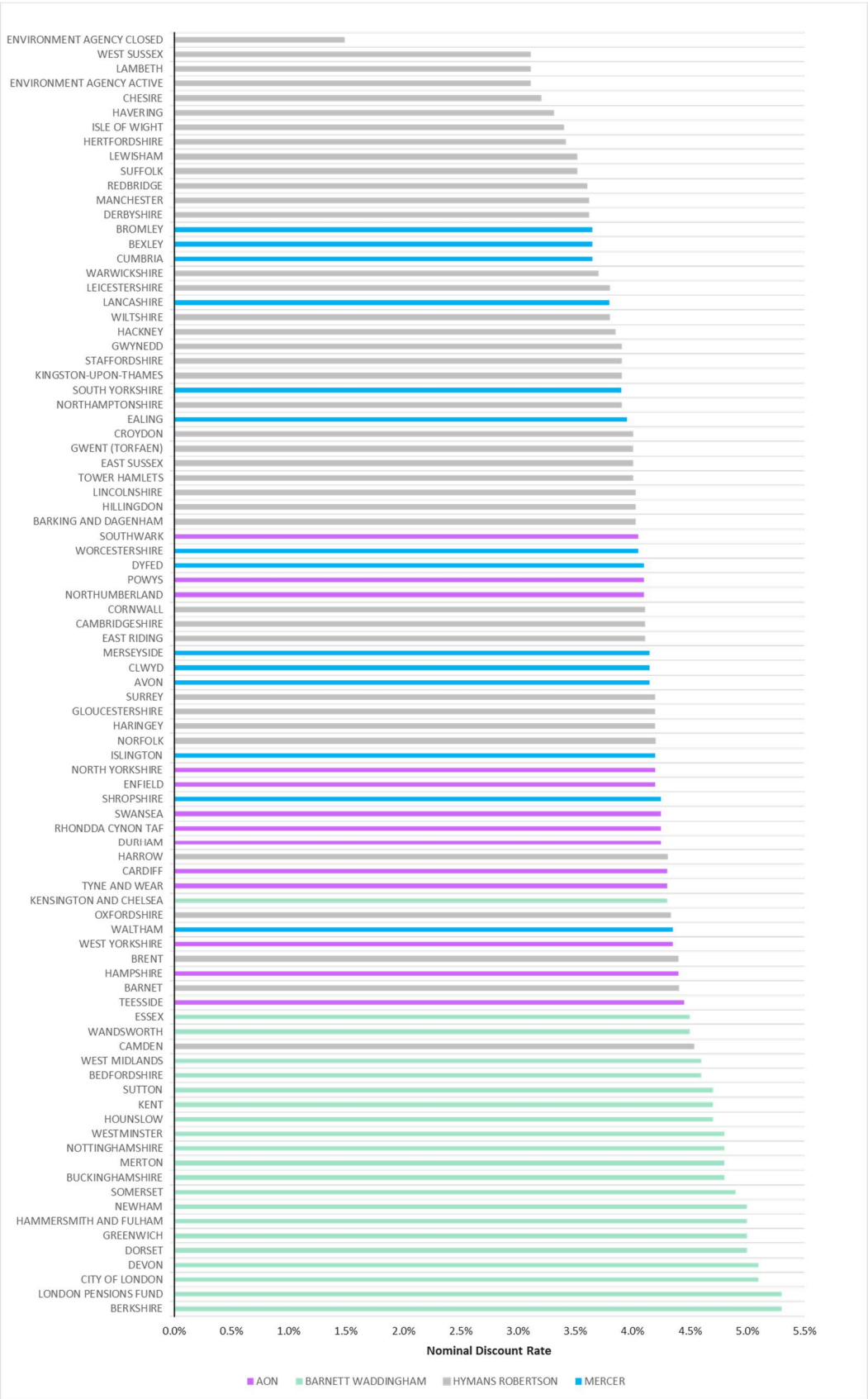
## Discount Rates

- B.4 Each firm of actuarial advisors applies their own method for calculating discount rates as shown in the table below.
- B.5 Chart B3 shows the pre-retirement discount rate used to assess past service liability applied in the actuarial valuations for each fund. Note that some funds (advised by Mercers') used different discount rates to assess past service liabilities and future service contribution rates, we consider only the former here.
- B.6 The discount rates set by each fund are likely to be linked to the mix of assets held by the fund, and we would therefore expect to see differences in discount rate from fund to fund.

**Table B2: Discount Rate Methodology**

Fund	Discount rate methodology
London Borough of Enfield Pension Fund (Aon)	Stochastic modelling
London Borough of Sutton Pension Fund (Barnett Waddingham)	Weighted average expected return on long term asset classes
Derbyshire Pension Fund (Hymans Robertson)	Stochastic modelling
Lancashire County Pension Fund (Mercer)	Stochastic modelling

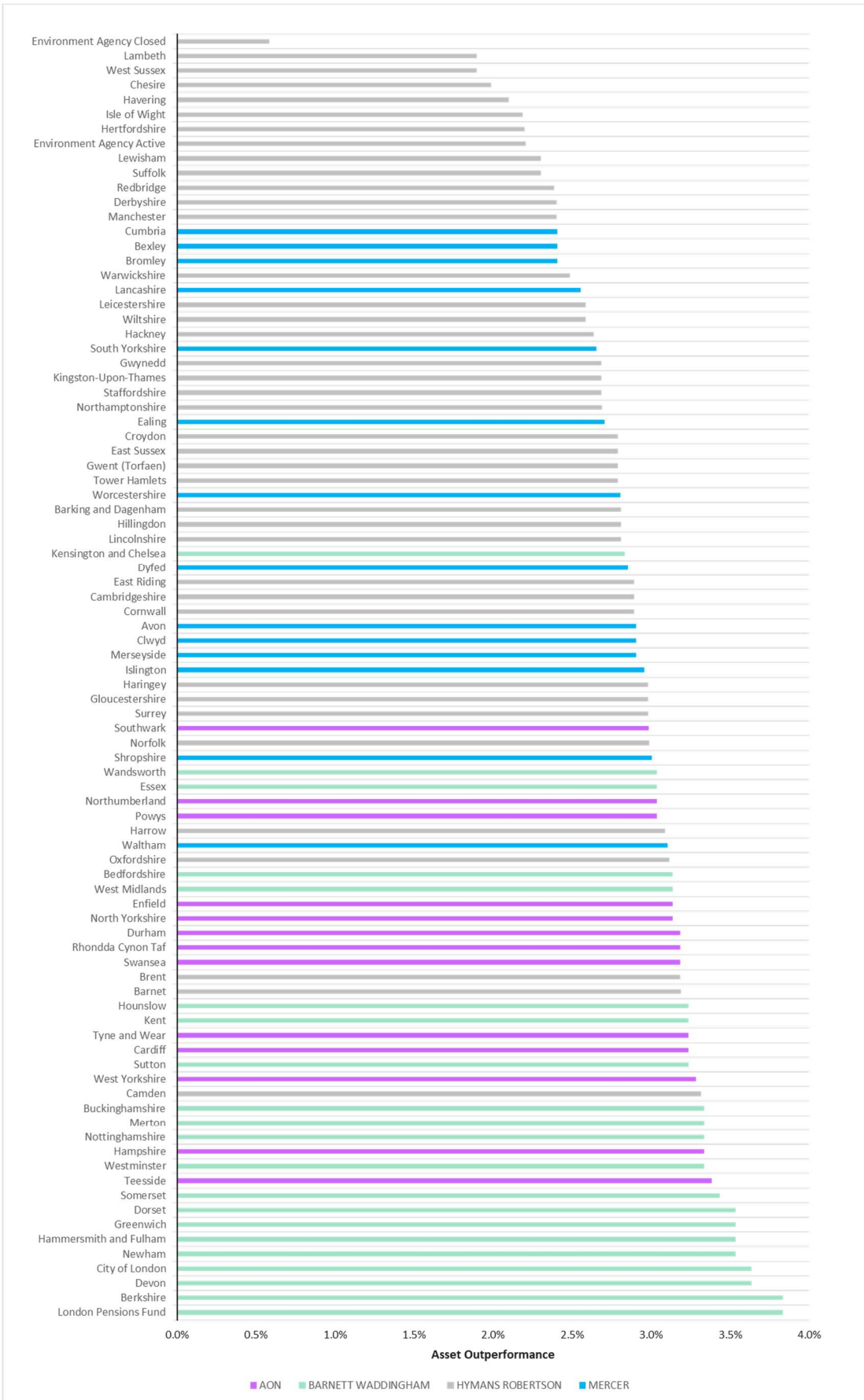
Chart B3: Pre – retirement Discount Rates



- B.7 We assess implied asset outperformance as discount rate less risk free rate less RPI, where the risk free rate is taken to be the real 20 year Bank of England spot rate as at 31 March 2019 (-2.14%). Chart B4 shows the assumed asset out performance (“AOA”) over and above the risk free rate, where AOA is calculated as the fund’s nominal discount rate (“DR”) net of:
- > The RFR – the real 20 year Bank of England spot rate as at 31 March 2019
  - > Assumed CPI – as assumed by the fund in their 2019 actuarial valuation
  - > The excess of assumed RPI inflation over assumed CPI inflation (“RPI– CPI”) – as assumed by the fund in their 2019 actuarial valuation i.e.  $AOA = DR - RFR - RPI$ . (Chart B4 shows the implied rate of asset outperformance for each fund.)
- B.8 The implied asset outperformance shows less variation than in 2016. This may suggest some improvement in consistency in the assumption that in previous years. However, there is still a notable trend for funds advised by Aon and Barnett Waddingham to have higher levels of asset outperformance, whilst those advised by Hymans Robertson show lower levels of asset outperformance.



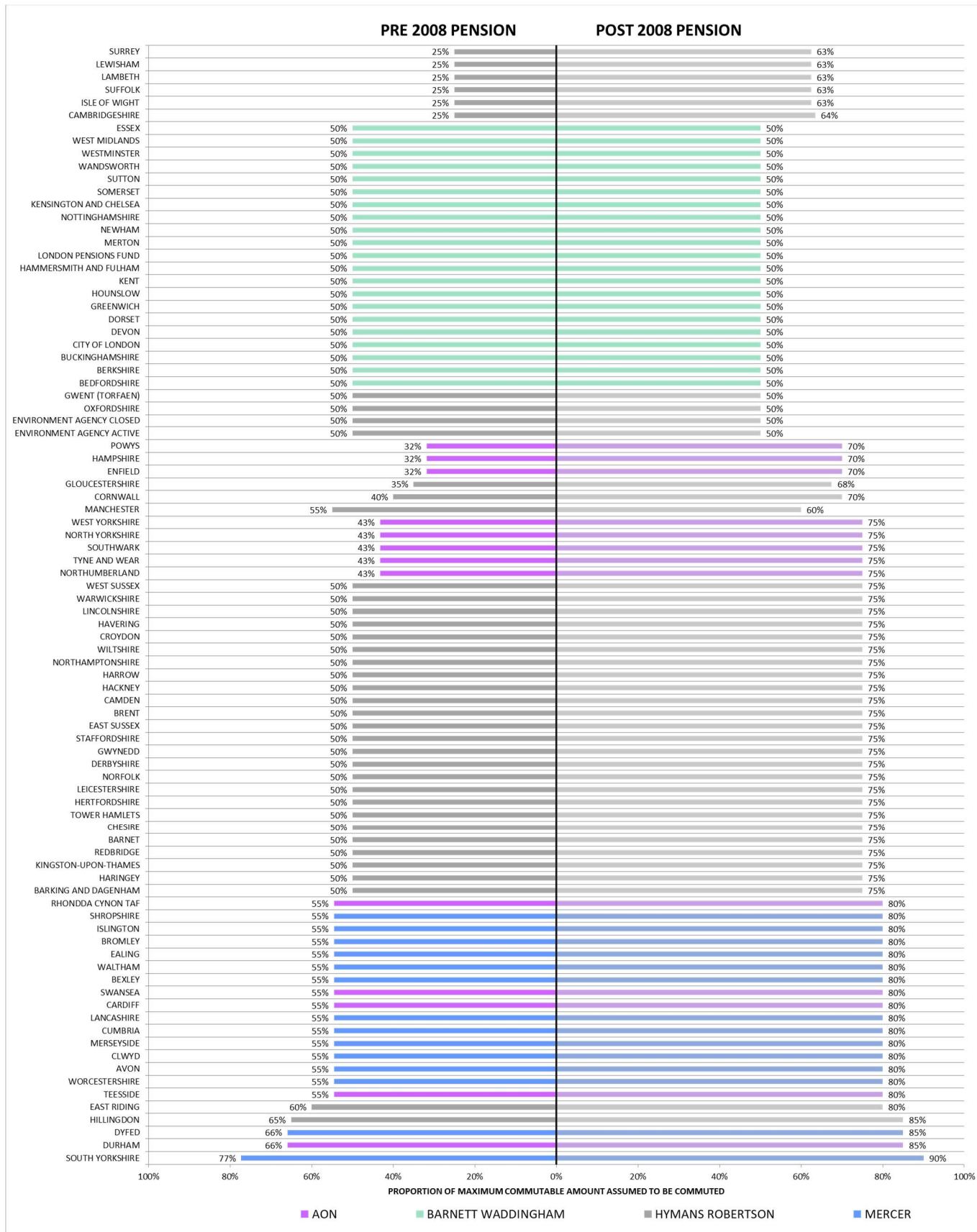
**Chart B4: Assumed Asset Outperformance within Discount Rate**



## Demographic assumptions

- B.9 Commutation assumptions (the extent to which members on average exchange pension in favour of a tax free cash benefit) are set as the percentage of the maximum commutable amount that a member is assumed to take on retirement. Chart B5 shows the assumed percentages for both pre 2008 and post 2008 pensions, which may be set separately.
- B.10 Other things being equal, it is more prudent to assume a lower rate of commutation, because the cost of providing a pension benefit is higher than the commutation factor. In addition, cash was provided as of right in the LGPS prior to 2008 whereas for benefits accrued after that date, cash was available only by commutation of pension.
- B.11 The chart shows that the funds advised by Barnett Waddingham assume that members commute 50% of the maximum allowable cash amount. The majority of funds advised by Mercer assume that members take 80% of the maximum allowable cash amount. There is more variation in the commutation assumptions made by funds advised by Aon and Hymans Robertson. However, there is a noticeable cluster of funds assuming members commute 50% of the maximum allowable for pre 2008 pensions and 75% for post 2008 for Hymans Robertson clients.
- B.12 If it is the case that firms of actuarial advisors find that there is insufficient data to make assumptions on a fund by fund basis, then it would be reasonable for them to make the assumption based on scheme wide data. However, each advisor only has access to the data from the funds that it advises, and therefore can only base their assumptions on the data from those funds. Another firm of actuarial advisors has access to the data for a different collection of funds and therefore might draw a different conclusion as to what the scheme wide average commutation rate is.
- B.13 We encourage further discussions on how assumptions are derived based on local circumstances in valuation reports.

Chart B5: Commutation Assumptions for Pre and Post 2008 Pensions



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**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

**AGENDA ITEM 9**

**PENSION FUND COMMITTEE REPORT**

**16 MARCH 2022**

**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

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## Independent Adviser's Report for Teesside Pension Fund Committee

William Bourne

3rd March 2022

### Market commentary

1. I 'called' the top of equity markets last June, suggesting that they were unlikely to rise further and there was scope for considerable downside. Over the ensuing six months bond yields rose while equity markets staggered on as economic growth slowed after the post-COVID bounce. Since the New Year we have seen an acceleration in the downtrend. Bond yields have risen (i.e. prices fallen) and equity markets have swung away from tech and towards value stocks. Indices have therefore fallen by around 10%.
2. U.S. economic growth rebounded in the 4<sup>th</sup> quarter, but much of this came from companies rebuilding inventories. Growth elsewhere also exceeded expectations, but because of the Omicron variant, December and January data weakened. **In general, economies have now reached or exceeded their 2019 levels of activity**, though the U.K. is a laggard in this respect.
3. The Russian invasion of Ukraine on 24<sup>th</sup> February was well anticipated. Apart from higher commodity prices it has not at the time of writing affected markets much. However, any escalation or unpredicted second-order events clearly have the potential to upset investor confidence considerably. In particular, **wars tend to be inflationary as they increase demand and reduce supply capacity**. The military (and governments) are less price sensitive than the private sector.
4. This comes on top of U.S. consumer inflation at the highest rate for over 30 years, 7.5% in January. The Bank of England expects U.K. inflation to peak at about 6% in April, before falling back to around 2%. Both banks are clearly on the warpath against inflation and have raised rates twice with the threat of more to come. However, political considerations may limit their ability to act in the future.
5. Bond yields have backed up considerably over the past few months in anticipation of more rate rises. The U.K. 10-year bond reached a yield of 1.6%, and is now trading at 1.3%, compared to a low of 0.1% in July 2020 and a 'normal' level of 3% to 5%. The US equivalent trades at 1.9% but has not yet reached pre-Covid levels. **Higher bond yields are the pivot of the changes happening in markets**, as they affect the current valuation put on the future income stream deriving from all investments.
6. This is the main reason for a 15% fall in the US NASDAQ 'tech' index between mid-December and late January, despite better than expected earnings in many, though not all, cases. At the other end of the spectrum, cyclical stocks (e.g. energy, financials) have outperformed indices substantially.

7. **Almost all active managers underperformed in the quarter**, because they have tended for ESG reasons to be underweight commodities and fossil fuels in particular. It is a reminder that asking managers to take decisions on non-financial grounds is not without its risks.
8. For some time now I have said that it remains hard to see a painless exit in the longer term, and markets seem to be cottoning on. **Central banks are tightening policy to ward off higher inflation, but the risk of a policy error is considerable.** Either political considerations mean they are too slow to react to inflation and it remains higher than the 2% target, or they tighten too harshly and tip western economies into recession.
9. **In the background, the trends are now more inflationary than otherwise.** Greater government involvement in resource allocation tends to drive higher inflation. The outbreak of war in the Ukraine will exacerbate this. The fall in working age populations relative to dependents may drive up labour costs. Even the move to a carbon-free planet will involve substantial investment and reallocation of resources, which often leads to inflation.
10. Against this, demand is likely to be subdued as higher energy and food prices act as a tax on western consumers, while technology continues to continue to drive costs down. **The swing factor in the short-term, however, remains the behaviour of central banks, and whether they can balance controlling inflation while maintaining some economic growth.**
11. My best judgement at the moment is that there is about a 75% chance that long term inflation stays below 4%. Under these scenarios, the Fund's funding ratio may slip slightly but should remain not too far from its current level. Even the scenario of a policy error leading to recession and disinflation would in all likelihood lead to liabilities falling as well as asset valuations.
12. **The most difficult scenario is one where inflation is sustained at 5% or more, while growth is subdued – i.e. stagflation.** LGPS liabilities are linked to consumer inflation without a cap, and the only robust hedge, index-linked gilts, trade at a significant negative real yield - i.e. incur a large opportunity cost. Over the last few years, the Fund has started to build up weightings in assets such as infrastructure. While this is still work in progress, over time it will help to mitigate the inflation risk.
13. The major short-term risk, especially after recent events, is a fall in equity markets ahead of the next valuation on 31<sup>st</sup> March 2022. The fund has historically maintained a high weighting in public equities to generate sufficient growth to keep contribution rates lower. If markets do fall significantly, it is possible that this will lead the funding level to fall back close to 100%. In this context it is important to remember that the Fund invests for the long-term and that the actuary incorporates a considerable level of prudence when setting the discount rate. There should be no immediate reason for concern.



## Investment report for Teesside Pension Fund March 2022

### Political and economic outlook

I rarely, if ever, go back to past reports I've written for the committee but I had an inkling that I had said a couple of pertinent things which in itself is extremely unusual for fund managers. I was also struggling to put into words just what's happening in the world today so I thought a recap might be useful.

In September I wrote “ In the last quarter USA has relinquished any pretence that it is interested in remaining the world's policeman. This has devastating consequences for western democracy and Global stability. After significant improvements in global relationships between Russia, China and the West up until the year 2000 there has been a telling deterioration since the arrival of presidents Putin and Xi. They have repressed their own people and taken an aggressive stance against the USA which has accommodated their every thrust for increased power.”

In December I was a little more optimistic, but I was wrong. “ Meanwhile in America US foreign policy appears to be bouncing about a little bit. First there was the withdrawal from Afghanistan which indicated that the US was losing interest in international influence. Then an agreement with Australia and the UK (AUKUS) to provide nuclear-powered submarine surveillance and protection in the South China Sea and waters around Australia. AUKUS is an admission of the threat that China poses in the region and that alliances are prepared to oppose it.” However the action and reaction don't look resolutely strong.

Putin has clearly seen the writing on the wall with the American's withdrawing from their world role; he has however underestimated the Ukrainian's determination to defend their own land and the cohesion of NATO and the Western democracies in the face of unprovoked aggression.

I've been surprised how quick the deterioration in the world order has been, but where do things go from here?

It's not easy when you're dealing with a madman. Putin has done many things that other world leaders would not have done. He has annexed Crimea supported terrorists within Ukraine and helped despotic regimes around the world so there's no guarantee that he won't press the nuclear button and this is made the Western response so difficult. The West's use of sanctions against Russia at last looks as if it means business and they will be destructive to Putin's economy but it may take even more, such as cutting the gas pipelines. The Russian economy is unbalanced and weak and although its fortunes have been improving on the back of rising energy prices it remains the 11th largest economy with a per capita GDP of under \$12000. It is very vulnerable to a serious sanctions regime.

However in recent days Russia has attacked another nuclear power station and taken control of it increasing the likelihood of nuclear fallout and it may be that the West is being forced into a corner where it has to respond militarily as there is no sign of any limit to Russia's territorial ambitions. On a different scale the UK political situation remains as dire as it did before the events in Ukraine. Boris Johnson will be relieved the domestic pressure has been taken off him. On the other hand, he'll be disappointed that his Churchillian rhetoric has been trumped by President Zelensky of Ukraine.

In Europe the show of unity and resolve has pushed the coronavirus pandemic onto the back burner but the flow of refugees may reignite the civil unrest we were beginning to see previously.

I'll stop about politics there because outside the Ukraine situation nothing else really matters for the time being.

Likewise trying to forecast economic developments is also pretty futile.

Having said that, most equity markets have headed south since the beginning of the year, and they have held up better than I was expecting.

There are reasons to believe that inflationary pressures will continue to be strong which could have a detrimental effect on markets as interest rates rise and monetary conditions tighten. However real interest rates will likely

fall as interest rates rises fail to match the increase in inflation which could reach double digits.

## Markets

Equity markets dislike inflation and rising inflation even more over the short and medium term. Over the long-term however equities are a store of real value and the increasingly negative real interest rate environment will prove to be positive for equities over the medium to long term as corporate profitability reflects favourable negative interest rates. Therefore, although declining equity prices could put pressure on the funding level over the medium term, in the long term valuations are likely to recover to restore it to current levels at the very least.

The emerging inflationary shock is very bad news for all forms of conventional fixed interest although short-term credit markets could benefit eventually from the better corporate environment.

Index linked securities should benefit from nominal price increases in their value but real returns will remain extremely low.

Property will be impacted by the increased level of uncertainty over the shorter term but the longer term environment should be beneficial as the corporate environment improves. The difficulties for office space remain intact.

Alternative investments as the name implies cover a wide range of investment opportunities ( or otherwise ). The investment universe covers among other things infrastructure ; cryptocurrencies ; derivative strategies ; collectables ; crowdfunding ; private equity ; distressed debt and all manner of financially engineered products.

Before I joined the city in 1972 I was sent away by my prospective employer with a number of books to read, one of which suggested that if

you did want to purchase esoteric investments you should go and take a long walk in the long grass with or without a joint. Sound advice indeed.

This highlights the difficulty of investing in these areas however attractive they look and how difficult the task will be for the team to make the strategic changes that the advisors recommended in any short or even medium time frame.

## **Portfolio recommendations**

The world is a very different place to the one that existed in the December report but the recommendations remain the same with a more relaxed attitude to cash levels rising.

The fund should continue the strategy of moving away from equities when suitable investments in property and alternatives can be found which give a long-term equity type return.

Fixed interest investment should be kept at its current low level.

The search for real assets which have some protection against rising inflation within the alternative space should continue to be the main focus of attention. There will be some assets which fall outside the definition of real assets which have provided long-term sustainable returns which might enter the list of suitable investments.

**Peter Moon**  
**5 March 2022**

# TEESSIDE PENSION FUND

## Q4 2021

Quarterly Report  
Prepared: 2nd March 2022

### Fund Objectives

Teesside's Pension Fund's primary objective is to create a sustainable income stream to match its long term pension liabilities. This is achieved 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, 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 (Valuation)

At 31<sup>st</sup> December 2021, the portfolio comprised 28 mixed-use properties located throughout the UK, with a combined value of £313.8m. This reflects an overall Net Initial Yield of 4.81%, and an Equivalent Yield of 5.17%.

The portfolio comprises principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprise 90.9% 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 £16,616,448 per annum against a gross market rent of £17,100,545 per annum, making the portfolio slightly reversionary in nature.

The weighted average unexpired term is 7.6 years to the earlier of first break or expiry, and 8.6 years to expiry, ignoring break dates.

### Fund Summary

<b>Total Pension Fund Value</b> (December 2021)	<b>£4,871m</b>
Real Estate Weighting (allocation)	6.4% (9%)
Direct Portfolio Value	£313.80m

### Direct Portfolio

<b>Direct portfolio value</b> (December 2021)	<b>£313.80m</b>
Number of holdings	28
Average lot size	£11.21m
Number of demises	75
Void rate (% of ERV) (Estimated UK Benchmark)	1.59% (7.0% – 9.0%)
WAULT to expiry (break)	8.6 years (7.6 years)
Current Gross Passing Rent (Per Annum)	£16,616,448
Current Gross Market Rent (Per Annum)	£17,100,545
Net Initial Yield	4.81%
Reversionary Yield	5.11%
Equivalent Yield	5.17%

### Portfolio Highlight (Q4 2021) – Bromford Central, Birmingham



The Fund has agreed terms for a lease renewal at Bromford Central to Harrow Green Ltd. This leasing transaction maintains a fully let Estate and increases the rent on Unit 4 by 23% (+£31,455 p.a). This is part of the wider estate asset management plan, whereby a number of leasing negotiations will take place in 2022.

## UK Economic Commentary (Prepared before the Ukraine Crisis)

- UK GDP is estimated to have increased by 1.0% in Q4 2021, following a downwardly revised 1.0% increase in Q3 2021. This takes the level of quarterly GDP to 0.4% below its pre-pandemic (Q4 2019) level.
- Retail sales volumes rose by 1.9% in January 2022 following a fall of 4.0% in December 2021; sales volumes were 3.6% above their pre-pandemic February 2020 levels.
- The proportion of retail sales online fell to 25.3% in January 2022, its lowest proportion since March 2020, continuing a broad downward trend since its peak in February 2021 (36.5%); despite its downward trend, the percentage of retail sales made online was still higher than pre-pandemic (19.8% in February 2020).
- The UK Employment Rate increased by 0.1 percentage points to 75.5% in Q4 2021; The Unemployment Rate decreased by 0.2 percentage points to 4.1%.
- The number of job vacancies in the three months to January 2022 rose to a new record of 1,298,300, an increase of 513,700 from its pre-pandemic January to March 2020 level.
- Growth in average total pay (including bonuses) was 4.3% and growth in regular pay (excluding bonuses) was 3.7% among employees in the three months to December 2021. In real terms (adjusting for inflation), total and regular pay fell on the year at -0.1% for total pay and -0.8% for regular pay.
- Looking forward, CBRE forecast UK GDP growth of 4.6% in 2022. The biggest risks to outlook are the rising cost of energy prices and the ensuing real income squeeze, which may act as a significant drag on consumer spending; particularly in the second half of the year.
- The Bank of England increased the Base Rate to 0.5% in February 2022. CBRE's base case is that short term interest rates will continue rising throughout 2022 broadly in line with current market pricing. This would see the Base Rate return to 1% by the end of the year.

## UK Real Estate Market Commentary

- Year on year total returns for All UK Property grew by 19.9% (13.8%\* capital return, 5.4%\* income return) for the period Q4 2020 to Q4 2021\*\*. This total returns figure is above the 5 year average and marks a strong bounce back after the negative returns recorded during 2020.
- The quarterly total return for All UK Property for Q4 2021 was recorded at 8.3% (7.0% capital return, 1.2% income return).
- Industrials total returns were 15.0% over Q4 2021 (13.9% capital return, 1.0% income return).
- Rental values for All UK Property increased by 1.6% over the fourth quarter of 2021. This figure was largely pulled up by the 4.1% rise in values in the Industrial sector. Both Office and Retail sector rents rose marginally by 0.2% over the quarter.
- In Q4, the investment transactions in the UK commercial real estate market totalled £22.0bn, the highest ever total for a single quarter in the UK. This brought annual volumes to £61.4bn for 2021.
- Central London Office volumes reached £10.0bn in 2021, up from £7.6bn in 2020. Over the year, two thirds of volumes in this market were attributed to overseas investors, with North American investors responsible for £2.6bn, European investors for £2.3bn and Asian investors for £1.1bn.
- For offices outside of Central London, investment totalled £8.6bn in 2021, the highest total since 2018. 35% of this volume was invested in the London Metropolitan & South East markets, 27% in major regional cities, 25% in other regional offices, and 13% in nationwide office portfolios.
- In 2021, £6.4bn transacted in the Retail real estate market, rising from £4.4bn in 2020. The largest deal in 2021 was the £378m sale of Topshop's former flagship store on Oxford Street to IKEA.
- Industrial volumes reached an all-time high in 2021, with £16.5bn transacting. Since 2020, £100m+ deals accounted for 44% of the total volume in this market, a sharp increase on the 21% of industrial volumes that were attributed to £100m+ between 2010-2019.

\* Return figures will not always sum due to separate compound calculations

\*\* Based on CBRE Monthly Index, all property total returns Dec 2021

## Investments

### Sales

No sales this period.

### Acquisitions

No acquisitions this period.

## Direct Portfolio Analysis

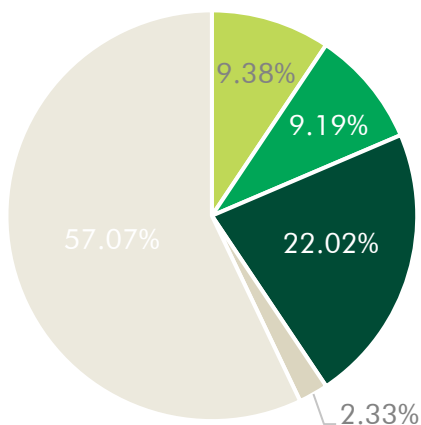
### Top Ten Holdings (by Capital Value)

No.	Asset	Sector	Value	% of Direct Portfolio
1	THORNE - Capitol Park	Industrial	£36,400,000	11.6%
2	GATESHEAD - Team Valley	Industrial	£23,600,000	7.5%
3	PARK ROYAL - Minerva Road	Industrial	£20,700,000	6.6%
4	BIRMINGHAM - Bromford Central	Industrial	£20,250,000	6.5%
5	LUTTERWORTH - Magna Park	Industrial	£19,300,000	6.2%
6	RUGBY - Valley Park	Industrial	£18,200,000	5.8%
7	PARK ROYAL - Coronation Road	Industrial	£17,200,000	5.5%
8	STOW-ON-THE-WOLD - Fosse Way	Supermarket	£15,350,000	4.9%
9	SWADLINCOTE - William Nadin Way	Industrial	£14,000,000	4.5%
10	EXETER - H&M High Street	High Street Retail	£13,100,000	4.2%
<b>Total</b>			<b>£198,100,000</b>	<b>63.1%</b>

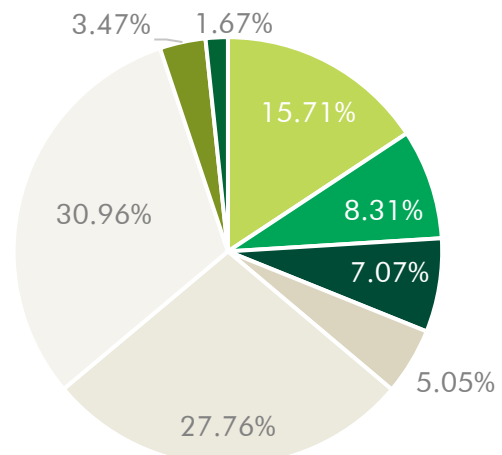
We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio, as well as diversifying the lease expiry profile. In addition to recommendations on industrial purchases, we may also recommend alternative and long-let investments that offer good covenants, attractive yields 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 Capital Value)



### Geographical Allocation (by Capital Value)



- High Street Retail
- Supermarkets
- Retail Warehouse
- London
- South East
- South West
- Offices
- Industrial
- East
- West Midlands
- North East
- Scotland

## Direct Portfolio Analysis (continued)

### Top Ten Tenants (by Contracted Income)

The portfolio currently has 75 different demises let to 61 tenants. The largest tenant is Omega Plc which accounts for c.8.3% of the annual contracted income. Experian currently lists Omega as representing a “Very Low Risk” of business failure.

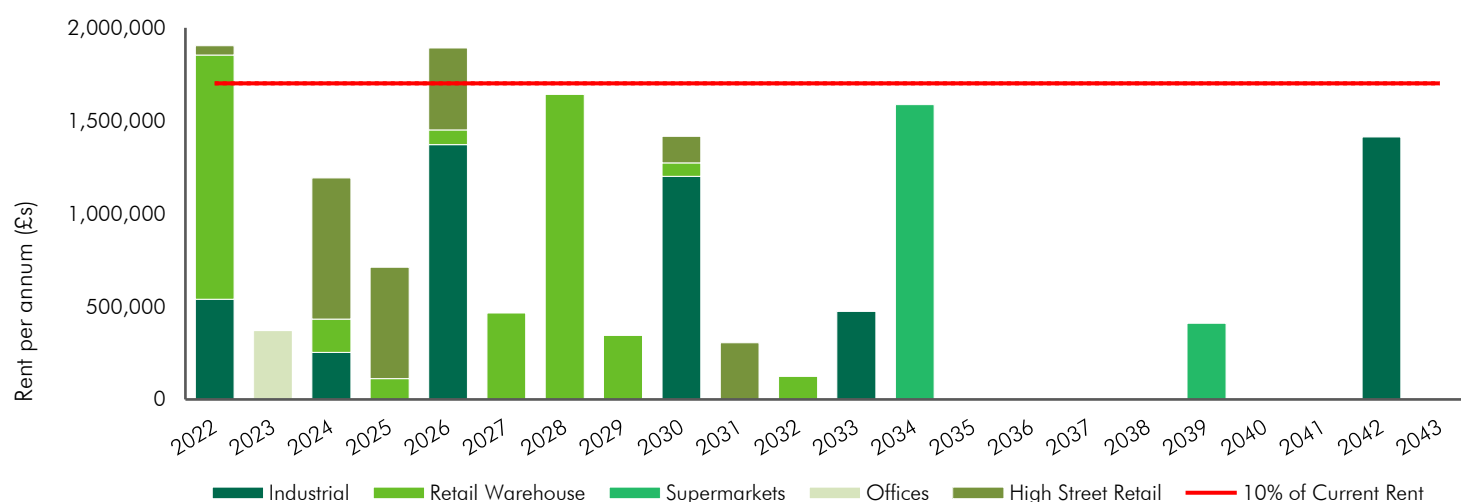
As a significant portion of the portfolio income will be from the top ten tenants, we will monitor their covenant strength and flag any potential issues. This is particularly relevant at the current time as the Covid-19 pandemic is putting increased pressure on all businesses. Our most recent assessment 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	Contracted Rent p.a.	% of Portfolio Rent	Risk Rating (Experian)
1	Omega Plc	Industrial	1	£1,413,690	8.3%	Very Low Risk
2	Royal Mail Group Limited	Industrial	1	£1,040,000	5.9%	Very Low Risk
3	B&Q plc	Retail	2	£997,000	5.9%	Very Low Risk
4	Unipart Logistics Limited	Industrial	1	£868,635	5.1%	Very Low Risk
5	B&M Retail Limited	Retail	3	£863,400	5.1%	Very Low Risk
6	Libra Textiles	Retail	1	£850,000	5.0%	Very Low Risk
7	Brunel Healthcare	Industrial	1	£843,761	5.0%	Very Low Risk
8	ASDA Stores Limited	Industrial	1	£755,000	4.4%	Very Low Risk
9	H&M	Retail	1	£740,000	4.3%	Very Low Risk
10	Tesco Stores Limited	Supermarkets	1	£737,823	4.3%	Very Low Risk
<b>Total</b>				<b>£9,069,309</b>	<b>53.5%</b>	

### Key Lease Expiries / Income Risk

There is a focus to mitigate against lease expiry risk, by either purchasing properties where the lease expiry profile does not match that of the portfolio, or through active asset management. The graph below identifies the years where more than 10% of the portfolio income is due to expire.





## Investment Management Update

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We continue to seek long-let institutional stock in a range of sectors, primarily industrial, retail warehousing and supermarket sectors to deliver the secure index linked income streams identified within the Fund's strategy. 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 post pandemic strategies. TPF's requirement has been articulated to the investment market and we are receiving a substantial number of investment ideas each week.

## Asset Management Update

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### Unit H, Congleton – February 2022

The Fund has agreed terms with Pure Gym for a new 15-year lease reflecting £14.90 psf, a 10% increase on the Retail Unit's estimated rental value.

### Harrow Green, Bromford Central – February 2022

The Fund has agreed terms with Harrow Green for a 10-year reversionary lease with 3-months rent-free at £7.25 psf, a 23% rental uplift on the previous passing rent.

### Royal Mail, Gateshead – February 2022

The Fund has instructed a rent review surveyor to settle the September 2020 outstanding rent review.

### Pets at Home, Arbroath – October 2021

The Fund has agreed terms with Pets at Home for a 5-year reversionary lease reflecting £12.00 psf, a 5% increase in the Retail Park's estimated rental value.

### Unipart, Rugby – August 2021

The Fund has instructed a rent review surveyor to settle the October 2021 rent review. An uplift in the passing rent is anticipated to be agreed.

## Portfolio Arrears Update – 28<sup>th</sup> February 2022

	Rent Due 25 December	Collectable Rent	Targets	92.00%	96.00%	98.00%	99.00%	Payment after 22/01/2022	Difference
			Quarter Date up to and including 25/12/2021	Week 1 up to and including 01/01/2022	Week 2 up to and including 08/01/2022	Week 3 up to and including 15/01/2022	Week 4 up to and including 22/01/2022		
	4,340,850.23	4,340,850.23	2,930,760.79	17,799.55	299,972.37	55,089.76	300,123.80	489,101.36	248,002.60
<b>Non Collectable Total</b>		<b>0.00</b>							
<b>Collections Including non collectables</b>			67.52%	67.93%	74.84%	76.11%	83.02%	94.29%	
<b>Collections Excluding non collectables</b>			67.52%	67.93%	74.84%	76.11%	83.02%	94.29%	

The rent collection across the entire portfolio in the previous three quarters has reflected the following.

December 2021 – 94.3%

September 2021 – 97.8%

June 2021 – 95.6%

The total Collectable Arrears on the entire portfolio is £1,012,720 as at 28<sup>th</sup> February 2022 (£1,892,102 as of 22<sup>nd</sup> November 2021 and £2,066,000 as at September 2021).

The Collectable Arrears exclude the following:

- Tenants that are insolvent (99p Stores Limited and Peacocks Stores Limited at Cirencester, Laura Ashley Ltd and Homestyle Group Operations Ltd at Congleton).
- Tenants that have overall credit balances on their accounts
- Tenants with recent charges raised within the last month

Below, is a summary of the top ten tenants with the greatest arrears, accounting for 79.5% (£804,630) of the total collectable arrears:

**Nuffield Health (Guildford)** – Total arrears of £243,716 (24.1% of collectable arrears) (£310,000 as at November 2021). Nuffield continue to pay their quarterly rent on a monthly basis but have missed a number of payments. In 2021 they paid one third for September, and two-thirds of the June quarter's rent. In 2020 they paid nothing towards their June rent and only paid one-third of December's rent. They also have service charge and insurance outstanding. Our Accounts Team are in regular dialogue with this tenant.

**Saint Gobain Building Distribution Limited (Bromford Central)** – Total arrears of £141,120 (13.9% of the collectable arrears). These arrears are spread across their two leases and relate mainly to a backdated rental uplift. We are liaising with the tenant over payment.

**Matalan Retail Limited (Northwich)** – Total arrears of £87,945 (8.7% of the collectable arrears). These arrears relate mainly to the March 2021 quarter's rent. The tenant has an agreed payment plan of £12,500, which they are meeting, and this will be repaid by 1st September 2022.

**Shoe Zone Retail Ltd (Congleton)** – Total arrears of £75,598 (7.5% of the collectable arrears). The majority of this tenant's arrears relate to the December 2020, June 2021 and September 2021 quarter's rent and service charge, which the tenant has not yet paid anything towards.

**B&Q Plc (Arbroath)** - Total arrears of £56,247 (5.6% of the collectable arrears). This relates to service charge arrears. B&Q appear to have queries and we are working to establish what these relate to.

**Pizza Hut (Ipswich)** - Total arrears of £54,669 (5.4% of the collectable arrears). Current rents are being paid and this relates to the period of insolvency. This account requires a full reconciliation, which will reduce this level of arrears.

**Harrow Green Ltd (Bromford Central)** – Total arrears of £42,600 (4.2% of the collectable arrears). Most of these arrears relate to their December 2021, which the tenant has not yet paid anything towards.

## Portfolio Arrears Update – 28<sup>th</sup> February 2022

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**Libra Textiles Limited (Rotherham)** – Total arrears of £34,800 (3.4% of the collectable arrears). This relates to a payment plan for the June 2021 quarters’ rent. They are keeping to the plan and the final instalment is due on 25th March 2022.

**Wickes Building Supplies Limited (Colchester)** – Total arrears of £34,131 (3.3% of the collectable arrears). Mainly related to final instalment of the December quarter’s rent.

**Toughglaze (UK) Ltd (Park Royal)** – Total arrears of £33,805 (3.3% of the collectable arrears). Mainly related to the final instalment of the December quarter's rent

The remaining £208,080 (20.5%) of the collectable arrears is spread across 51 tenants, ranging from £32,479 to £25.

## Responsible Investment Initiatives

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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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### Investment Advisors – CBRE Capital Advisors



**Andrew Peacock**  
Executive Director  
Andrew.Peacock@cbre.com  
020 7182 3865



**Andrew Owen**  
Senior Director  
Andrew.Owen@cbre.com  
020 7182 2474



**Charlie Martindale**  
Senior Surveyor  
Charlie.Martindale@cbre.com  
020 7182 8522

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**TEESSIDE PENSION FUND**

Administered by Middlesbrough Council

**AGENDA ITEM 11**

**PENSION FUND COMMITTEE REPORT**

**16 MARCH 2022**

**DIRECTOR OF FINANCE – IAN WRIGHT**

**XPS 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 Committee Members note the contents of the paper.

**3. FINANCIAL IMPLICATIONS**

- 3.1 There are no financial implications for the Fund.

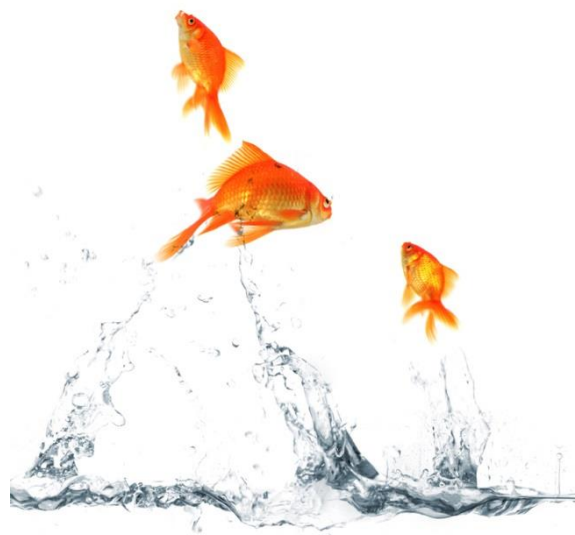
**4. BACKGROUND**

- 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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# Teesside Pension Fund

## Service Delivery Report

2021/22

# Teesside Pensions Fund

## Headlines

### **LGPS investments in Russia**

The UK Government has sanctions in place and is likely to introduce more as a result of events in Ukraine. The SAB advises any LGPS fund that is not already doing so to consider the implications for their investment portfolios.

### **September 2021 CPI rate announced**

On 20 October 2021, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2021 as 3.1%.

### **Employer contribution bandings 2022/23**

New Employee contribution bandings were released by the LGA in February 2022 which have increased by CPI. These have been fed back to employers via bulletin on 14/02/2022 and the websites will be updated shortly.

### **Finance (No.2) Bill 2021/22 On 2 November 2021,**

HM Treasury (HMT) formally introduced the Finance (No.2) Bill 2021/22 to Parliament. The Bill includes a number of provisions that may affect the administration of the LGPS such as changes to annual allowance payment deadlines and increase to the Normal Minimum Pension Age. This received royal assent on 24/02/2022. The bill introduces the following

#### **Clause 9: Annual allowance deadlines**

*Deadlines for electing for scheme pays and associated payment and reporting deadlines will be extended for certain members who are informed of a change in pension input amount for a past pension input period.*

#### **Clause 10: Normal minimum pension age**

*The normal minimum pension age will increase from 55 to 57 from 6 April 2028. This will not apply to members of uniformed services pension schemes. The Act provides for protected pension ages for members who meet the entitlement condition. We do not yet know whether DLUHC and SPPA intend to amend the LGPS regulations to introduce a protected pension age.*

#### **Clause 11: Power to change tax rules related to the McCloud remedy**

*The Act provides HM Treasury with the power to make regulations to address tax impacts that arise as a result of implementing the McCloud remedy. Different regulations may apply to different public service pension schemes. The regulations will have retrospective effect.*

*We are still waiting for a final version of the Act to be published. When it is, we will publish more detailed information about the provisions of the Act and its impact on LGPS administering authorities.*



### **Pension scams: new restrictions on transfers**

On 8 November 2021

the Government published its Response to Pension scams: empowering trustees and protecting members consultation (<https://www.gov.uk/government/consultations/pension-scams-empowering-trustees-and-protecting-members>)

The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 [SI 2021/1237] were laid (<https://www.legislation.gov.uk/uksi/2021/1237/contents/made>)

The Pensions Regulator (TPR) published TPR guidance on dealing with transfer requests. (<https://www.thepensionsregulator.gov.uk/en/pension-scams/dealing-with-transfer-requests>)

The regulations took effect from 30 November 2021. They introduce further legal restrictions on a member's statutory right to transfer. New administrator guides have been published by the LGA on the documents pages of [www.lgpsregs.org](http://www.lgpsregs.org) and XPS have circulated the new guidance and procedures to our admin teams.

The DWP has confirmed that it may make changes to The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. The changes would mean that the presence of low-risk overseas investments would no longer constitute an amber flag.

### **SAB cost management result published**

On 15 October 2021, SAB published the result of its cost management process for the 2016 scheme valuation. Although the Board reached agreement on how to include McCloud costs in the process in the summer, it was not able to publish the outcome until HM Treasury (HMT) published the Cost Cap Directions 2021.

SAB agreed to spread McCloud costs over a 10 year period (rather than the four years used in the HMT process), resulting in an outcome of 19.4 per cent against a target cost of 19.5 per cent. Despite the slight shortfall in cost SAB will not recommend any scheme changes.

### **HMT publishes consultation response on the cost control mechanism**

On 4 October 2021, HM Treasury (HMT) published its response to the Public Service Pensions: cost control mechanism. The response can be found at the following link <https://www.gov.uk/government/consultations/public-service-pensions-cost-control-mechanism-consultation>

### **Legal challenge:**

McCloud costs and cost control mechanism. Unions have launched a judicial review against the Treasury concerning including McCloud remedy costs in the cost control mechanism. The FBU, GMB and BMA argue that the cost of rectifying the discrimination should not be met by scheme members. The provisional results of the 2016 cost control mechanism showed that all public service schemes were cheaper than expected. This would have led to a reduction in contributions or improvements in benefits from April 2019 had the cost control process not been paused.

## **The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2021**

On 7 October 2021, HMT published the Public Service Pensions (Valuation and Employer Cost Cap) (Amendment) Directions 2021. This can be found at the following link <https://www.gov.uk/government/publications/public-service-pensions-completion-of-2016-valuations>

## **Autumn budget 2021**

On 27 October 2021 the Government announced its Autumn 2021 budget and spending review. Of particular interest to the LGPS is the publication of the Government's response to the Call for Evidence on pensions tax relief administration. The response (<https://www.gov.uk/government/consultations/pensions-tax-relief-administration-call-for-evidence>) announces that it will introduce a system to make topup payments directly to low-earning members using the net pay arrangements. This will commence from 2025/26

## **Unsuitable pension advice customers eligible for compensation**

The Financial Conduct Authority (FCA) has written to a total of 3,951 defined benefit(DB) pension transfer advice customers to tell them they might be eligible for compensation. Letters have been sent to customers of firms in liquidation where past business reviews have identified that the firm has given unsuitable advice to some customers.

## **Policy paper: Taxation of public service pension reform remedy**

On 27 October 2021, HMRC published a Policy paper on the taxation of public service pension reform remedy. The paper outlines changes to the tax regime that are required to implement the McCloud remedy in the unfunded public service pension schemes. Provisions will be made in the Finance (No.2) Bill 2021-22

## **DWP launch second review of State Pension age**

The review was launched on 14 December 2021. It will consider if the State Pension age (SPA) rules are still appropriate based on the latest life expectancy data and other evidence. More information can be found at <https://www.gov.uk/government/news/second-state-pension-age-review-launches>

## **DWP responds to nudge consultation**

The Department for Work and Pensions (DWP) responded to the consultation 'Stronger Nudge to pensions guidance' on 17 January 2022. On the same day, the DWP laid before Parliament the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022. The regulations come into force on 1 June 2022 and apply to England, Scotland and Wales.

## **Amendments tabled to the PSPJO Bill**

The Government tabled further amendments to the Public Service Pensions and Judicial Offices (PSPJO) Bill on 21 January 2022. This can be found at <https://bills.parliament.uk/bills/3032>

### **CIPFA partners with Isio to refresh its training for board members**

On 27 January 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) announced that it has partnered with Isio to refresh its current training and support programme for LGPS pension board members. CIPFA expects to hold the first event of the programme re-launch in London in May 2022.

### **DLUHC Levelling Up White Paper**

On 2 February 2022, the Department for Levelling Up, Housing and Communities (DLUHC) published the [Levelling Up White Paper](#). The paper includes the Government's intention to ask LGPS pension funds, working with the asset pools, to publish plans for increasing local investment, including setting an ambition of up to 5 percent of assets invested in projects which support local areas. We understand that 'local' refers to UK projects, rather than to projects local to a particular administering authority. We expect DLUHC to issue a consultation before the Parliamentary summer recess. We understand that consultation will also cover climate risk and reporting regulations and pooling guidance.

### **Consultation on reporting deadlines**

HMRC is consulting on draft regulations associated with extending the deadlines for Scheme Pays. The (Draft) Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022 are in addition to the changes introduced by the Finance Act 2022. It will be of particular relevance to public service pension schemes when dealing with members whose pension input amount for a past year is changed as a result of the McCloud remedy. The Government proposes that the regulations take effect from 6 April 2022. The short consultation will close on 15 March 2022.

### **Consultation on draft pensions dashboards regulations**

DWP published a [consultation on the draft Pensions Dashboards Regulations](#) on 31 January 2022.

### **Automatic enrolment trigger remains the same DWP has published its review of the automatic enrolment trigger for 2022/23.**

The earnings trigger will remain at £10,000. This is a real term decrease in the value of the trigger. The Government estimates this will bring 17,000 more savers into pension savings compared with increasing the trigger in line with average wage growth.

### **New member website**

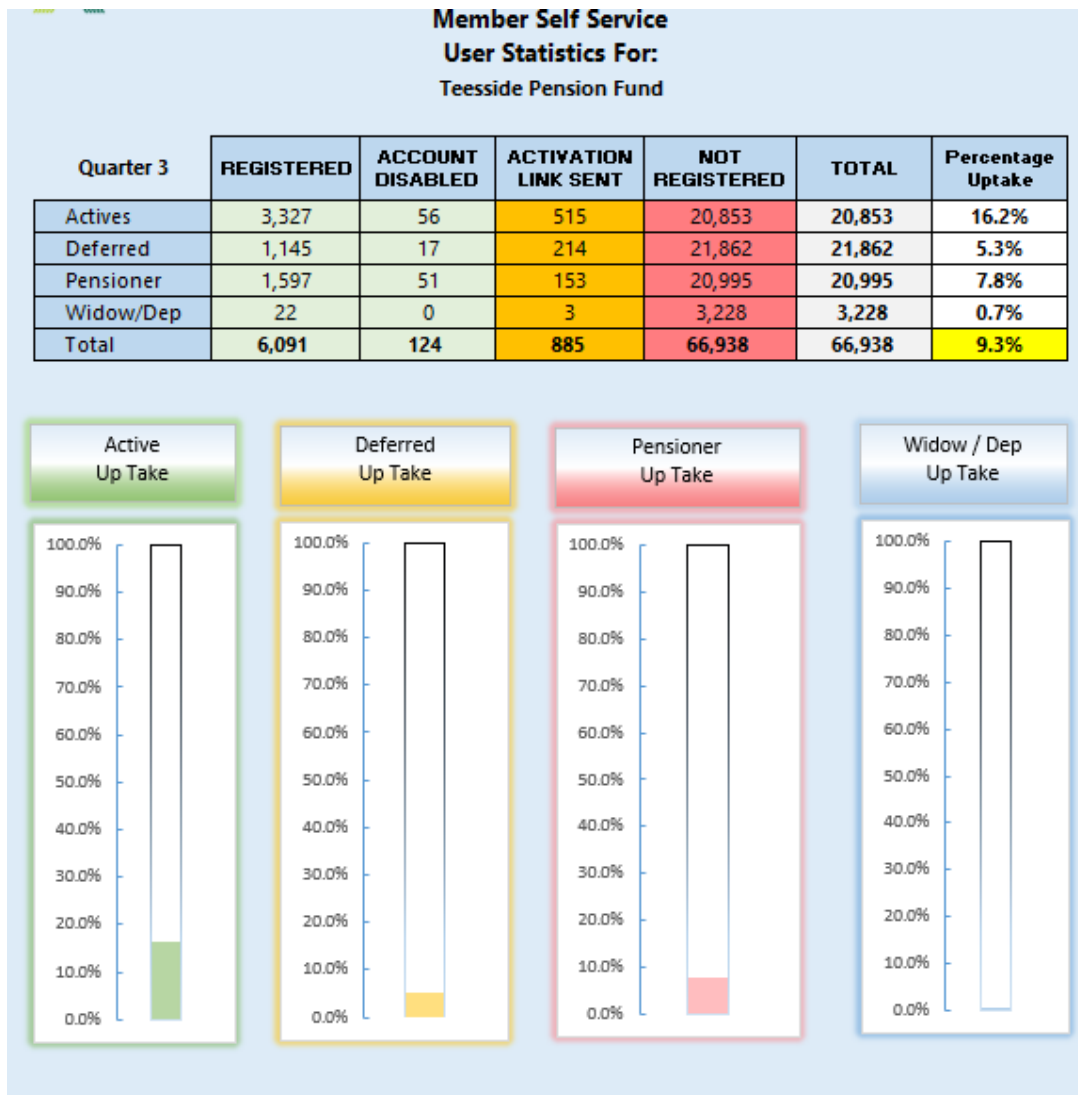
The LGA have confirmed they will shortly be releasing a new website for LGPS members. The website address will however remain the same – [www.lgpsmember.org](http://www.lgpsmember.org)

# Membership Movement

	Actives		Deferred		Pensioner		Widow/Dependent	
Q3 2021/22	24,729	▲	26,165	▲	22,710	▲	3,240	▲
Q2 2021/22	24,403	▲	26,002	▲	22,348	▲	3,232	▲
Q1 2021/22	24,403	▲	26,002	▲	22,348	▲	3,232	▲
Q4 2020/21	23,332	▲	25,703	▼	22,100	▲	3,191	▲
Q3 2020/21	23,199	▲	25,713	▼	21,971	▲	3,182	▲

# Member Self Service

Below is an overview on the activity and registration of the Member Self Service System:



## Additional Work

Guaranteed Minimum Pension reconciliation exercise

Work continues on this project, with expectation being Stage 0 will be complete by end of Q4 2021/22. 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 period from 1<sup>st</sup> April to 31<sup>st</sup> December 2021 there are two known IDRPs cases:

- Relates to Scheme Employer quoting redundancy as reason for leaving then stating this was in error once costs were requested – member had been overpaid benefits.
- Member had not received inflationary increases. This has been remedied with arrears plus interest paid.

## Pensions Ombudsman

For the period from 1<sup>st</sup> April to 31<sup>st</sup> December 2021 there one known cases passed for consideration to the Pensions Ombudsman. This relates to early intervention for the IDRPs case above.

We are expecting a ruling shortly on an ongoing case which relates to the backdating of ill health benefits.

## High Court Ruling

Nil to return

## Common Data

Data Item	Teesside Pension Fund		
	Max Population	Total Fails	% OK
<b>NINo</b>	78,089	165	99.79%
<b>Surname</b>	78,089	0	100.00%
<b>Forename / Inits</b>	78,089	0	100.00%
<b>Sex</b>	78,089	0	100.00%
<b>Title</b>	78,089	115	99.85%
<b>DoB Present</b>	78,089	0	100.00%
<b>Dob Consistent</b>	78,089	0	100.00%
<b>DJS</b>	78,089	0	100.00%
<b>Status</b>	78,089	0	100.00%
<b>Last Status Event</b>	78,089	674	99.14%
<b>Status Date</b>	78,089	1,667	97.87%
<b>No Address</b>	78,089	365	99.53%
<b>No Postcode</b>	78,089	552	99.29%
<b>Address (All)</b>	78,089	4,902	93.72%
<b>Postcode (All)</b>	78,089	4,934	93.68%
<b>Common Data Score</b>	<b>78,089</b>	<b>3,164</b>	<b>95.95%</b>
<b>Members with Multiple Fails</b>	<b>78,089</b>	<b>358</b>	<b>99.54%</b>

## 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, this work will be complete by the 31<sup>st</sup> March 2022.

An overview of the Conditional (Scheme Specific) Data for the Teesside Pension Fund:

<b>Scheme</b>	<b>Member Total</b>	<b>Errors from tests carried out</b>	<b>%age accuracy based on tests carried out</b>
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			



<b>1.2.4</b>	Salary	Pay not within 12 months	N/A	N/A	46,338	1,078	97.67
<b>1.3.1</b>	CARE Data	CARE Missing on relevant records	N/A	N/A			
<b>1.3.2</b>	CARE Revaluation						
<b>1.4.1</b>	Benefit Crystallisation Event (BCE) 2 and 6						
<b>1.4.2</b>	Lifetime allowance						
<b>1.4.3</b>	Annual allowance						
<b>1.5.1</b>	Date Contracted Out	Date Contracted Out missing					
<b>1.5.1</b>	NI contributions and earnings history						
<b>1.5.2</b>	Pre-88 GMP				24,400	7,954	67.40
<b>1.5.3</b>	Post-88 GMP						

## 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	%
16,162	3,066	18.97

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	4.04
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%	76.68%
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 <a href="http://www.teespen.org.uk">www.teespen.org.uk</a> website? (from 18/05/17)	47.27%	47.75%
11. Did you use the website to research the retirement process? (from 18/05/17)	27.24%	27.59%
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 7<sup>th</sup> 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 11<sup>th</sup> July 2018. Their roles were then to look at how XPS could then provide the agreed services to the Fund.

### Employer Liaison

On 1<sup>st</sup> May 2019, the Employer Liaison team leader was appointed. Quickly followed by an assistant on 24<sup>th</sup> 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 5<sup>th</sup> 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.



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 can 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 2022/23 financial year. 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. I have also established a relationship with all Local Authorities Financial Wellbeing officers in which we are making ourselves available to work with them on their events and promotions alongside our usual employer and member sessions.

<b>Date</b>	<b>Late Payments</b>	<b>Expected Payments</b>	<b>% Late</b>	<b>&lt;10 Days Late</b>	<b>&gt;10 Days Late</b>
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
May-21	0	148	0.00%	0	0
Jun-21	3	149	2.00%	3	0
Jul-21	1	149	1.00%	1	0
Aug-21	4	149	3.00%	3	1
Sep-21	4	149	3.00%	1	3
Oct-21	3	144	2.00%	0	3
Nov-21	2	144	1.00%	0	2
Dec-21	4	144	3.00%	1	3

## Annual Benefit Statements

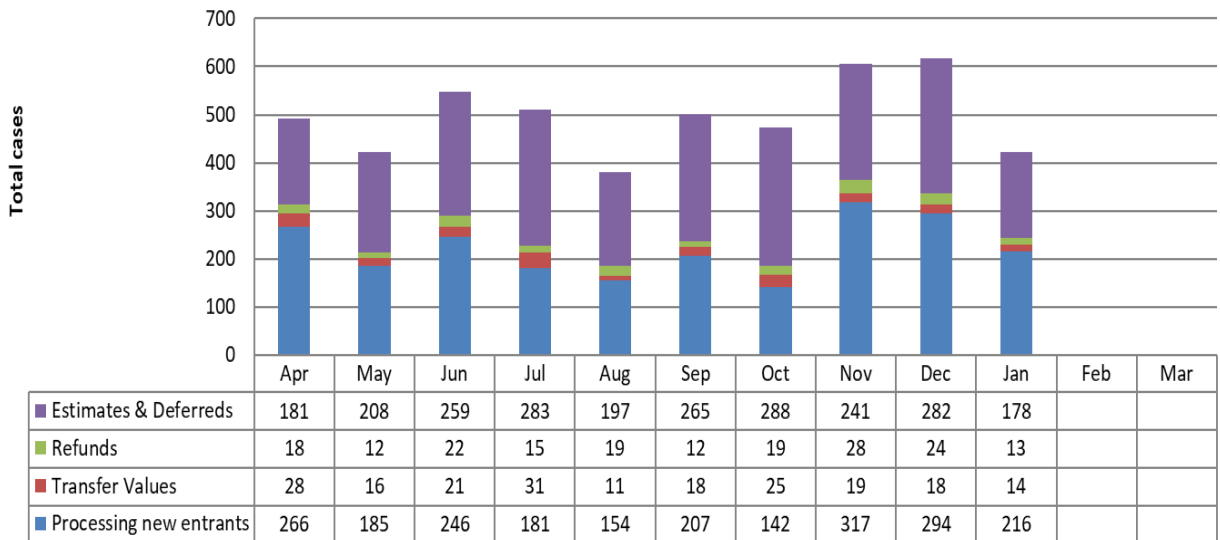
Within the last report, XPS provided details on the production and issuance of Annual Benefit Statements to Active members. For completion the data on the issuance of statements for deferred members is below:

<b>LG ABS Stats - Deferred - 31/03/2021</b>	
<b>Total Members Read</b>	23,170 Total Deferred records read by Programme
Less members not due ABS	-2,890 Members read but not actually due ABS
<b>Total Members Due ABS</b>	20,280 Actual members due ABS
<b>Total Members Processed</b>	<b>20,272</b> Total Members with ABS produced
<b>Members failed production</b>	8 Members due ABS who didn't get produced
<b>% ABS Fail</b>	0.04% % of Members with ABS Not Produced
<b>% ABS Success</b>	<b>99.96%</b> % of Members with ABS Produced

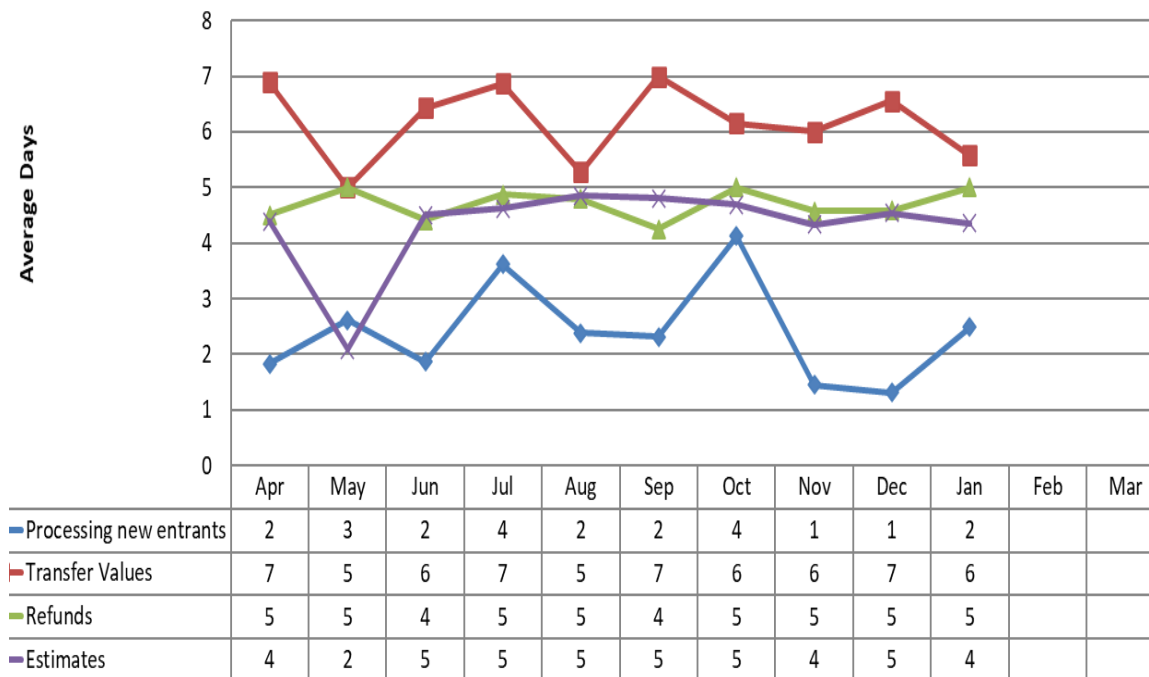
# Performance Charts

## Overall Demand

### Demand by Task



### Average days by Task



The following charts show performance against individual service level requirements.

April 2021

<b>KEY PERFORMANCE REQUIREMENTS (KPR)</b>	<b>MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)</b>	<b>KPR Days</b>	<b>MINIMUM PERFORMANCE LEVEL (MPL)</b>	<b>ACTUAL PERFORMANCE LEVEL (APL)</b>	<b>Average Case Time (days)</b>	<b>Number of Cases</b>	<b>Over target</b>	<b>TOTAL (cases)</b>	<b>Within Target</b>
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.83	266	0	266	266
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	28	0	28	28
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
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	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%	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		



May 2021

<b>KEY PERFORMANCE REQUIREMENTS (KPR)</b>	<b>MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)</b>	<b>KPR Days</b>	<b>MINIMUM PERFORMANCE LEVEL (MPL)</b>	<b>ACTUAL PERFORMANCE LEVEL (APL)</b>	<b>Average Case Time (days)</b>	<b>Number of Cases</b>	<b>Over target</b>	<b>TOTAL (cases)</b>	<b>Within Target</b>
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.61	185	0	185	185
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	16	0	16	16
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	12	0	12	12
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	12	208	0	208	208
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		

June 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%	1.87	246	0	246	246
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	21	0	21	21
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	22	0	22	22
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	259	0	259	259
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		

July 2021

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KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (AP)	Average Case Time (days)	Number of Cases	Over targ
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	99.45%	3.62	181	1
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	31	0
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	15	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	283	0
Estimate of benefits - Statement of benefit entitlements to be issued within ten working days of receipt of request, and the correct information being supplied.	Monthly	10	98.25%			182	0
Deferred Benefits - issue statement within ten working days of receipt of all relevant information.	Monthly	10	98.50%			101	0
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

# August 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (AP)	Average Case Time (days)	Number of Cases	Over targ
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.38	154	0
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
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	19	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	99.0%	5	197	2
Estimate of benefits - Statement of benefit entitlements to be issued within ten working days of receipt of request, and the correct information being supplied.	Monthly	10	98.25%			125	1
Deferred Benefits - issue statement within ten working days of receipt of all relevant information.	Monthly	10	98.50%			72	1
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%	94%	N/A	23561	1479
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 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
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.31	207	0
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	18	0
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	12	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	265	0
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 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
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	4.12	142	0
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	25	0
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	19	0
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	288	0
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 2021

<b>KEY PERFORMANCE REQUIREMENTS (KPR)</b>	<b>MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)</b>	<b>KPR Days</b>	<b>MINIMUM PERFORMANCE LEVEL (MPL)</b>	<b>ACTUAL PERFORMANCE LEVEL (APL)</b>	<b>Average Case Time (days)</b>	<b>Number of Cases</b>	<b>Over target</b>	<b>TOTAL (cases)</b>	<b>Within Target</b>
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	1.45	317	0	317	317
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	19	0	19	19
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	28	0	28	28
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	241	0	241	241
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 2021

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (A)	Average Case Time (day)	Number of Cases	Over targ	TOTAL (case)	Within Targ
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	99.66%	1.31	294	1	294	293
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	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%	5	24	0	24	24
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	99.6%	5	282	1	282	281
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 2022

<b>KEY PERFORMANCE REQUIREMENTS (KPR)</b>	<b>MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)</b>	<b>KPR Days</b>	<b>MINIMUM PERFORMANCE LEVEL (MPL)</b>	<b>ACTUAL PERFORMANCE LEVEL (APL)</b>	<b>Average Case Time (days)</b>	<b>Number of Cases</b>	<b>Over target</b>	<b>TOTAL (cases)</b>	<b>Within Target</b>
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.49	216	0	216	216
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	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%	5	13	0	13	13
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4	178	0	178	178
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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## TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 12

### PENSION FUND COMMITTEE REPORT

16 MARCH 2022

DIRECTOR OF FINANCE – IAN WRIGHT

#### Breaches Log

#### 1. PURPOSE OF THE REPORT

- 1.1 To provide Members of the Pension Fund Committee (the Committee) with an update on a regulatory breach that has been added to the Breaches Log.

#### 2. RECOMMENDATIONS

- 2.1 That Members note this report.

#### 3. FINANCIAL IMPLICATIONS

- 3.1 There are no specific financial implications in respect of the information contained in this report.

#### 4. REPORTING BREACHES

- 4.1 Under the Pensions Act 2004 certain categories of people involved with a pension scheme have a duty to make a report to the Pensions Regulator where they have reasonable cause to believe that:
- a) a legal duty relating to the administration of the scheme has not been or is not being complied with; and
  - b) the failure to comply is likely to be of material significance to the Pensions Regulator.
- 4.2 This duty applies to the following people:
- a trustee or manager of an occupational or personal pension scheme
  - a member of the pension board of a public service pension scheme
  - a person who is otherwise involved in the administration of an occupational or personal pension scheme
  - the employer in relation to an occupational pension scheme
  - a professional adviser in relation to such a scheme
  - a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.
- 4.3 The Fund has a policy on reporting breaches, which was reviewed and approved by the 15 December 2021 Pension Fund Committee and, for reference, is enclosed at Appendix A. This

includes information on how to report a suspected breach of regulations and how a reported breach is evaluated to assess how it should be dealt with, and whether it should be reported to the Pensions Regulator.

- 4.4 In the context of the Local Government Pension Scheme (LGPS) the definition of a 'breach of the law' is fairly wide, and can cover a failure to do anything required under the LGPS regulations, overriding pensions or tax regulations and (potentially) the provision of incorrect information. This makes the issue of 'material significance' to the Regulator an important consideration. The Fund's procedure includes a traffic light system to help categorise breaches. One key consideration is to ensure all potential breaches are considered and investigated.
- 4.5 The procedure, and the requirement to report breaches has been in place since 2015. The current Breaches Log is attached as Appendix B. This contains one (new) addition relating to the provision of benefit statements to deferred members.
- 4.6 Deferred members are members of the pension scheme who have left active employment and so no longer contribute to the scheme, but have not yet drawn their pension benefits, normally because they are not old enough yet. Depending on the age of the individual, it can be many years between their leaving the scheme and drawing their pension, and it is not unusual for the individual to move house and not inform the pension scheme during that time. This results in mail being returned from that address and that individual being categorised as a 'gone-away'. This in turn makes it impossible to provide that individual with an annual benefit statement (which, according to the LGPS regulations, needs to be provided to all active and deferred members by 31 August each year).
- 4.7 The entry in the Breaches Log outlines the position, and explains that a decision has been taken to record but not report this breach, as it has a straightforward explanation, does not result in a loss to the individual and steps are being taken to look to improve the situation. These steps involve XPS working with the Head of Pensions Governance and Investments to consider cost-effective ways to trace the 'gone-aways' with a view to substantially reducing their number for the 2022 annual benefit statements.
- 4.8 The Breaches Log will be brought to future Pension Fund Committee (and Teesside Pension Board) meetings. A useful summary of dealing with breaches of the law in the LGPS produced by Hymans Robertson in 2019 (but still relevant) is enclosed at Appendix C.

## **5. NEXT STEPS**

- 5.1 As the Breaches Log is updated it will be brought to future Committee meetings for consideration.

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

TEL NO.: 01642 729040

# Teesside Pension Fund

## Procedure for Reporting Breaches of the Law



# Reporting Breaches Procedure

## Introduction

This document sets out the procedures to be followed by certain persons involved with the Teesside Pension Fund (“the Fund”), the Local Government Pension Scheme managed and administered by Middlesbrough Council, in relation to reporting breaches of the law to the Pensions Regulator.

Middlesbrough Council, as Administering Authority, has delegated responsibility for the implementation of these procedures to the Head of Pensions Governance and Investments.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

This Procedure document applies, in the main, to:

- all members of the Pension Fund Committee and the Local Pension Board
- all senior officers involved in the management of the Fund including members of the Chief Finance Officer, Monitoring Officer, Loans & Investments Section and Pension Administration team.
- any professional advisers and third party suppliers including auditors, actuaries, independent advisers, third party administrators, legal advisers and fund managers
- officers of employers participating in the Fund who are responsible for pension matters.

The next section clarifies the full extent of the legal requirements and to whom they apply.

## Requirements

### *Pensions Act 2004*

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme
- a member of the pension board of a public service pension scheme
- a person who is otherwise involved in the administration of an occupational or personal pension scheme
- the employer in relation to an occupational pension scheme
- a professional adviser in relation to such a scheme
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,

to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

### *The Pensions Regulator's Code of Practice*

Practical guidance in relation to this legal requirement is provided in The Pensions Regulator's Code of Practice including in the following areas:

- implementing adequate procedures
- judging whether a breach must be reported
- submitting a report to The Pensions Regulator
- whistleblowing protection and confidentiality.

### *Application to the Teesside Pension Fund*

Middlesbrough Council has developed this procedure which reflects the guidance contained in The Pensions Regulator's Code of Practice in relation to the Fund and this document sets out how the Council will strive to achieve best practice through use of a formal reporting breaches procedure.

Training on reporting breaches and related statutory duties, and the use of this procedure is provided to Pension Fund Committee members, Pension Board members and key officers involved with the management of the Fund on a regular basis. Further training can be provided on request to the Head of Pensions Governance and Investments.

## The Teesside Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Fund.

It aims to ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

### *1. Clarification of the law*

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:  
[www.legislation.gov.uk/ukpga/2004/35/contents](http://www.legislation.gov.uk/ukpga/2004/35/contents)
- Employment Rights Act 1996:  
[www.legislation.gov.uk/ukpga/1996/18/contents](http://www.legislation.gov.uk/ukpga/1996/18/contents)
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):  
[www.legislation.gov.uk/uksi/2013/2734/contents/made](http://www.legislation.gov.uk/uksi/2013/2734/contents/made)
- Public Service Pension Schemes Act 2013:  
[www.legislation.gov.uk/ukpga/2013/25/contents](http://www.legislation.gov.uk/ukpga/2013/25/contents)
- Local Government Pension Scheme Regulations (various):  
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)  
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- The Pensions Regulator's Code of Practice:

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the Code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Head of Pensions Governance and Investments, as long as requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

## *2. Clarification when a breach is suspected*

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred.

Where the individual does not know the facts or events, it will usually be appropriate to check with the Head of Pensions Governance and Investments at Middlesbrough Council, a member of the Pension Fund Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

## *3. Determining whether the breach is likely to be of material significance*

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach.

Individuals may also request the most recent breaches report from the Head of Pensions Governance and Investments, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

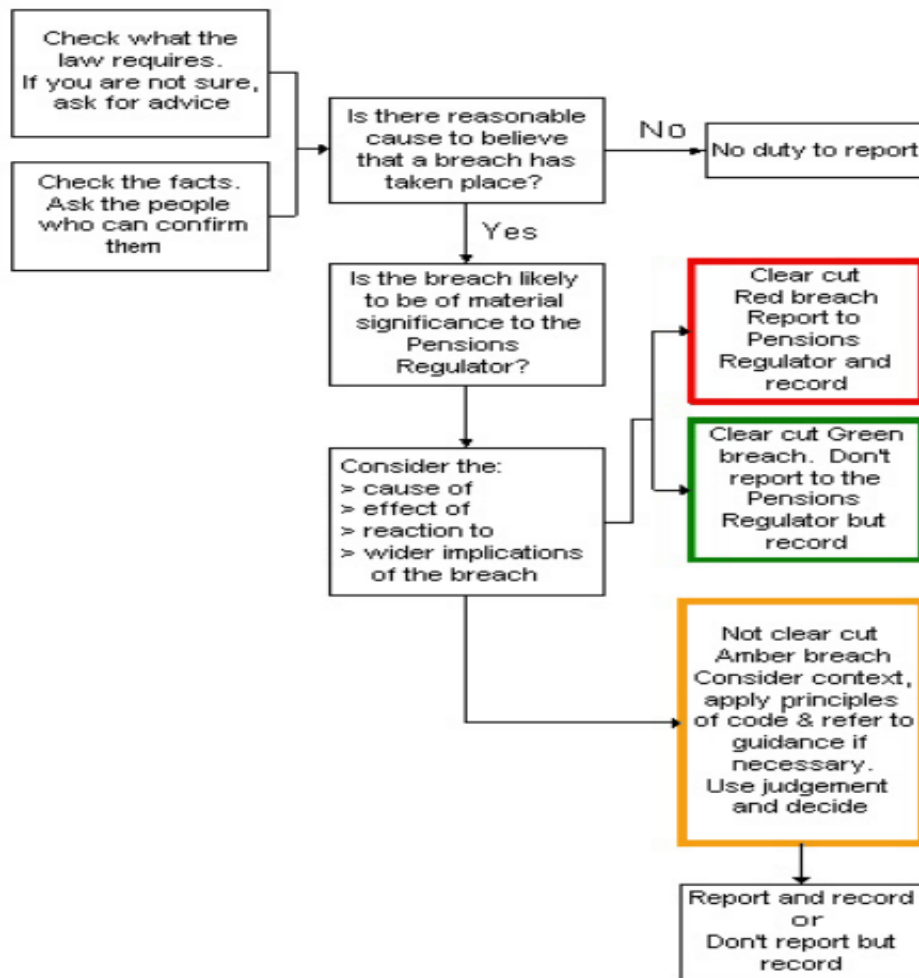
Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore needs to be reported.



## Decision-tree: deciding whether to report



#### 4. Referral to a level of seniority for a decision to be made on whether to report

Middlesbrough Council has designated an officer (the Head of Pensions Governance and Investments) to ensure this procedure is appropriately followed. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate.

If breaches relate to late or incorrect payment of contributions or pension benefits, information the matter should be highlighted to the Head of Pensions Governance and Investments at the earliest opportunity to ensure the matter is resolved as a matter of urgency.

Individuals must bear in mind, however, that the involvement of the Head of Pensions Governance and Investments is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The potential reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to the Head of Pensions Governance and Investments if doing so would alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a

telephone call to the Regulator before the submission may be appropriate, particularly in the case of a more serious breach.

### *5. Dealing with complex cases*

The Head of Pensions Governance and Investments may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases, information on which will be retained by Middlesbrough Council, or via discussions with those responsible for maintaining the records. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the Local Government Association (LGA)) - <http://www.local.gov.uk/our-support/workforce-and-hr-support/local-government-pensions> ).

If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Committee or Board meeting.

### *6. Timescales for reporting*

The Pensions Act and The Pensions Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not wait for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

### *7. Early identification of very serious breaches*

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary.

The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

### *8. Recording all breaches even if they are not reported*

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Middlesbrough Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports submitted to The Pensions Regulator to the Head of Pensions Governance and Investments. Records of unreported breaches should also be provided to the Head of Pensions Governance and Investments as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Fund Committee meeting, and this will also be shared with the Pension Board.

## Reporting a breach

Reports must be submitted in writing via The Pensions Regulator's online system at [www.tpr.gov.uk/exchange](http://www.tpr.gov.uk/exchange), or by post, email or fax, and should be marked urgent if appropriate. If necessary a written report can be preceded by a telephone call.

Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Teesside Pension Fund)
- description of breach(es)
- any relevant dates
- name, position and contact details
- role in connection to the scheme
- employer name or name of scheme manager (the latter is Middlesbrough Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator
- scheme address (provided at the end of this procedures document)
- scheme manager contact details (provided at the end of this procedures document)
- pension scheme registry number (PSR – 10171072)
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

## Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so.

If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

## Reporting to Pension Fund Committee

A report will be presented to the Pension Fund Committee on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those not reported, with the associated dates.
- in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- any future actions for the prevention of the breach in question being repeated

- new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings).

An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

## Review

This Reporting Breaches was approved at the Teesside Pension Fund & Investment Panel (later renamed as the Teesside Pension Fund Committee) meeting on 28<sup>th</sup> June 2017. It will be kept under review and updated as considered appropriate by the Head of Pensions Governance and Investments. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

## Further Information

If you require further information about reporting breaches or this procedure, please contact:

Nick Orton, Head of Pensions Governance and Investments

Middlesbrough Council  
PO Box 506, Civic Centre  
Middlesbrough, TS1 9GA

Email: [nick\\_orton@middlesbrough.gov.uk](mailto:nick_orton@middlesbrough.gov.uk)  
Telephone: 01642 729040

Further information on the Teesside Pension Fund can be found as shown below:

Teesside Pension Fund website: [www.teespen.org.uk](http://www.teespen.org.uk).

## Appendix A – Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach

### *The cause of the breach*

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- Acting, or failing to act, in deliberate contravention of the law.
- Dishonesty.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant

### *The effect of the breach*

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement

- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- Misappropriation of assets, resulting in scheme assets not being safeguarded
- Other breaches which result in the scheme being poorly governed, managed or administered

#### *The reaction to the breach*

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

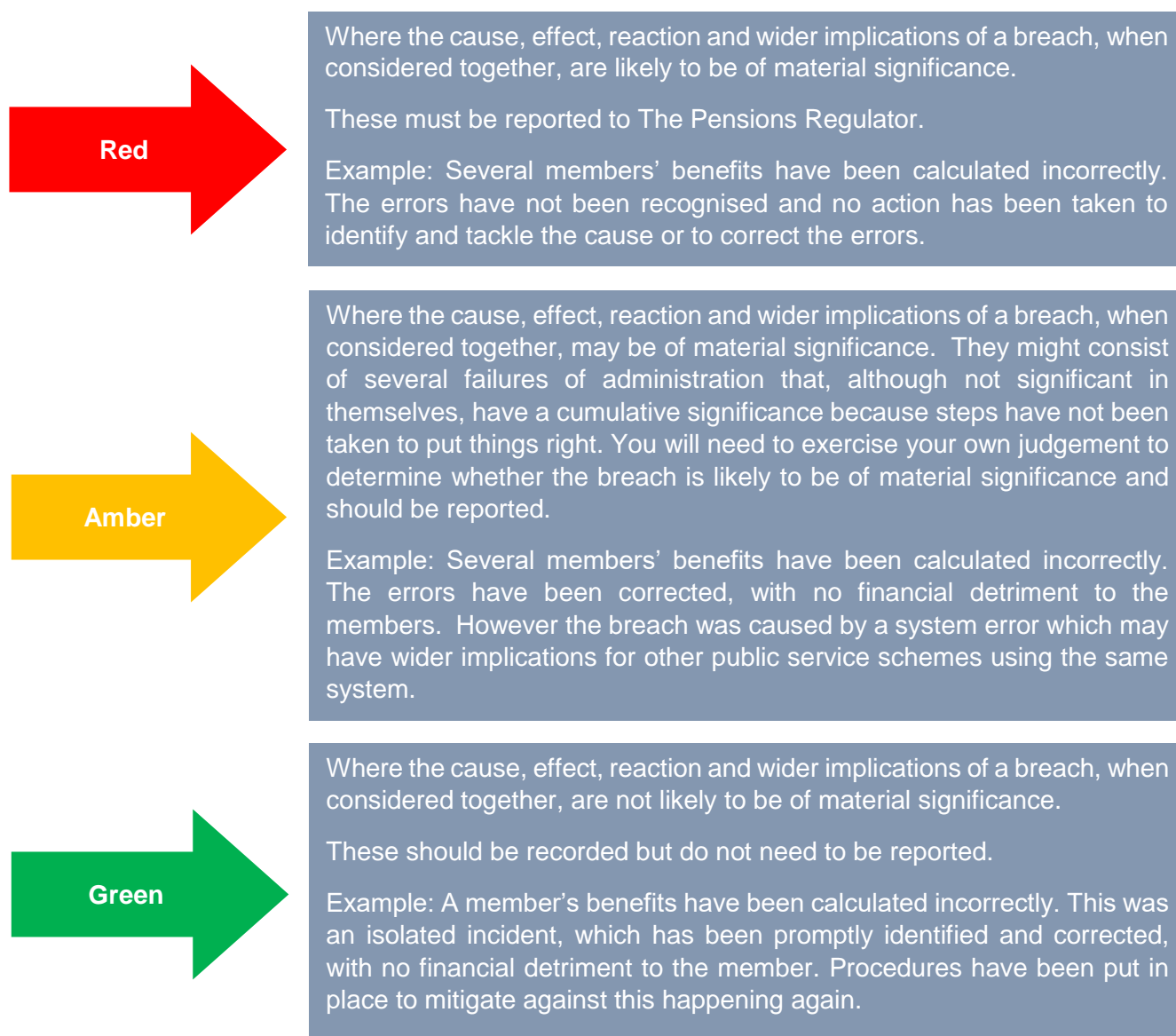
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

#### *The wider implications of the breach*

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

## Appendix B - Traffic light framework for deciding whether or not to report

Middlesbrough Council recommends those responsible for reporting to use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this framework is provided by The Pensions Regulator at the following link

[http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)

Appendix C – Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

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\*New breaches since the previous meeting should be highlighted



## Teesside Pension Fund Breaches Log

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported  (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions
February 2022	Administration	Analysis of annual benefit statement production shows no issue with the production of statements for active members. However of 23,170 deferred members, only 20,280 or around 87.5% were sent a statement by 31 August 2022. Most of these had no valid home address on the system. The remainder were over normal pension age.	Those deferred members who have lost contact with the Fund will not get updates on the value of their benefits	N/A	<b>Not Reported</b>  No individuals have lost out financially as a consequence of the breach, there is already a system in place to find beneficiaries as they reach normal pension age and work is ongoing to reduce the number of deferreds who don't receive statements in future.	Systems are in place to trace deferred members as they reach payment age. Options exist for tracing addresses of 'gone-aways'. Whether/how frequently this is done will be subject to further analysis.	Further analysis is underway to determine the most cost-effective way to search for these 'gone-aways', and the intention is to search for correct addresses for them in as cost-effective a way as possible prior to this year's annual benefit statements being sent out (in August 2022)

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# Sixty second summary

## Breaches of the law

It's been 4 years since changes to the public service pension governance arrangements were introduced. Much has been achieved in that time in putting all the structures in place. One area where we still see uncertainty, and where understanding could be improved is "breaches of the law".

### What is a breach of the law?

A breach of the law is "an act of breaking or failing to observe a law, agreement, or code of conduct.". In the context of the LGPS, this could encompass a failure to do anything required under the Regulations, Framework or overriding legislation, as well as potentially extending to the provision of incorrect information in general correspondence or telephone conversations, no matter how large or small.

That's quite a wide-ranging definition. So it's perhaps unsurprising that questions remain even now, in this whole area. Questions like – *When* do you need to report a breach? *What* is material significance? *Who* is responsible for reporting breaches? Do I need to record *every* breach?

Let's take a look.

### When do you need to report a breach?

First, you need to check out the facts to establish whether a breach has actually occurred or that a legal duty has not been complied with (you must have what's known as "reasonable cause" to believe a breach has occurred). It's not enough to act on a suspicion alone. Wherever possible, you should work together with other "reporters" (more on that later) to reach a conclusion. **But be careful to avoid "tipping off" where theft or fraud is suspected. In these cases you may require to whistleblow and independently go straight to the Pensions Regulator.**

### What is "Material Significance"?

In our experience of speaking with funds about breaches, we know that deciding whether a breach is materially significant or not can be difficult to judge. Checking against the following list might help\*:

Materially significant	Not materially significant
Dishonesty	Isolated incidents stemming from major rules changes, implementation of a new administration system or an unusual set of circumstances (i.e. not repeated errors)
Poor governance or administration	
Slow or inappropriate decision making	Where prompt action is taken to investigate and resolve an issue and scheme members have been informed
Incomplete or inaccurate advice	
Contravention of the law or framework requirement	

\*The Pensions Regulator's guidance on what constitutes "Material Significance" with regards to breaches is well worth a look if you remain uncertain.

You also need to consider the cause and effect of any breach, along with the reaction and any wider implications. The Pensions Regulator's public service toolkit provides handy examples of reporting categories: **red** (must report), **amber** (exercise judgement as less clear cut) and **green** (don't report, but do record), to help you reach your decision.

### Who is responsible for reporting breaches?

The following are “reporters”, although not all of them are within the control of the scheme manager.

- **Elected members** – Pension Committee and full Council;
- **Officers** – including the pension and finance teams;
- **Local Pension Board** – in its role of supporting the scheme manager;
- **Scheme Employers** – in relation to own actions/responsibilities and those of the scheme manager;
- **Professional advisers/third party providers** – e.g. the Fund actuary, legal advisers, auditor, etc.

It's important to appreciate that you cannot abdicate responsibility to report a breach by relying on any of the other parties to do so. Where you choose not to submit an additional report, with regards to a reportable breach, it's advisable to request a copy of the other party's acknowledgement receipt from the Pensions Regulator and attach to your own breaches log as evidence of reporting. You should also seek confirmation from the Pensions Regulator that they do not require the submission of a separate report.

Here at Hymans Robertson, we have our own responsibility to consider breaches where they come to light, separately recording and reporting them as required. We are keen to work with you to discuss the material significance of any potential breaches and, where required, we are keen to agree to the submission of a joint report to the Pensions Regulator. However, if necessary we will lodge our own separate report to the Regulator if we feel this is appropriate.

### Do I need to record every breach?

We suspect this is an area where many funds need to apply a little more rigor. While it might be concluded that a single breach is considered to be immaterial, in certain circumstances a series of immaterial breaches can cumulatively amount to a material breach. This is particularly relevant where the series of breaches indicates more systemic issues which would only be identified by considering all recorded breaches in the round, even if the previous breaches have not been reported.

It is vital, therefore, to ensure that all breaches are recorded, no matter how small. If you haven't already done so you should consider implementing a formal breaches log. This should include a description of the breach, the reasons for it, the action taken to remedy it, as well as confirmation as to whether it was reported or not.

### Top tips for best practice

Failure to report a breach could land you with a Civil Penalty (up to £5,000 per individual or £50,000 in any other case). So we'll leave you with some top tips to ensure you can keep on top of this:

- **Checks** - if you suspect a breach, carry out the necessary checks to ascertain if there is **reasonable cause** to show that a breach has occurred;
- **Material significance** – undertake a RAG (**red, amber or green**) assessment to determine if reportable;
- **Collaborate** – wherever possible, work with others to submit a joint report to the Pensions Regulator;
- **Suspected fraud?** – don't tip off, but report directly to the Regulator;
- **Breaches log** – record all breaches whether reported or not with rationale for decision and review regularly to see if any trends emerge;
- **Learning from experience** – key to managing breaches is identifying how things could be improved: especially if matters have escalated to being reported. The Regulator will be keen to see what is being done to avoid reoccurrence in the future; and
- **The Pensions Regulator's Code** - you should always refer to the Pensions Regulator's guidance on assessing and reporting breaches (Code 14: Governance and Administration of Public Service Pension Schemes).

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