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TEESSIDE PENSION FUND COMMITTEE

Date: **Wednesday 15th March, 2023**
Time: **11.00 am**
Venue: **Mandela Room**

AGENDA

1.	Welcome, Introductions and Evacuation Procedure	
2.	Apologies for Absence	
3.	Declarations of Interest To receive any declarations of interest.	
4.	Minutes - Teesside Pension Fund Committee - 14 December 2022	3 - 10
5.	Investment Activity Report	11 - 40
6.	External Managers' Reports	41 - 118
7.	Draft Actuarial Valuation Report as at 31 March 2022	119 - 168
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9.	Pension Fund Business Plan 2023-26	225 - 270
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11.	Border to Coast Presentation	285 - 310

12. Investment Advisors' Reports 311 - 318

13. CBRE Property Report 319 - 326

14. XPS Pensions Administration Report 327 - 344

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

16. 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.

17. Border to Coast Strategy Update 345 - 350

18. Local Investment Update 351 - 378

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Tuesday 7 March 2023

MEMBERSHIP

Councillors D Coupe (Chair), E Polano (Vice-Chair), J Beall, A Bell, R Creevy, Ms J Flaws, Mr B Foulger, T Furness, S Hill, J Hobson, D McCabe, G Nightingale, J Rostron, Mr T Watson and G Wilson

Assistance in accessing information

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

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 14 December 2022.

PRESENT:	Councillors D Coupe (Chair), A Bell, S Hill, J Hobson, E Polano (Vice-Chair), and G Wilson Ms J Flaws and Mr T Watson
ALSO IN ATTENDANCE:	W Bourne (Independent Adviser) and M Rutter (External Auditor) (Ernst Young) P Mudd, XPS
VIRTUAL ATTENDANCE:	Councillor R Creevy (Hartlepool Borough Council) M Kerr (BCPP) P Moon (Independent Adviser) A Owen and G Rutter (CBRE) J Baillie and V Batchler (Hymans Robertson)
OFFICERS:	W Brown, S Lightwing and N Orton
APOLOGIES FOR ABSENCE:	were submitted on behalf of Councillors J Beall, (Stockton Borough Council), T Furness, D McCabe, G Nightingale (Redcar and Cleveland Borough Council) and J Rostron

22/37 **WELCOME, INTRODUCTIONS AND EVACUATION PROCEDURE**

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

22/38 **DECLARATIONS OF INTEREST**

There were no declarations of interest received at this point in the meeting.

22/39 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 21 OCTOBER 2022**

The minutes of the meeting of the Teesside Pension Fund Committee held on 21 October 2022 were taken as read and approved as a correct record.

22/40 **SUSPENSION OF COUNCIL PROCEDURE RULE NO 5**

In accordance with Council Procedure Rule No 5, the Committee agreed to vary the order of business to deal with the items in the following order: Agenda Item 14, Agenda Item 15, Agenda Item 11, Agenda Items 5 to 10, Agenda Item 12 and Agenda Item 13.

22/41 **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.

22/42 **LOCAL INVESTMENT PROPOSAL**

A report of the Director of Finance was presented to advise Members of a local investment proposal.

ORDERED as follows that:
1. the report was received and noted.
2. due diligence would be commissioned in respect of the local investment proposal.
3. a further report would be presented to a future Committee meeting with an investment recommendation informed by the due diligence.

22/43 **EXCLUSION OF PRESS AND PUBLIC**

ORDERED that the resolution excluding press and public ceased and the meeting was open to the press and public from this point forward.

22/44 **BORDER TO COAST RESPONSIBLE INVESTMENT, VOTING AND CLIMATE 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 ('Border to Coast') to its Responsible Investment Policy, Corporate Governance and Voting Guidelines and Climate Change Policy.

The revised Border to Coast documents were included as tracked changes versions in Appendices A, B and C attached to the submitted report.

Details of the key changes and a summary of the amendments were also provided in the submitted report.

ORDERED that Border to Coast Pensions Partnership Ltd's Responsible Investment Policy, Corporate Governance and Voting Guidelines and Climate Change Policy, as amended, were noted and approved by the Committee.

22/45 **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. For the period under discussion, bonds were still not considered value for the Fund, further comment was made under paragraph 8.5 of the submitted report in relation to future investments.

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 September 2022 were 11.51%.

Investment in direct property would continue where the property had good covenant, yield and lease terms. The Fund purchased a retail property in London – Zara, Covent Garden – at a purchase prices of £32 million.

Investment in Alternatives, such as infrastructure and private equity, offered the Fund diversification from equities and bonds. They came with additional risks of being illiquid, traditionally had costly management fees and investing capital could be a slow process. The Fund was 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. £110 million was invested in the quarter.

Appendix A to the submitted report detailed transactions for the period 1 July 2022 to 30 September 2022. There were net purchases of £162 million in the period, compared to net purchases of £131 million in the previous reporting period.

As at 30 September 2022, the Fund had £604 million invested with approved counterparties. This was a decrease of £120 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 2022, including cash, was £4,812 million, compared with the last reported valuation as at 31 June 2022, of £4,868 million.

A summary analysis of the valuation, attached at Appendix C to the submitted report, showed the Fund's percentage weightings in the various asset classes as at 30 September 2022 compared with the Fund's customised benchmark.

The Forward Investment Programme provided commentary on activity in the current quarter and looked ahead to the next three to five years. Details of the Strategic Asset Allocation agreed at the March 2021 Pension Fund Committee were shown at paragraph 8.2 of the submitted report.

It had been agreed by the Pension Fund Advisers and Fund Officers that there would be no changes to the current Asset Allocation following the Actuarial Valuation. However it was acknowledged that work would continue to ensure the Fund's assets were more closely aligned to the strategic asset allocation. It was also acknowledged that there may be times in the short to medium term where the strategic allocation to a particular asset class was above the long term target – in any such case it should remain within the maximum level set out in the table at paragraph 8.2.

W Bourne highlighted that currently the Fund had chosen to stay at the upper end of the risk level in order to keep contributions stable. If the Fund opted for lower risk investments, the contributions would have to rise.

At the end of September 2022 the Fund's equity weighting was 58.3% compared to 58.1% at the end of June 2022. There were no plans to purchase or sell equities at this time. A summary of equity returns for the quarter 1 July 2022 to 30 September 2022 was shown at paragraph 8.3 of the submitted report.

The Fund had no investments in bonds at this time, the level of cash invested is 11.51%. Discussions were held at the last Committee Meeting regarding investing in bonds. Although there was no directive to invest at that time, the Advisers had since indicated the levels at which they felt investment would be appropriate. Officers were monitoring the situation, and when the levels came into range would have further discussion with the Advisers. The current thinking was that an investment via the Border to Coast Sterling Index Linked Bond Fund would be the most appropriate vehicle.

To date the Fund had agreed three Local Investments. At the October Committee meeting it was agreed that a due diligence exercise would be carried out on a proposed Local Investment from FW Capital. The intention was to bring a report to the Committee in March 2023 for a decision.

As at 30 November 2022 total commitments to private equity, infrastructure, other alternatives and other debt were approaching £1,655 million and a breakdown of that figure was included at paragraph 8.8 of the submitted report.

ORDERED that the report was received and noted

22/46 **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 2022 the Fund had investments in the Border to Coast UK Listed Equity, Overseas Developed Markets Equity and Emerging Markets Equity sub funds. For all three 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. To date, total commitments of £650 million had been made to these sub-funds (£350m to infrastructure and £300m to private equity) with around 28% of this commitment invested so far. These investments were not reflected within the Border to Coast report attached at Appendix A to the submitted report but were referenced in the Border to Coast presentation at agenda item 7 of the meeting.

The Border to Coast report showed the market value of the portfolio as at 30 September 2022 and the investment performance over the preceding quarter, year, and since the Fund's investments began. Border to Coast had 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 were also included.

Border to Coast's UK Listed Equity Fund had achieved returns of 1.54% above benchmark over the last year, exceeding its 1% overachievement target, whereas the Overseas Developed Markets Equity Fund had achieved returns of 1.83% above benchmark over the last year, also comfortably above its 1% overachievement target, albeit for both Funds this was in a falling market. Since inception, both Funds had delivered performance roughly in line with their targets. The performance of the Emerging Markets Equity Fund had been below benchmark throughout most of the period of the Fund's investment – performance over the quarter to 30 September 2022 was above target, with the both the internal team and the external China managers contributing to this short term improvement in performance.

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 2022. Performance figures were 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. The nature of passive investment – where an index was closely tracked in an automated or semi-automated way – meant deviation from the index should always be low.

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.

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

ORDERED that the report was received and noted.

22/47 **PRESENTATION FROM BORDER TO COAST**

The Committee received a presentation from Border to Coast which included information in relation to the following:

- Recent Developments:
    - Border to Coast Update
    - Personnel Update
    - Fund Launch Pipeline
    - RI Policies Review
    - TCFD
- Investments Summary
- Equity Fund Performance
- Alternatives Update

The BCPP Adviser was asked how risk was allocated between the three managers in the hybrid Emerging Markets Fund. BCPP was not looking to take significant risk at a country level, most came from stock selection in that particular region. Most of the weights would be neutral versus benchmark. Exposure to China could be dialled down and there was some flexibility if there was a risk event. BCPP was mindful of the risks around China and this was one of the reasons they had restructured to have specialist China Managers who were on the

ground in the financial centres and emerging cities.
In relation to the current lock down in China due to the Covid-19 pandemic, whilst re-opening up of the economy should be positive from a growth perspective, there were questions around political stability and views.

It was noted that performance in the developed markets was good and the BCPP Adviser was asked why there were not more investments in that area. The investment philosophy of the team and the Fund since 2018 had always been to take small amounts of risk focussed on stock selection. The number of stocks since launch had been reduced from about 430 to 260 currently. This was still a reasonable amount of stocks but allowed the management team to focus on a smaller number of names. Active risk in the Fund had generally increased over the life of the Fund. Nevertheless, because of this strong track record, there was no need to take more risks to continue the performance. The externally managed global fund took more risk and aimed to deliver plus 2% and was currently outweighing that.

In relation to the performance of the unquoted alternative portfolio, the performance of private markets generally tended to lag public markets and BCPP expected to see some write downs of assets. This was not a widespread issue at the moment. In recent times coming through from Q3 BCPP would expect to see the IRI number come down slightly. However, over the life of the fund, BCPP felt that performance to June and the second half of the year was good.

ORDERED that the information provided was received and noted.

22/48 **INVESTMENT ADVISORS' REPORTS**

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

Further commentary was provided at the meeting.

W Bourne highlighted that UK inflation was still at 11% and was a bit of an outlier in this, compared to the USA where inflation was reducing sharply. The markets were forecasting inflation to be 3% or 4% in a couple of years. In relation to Bond yields, the Bank of England would have to issue a lot of Bonds over the next few years. Financing the budget deficit and trying to get all the bonds it had bought back into the market at current bond prices would be difficult. Bond yields would rise over the next couple of years which would have implications for valuations. Bond yields were used to value long term cash flow and the valuations of all assets would reduce at some point.

The Fund was currently invested in infrastructure, equities and properties and it was likely they would all suffer. Whilst commitments had been made to private markets, a lot of the commitments had not been drawn down and the Fund could take advantage of new opportunities. However most of the investments the Fund had made were probably going to have less returns from over the next two years. The Fund needed to consider how to invest the 15% allocated to cash and bonds at some point.

P Moon stated that inflation was a real problem and core inflation at 6% would be difficult to stamp out. There would be a difficult financial environment for all types of asset classes for some time. Investing in alternatives would provide a decent return since there was a wider universe of investments to choose from. The Adviser stated that he was not averse to holding substantial amounts of cash at the moment given that the outlook for other investment types was not as good. Given that there was likely to be a further correction to come, now was not the right time to invest in Bonds. Index linked investments were currently the best option. Property was another area where the Fund could find some really good investments and spend some of the cash held to bring the level down.

ORDERED that the report was received and noted.

22/49 **CBRE PROPERTY REPORT**

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

In terms of the economy and real estate market, 2022 had been a year of two halves. During the first half of the year there had been quite strong returns for real estate despite the energy crisis and rising inflation. The second half of the year had been weaker with yields increasing and values falling in all property sectors. Interest rates rising had made things difficult for debt backed buyers. There had been some cyclical selling of real estate as investors tried to rebalance portfolios. More recently there had been some structural changes mainly from defined benefit pension funds who were looking to reduce their exposure to real estate. The number of transactions had reduced during the second half of the year and yields in November were below the long term trend. There was an imbalance in the markets with sellers and buyers, and a number of real estate funds were selling. Debt backed buyers were mainly out of the market. Overseas buyers were still active and focussed mainly on central London. Pricing had softened and the number of competitive buyers had reduced from a year ago.

With regard to individual sectors, the value of industrial and logistics sheds had reduced the most during the second half of the year. Prior to that there had been the strongest demand for five or six years and the market had potentially got overheated. The retail sector had faired fairly well although traditional high streets and shopping centres continued to suffer. Supermarkets and out of town retail parks were trading well. In respect of the office sector, it was still too early to see the effect of home working and whether this trend would continue. The alternatives sector (anything not industrial, retail or office) had held up fairly well, for example student accommodation and health care.

In terms of inflation it may have peaked. Unemployment remained low and the labour market was competitive. Markets remained reasonably robust and given the imbalance in buyers and sellers there should be good opportunities in 2023.

During the last five months, the Fund had made three acquisitions:

- Zara/Vodaphone had completed in June and was trading very well. There was a lot of development work ongoing in the vicinity which would be advantageous in the longer term.

- A retail park in Tonbridge – a London commuter town. This was the only retail park in the area and rarely suffered any voids. Terms were agreed in May for a price of £27 million which had later been revised to £22 million and the purchase was completed at the end of October.

- An industrial unit in Swindon built in 2019 and let to Iceland. It was an ambient warehouse for dry goods. The unit was purchased for £31 million pounds which was less than an earlier agreed price. There was a 15 year lease subject to RPI reviews.

The asset management update was as per the report and the team had been very busy with rent renewals. Performance was positive across the board.

Finally the arrears were much improved from two years ago and were now down at less than a quarter of a million from over £2 million previously.

Overall it was a positive report and CBRE were pleased with the acquisitions.

ORDERED that the report was received and noted.

22/50 **XPS PENSIONS ADMINISTRATION REPORT**

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

The report provided information on the following:

- Overview
- Member Movement
- Member Self Service
- Pension Regulator Data Scores
- Customer Service

- Completed Cases Overview
- Completed Cases by Month
- Complaints.

With regard to membership there had been a small drop in the number of active scheme members and a corresponding increase in deferred members. Numbers had increased again on the whole.

Self-service numbers remained low and ways to increase participation had been discussed. XPS had a quote in place to write to all active and pensioner members and provide them with a unique key and URL to access the website. To avoid additional postage costs work was ongoing to make the activation key available via the newsletter. The issue of how to contact those people who had deferred their pension also had to be addressed.

The website would be upgraded next year and allow scheme members to have more interactive ability within the site. As well as being able to look at contributions and payslips, XPS was considering whether members would be able to retire online as well. Online estimates could be produced and members able to choose to complete their paperwork online. Options would then be received by XPS more quickly. Whilst this would be an exciting improvement to the current website, it was highlighted that the existing paper based system for retirement options would still be available.

XPS continued to work on its data scores in readiness for the Pensions Regulator Dashboard in 2024. Data would be transmitted from XPS' internal dashboard to a national system which would enable people to look at all the pensions in once place online.

With regard to customer service, the next newsletter would contain details of an online survey for all scheme members to submit any feedback they had. An analysis of the survey responses would be provided to the Board and the Committee for discussion.

As part of the pensions remedy from the McCloud case, XPS Had been carrying out a data collection exercise with Employers. Once the new regulations were in place, XPS would write to scheme members to advise them of any changes due to their pensions. Members would not need to lodge a claim. It was anticipated that XPS would need to check a lot of pensions as part of remedy but the likelihood was that only a relatively small number would need amending.

XPS had also been working with the scheme actuary since January 2022 to ensure that all Employer data aligned well.

There had been one complaint in the last quarter.

The customer service data on page 179 of the agenda pack was queried as the responses were identical all the way through. The Officer agreed to check on the numbers to make sure the information was accurate.

ORDERED that the report was received and noted.

22/51 **VALUATION UPDATE**

A report was presented to update the Committee on progress on the ongoing triennial actuarial valuation of the Pension Fund as at 31 March 2022.

The Fund's Actuary, Hymans Robertson, had produced an update report (attached at Appendix A to the submitted report) that summarised some of the initial outcomes across Employers and considered how post valuation date events might impact on the result.

Hymans Robertson had also produced a document (attached at Appendix B to the submitted report) that summarised the main changes being made to the Funding Strategy Statement as a consequence of the actuarial valuation. This would be circulated to Employers with the revised Funding Strategy Statement as part of the consultation process.

ORDERED that the report was received and noted.

22/52 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 5

PENSION FUND COMMITTEE REPORT

15 MARCH 2023

DIRECTOR OF FINANCE – HELEN SEECHURN

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 2022**

4.1 The Fund continues to favour growth assets over protection assets. For the period under discussion here, bonds were still not considered value for the Fund, further comment is made under Section 8 of this report re future investments.

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

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

<u>Cash level at the end of December 2022 was 8.37%</u>

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

The Fund purchased two properties in the quarter, additional details are included in the CBRE Report:

- Swindon – Iceland Foods Limited Distribution Warehouse £31m
- Tonbridge – Tonbridge Retail Park £22m

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

An amount of £89m was invested in the quarter.

5. TRANSACTION REPORT

5.1 It is a requirement that all transactions undertaken are reported to the Committee. Appendix A details transactions for the period 1 October 2022 – 31 December 2022.

5.2 There were net purchases of £144m in the period, this compares to net purchases of £162m 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 Director of Finance.

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

6.4 As at 31 December 2022, the Fund had £414 million invested with approved counterparties. This is a decrease of £189 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 Director of Finance 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 2022, and is prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, is **£4,953 million.** The detailed valuation attached as Appendix C is also available on the Fund's website www.teespen.org.uk. This compares with the last reported valuation, as at 30 September 2022 of **£4,812 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 2022 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 SAA	Current 31/12/22	Minimum	Maximum
GROWTH ASSETS	**75%**	**80.88%**	**55%**	**95%**
UK Equities	**10%**	**12.65%**	**40%**	**80%**
Overseas Equities	**45%**	**47.62%**		
Property	**10%**	**8.98%**	**5%**	**15%**
Private Equity	**5%**	**8.62%**	**0%**	**10%**
Other Alternatives	**5%**	**3.01%**	**0%**	**10%**
PROTECTION ASSETS	**25%**	**18.09%**	**5%**	**45%**
Bonds / Other debt / Cash	**15%**	**10.52%**	**5%**	**45%**
Infrastructure	**10%**	**7.57%**		

(Local Investments account for the missing 1% in the "current" totals - there is no allocation within the SAA for these assets)

8.3 It has been agreed by the Pension Fund Advisers and Fund Officers that there will be no changes to the Strategic Asset Allocation shown above following the Actuarial Valuation. However it was acknowledged that work would continue to ensure the Fund's assets were more closely aligned to the strategic asset allocation. It was also acknowledged that there may be times in the short to medium term where the strategic allocation to a particular asset class is above the long term target – in any such case it should remain within the maximum level set out in the table at paragraph 8.2.

8.4 **EQUITIES**

As at the 31 December 2022 the Fund's equity weighting was 60.2% compared to 58.3% at the end of September 2022. There are no plans to purchase or sell equities at this time.

Summary of equity returns for the quarter 1 October 2022 – 31 December 2022:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	9.00%	8.90%	0.10%
BCPP Overseas	6.12%	5.46%	0.66%
BCPP Emerging Market	-0.56%	0.69%	-1.26%
SSGA Pacific	7.57%	7.46%	0.11%
SSGA Japan	0.93%	0.88%	0.05%
SSGA Europe	11.51%	11.64%	-0.13%
SSGA North America	-0.84%	-0.96%	0.12%

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

8.5 **BONDS + CASH**

The Fund has no investments in bonds at this time, the level of cash invested is 8.37% Discussions were held within the Committee Meeting re investing in bonds, although there was no directive to invest at this time the Advisers have since indicated the levels at which they feel investment would be appropriate. Officers are monitoring the situation, when the levels come into range we will have a further discussion with the advisers, current thinking is that an investment via the Border to Coast Sterling Index Linked Bond Fund would be the most appropriate vehicle.

8.6 **PROPERTY**

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

8.7 **LOCAL INVESTMENT**

To date the Fund has agreed three Local Investments:

GB Bank – Initial agreement of £20m called in full in September 2020.
An additional £6.5m was paid to the bank in December 2021.
Further payment of £13.5m was made in August as the bank received regulatory approval to exit mobilisation.

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.

The Committee considered two further local investment proposals at its October 2022 and December 2022 meetings, and agreed that due diligence should be carried out in relation to those proposals.

8.8 **ALTERNATIVES**

As at 28 February 2023 total commitments to private equity, infrastructure, other alternatives and other debt were £1,675m, as follows:

	Total committed	Total Invested
Border to Coast Infrastructure	£350m	£117m
Other Infrastructure Managers	£317m	£233m
Border to Coast Private Equity	£300m	£101m
Other Private Equity Managers	£364m	£208m
Other Alternatives	£226m	£152m
Other Debt	£118m	£106m
Totals	**£1,675m**	**£918m**

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

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Appendix A

Bargain Date	Buy / Sell	Stock Name	Country/Category	Sector/Country	Nominal Amount of Shares	Price	CCY	Purchase Cost / Sale Proceeds £	Book Cost of Stock Sold	Profit/ (Loss) on Sale
						(P)		(£)	(£)	(£)
03 October 2022	S	Innisfree PFI Secondary Fund 2 LP	Infrastructure	Infrastructure	~	~	GBP	-8,084.00	-8,084.00	0.00
04 October 2022	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	8,178,734.27	8,178,734.27	0.00
05 October 2022	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-2,998,351.90	-2,998,351.90	0.00
07 October 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	GBP	3,062,401.00	3,062,401.00	0.00
07 October 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	101,583.17	101,583.17	0.00
07 October 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-41,910.03	-41,910.03	0.00
13 October 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	57,069.31	57,069.31	0.00
13 October 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-47,685.26	-47,685.26	0.00
13 October 2022	P	Blackrock Global Renewable Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	1,136,744.83	1,136,744.83	0.00
17 October 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	763,161.17	763,161.17	0.00
17 October 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	379,475.62	379,475.62	0.00
20 October 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	139,832.39	139,832.39	0.00
20 October 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-269,515.65	-269,515.65	0.00
24 October 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	147,590.17	147,590.17	0.00
24 October 2022	P	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	635,119.43	635,119.43	0.00
27 October 2022	P	Access Capital Infrastructure Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	1,042,729.01	1,042,729.01	0.00
08 November 2022	P	Blackrock Global Renewable Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	1,361,699.85	1,361,699.85	0.00
08 November 2022	S	Blackrock Global Renewable Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-50,712.95	-50,712.95	0.00
08 November 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	403,215.90	403,215.90	0.00
08 November 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-4,463.49	-4,463.49	0.00
08 November 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	423,601.54	423,601.54	0.00
08 November 2022	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-27,107.41	-27,107.41	0.00
09 November 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	461,754.00	461,754.00	0.00
09 November 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-17,066.21	-17,066.21	0.00
10 November 2022	P	Access Capital Infrastructure Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	912,962.50	912,962.50	0.00
11 November 2022	P	Ancala Infrastructure Fund II	Infrastructure	Infrastructure	~	~	EUR	660,794.14	660,794.14	0.00
16 November 2022	P	Gresham House British Sustainable Infrastructure Fund II	Infrastructure	Infrastructure	~	~	GBP	7,006,062.60	7,006,062.60	0.00
16 November 2022	S	Gresham House British Sustainable Infrastructure Fund II	Infrastructure	Infrastructure	~	~	GBP	-2,160,410.27	-2,160,410.27	0.00
17 November 2022	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	354,468.84	354,468.84	0.00
17 November 2022	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-333,685.56	-333,685.56	0.00
17 November 2022	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	EUR	134,662.66	134,662.66	0.00
17 November 2022	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	724,466.03	724,466.03	0.00
18 November 2022	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	2,575,681.73	2,575,681.73	0.00
18 November 2022	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	7,392,720.94	7,392,720.94	0.00
18 November 2022	P	Access Capital Infrastructure Fund Infrastructure LP	Infrastructure	Infrastructure	~	~	EUR	218,172.29	218,172.29	0.00
22 November 2022	P	Access Capital Infrastructure Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	325,139.81	325,139.81	0.00
25 November 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	568,390.54	568,390.54	0.00
01 December 2022	P	Capital Dynamics, Clean Energy and Infrastructure VIII	Infrastructure	Infrastructure	~	~	GBP	1,333,333.33	1,333,333.33	0.00
01 December 2022	P	Capital Dynamics, Clean Energy and Infrastructure VIII Co-Investment	Infrastructure	Infrastructure	~	~	GBP	666,666.67	666,666.67	0.00
02 December 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	528,237.95	528,237.95	0.00
05 December 2022	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-520,772.34	-520,772.34	0.00
05 December 2022	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	466,359.33	466,359.33	0.00
07 December 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	483,199.41	483,199.41	0.00
09 December 2022	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	321,110.15	321,110.15	0.00
12 December 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	174,119.05	174,119.05	0.00
12 December 2022	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-43,034.89	-43,034.89	0.00
13 December 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	265,845.64	265,845.64	0.00
14 December 2022	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-48,168.91	-48,168.91	0.00
15 December 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	161,610.66	161,610.66	0.00
15 December 2022	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-349,716.82	-349,716.82	0.00
15 December 2022	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	175,932.44	175,932.44	0.00
19 December 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	66,083.63	66,083.63	0.00
20 December 2022	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	1,729,533.51	1,729,533.51	0.00

22 December 2022	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	556,047.19	556,047.19	0.00
22 December 2022	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-22,615.35	-22,615.35	0.00
23 December 2022	S	Gresham House British Strategic Investment Infrastructure Fund	Infrastructure	Infrastructure	~	~	GBP	-812,000.00	-812,000.00	0.00
								38,341,011.65		
13 October 2022	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	1,221,832.68	1,221,832.68	0.00
13 October 2022	S	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	-113,960.62	-113,960.62	0.00
18 October 2022	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	EUR	219,483.06	219,483.06	0.00
25 October 2022	P	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	EUR	233,907.45	233,907.45	0.00
25 October 2022	P	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	GBP	49,856.11	49,856.11	0.00
31 October 2022	P	Darwin Leisure Property Fund	Other Alternatives	Other Alternatives	~	0.036747	GBP	238,600.38	238,600.38	0.00
01 November 2022	P	Gresham House British Strategic Investment Housing Fund	Other Alternatives	Other Alternatives	~	~	GBP	847,458.00	847,458.00	0.00
10 November 2022	P	Hearthstone Residential Fund 2	Other Alternatives	Other Alternatives	~	~	GBP	3,681,738.26	3,681,738.26	0.00
30 November 2022	P	Pantheon Private Debt PSD II	Other Alternatives	Other Alternatives	~	~	USD	4,472,599.23	4,472,599.23	0.00
07 December 2022	P	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	GBP	83,527.90	83,527.90	0.00
07 December 2022	P	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	EUR	148,421.02	148,421.02	0.00
								11,083,463.46		
07 October 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	4,126.20	4,126.20	0.00
26 October 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	3,080,773.75	3,080,773.75	0.00
26 October 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	500.00	500.00	0.00
08 November 2022	P	St Arthur Homes	Other Debt	Property Debt	~	~	GBP	4,534,442.00	4,534,442.00	0.00
11 November 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	5,020.00	5,020.00	0.00
11 November 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	3,150.00	3,150.00	0.00
17 November 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	2,793,925.72	2,793,925.72	0.00
16 December 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	3,150.00	3,150.00	0.00
21 December 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	1,497,961.10	1,497,961.10	0.00
23 December 2022	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	3,150.00	3,150.00	0.00
								11,926,198.77		
03 October 2022	P	Capital Dynamics LGPS Collective Private Equity for Pools 2018/19	Private Equity	Private Equity	~	~	GBP	450,000.00	450,000.00	0.00
03 October 2022	P	Crown Global Opportunities VII	Private Equity	Private Equity	~	~	USD	1,956,734.43	1,956,734.43	0.00
04 October 2022	P	Foresight Regional Investment IV LP	Private Equity	Private Equity	~	~	GBP	17,680.11	17,680.11	0.00
06 October 2022	S	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	-2,860.29	-2,860.29	0.00
06 October 2022	S	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	-24,870.70	-24,870.70	0.00
07 October 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	986,979.63	986,979.63	0.00
07 October 2022	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-9,711.65	-9,711.65	0.00
07 October 2022	P	Access Capital Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	219,436.84	219,436.84	0.00
10 October 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	590,112.90	590,112.90	0.00
11 October 2022	P	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	1,571,903.24	1,571,903.24	0.00
12 October 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	541,429.53	541,429.53	0.00
14 October 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	575,241.83	575,241.83	0.00
17 October 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	392,679.28	392,679.28	0.00
18 October 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	133,033.75	133,033.75	0.00
20 October 2022	P	Blackrock Private Opportunities Fund IV	Private Equity	Private Equity	~	~	USD	1,068,909.56	1,068,909.56	0.00
25 October 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	578,981.65	578,981.65	0.00
28 October 2022	P	Unigestion Secondary V	Private Equity	Private Equity	~	~	EUR	3,519,760.37	3,519,760.37	0.00
01 November 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	661,645.58	661,645.58	0.00
04 November 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	52,030.87	52,030.87	0.00
10 November 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	114,814.25	114,814.25	0.00
10 November 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	1,036,815.63	1,036,815.63	0.00
10 November 2022	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	~	~	EUR	1,041,526.53	1,041,526.53	0.00
16 November 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	632,952.06	632,952.06	0.00

17 November 2022	P	Crown Secondaries Special Opportunities II	Private Equity	Private Equity	~	~	USD	936,610.22	936,610.22	0.00
18 November 2022	P	Unigestion Direct II - North America	Private Equity	Private Equity	~	~	EUR	1,517,357.51	1,517,357.51	0.00
18 November 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	198,667.98	198,667.98	0.00
21 November 2022	P	Crown Co-Investment Opoortunities III	Private Equity	Private Equity	~	~	USD	915,426.17	915,426.17	0.00
22 November 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	702,545.58	702,545.58	0.00
24 November 2022	P	Crown Global Opportunities VII	Private Equity	Private Equity	~	~	USD	1,152,215.96	1,152,215.96	0.00
30 November 2022	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	797,496.50	797,496.50	0.00
02 December 2022	P	Hermes GPE Innovation Fund LP	Private Equity	Private Equity	~	~	GBP	694,830.31	694,830.31	0.00
07 December 2022	P	Pantheon Global Co-Investment Opportunities IV	Private Equity	Private Equity	~	~	USD	858,243.09	858,243.09	0.00
07 December 2022	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	57,176.25	57,176.25	0.00
07 December 2022	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	-38,186.31	-38,186.31	0.00
08 December 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	111,180.42	111,180.42	0.00
08 December 2022	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	20,697.76	20,697.76	0.00
09 December 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	388,520.47	388,520.47	0.00
09 December 2022	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	34,485.69	34,485.69	0.00
12 December 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	EUR	279,557.81	279,557.81	0.00
14 December 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	695,783.26	695,783.26	0.00
20 December 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	368,567.94	368,567.94	0.00
20 December 2022	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	1,727,886.02	1,727,886.02	0.00
20 December 2022	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-1,110,253.37	-1,110,253.37	0.00
22 December 2022	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	269,399.91	269,399.91	0.00
22 December 2022	S	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	-37,805.95	-37,805.95	0.00
22 December 2022	P	Capital Dynamics Global Secondaries V	Private Equity	Private Equity	~	~	USD	902,615.28	902,615.28	0.00
30 December 2022	S	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	-2,680.57	-2,680.57	0.00
								27,545,563.36		
18 October 2022	P	Swindon - Unit 1 Symmetry Park	Property Unit Trusts/Direct Property	Direct Property	~	~	GBP	32,210,246.77	32,210,246.77	0.00
26 October 2022	P	Tonbridge - Tonbridge Retail Park	Property Unit Trusts/Direct Property	Direct Property	~	~	GBP	22,995,768.26	22,995,768.26	0.00
								55,206,015.03		
Periods October, November, December 2022 (Cumulative) Total								**144,102,252.27**		
Total Profit - ***NB: Losses are shown with a ( )***										**0.00**

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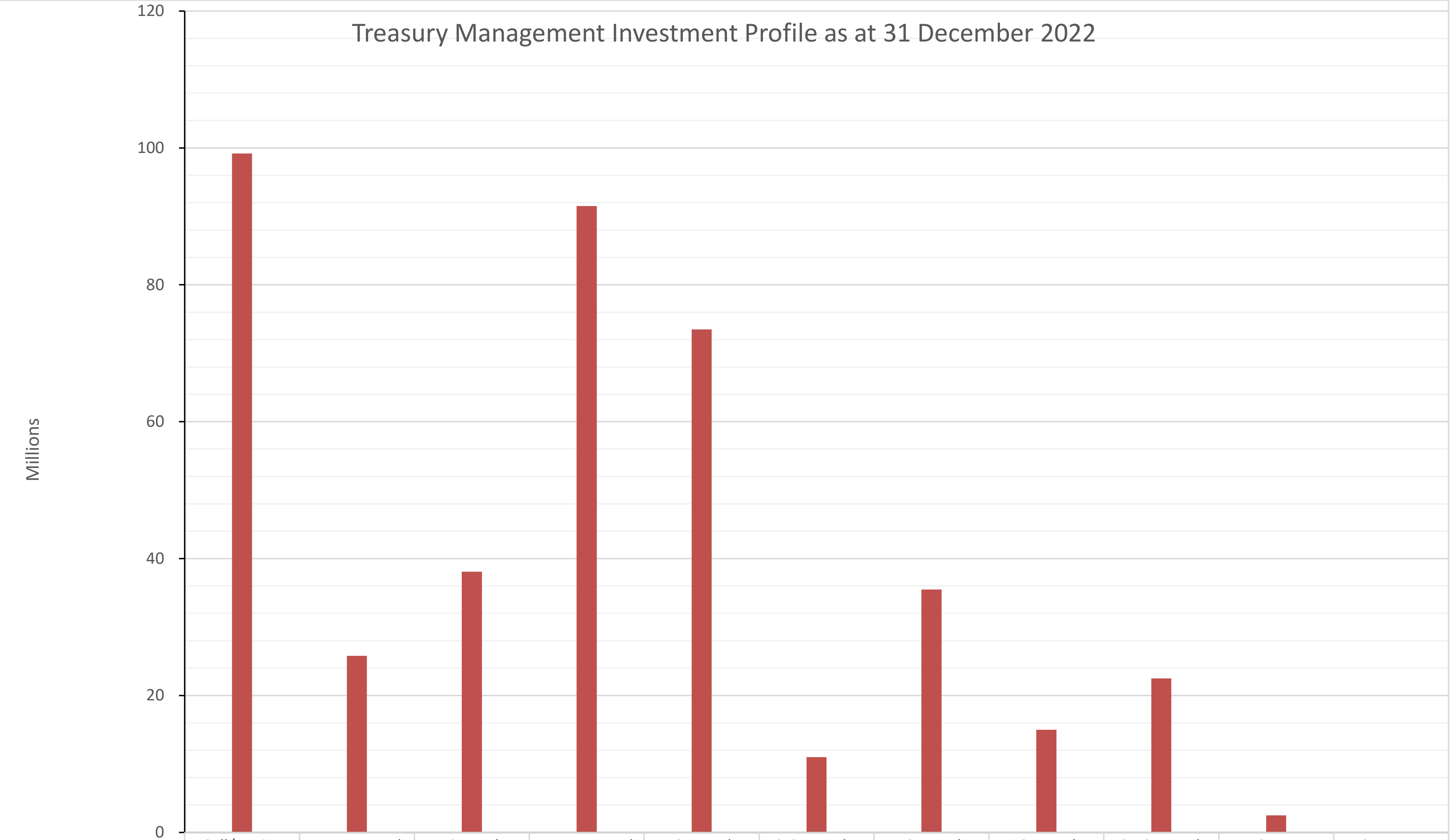

	Call/Notice	up to 1 Week	1-2 Weeks	up to 1 month	1-2 Months	2-3 Months	4-6 Months	7-9 Months	10-12 Months	1-2 Years	2+ Years
Average Rate	0.46%	2.78%	2.87%	3.24%	3.67%	4.66%	3.45%	3.83%	3.67%	2.20%	0.00%
Amount Invested	99,200,000	25,800,000	38,100,000	91,500,000	73,500,000	11,000,000	35,500,000	15,000,000	22,500,000	2,500,000	0
Proportion of Cash	23.93%	6.22%	9.19%	22.07%	17.73%	2.65%	8.56%	3.62%	5.43%	0.60%	0.00%

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31 Dec 22

TEESSIDE PENSION FUND

◆ Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Equities						
Common stock						
Australia						
Common Stock FINEXIA FINL GROUP NPV SEDOL : BMY4539	0.00	AUD	85.000	0.000	0.33000000	15.810
Common Stock YOUNG AUSTRALIAN MINES LTD SEDOL : 6741626	0.00	AUD	225,391.000	287,505.650	0.06900000	8,767.620
Total Australia	**0.00**		**225,476.000**	**287,505.650**		**8,783.430**
Europe Region						
Common Stock ACIF INFRASTRUCTURE FUND LP CUSIP : 9936FC996	0.00	EUR	27,282,405.660	24,206,859.750	0.81579480	19,746,958.810
Total Europe Region	**0.00**		**27,282,405.660**	**24,206,859.750**		**19,746,958.810**
Guernsey, Channel Islands						
Common Stock AMEDEO AIR 4 PLUS LIMITED SEDOL : BMZQ5R8	0.00	GBP	5,333,332.000	4,682,127.850	0.37750000	2,013,332.830
Total Guernsey, Channel Islands	**0.00**		**5,333,332.000**	**4,682,127.850**		**2,013,332.830**
United Kingdom						
Common Stock AFREN ORD GBP0.01 SEDOL : B067275	0.00	GBP	1,000,000.000	1,089,449.060	0.01785000	17,850.000
Common Stock CARILLION ORD GBP0.50 SEDOL : 0736554	0.00	GBP	436,400.000	0.000	0.14200000	61,968.800
Common Stock NEW WORLD RESOURCE ORD EUR0.0004 A SEDOL : B42CTW6	0.00	GBP	250,000.000	1,294,544.760	0.00150000	375.000
Total United Kingdom	**0.00**		**1,686,400.000**	**2,383,993.820**		**80,193.800**
Total Common stock	**0.00**		**34,527,613.660**	**31,560,487.070**		**21,849,268.870**
Funds - common stock						
Guernsey, Channel Islands						
Funds - Common Stock VISTRA FD SERVICES DARWIN LEISURE DEV D GBP SEDOL : BD41T35	0.00	GBP	15,000,000.000	15,000,000.000	1.31360000	19,704,000.000
Total Guernsey, Channel Islands	**0.00**		**15,000,000.000**	**15,000,000.000**		**19,704,000.000**
United Kingdom						
Funds - Common Stock BORDER TO COAST PE UK LISTED EQUITY A GBP ACC SEDOL : BDD86K3	0.00	GBP	524,261,627.970	544,484,934.330	1.19520000	626,597,497.750
Total United Kingdom	**0.00**		**524,261,627.970**	**544,484,934.330**		**626,597,497.750**

**Generated by Northern Trust from periodic data on 25 Jan 23*

Asset Detail - Customizable

Asset Subcategory / Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Equities						
Total Funds - common stock	**0.00**		**539,261,627.970**	**559,484,934.330**		**646,301,497.750**
Rights/warrants						
Australia						
Rights/Warrants FINEXIA FINL GROUP RIGHTS 23/01/2023 SEDOL : BMFSYZ5	0.00	AUD	42.000	0.000	0.00000000	0.000
Total Australia	**0.00**		**42.000**	**0.000**		**0.000**
Total Rights/warrants	**0.00**		**42.000**	**0.000**		**0.000**
Unit trust equity						
Guernsey, Channel Islands						
Unit Trust Equity DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION SEDOL : 4A8UCZU	0.00	GBP	14,359,563.469	15,000,000.000	1.24680000	17,903,503.730
Total Guernsey, Channel Islands	**0.00**		**14,359,563.469**	**15,000,000.000**		**17,903,503.730**
Japan						
Unit Trust Equity SSGA MPF JAPAN EQUITY INDEX SEDOL : 001533W	0.00	GBP	48,440,992.757	89,842,364.060	2.15230000	104,259,548.710
Total Japan	**0.00**		**48,440,992.757**	**89,842,364.060**		**104,259,548.710**
Luxembourg						
Unit Trust Equity ABERDEEN STANDARD EUR PPTY GROWTH FD LP SEDOL : 8A8TB3U	0.00	EUR	324.970	20,636,888.600	122,490.60000000	35,316,906.680
Total Luxembourg	**0.00**		**324.970**	**20,636,888.600**		**35,316,906.680**
Pacific Region						
Unit Trust Equity SSGA MPF PAC BASIN EX-JAPAN INDEX SEDOL : 001532W	0.00	GBP	50,692,305.509	242,515,511.220	6.30070000	319,397,009.320
Total Pacific Region	**0.00**		**50,692,305.509**	**242,515,511.220**		**319,397,009.320**
United Kingdom						
Unit Trust Equity CANDOVER INVSTMNTS PLC GBP0.25 SEDOL : 0171315	0.00	GBP	60,000.000	321,939.430	0.00000000	0.000
Unit Trust Equity LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY SEDOL : 0521664	0.00	GBP	1,368,174.000	1,282,865.490	2.93946200	4,021,695.480
Unit Trust Equity MPF EUROPE EX UK SUB-FUND SEDOL : 4A8NH9U	0.00	GBP	15,402,552.970	97,836,405.640	7.94160000	122,320,914.670
Unit Trust Equity MPF N AMER EQTY SUB-FUND SEDOL : 1A8NH9U	0.00	GBP	2,621,178.211	24,012,835.230	13.97100000	36,620,480.790

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Equities					
Unit trust equity					
Total United Kingdom	**0.00**	**19,451,905.181**	**123,454,045.790**		**162,963,090.940**
Total Unit trust equity	**0.00**	**132,945,091.886**	**491,448,809.670**		**639,840,059.380**
Total Equities	**0.00**	**706,734,375.516**	**1,082,494,231.070**		**1,307,990,826.000**

Asset Detail - Customizable

Asset Subcategory / Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Real Estate						
Real estate						
Europe Region						
Real Estate CAPITAL DYNAMICS MID-MARKET DIRECT V CUSIP : 993RBZ993	0.00	EUR	10,995,359.510	9,432,790.410	1.21640610	11,866,554.790
Real Estate La Salle Real Estate Debt Strategies IV CUSIP : 9944J7997	0.00	EUR	3,934,717.880	3,341,551.940	0.95190860	3,323,115.800
Total Europe Region	**0.00**		**14,930,077.390**	**12,774,342.350**		**15,189,670.590**
United Kingdom						
Real Estate HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP CUSIP : 9936FD994	0.00	GBP	9,922,715.190	9,922,715.190	0.99172980	9,840,652.350
Real Estate HEARTHSTONE RESIDENTIAL FUND 2 CUSIP : 9942CJ992	0.00	GBP	10,453,506.850	10,453,506.850	0.97896640	10,233,631.970
Real Estate TEESSIDE PENSION FUND - DIRECT PROPERTY CUSIP : 9936HG995	0.00	GBP	367,705,160.010	367,705,160.010	1.16265900	427,515,713.630
Total United Kingdom	**0.00**		**388,081,382.050**	**388,081,382.050**		**447,589,997.950**
Total Real estate	**0.00**		**403,011,459.440**	**400,855,724.400**		**462,779,668.540**
Funds - real estate						
United Kingdom						
Funds - Real Estate DARWIN LEISURE PRO UNITS CLS 'C' SEDOL : B29MQ57	238,600.38	GBP	6,493,057.480	10,371,264.570	3.70210000	24,037,948.100
Funds - Real Estate DARWIN LEISURE PROPERTY FUND UNITS K GBP INC SEDOL : 4A9TBEU	0.00	GBP	34,527,436.047	35,000,000.000	1.03000000	35,563,259.130
Funds - Real Estate HERMES PROPERTY UT SEDOL : 0426219	0.00	GBP	2,589,184.000	15,720,126.330	6.44300000	16,682,112.510
Funds - Real Estate LEGAL AND GENERAL MANAGED PROPERTY FUND SEDOL : 004079W	0.00	GBP	108,263.760	385,000.000	59.40930000	6,431,874.200
Funds - Real Estate THREADNEEDLE PROP THREADNEEDLE PROP UNITTRST SEDOL : 0508667	42,658.70	GBP	12,750.000	1,527,939.200	270.44000000	3,448,110.000
Total United Kingdom	**281,259.08**		**43,730,691.287**	**63,004,330.100**		**86,163,303.940**
Total Funds - real estate	**281,259.08**		**43,730,691.287**	**63,004,330.100**		**86,163,303.940**
Total Real Estate	**281,259.08**		**446,742,150.727**	**463,860,054.500**		**548,942,972.480**

Asset Detail - Customizable

Venture Capital and Partnerships

Partnerships

Asset Subcategory / Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Europe Region						
Partnerships ACCESS CAPITAL FUND INFRASTRUCTURE II - EUR CUSIP : 993QEX997	0.00	EUR	14,883,899.360	13,077,005.690	1.13249460	14,955,105.810
Partnerships ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE CUSIP : 993KDB999	0.00	EUR	14,760,000.000	12,698,301.000	1.34675660	17,636,487.530
Partnerships ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2) CUSIP : 993SRL995	0.00	EUR	4,560,000.000	3,897,436.650	1.05364190	4,262,795.520
Partnerships ACCESS CAPITAL, CO-INVESTMENT FUND BUY-OUT EUROPE II CUSIP : 993SRM993	0.00	EUR	8,450,000.000	7,263,954.860	0.91540180	6,862,859.320
Partnerships Darwin Bereavement Services Fund, Incomeunits CUSIP : 993XBG992	0.00	GBP	10,000,000.000	10,000,000.000	1.04140000	10,414,000.000
Total Europe Region	**0.00**		**52,653,899.360**	**46,936,698.200**		**54,131,248.180**
Global Region						
Partnerships CAPITAL DYNAMICS GLOBAL SECONDARIES V - GBP CUSIP : 993LJT992	0.00	GBP	10,988,394.730	10,988,394.730	1.95406950	21,472,087.000
Partnerships CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD CUSIP : 993BRL992	0.00	USD	25,532,130.030	19,279,597.100	1.30815670	27,766,251.710
Partnerships INSIGHT IIFIG SECURED FINANCE FUND II (GBP) CUSIP : 9946P0990	0.00	GBP	50,000,000.000	50,000,000.000	0.97062540	48,531,270.000
Partnerships LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS2018/19 - GBP CUSIP : 993LRK992	0.00	GBP	6,000,000.000	6,000,000.000	1.36684670	8,201,080.200
Partnerships PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV CUSIP : 993FYQ994	0.00	USD	26,020,000.000	20,419,474.980	1.44663130	31,292,163.360
Partnerships UNIGESTION DIRECT II - EUR CUSIP : 993MTE992	0.00	EUR	16,354,364.700	14,144,667.030	1.42307790	20,648,997.790
Total Global Region	**0.00**		**134,894,889.460**	**120,832,133.840**		**157,911,850.060**
United Kingdom						
Partnerships ANCALA INFRASTRUCTURE FUND II SCSP CUSIP : 993FSE998	0.00	EUR	18,078,218.220	15,944,151.690	1.09383690	17,544,654.490
Partnerships BORDER TO COAST CLIMATE OPPORTUNITIES SERIES 2A CUSIP : 994MVX996	0.00	GBP	1,386,358.190	1,386,358.190	0.98177130	1,361,086.680
Partnerships BORDER TO COAST EMERGING MARKET HYBRID FUND - GBP CUSIP : 9942CC997	0.00	GBP	233,625,118.960	233,625,118.960	0.97398480	227,547,314.770
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1 CUSIP : 993FT4999	0.00	USD	74,413,220.640	58,866,907.280	0.92524960	57,237,340.520
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1B CUSIP : 993KGJ999	0.00	USD	23,752,295.840	18,358,433.810	0.87069500	17,192,620.760
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1C CUSIP : 9942A6992	0.00	GBP	32,228,180.130	32,228,180.130	1.04542890	33,692,270.900

◆ Asset Detail - Customizable

Venture Capital and Partnerships

Partnerships

United Kingdom

Asset Subcategory	Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Partnerships	BORDER TO COAST INFRASTRUCTURE SERIES 2 A (GBP) CUSIP : 994NWK991	0.00	GBP	15,087,325.070	15,087,325.070	1.00000010	15,087,326.580
Partnerships	BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A CUSIP : 993BRK994	0.00	GBP	1,380,016,235.210	1,380,016,235.210	1.11049610	1,532,502,647.140
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1 CUSIP : 993FYP996	0.00	USD	74,182,226.770	57,231,587.090	1.13994190	70,299,627.150
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1B CUSIP : 993U46998	0.00	USD	26,383,067.230	20,516,882.260	1.08822970	23,868,014.760
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 1C CUSIP : 993XGK998	0.00	GBP	14,716,738.780	14,716,738.780	1.05207690	15,483,140.910
Partnerships	BORDER TO COAST PRIVATE EQUITY SERIES 2A- GBP CUSIP : 994JQY997	0.00	GBP	1,594,946.860	1,594,946.860	0.95667620	1,525,847.700
Partnerships	CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP CUSIP :	0.00	GBP	6,383,710.380	6,383,710.380	1.05013580	6,703,762.810
Partnerships	CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp CUSIP : 993FP0991	0.00	GBP	14,029,347.000	14,029,347.000	1.00480490	14,096,756.610
Partnerships	FORESIGHT REGIONAL INVESTMENT LP CUSIP : 994JXS992	0.00	GBP	703,562.530	703,562.530	0.94962040	668,117.330
Partnerships	GB Bank Limited CUSIP : 993QJB990	0.00	GBP	40,080,000.000	40,080,000.000	1.00000000	40,080,000.000
Partnerships	GRESHAM HOUSE BSI HOUSING FUND LP CUSIP : 993FP6998	0.00	GBP	13,944,082.570	13,944,082.570	1.08272300	15,097,578.910
Partnerships	GRESHAM HOUSE BSI INFRASTRUCTURE LP CUSIP : 993FP5990	0.00	GBP	18,848,878.640	18,848,878.640	1.19568580	22,537,336.540
Partnerships	GRESHAM HOUSE, BRITISH SUSTAINABLE INFRASTRUCTURE FUND II CUSIP : 994FXD993	0.00	GBP	12,383,298.400	12,383,298.400	0.96703860	11,975,127.550
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 GPE INNOVATION FUND CUSIP : 993NEB992	0.00	GBP	11,063,039.210	11,063,039.210	1.38768640	15,352,029.050
Partnerships	INNISFREE PFI CONTINUATION FUND CUSIP : 9936FE992	0.00	GBP	8,672,972.000	8,672,972.000	1.12050320	9,718,092.880
Partnerships	INNISFREE PFI SECONDARY FUND 2 CUSIP : 9936FF999	0.00	GBP	7,728,331.000	7,728,331.000	1.15850550	8,953,313.970
Partnerships	LEONARDO WAREHOUSE UNIT CUSIP : 9948YW996	0.00	GBP	15,839,832.490	15,839,832.490	0.82261870	13,030,142.410
Partnerships	St Arthur Homes CUSIP : 994NJF997	0.00	GBP	4,534,442.000	4,534,442.000	1.00000000	4,534,442.000
Partnerships	TPF CO-INVESTMENT BSI LP - WASTE KNOT GBP CUSIP : 994FFL995	0.00	GBP	10,000,000.000	10,000,000.000	1.06580160	10,658,016.000
Total United Kingdom		**0.00**		**2,079,675,428.120**	**2,033,784,361.550**		**2,206,746,608.420**

**Generated by Northern Trust from periodic data on 25 Jan 23*

Asset Detail - Customizable

Asset Subcategory	Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships							
Partnerships							
United States							
Partnerships	BLACKROCK GLOBAL ENERGY AND POWER INFRASTRUCTURE FUND III CUSIP :	0.00	USD	17,297,606.000	13,585,224.860	0.97166960	13,972,530.140
Partnerships	BLACKROCK GLOBAL RENEWABLE POWER FUND III CUSIP : 993QHY992	0.00	USD	7,735,669.850	5,964,506.950	0.86515720	5,563,696.000
Partnerships	BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL CUSIP : 993FYK997	0.00	USD	20,910,827.000	15,821,278.950	1.19278670	20,735,018.920
Partnerships	BRIDGES EVERGREEN TPF HOUSING CO-INVEST LP CUSIP : 993XEU998	0.00	GBP	765,180.380	765,180.380	0.92972980	711,411.000
Partnerships	CROWN CO-INVEST OPPORTUNITIES III CUSIP : 993XBM999	0.00	USD	8,850,000.000	6,785,784.360	1.01328330	7,454,947.600
Partnerships	CROWN GLOBAL OPPORTUNITIES VII CUSIP : 993FYN991	0.00	USD	18,600,000.000	14,717,490.830	1.19530080	18,482,494.830
Partnerships	Crown Growth Opportunities Global III fund CUSIP : 993FYM993	0.00	USD	24,889,891.870	18,542,175.290	1.79488310	37,138,949.680
Partnerships	FORESIGHT ENERGY INFRASTRUCTURE PARTNERS CUSIP : 993FS9999	0.00	USD	7,510,582.240	6,178,908.650	0.93167490	5,817,125.600
Partnerships	LGT CAPITAL CROWN SECONDARIES SPECIAL OPPORTUNITIES II CUSIP : 993QEY995	0.00	USD	16,812,500.000	13,038,772.990	1.25043350	17,476,857.160
Partnerships	PANTHEON SENIOR DEBT SECONDARIES II CUSIP : 993UAP999	0.00	USD	11,721,487.000	9,669,647.170	1.00417530	9,785,041.770
Partnerships	UNIGESTION SA CUSIP : 993FYL995	0.00	USD	22,104,726.730	16,403,476.550	1.32323270	24,315,982.040
Total United States		**0.00**		**157,198,471.070**	**121,472,446.980**		**161,454,054.740**
Total Partnerships		**0.00**		**2,424,422,688.010**	**2,323,025,640.570**		**2,580,243,761.400**
Total Venture Capital and Partnerships		**0.00**		**2,424,422,688.010**	**2,323,025,640.570**		**2,580,243,761.400**

**Generated by Northern Trust from periodic data on 25 Jan 23*

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Hedge Fund					
Hedge equity					
Global Region					
Hedge Equity IIF UK I LP CUSIP : 993FP3995	0.00 USD	100,000,000.000	83,000,181.820	0.93273770	77,540,745.070
Total Global Region	**0.00**	**100,000,000.000**	**83,000,181.820**		**77,540,745.070**
Total Hedge equity	**0.00**	**100,000,000.000**	**83,000,181.820**		**77,540,745.070**
Total Hedge Fund	**0.00**	**100,000,000.000**	**83,000,181.820**		**77,540,745.070**

**Generated by Northern Trust from periodic data on 25 Jan 23*

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
All Other					
Recoverable taxes					
Recoverable taxes GBP - British pound sterling	97,715.75	0.000	0.000	0.00000000	0.000
Recoverable taxes DKK - Danish krone	302,815.17	0.000	0.000	0.00000000	0.000
Recoverable taxes EUR - Euro	1,142,453.78	0.000	0.000	0.00000000	0.000
Recoverable taxes CHF - Swiss franc	2,424,259.27	0.000	0.000	0.00000000	0.000
Total	**3,967,243.97**	**0.000**	**0.000**		**0.000**
Total Recoverable taxes	**3,967,243.97**	**0.000**	**0.000**		**0.000**
Total All Other	**3,967,243.97**	**0.000**	**0.000**		**0.000**

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Cash and Cash Equivalents					
Cash					
Cash AUD - Australian dollar	0.00	501.350	501.350	1.00000000	501.350
Cash GBP - British pound sterling	0.00	447.250	447.250	1.00000000	447.250
Cash THB - Thai baht	0.00	5,184.530	5,184.530	1.00000000	5,184.530
Total	**0.00**	**6,133.130**	**6,133.130**		**6,133.130**
Total Cash	**0.00**	**6,133.130**	**6,133.130**		**6,133.130**
Invested cash					
Invested cash USD - United States dollar	15.00	16,153.850	16,153.850	1.00000000	16,153.850
Total	**15.00**	**16,153.850**	**16,153.850**		**16,153.850**
Total Invested cash	**15.00**	**16,153.850**	**16,153.850**		**16,153.850**
Cash (externally held)					
Cash (externally held) GBP - British pound sterling	0.00	414,725,296.950	414,725,296.950	1.00000000	414,725,296.950
Cash (externally held) EUR - Euro	0.00	0.350	0.350	1.00000000	0.350
Total	**0.00**	**414,725,297.300**	**414,725,297.300**		**414,725,297.300**
Total Cash (externally held)	**0.00**	**414,725,297.300**	**414,725,297.300**		**414,725,297.300**
Funds - short term investment					
Funds - Short Term Investment GBP - British pound sterling	1,912.60	784,000.000	784,000.000	1.00000000	784,000.000
Total	**1,912.60**	**784,000.000**	**784,000.000**		**784,000.000**
Total Funds - short term investment	**1,912.60**	**784,000.000**	**784,000.000**		**784,000.000**
Total Cash and Cash Equivalents	**1,927.60**	**415,531,584.280**	**415,531,584.280**		**415,531,584.280**

◆ Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Report Total:					
	4,250,430.65	**4,093,430,798.533**	**4,367,911,692.240**		**4,930,249,889.230**

ASSET	BOOK COST	PRICE	MARKET VALUE	FUND %
GROWTH ASSETS				
UK EQUITIES				
BORDER TO COAST PE UK LISTED EQUITY A GBP ACC	594,395,481.15	1.20	626,597,497.75	12.65%
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 INVESTMENTS PLC GBP0.25	321,939.43	0.00	0.00	0.00%
NEW WORLD RESOURCE ORD EUR0.0004 A	1,294,544.76	0.00	375.00	0.00%
TOTAL UK EQUITIES			**626,677,691.55**	**12.65%**
OVERSEAS EQUITIES				
YOUNG AUSTRALIAN MINES LTD	287,505.65	0.07	8,767.62	0.00%
FINEXIA FINL GROUP NPV	0.00	0.33	15.81	0.00%
SSGA MPF PAC BASIN EX-JAPAN INDEX	242,515,511.22	6.30	319,397,009.32	6.45%
SSGA MPF JAPAN EQUITY INDEX	89,842,364.06	2.15	104,259,548.71	2.10%
MPF EUROPE EX UK SUB-FUND	97,836,405.64	7.94	122,320,914.67	2.47%
MPF N AMER EQTY SUB-FUND	24,012,835.23	13.97	36,620,480.79	0.74%
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	1,420,228,230.11	1.11	1,574,094,816.16	31.78%
BORDER TO COAST EMERGING MARKET HYBRID FUND	233,625,118.96	0.97	201,923,478.41	4.08%
TOTAL OVERSEAS EQUITIES			**2,358,625,031.49**	**47.62%**
TOTAL EQUITIES			**2,985,302,723.04**	**60.27%**
PRIVATE EQUITY				
CAPITAL DYNAMICS LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS 18/19	6,000,000.00	1.37	8,201,080.20	0.17%
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	19,279,597.10	1.31	28,726,557.85	0.58%
CROWN CO INVESTMENT OPPORTUNITIES III	6,785,784.36	1.01	7,629,851.95	0.15%
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	13,038,772.99	1.25	18,041,784.07	0.36%
UNIGESTION SA	16,403,476.55	1.32	27,015,278.29	0.55%
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	20,419,474.98	1.45	32,689,298.91	0.66%
CROWN GLOBAL OPPORTUNITIES VII	14,717,490.83	1.20	18,696,290.09	0.38%
CROWN GROWTH OPPORTUNITIES GLOBAL III	18,542,175.29	1.79	37,869,882.19	0.76%
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	15,821,278.95	1.19	20,735,018.92	0.42%
BORDER TO COAST PRIVATE EQUITY SERIES 1A	57,231,587.09	1.14	92,626,392.00	1.87%

BORDER TO COAST PRIVATE EQUITY SERIES 1B	20,516,882.26	1.09	25,786,547.00	0.52%
BORDER TO COAST PRIVATE EQUITY SERIES 1C	14,716,738.78	1.05	15,483,140.91	0.31%
BORDER TO COAST PRIVATE EQUITY SERIES 2A	1,594,946.86	0.96	1,525,847.70	0.03%
UNIGESTION DIRECT II	14,144,667.03	1.42	20,648,997.79	0.42%
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE	12,698,301.00	1.35	17,623,947.26	0.36%
ACCESS CAPITAL CO INVESTMENT FUND BUY OUT EUROPE II	7,263,954.86	0.92	6,636,329.56	0.13%
HERMES GPE INNOVATION FUND	12,637,241.59	1.39	16,806,484.00	0.34%
CAPITAL DYNAMICS GLOBAL SECONDARIES V	10,988,394.73	1.95	17,748,827.11	0.36%
CAPITAL MID-MARKET DIRECT V	9,432,790.41	1.22	11,858,117.19	0.24%
FORESIGHT REGIONAL INVESTMENTS LP	721,242.64	0.95	662,447.00	0.01%
PRIVATE EQUITY			**427,012,119.98**	**8.62%**
GB BANK LIMITED	40,080,000.00	1.00	40,080,000.00	0.81%
PRIVATE EQUITY - LOCAL INVESTMENT			**40,080,000.00**	**0.81%**
TOTAL PRIVATE EQUITY			**467,092,119.98**	**9.43%**

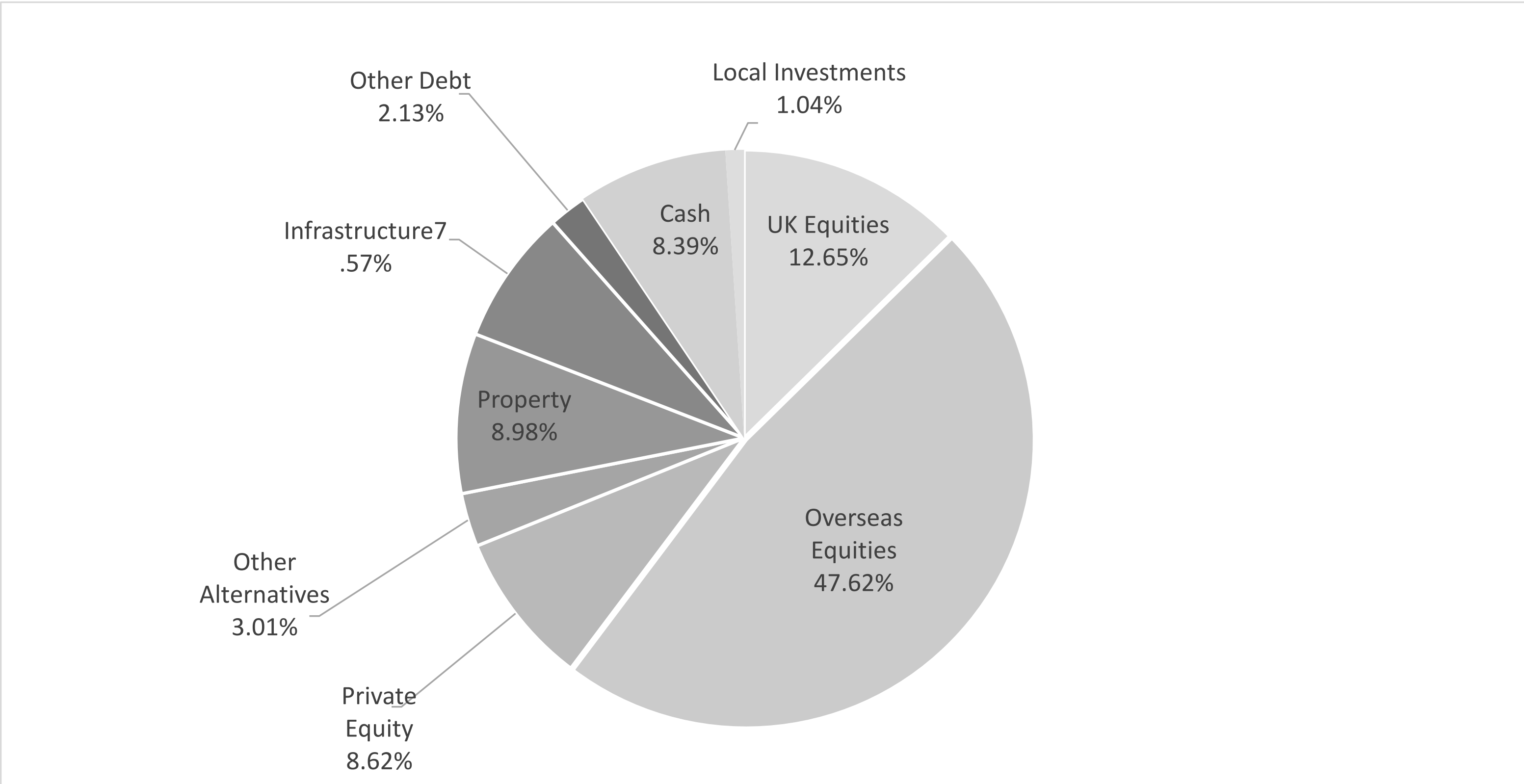
OTHER ALTERNATIVES				
AMEDEO AIR FOUR PLUS LTD	4,682,127.85	0.38	2,013,332.83	0.04%
BORDER TO COAST CLIMATE OPPORTUNITIES SERIES 2A	1,386,358.19	0.98	1,361,086.68	0.03%
DARWIN LEISURE PRO UNITS CLS 'C'	10,371,264.57	3.70	23,860,038.32	0.48%
DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION	15,000,000.00	1.25	17,903,503.73	0.36%
DARWIN BEREAVEMENT SERVICES FUND, INCOME UNITS	10,000,000.00	1.04	10,414,000.00	0.21%
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	15,000,000.00	1.31	19,704,000.00	0.40%
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	35,000,000.00	1.03	35,563,259.13	0.72%
HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP	10,000,000.01	0.99	9,840,651.59	0.20%
HEARTHSTONE RESIDENTIAL FUND 2	10,453,506.85	0.98	10,233,631.97	0.21%
GRESHAM HOUSE BSI HOUSING LP	13,944,082.57	1.08	15,097,578.91	0.30%
LA SALLE REAL ESTATE DEBT STRATEGIES IV	3,341,551.94	0.95	3,054,097.62	0.06%
OTHER ALTERNATIVES			**149,045,180.78**	**3.01%**
BRIDGES EVERGREEN TPF HOUSING CO-INVESTMENT LP	765,180.38	0.93	711,411.00	0.01%
OTHER ALTERNATIVES - LOCAL INVESTMENT			**711,411.00**	**0.01%**
TOTAL OTHER ALTERNATIVES			**149,756,591.78**	**3.02%**

PROPERTY				
DIRECT PROPERTY				
TEESSIDE PENSION FUND - DIRECT PROPERTY	367,705,160.01	1.16	378,860,000.00	7.65%
TOTAL DIRECT PROPERTY			**378,860,000.00**	**7.65%**
PROPERTY UNIT TRUSTS				
ABERDEEN STANDARD LIFE EUROPEAN PROPERTY GROWTH FUND	20,636,888.60	122,490.60	35,291,795.93	0.71%
LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY	1,282,865.49	2.94	4,021,695.48	0.08%
HERMES PROPERTY PUT	15,720,126.33	6.44	16,681,623.75	0.34%
THREADNEEDLE PROP PROPERTY GBP DIS	1,527,939.20	270.44	3,448,110.00	0.07%
LEGAL AND GENERAL MANAGED PROPERTY FUND	385,000.00	59.41	6,431,874.20	0.13%
TOTAL PROPERTY UNIT TRUSTS			**65,875,099.36**	**1.33%**
TOTAL PROPERTY			**444,735,099.36**	**8.98%**
PROTECTION ASSETS				
INFRASTRUCTURE				
ACIF INFRASTRUCTURE FUND LP	24,206,859.75	0.82	19,872,114.83	0.40%
ACCESS CAPITAL FUND INFRASTRUCTURE II	13,077,005.69	1.13	14,325,625.91	0.29%
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2)	3,897,436.65	1.05	3,927,289.77	0.08%
INNISFREE PFI CONTINUATION FUND	8,672,972.00	1.12	9,718,092.88	0.20%
INNISFREE PFI SECONDARY FUND 2	7,728,331.00	1.16	8,953,313.97	0.18%
BORDER TO COAST INFRASTRUCTURE SERIES 1A	58,866,907.28	0.93	66,770,165.00	1.35%
BORDER TO COAST INFRASTRUCTURE SERIES 1B	18,358,433.81	0.87	19,562,848.00	0.39%
BORDER TO COAST INFRASTRUCTURE SERIES 1C	32,228,180.13	1.05	37,260,938.00	0.75%
BORDER TO COAST INFRASTRUCTURE SERIES 2A	7,713,831.09	1.00	15,087,326.58	0.30%
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	13,585,224.86	0.97	14,571,288.27	0.29%
BLACKROCK GLOBAL RENEWABLE POWER FUND III	5,964,506.95	0.87	5,556,491.32	0.11%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP	7,050,377.05	1.05	7,134,204.00	0.14%
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp	14,100,754.07	1.00	13,538,708.00	0.27%
IIF UK I LP	83,000,181.82	0.93	77,540,745.07	1.57%
ANCALA INFRASTRUCTURE FUND II SCSP	15,944,151.69	1.09	17,905,401.23	0.36%

FORESIGHT ENERGY INFRASTRUCTURE PARTNERS	6,178,908.65	0.93	6,203,913.54	0.13%
GRESHAM HOUSE BSI INFRASTRUCTURE LP	18,848,878.64	1.20	24,977,483.00	0.50%
GRESHAM HOUSE BRITISH SUSTAINABLE INFRASTRUCTURE FUND II	12,383,298.40	0.97	11,975,127.55	0.24%
INFRASTRUCTURE			**374,881,076.91**	**7.57%**
CO-INVESTMENT BSI LP - WASTE KNOT	10,000,000.00	1.07	10,658,016.00	0.22%
INFRASTRUCTURE - LOCAL INVESTMENT			**10,658,016.00**	**0.22%**
TOTAL INFRASTRUCTURE			**385,539,092.91**	**7.78%**
OTHER DEBT				
INSIGHT IIFIG SECURED FINANCE II FUND	50,000,000.00	0.97	48,531,272.09	0.98%
GRAFTONGATE INVESTMENTS LTD (LEONARDO)	23,797,167.60	0.82	23,797,167.60	0.48%
GREYHOUND RETAIL PARK CHESTER	20,000,000.00	1.00	20,000,000.00	0.40%
ST ARTHUR HOMES	4,534,442.00	1.00	4,534,442.00	0.09%
PANTHEON SENIOR DEBT SECONDARIES II	9,669,647.17	1.00	8,478,231.20	0.17%
TOTAL OTHER DEBT			**105,341,112.89**	**2.13%**
CASH				
	6,133.13	1.00	6,133.13	0.00%
	16,153.85	1.00	16,153.85	0.00%
	784,000.00	1.00	784,000.00	0.02%
CUSTODIAN CASH			**806,286.98**	**0.02%**
INVESTED CASH	414,725,296.95	1.00	**414,725,296.95**	**8.37%**
TOTAL CASH			**415,531,583.93**	**8.39%**
TOTAL FUND VALUE - 31st December 2022			**4,953,298,323.90**	**100%**

Market Value timing differences included in valuation above	Market Value
Overseas Equities	
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	41,592,169.02
	41,592,169.02
Private Equity	
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	960,306.14
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	1,397,135.55
BORDER TO COAST PRIVATE EQUITY SERIES 1A	22,326,764.85
BORDER TO COAST PRIVATE EQUITY SERIES 1B	1,918,532.24
HERMES GPE INNOVATION FUND	1,454,454.95
UNIGESTION SA	2,699,296.25
	30,756,489.98
Infrastructure	
BORDER TO COAST INFRASTRUCTURE SERIES 1A	9,532,824.48
BORDER TO COAST INFRASTRUCTURE SERIES 1B	2,370,227.24
BORDER TO COAST INFRASTRUCTURE SERIES 1C	3,568,667.10
GRESHAM HOUSE BSI INFRASTRUCTURE LP	2,440,146.46
	17,911,865.28
Other Debt	
GRAFTONGATE INVESTMENTS LTD (LEONARDO)	10,767,025.19
	10,767,025.19
Total	**101,027,549.47**

Asset Allocation Summary		Actual	Benchmark
UK Equities	626,677,691.55	12.65%	10%
Overseas Equities	2,358,625,031.49	47.62%	45%
Private Equity	427,012,119.98	8.62%	5%
Other Alternatives	149,045,180.78	3.01%	5%
Property	444,735,099.36	8.98%	10%
Infrastructure	374,881,076.91	7.57%	10%
Other Debt	105,341,112.89	2.13%	5%
Cash & Bonds	415,531,583.93	8.39%	10%
Local Investments - Private Equity, Other Alternatives & Infrastructure	51,449,427.00	1.04%	0%
	4,953,298,323.90	100.00%	100%



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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 6

PENSION FUND COMMITTEE REPORT

15 MARCH 2023

DIRECTOR OF FINANCE – HELEN SEECHURN

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 2022 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 expected to be delivered over rolling 3 year periods, before calculation of the management fee.

The Fund also has investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. To date, total commitments of £650 million have been made to these sub-funds (£350m to infrastructure and £300m to private equity) with around 28% of this commitment invested so far. In addition, a commitment to invest £80 million over a three year period to the Border to Coast Climate Opportunities Fund has been made. These investments are not reflected within the Border to Coast report (at Appendix A) but are referenced in the Border to Coast presentation later in the agenda.

4.2 The Border to Coast report shows the market value of the portfolio as at 31 December 2022 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 has achieved returns of 2.06% above benchmark over the last year, exceeding its 1% overachievement target, whereas the Overseas Developed Markets Equity Fund has achieved returns of 2.02% above benchmark over the last year, also comfortably above its 1% overachievement target. Since inception, both Funds have delivered performance roughly in line with their targets. The performance of the Emerging Markets Equity Fund has been below benchmark throughout most of the period of our Fund's investment – performance over the quarter and year to 31 December 2022 was also below target and below benchmark.

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 2022. 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 are around four years as this represents a relatively 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. STATE STREET'S BENCHMARKS – EXCLUSION OF CERTAIN COMPANIES

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

5.2 The Ten Principles of the United Nations Global Compact (derived from the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption) are as follows (shown against four sub-categories):

<u>Human Rights</u>

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

<u>Labour</u>

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

<u>Environment</u>

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

<u>Anti-Corruption</u>

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

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

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

6. BORDER TO COAST – QUARTERLY CARBON AND ESG REPORTING

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

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

6.3 A colleague from Border to Coast will be available at the meeting to answer any questions Members may have on the information shown in the Quarterly ESG Reports.

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

TEL NO.: 01642 729040

Teesside Pension Fund

Quarterly Investment Report - Q4 2022

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Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,261,287,875
Inflows	£0
Outflows	£0
Net Inflows / Outflows	£0
Realised / Unrealised gain or loss	£141,327,918
Value at end of the quarter	£2,402,615,792

Over Q4 2022, Teesside's holdings performed as follows:

- The UK Listed Equity Fund outperformed its benchmark by 0.09%
- The Overseas Developed Markets Equity Fund outperformed its benchmark by 0.66%
- The Emerging Markets Equity Fund underperformed its benchmark by 1.26%

Teesside made no subscriptions or redemptions during Q4 2022.

Note
1) Source: Northern Trust & Border to Coast
2) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
3) Inflows and outflows may include income paid out and/or reinvested.
4) Values do not always sum due to rounding.

Portfolio Analysis - Teesside Pension Fund
at 31 December 2022

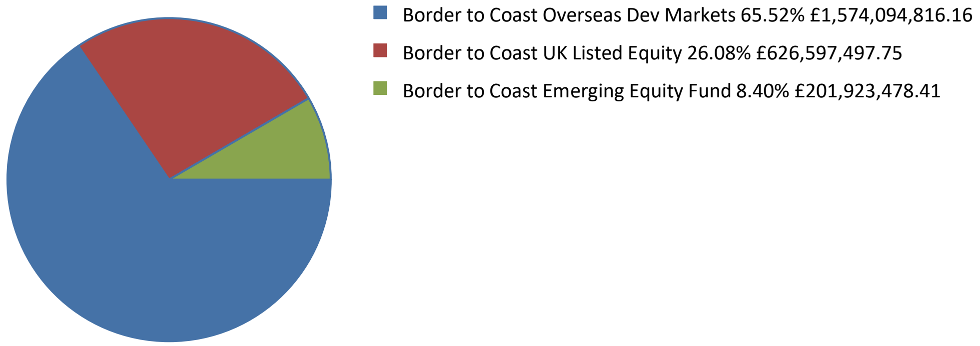
Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	626,597,497.75	26.08
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	1,574,094,816.16	65.52
Border to Coast Emerging Equity Fund	EM Equity Fund Benchmark²	201,923,478.41	8.40

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
Border to Coast Listed Alternatives

Teesside Pension Fund - Fund Breakdown



Note
1) Source: Northern Trust

Portfolio Contribution - Teesside Pension Fund
at 31 December 2022

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	26.08	8.99	8.90	0.09	2.28
Border to Coast Overseas Dev Markets	65.52	6.12	5.46	0.66	4.04
Border to Coast Emerging Equity Fund	8.40	(0.57)	0.69	(1.26)	(0.07)
Total	**100.00**	**6.25**			

The UK Listed Equity Fund returned 8.99% over the quarter, which was 0.09% ahead of the FTSE All Share Index.
The Overseas Developed Markets Equity Fund returned 6.12% over the quarter, which was 0.66% ahead of the composite benchmark.
The Emerging Markets Equity Fund returned –0.57% over the quarter, which was –1.26% behind the FTSE Emerging Markets.

Overall, Teesside's investments with Border to Coast returned 6.25% during Q4 2022.

Note
1) Source: Northern Trust & Border to Coast
2) Performance shown is investor-specific, calculated using a time-weighted methodology which accounts for the impact of investor flows, whereby investments held for a longer period of time will have more of an impact than those held for a shorter time.
3) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
4) Performance shown is net of charges incurred within the ACS, such as depository, audit and external manager fees. Performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan.

Valuation Summary
at 31 December 2022

Fund	Market value at start of the quarter GBP (mid)	Total weight (%)	Purchases (GBP)	Sales (GBP)	Realised / unrealised gain or loss	Market value at end of the quarter GBP (mid)	Total weight (%)
Border to Coast UK Listed Equity	574,905,301.23	25.42			51,692,196.52	626,597,497.75	26.08
Border to Coast Overseas Dev Markets	1,483,308,802.62	65.60			90,786,013.54	1,574,094,816.16	65.52
Border to Coast Emerging Markets Equity	203,073,770.92	8.98			(1,150,292.51)	201,923,478.41	8.40
Total	**2,261,287,874.77**	**100.00**			**141,327,917.55**	**2,402,615,792.32**	**100.00**

Note
1) Source: Northern Trust
2) Purchases and sales may include income paid out and/or reinvested.
3) Past performance is not an indication of future performance and the value of investments can fall as well as rise.
4) Values do not always sum due to rounding.

Summary of Performance - Funds (Net of Fees) Teesside Pension Fund
at 31 December 2022

	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
Fund	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative
Border to Coast UK Listed Equity	3.86	2.86	1.00	9.00	8.90	0.10	2.40	0.34	2.06	3.10	2.30	0.80	--	--	--
Border to Coast Overseas Dev Markets	8.23	6.86	1.36	6.12	5.46	0.66	(4.40)	(6.42)	2.02	8.77	7.18	1.60	--	--	--
Border to Coast Emerging Markets Equity	2.74	4.80	(2.06)	(0.56)	0.69	(1.26)	(10.17)	(6.84)	(3.33)	(0.96)	1.46	(2.42)	--	--	--

Note
1) Source: Northern Trust
2) Performance shown is for the pooled fund, which may differ to the investor-specific performance.
3) Performance inception dates are shown in the appendix.
4) Performance for periods greater than one year are annualised.
5) Performance shown is net of charges incurred within the ACS, such as depository, audit and external manager fees. Performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan.
6) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Summary of Performance - Funds (Gross of Fees) Teesside Pension Fund at 31 December 2022

	Inception to Date			Quarter to Date			1 Year			3 Years			5 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Border to Coast UK Listed Equity	3.87	2.86	1.01	8.99	8.90	0.09	2.40	0.34	2.06	3.11	2.30	0.80	--	--	--
Border to Coast Overseas Dev Markets	8.24	6.86	1.38	6.12	5.46	0.66	(4.39)	(6.42)	2.03	8.78	7.18	1.61	--	--	--
Border to Coast Emerging Markets Equity	2.88	4.80	(1.92)	(0.51)	0.69	(1.20)	(9.94)	(6.84)	(3.10)	(0.78)	1.46	(2.23)	--	--	--

Note
1) Source: Northern Trust
2) Performance shown is for the pooled fund, which may differ to the investor-specific performance.
3) Performance inception dates are shown in the appendix.
4) Performance for periods greater than one year are annualised.
5) Performance shown is gross of charges incurred within the ACS, such as depository, audit and external manager fees. Performance is gross of any fees paid to Border to Coast which are set out separately within the papers supporting the Shareholder Approval of the Border to Coast Strategic Business Plan.
6) 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 2022

UK Listed Equity Fund

The fund generated a total return of +9.0% during the quarter, compared to the benchmark return of +8.9%, resulting in 0.1% of outperformance.

The UK outperformed the broader global market indices during the quarter. This was due to a higher weighting in Energy and Materials stocks which performed strongly, and a lower weighting in Consumer Discretionary stocks which performed poorly, on a global basis. Inflation is higher and the Bank of England is under pressure to raise rates more aggressively to bring it under control. This will weigh on the growth outlook, although to this point the Bank has proceeded more slowly than some might have hoped.

The Fund benefited from the following factors:

- Underweight Real Estate combined with stock selection where the sharp rise in yields has impacted property valuations, whilst also increasing the cost of debt, with less highly rated names proving more defensive such as British Land (overweight).
- Overweight Industrials combined with stock selection where overweight positions in Melrose Industries and Coats benefitted from global economic recovery post the pandemic lockdown.
- Stock selection in Basic Materials with an overweight position in Antofagasta which benefitted from the prospect of China re-opening and rising demand for copper.

This was partly offset by the following:

- Stock selection in Consumer Discretionary where IAG & Informa (neither held) benefitted from the global economy re-opening and Games Workshop (not held) entered into a licensing deal with Amazon.
- Underweight Utilities combined with stock selection where Centrica (not held – share buy back and energy tax better than feared) outperformed and National Grid (overweight – inflation concerns in US business and rising cost of US debt/GBP weakness) underperformed.
- Overweight allocation to Consumer Staples which underperformed in a rising rate cycle.

The Portfolio Managers have continued to selectively add to mid-cap exposure, including more cyclical stocks, during the quarter. Heightened political uncertainty following a rocky start to the new Truss Government, a potential looming energy crisis, and the likelihood of higher interest rates to combat inflation, have impacted the outlook but we remain vigilant for opportunities to add to quality long term holdings at attractive valuations.

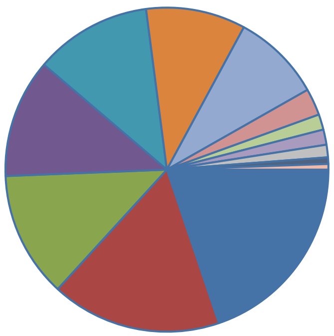
Note
1) Source: Border to Coast

Border To Coast UK Listed Equity Fund
at 31 December 2022

Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+1.54
Industrials	+1.07
Consumer Staples	+1.04
Health Care	+1.00
Energy	+0.49
Financials	-2.61
Real Estate	-1.03
Utilities	-0.82
Technology	-0.70
Consumer Discretionary	-0.45

Sector Portfolio Breakdown



Financials 19.8% (22.4%)
Consumer Staples 17.0% (16.0%)
Health Care 12.6% (11.6%)
Industrials 11.8% (10.8%)
Energy 11.7% (11.2%)
Consumer Discretionary 10.0% (10.4%)
Basic Materials 8.9% (8.9%)
Utilities 2.7% (3.5%)
Common Stock Funds 1.5% (0.0%)
Real Estate 1.5% (2.5%)
Telecommunications 1.2% (1.5%)
Cash 0.7% (0.0%)
Technology 0.6% (1.3%)

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 companies via specialist funds/collective vehicles. Whilst UK small caps have underperformed the wider market over the past year, over longer periods they typically benefit from stronger growth potential and the funds held have delivered long-term outperformance.

Industrials (o/w) – broad mix of companies typically with significant global market positions, benefitting from the post-pandemic global economic re-opening, recovery in end-markets (e.g. aerospace and automobiles), supply chain normalisation and rising infrastructure expenditure, such as in the US.

Consumer Staples (o/w) – broad mix of food and beverage, beauty, personal care and home care product producers, and food retailers which collectively offer strong cash generation and robust balance sheets. Demonstrated resilient trading throughout the pandemic, and would be expected to perform strongly, relative to the wider equity market, during a global downturn.

Utilities (u/w) – government policy risk and potential for increased regulatory intervention, such as allowable investment returns and increased capital expenditure to meet rising environmental standards (e.g. limiting raw sewage overflows for water companies) and elevated costs associated with an accelerated energy transition.

Real Estate (u/w) – broad concerns around retail/leisure sector exposure, long-term vacancy rates, downward rent re-negotiations, costs associated with mandatory energy rating improvements, negative impact of rising yields on valuations and uncertain impact of home/flexible working on the longer-term demand for office space.

Financials (u/w) – predominantly due to being underweight investment trusts and Asian-focused banks (US-China relations remain strained), increased near-term recessionary risks with potential for deteriorating bank loan books and rising credit risk in insurers bond portfolios. Partly offset by overweight positions in Wealth Managers and Insurers with Asian exposure as they are expected to benefit from the long-term increase in Asian and Emerging Market wealth.

Border To Coast UK Listed Equity Fund Attribution
at 31 December 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Antofagasta	0.64	38.60	0.23	38.55	0.09
Scottish Mortgage Investment Trust	0.00	0.00	0.45	(7.42)	0.08
Montanaro UK Smaller Companies	0.42	30.60	0.01	31.70	0.07
Melrose Industries	0.64	31.46	0.23	31.60	0.07
Harbour Energy	0.00	0.00	0.09	(32.04)	0.06

Antofagasta (o/w) – copper price stabilising and slowly moving higher through the quarter on potential China re-opening demand; Chile mining royalty taxation risk moderating.

Scottish Mortgage Investment Trust (u/w) – not held. High conviction growth investor in large-cap global technology, a sector that has experienced some slowdown in growth and been out of favour in a rising rate cycle.

Montanaro UK Smaller Companies (o/w) – UK smaller companies starting to outperform during the quarter after an extended period of underperformance, with the share discount narrowing and ending the quarter at a premium to NAV.

Melrose Industries (o/w) – positive trading update confirming sales and margin recovery in both aerospace and the soon to be de-merged automotive & powder metallurgy divisions.

Harbour Energy (u/w) – not held. The UK government's decision to increase and extend the duration of the Energy Profit Levy in the Autumn statement has impacted the outlook for North Sea oil and gas explorers.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund Attribution Continued at 31 December 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Biotech Growth Trust	0.52	(7.44)	0.02	(6.84)	(0.09)
3I Group plc	0.00	0.00	0.55	24.89	(0.07)
Centrica	0.00	0.00	0.25	38.18	(0.05)
NCC	0.32	(7.20)	0.03	(7.08)	(0.05)
TP ICAP PLC	0.31	(8.83)	0.06	(8.97)	(0.05)

TP ICAP PLC (o/w) – integration of the Liquidnet acquisition, which has seen revenues fall, has been problematic and required additional investment.

NCC (o/w) – guidance disappointed suggesting more reliance on the second half of the year and the Resilience division is taking longer than anticipated to recover post-reorganisation.

Centrica (u/w) – not held. Positive trading statement and surprise share buy-back announced. Agrees to re-open Rough, a key UK strategic gas storage facility. Energy tax in the Autumn budget not as harsh as expected, removing a significant uncertainty.

3I Group plc (u/w) – not held. Quarterly update confirmed NAV ahead of expectations driven by a stronger than expected trading performance at the discount retailer Action, the dominant holding within the 3i portfolio.

Biotech Growth Trust (o/w) – rate cycle has weighed on biotech growth stocks, in particular smaller caps which the fund is tilted towards.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund at 31 December 2022

Largest Relative Over/Underweight Stock Positions (%)

Impax Environmental Markets	+0.91
Schroder UK Smaller Companies Fund	+0.80
Shell	+0.75
Liontrust UK Smaller Companies	+0.74
AstraZeneca	+0.54
Glencore	-0.80
NatWest	-0.58
3I Group plc	-0.55
Scottish Mortgage Investment Trust	-0.45
HSBC	-0.41

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Impax Environmental Markets – leading ESG-focused fund delivering strong long-term outperformance, specialising in alternative energy, energy efficiency, water treatment, sustainable food, clean transport, smart environment and pollution control.

Schroder UK Smaller Companies Fund – UK smaller companies fund with a strong long term track record; Schroders incorporate proprietary ESG scoring systems in their investment process and undertake direct ESG engagement with portfolio holdings.

Shell – shares continue to benefit from elevated oil and gas prices, in particular Shell's global LNG scale, which has enabled significant debt reduction and supporting Shell's commitment to increase investment in energy transition and return more than 30% of cash flow from operations via increased share buy-backs and dividend distributions.

Liontrust UK Smaller Companies – fund with an investment style focussed on intellectual property, strong distribution channels and durable competitive advantage, factors considered relevant to the stronger long-term growth profile of smaller companies.

AstraZeneca – combination of recently launched drugs with higher sales growth driving elevated revenue and margin improvement, broad late-stage pipeline and limited near-term patent expiry concerns. Recent acquisition of Alexion Pharmaceuticals has added an attractive rare disease portfolio to Astra's already highly successful oncology division.

Bottom 5 Holdings Relative to Benchmark:

HSBC – caught in the midst of the geopolitical tension between US and China, combined with China's (until very recent) zero COVID policy and the ongoing closure of the Hong Kong/China border damaging economic activity in the region.

Scottish Mortgage Investment Trust – specialist investment trust with a focus on global large-cap technology stocks; the Fund has similar global technology exposure through its holding in Allianz Technology Trust.

3I Group plc – global private equity investor with a highly concentrated investment portfolio. Over half (~55%) of the current net asset value is invested in a single asset, Action, a European discount retailer.

NatWest – UK-focussed retail and commercial bank, with the UK government as a significant shareholder. The Fund has similar UK bank exposure through a holding in Lloyds Bank PLC.

Glencore – historically a higher risk commodity company with significant operations in geographies with weaker governance and coal exposure higher than peers. Regulatory investigations into allegations of bribery and market manipulation have been significant factors, albeit the recently announced co-ordinated resolution appears to remove much of the regulatory uncertainty.

Major transactions during the Quarter

Purchases:
Reckitt Benckiser Group PLC (£5.1m) – added to quality long-term core holding on weakness, as near-term concerns (normalising disinfectant sales post-COVID and US infant nutrition competitor returns post facility shutdown) appear overdone.

Sales:
Aveva Group PLC (£19.0m) – sold holding following receipt of an improved cash bid from controlling shareholder Schneider Electric.

Border To Coast Overseas Developed Markets Equity Fund - Overview at 31 December 2022

Overseas Developed Markets Fund

The Fund generated a total return of 6.12% during the quarter compared to the composite benchmark return of 5.46% resulting in outperformance of 0.66%. Europe ex-UK was the best performing region (+11.7%), while the US was the weakest (-0.3%). The Europe ex-UK, US and Japanese portfolios all outperformed their respective benchmarks during the quarter, while Pacific ex-Japan performed in-line with its benchmark. The US portfolio's strong performance (+1.1%) had the largest positive contribution to the Fund's relative performance, though the Japan fund's relative performance was stronger (+1.2%).

The Fund has navigated the volatility in markets, with differing regions showing strength and weakness at differing times. Interest rate sensitive stocks have come under pressure, certain cyclical sectors have recovered, and classic defensive sectors like consumer staples and healthcare have generally performed in line. Earnings expectations have remained relatively firm but are likely to move lower if the economy slows meaningfully.

The Fund has outperformed due to the following:

- Strong stock selection in the US and Japan in particular, and within the energy sector across all portfolios; and
- Relatively low exposure to Real Estate.

This has been partly offset by:

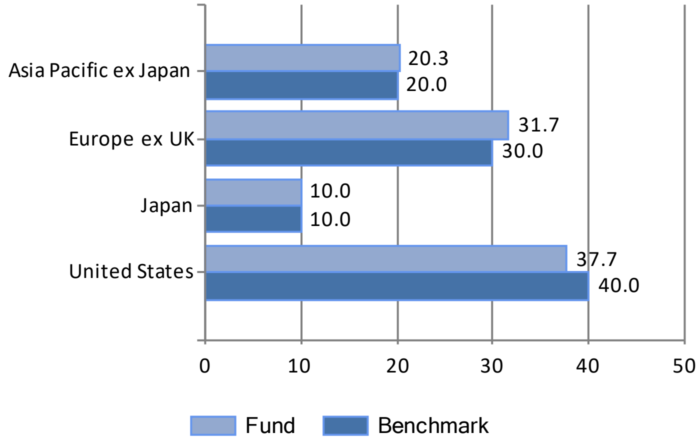
- Weaker stock selection in Financials; and
- Higher relative exposure to consumer discretionary stocks.

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 – 4%. 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 2022

Regional Breakdown



Overseas Developed Markets Fund

The Border to Coast Overseas Developed Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the Benchmark (*) by at least 1% per annum over rolling 3 years period (before calculation of the management fee).

The Fund will not generally make active regional allocation decisions and the majority of its performance will arise from stock selection.

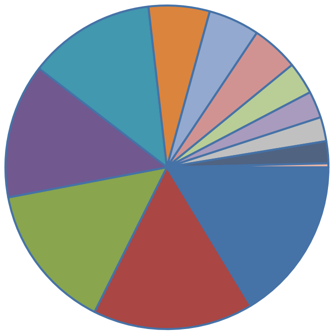
(*) The Benchmark is a composite of the following indices:
•40% S&P 500
•30% FTSE Developed Europe ex UK
•20% FTSE Developed Asia Pacific ex Japan
•10% FTSE Japan

	Inception to Date			Quarter			1 Year			3 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Overseas Developed Equity Fund	**8.23**	**6.86**	**1.36**	**6.12**	**5.46**	**0.66**	**(4.40)**	**(6.42)**	**2.02**	**8.77**	**7.18**	**1.60**
United States	11.90	10.50	1.40	0.83	(0.32)	1.14	(5.95)	(8.25)	2.31	12.46	10.65	1.81
Japan	3.98	2.28	1.71	6.00	4.81	1.19	(6.15)	(5.19)	(0.96)	3.89	2.33	1.56
Europe ex UK	6.05	4.78	1.27	11.79	11.65	0.15	(3.80)	(8.20)	4.40	6.54	5.04	1.51
Asia Pacific ex Japan	5.65	4.30	1.36	8.01	8.04	(0.03)	(2.85)	(1.61)	(1.24)	6.13	4.94	1.20

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 2022

Sector Portfolio Breakdown



Overseas Developed Markets Fund

Sector Weights:

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

Consumer Discretionary (o/w) – high relative exposure in the US and more than offset slightly below benchmark weights in Europe and Asia ex-Japan, driven by higher exposure to media and entertainment companies benefitting from positive long-term demand trends.

Energy (o/w) – small overweight position driven by overweight in Europe ex-UK, Pacific ex-Japan, and Japan offsetting small underweight in the US. Supply dislocations and disruptions likely to support higher prices in the medium term, generating strong cashflows with which to address the challenges of the energy transition and offer attractive returns for shareholders.

Utilities (u/w) – companies generally facing higher capital expenditure requirements necessary to position for the energy transition which is expected to challenge their business models and leave them facing increasing political risk.

Consumer Staples (u/w) – although favoured as a safe haven during recessions, high valuations and vulnerability to margin compression due to higher input costs and weaker end demand make the sector less attractive even with the uncertainty surrounding the economy.

Real Estate (u/w) – high leverage leaves the sector exposed in a rising interest rate environment. Improving economies would ordinarily 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 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Tesla	0.00	0.00	0.41	(56.90)	0.56
Alphabet C	0.00	0.00	0.58	(14.36)	0.13
Novo Nordisk	1.65	23.98	0.89	24.53	0.11
TotalEnergies	1.21	24.84	0.62	24.95	0.09
Siemens	0.85	29.23	0.44	29.51	0.07

Tesla (u/w) – deteriorating demand outlook met with negative headlines surrounding the CEO, prompting earnings downgrades and weakening sentiment.

Alphabet C (u/w) – continuing headwinds for digital advertising highlighted by what was a third successive quarterly earnings disappointment.

Novo Nordisk (o/w) – better than expected earnings and increase in full year guidance, FDA approval of use of existing type 2 diabetes treatment, Victoza, in children, and resolving production issues with key growth product, Wegovy.

TotalEnergies (o/w) – benefitted from higher oil and gas prices and an increase in gas sales at elevated spot prices as the region replaced Russian supply and increased gas storage in advance of winter.

Siemens (o/w) – significant increase in income due to increased demand for both hardware and software products which facilitated an increase in the dividend.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund Attribution Continued at 31 December 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet A	1.49	(14.41)	0.66	(14.40)	(0.20)
Amazon	1.14	(31.06)	0.93	(31.02)	(0.14)
Vanguard US Mid Cap ETF	2.61	1.16	0.00	0.00	(0.11)
Exxon Mobil	0.00	0.00	0.57	17.90	(0.06)
Teleperformance	0.23	(14.56)	0.06	(13.70)	(0.05)

Alphabet A (o/w) – continuing headwinds for digital advertising were highlighted by what was a third successive quarterly earnings disappointment.

Amazon (o/w) – growth deceleration in web services, margin pressure in retail, broad weakness in large-cap technology.

Vanguard US Mid Cap ETF (o/w) – whilst performing broadly in line with the US benchmark, the mid-cap ETF trailed the fund level return.

Exxon Mobil (u/w) – large energy sector constituent, the best performing group over the quarter.

Teleperformance (o/w) – outsourcer impacted by adverse media relating to the working environment at one of the company's offices in Columbia.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund
at 31 December 2022

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.61
Alphabet A	+0.84
Novo Nordisk	+0.76
TotalEnergies	+0.59
Visa Inc	+0.48
Alphabet C	-0.58
Exxon Mobil	-0.57
Tesla	-0.41
Mastercard	-0.37
AbbVie	-0.36

Top 5 Holdings Relative to Benchmark:

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

Alphabet A – parent company of Google: zero weight in the C shares results in a moderate overweight position overall. Recent derating of the shares affords exposure to high margin digital advertising revenues at a modest valuation.

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

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.

Visa Inc – revenues positively correlated with consumer price inflation, recovery in higher margin cross border revenues.

Bottom 5 Holdings Relative to Benchmark:

AbbVie – patent cliff for leading anti-inflammatory drug creates potential near-term earnings gap.

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.

Tesla – accelerating production capacity meets weakening demand, concern around viability of full self-drive capability.

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

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

Note
1) Source: Northern Trust

Summary of Performance - Funds (Net of Fees) Border to Coast Emerging Markets Equity Fund at 31 December 2022

	Inception to Date			Quarter to Date			1 Year			Benchmark
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	
Border to Coast Emerging Markets Equity Fund	2.74	4.80	(2.06)	(0.56)	0.69	(1.26)	(10.17)	(6.84)	(3.33)	EM Equity Fund Benchmark[3]
Border to Coast	(0.19)	2.77	(2.96)	(2.75)	(1.59)	(1.16)	(6.64)	(3.78)	(2.86)	FTSE Emerging ex China (Net)
FountainCap	(18.92)	(19.77)	0.85	3.15	5.18	(2.03)	(19.14)	(12.37)	(6.77)	FTSE China (Net)
UBS	(20.84)	(19.77)	(1.07)	3.85	5.18	(1.33)	(13.45)	(12.37)	(1.08)	FTSE China (Net)

Manager/Strategy	Role in fund	Target	Actual
Border to Coast	Core strategy focused on Emerging Markets ex-China with a tilt towards quality companies.	65%	64%
FountainCap	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.	14%	22%
UBS	China specialist seeking to identify upcoming 'industry leaders' that will benefit from China's structural growth and transition to a services-led economy.	21%	14%

Note

1) Source: Northern Trust & Border to Coast
2) Values do not always sum due to rounding and use of different benchmarks
3) [3]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 2022

Emerging Markets Equity Fund

Like most market participants, emerging market equity investors will be glad to see the back of 2022. Whilst Q4 market performance was positive (+0.7%), it was not close to offsetting prior losses, with the FTSE Emerging Index down ~7% in 2022. The headline news in the quarter was China's sharp reversal on COVID policy, which boosted market sentiment in the region. A weaker US Dollar was also supportive.

Unsurprisingly, China outperformed during the period. Other major markets like Taiwan, India and Brazil underperformed. The latter suffering from policy uncertainty following President Lula's election victory in October. Middle Eastern markets also suffered from falling energy prices.

Against this backdrop, the Fund underperformed the benchmark by 1.3%, and delivered a negative absolute return (-0.6%). On a since inception to date basis, the Fund remains well behind benchmark (underperforming by 2% per annum).

Looking through to the underlying mandates, the internally managed emerging markets ex. China portfolio had a weak quarter, underperforming its benchmark by 1.2%. Key detractors were stock selection in Basic Materials (SQM), Industrials (United Tractors) and Financials (Banco Bradesco), as well as having no allocation to Turkey and an overweight to Indonesia.

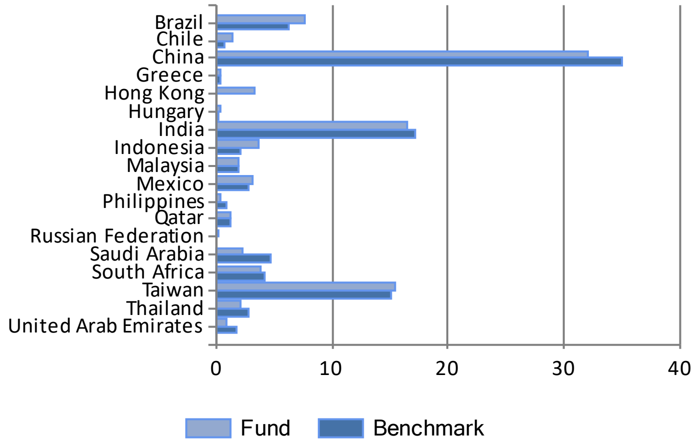
Despite positive absolute returns from China, the Fund's China specialists underperformed, with the aggregate allocation 1.6% behind benchmark over the period (which was up ~5%). Neither manager faired particularly well, with UBS ~1% behind and Fountain Cap ~2% behind. For UBS, strong stock selection in Financials (Ping An and HK Exchanges) was more than offset by large overweights to Kweichow Moutai and NetEase. With Fountain Cap, strong performance from large active weights in Hengli Hydraulic and Anta Sports was more than offset by an overweight to Energy names (Sungrow Power and Yantai Jereh) and having only a very small holding in Tencent.

As we have discussed before, volatility in emerging markets is likely to persist given growth, inflation and policy concerns still linger. We also expect large regional dispersions to continue. Despite many headwinds, we are cautiously optimistic about the long-term prospects for emerging market equities. Our investment philosophy continues to be rooted in long-term thinking and analysis and we believe that our stock and thematic positioning should help turn short-term volatility into opportunities.

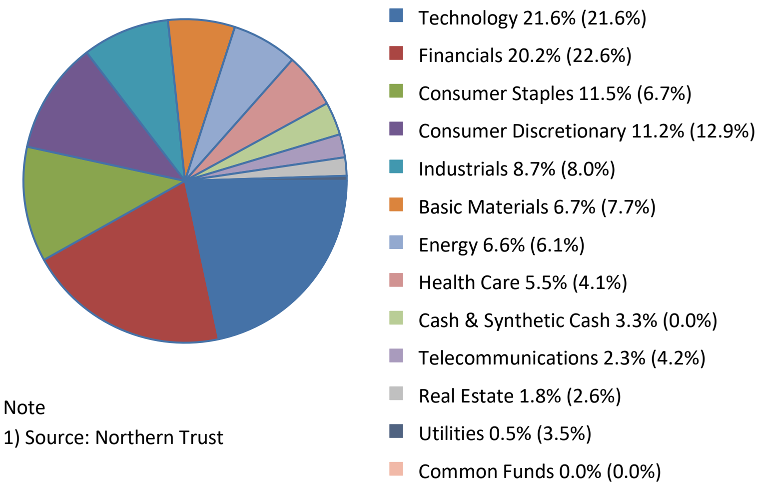
Note
1) Source: Border to Coast

Border to Coast Emerging Markets Equity Fund
at 31 December 2022

Regional Breakdown



Sector Portfolio Breakdown



Note

1) Source: Northern Trust

Emerging Markets Equity Fund

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

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

Sector Weights:

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

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.

Industrials (o/w) – the Fund is marginally overweight the industrials sector, a diverse sector ranging from shipping and airports to glass manufacturing. The Fund's largest positions within this sector are manufacturers (or lessors) of heavy machinery and parts, businesses that should be supported by the continued urbanisation and infrastructure development of countries like China.

Telecommunications (u/w) – the Fund is underweight to this relatively low growth, cap-ex intensive sector which can be buffeted by political risk (control and pricing implications). Where exposures are taken, they are to dominant market players with strong balance sheets in markets with solid growth prospects.

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 underweighted to this highly regulated sector. Concerns over long-term sustainability of businesses and risk of regulatory interference warrants an underweight position.

Border to Coast Emerging Markets Equity Fund Attribution at 31 December 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Hengli Hydraulic	0.82	33.35	0.01	33.36	0.19	Industrials	China
NIO	0.00	0.00	0.20	(42.62)	0.16	Consumer Discretionary	China
Naspers	1.36	22.78	0.59	22.60	0.14	Technology	South Africa
ANTA Sports Products	1.31	14.85	0.25	14.76	0.13	Consumer Discretionary	China
Hong Kong Exchanges & Clearing	0.88	16.74	0.00	0.00	0.10	Financials	Hong Kong

Positive Issue Level Impacts

Hengli Hydraulic (o/w) – is a leading producer of hydraulic equipment for use in heavy machinery (like excavators). After a very weak start to 2022 driven by continued COVID lockdowns and slowing economic growth, the share price rallied (+33%) as a sharp COVID policy reversal suggested the headwinds of 2022 could be tailwinds in 2023 (with policy focus shifting to restoring economic confidence).

NIO (u/w) – is a Chinese electric vehicle manufacturer. Global recessionary fears and price drops in the second-hand car market have put pressure on automakers – especially those like NIO who are yet to evidence long-term profitability. The Fund does not own NIO, so this was beneficial for performance.

Naspers (o/w) – is a South African internet, technology and multimedia company which, via Prosus, owns a large stake in Tencent (the Chinese technology giant). The positive share price move of the Tencent asset was beneficial for Naspers' performance in the period (+20%).

ANTA Sports Products (o/w) – a Chinese sports equipment and apparel retailer. The firm produces own brand goods, as well as operating numerous sub-brands, including Fila (in China, Hong Kong, and Macao). The firm is expected to benefit from rising consumer spending and greater focus on health and wellbeing.

Hong Kong Exchanges and Clearing (o/w) – 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. Another beneficiary of increasing Chinese sentiment, the share price recovered in November and December as rebounding economic prospects should support capital flows/activity in Chinese markets in 2023.

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 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Kweichow Moutai	2.84	(10.56)	0.37	(10.69)	(0.27)	Consumer Staples	China
United Tractors	0.75	(26.20)	0.04	(26.47)	(0.26)	Industrials	Indonesia
SQM	1.33	(16.44)	0.18	(17.79)	(0.24)	Basic Materials	Chile
Tencent	3.06	16.97	4.28	17.02	(0.23)	Technology	China
Banco Bradesco	0.83	(27.20)	0.25	(27.21)	(0.22)	Financials	Brazil

Negative Issue Level Impacts

Banco Bradesco (o/w) – a leading Brazilian retail bank which performed poorly over the quarter falling over 20%. The effect of rising interest rates and inflation in Brazil means that the bank has started to see an increase in stress across its loan book and a drop in the ability of its clients to service payments. With base rates (~14%) now well above inflation (~6%), there is an expectation that this will be a shorter-term issue and stress will reduce as interest rates are reduced over the coming year.

Tencent (u/w) – a Chinese technology conglomerate with numerous business units – for example, mobile messaging (WeChat) and video games. The stock moved higher in November and December as sentiment (in China) recovered following shifting COVID policies that should be a tailwind for economic activity.

SQM (o/w) – SQM is a Chilean lithium and fertiliser manufacturer. Over the past 12 months it has more than doubled in value as demand for lithium, a key commodity used in the manufacture of batteries has continued to grow, and as the war in Ukraine has disrupted the global fertiliser supply chain. With operational results very strong, we believe the recent correction in the share price is due to short-term market volatility combined with the seasonality of demand for fertilisers.

United Tractors (o/w) – United Tractors is an Indonesian mining contractor. The core business continues to perform exceptionally well with Komatsu heavy equipment sales, which goes into the mining industry, continuing to grow rapidly. Recent share price weakness can be put down to news on increasing capital expenditure following an expansion into nickel mining and fears the core business is reaching peak profitability.

Kweichow Moutai (o/w) – a leading Chinese baijiu (liquor) producer and the Fund's largest active weight. The stock fell slightly more than 10% in the period (in GBP terms), selling off sharply in October before recovering meaningfully. The sharp leg lower began following the release of Q3 earnings numbers which highlighted slowing daily sales (via iMoutai online platform) and weaker product mix growth.

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 2022

Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.48
Netease	+1.44
SQM	+1.15
Petrobas	+1.11
ANTA Sports Products	+1.06
Alibaba	-1.71
Tencent	-1.22
China Construction Bank	-0.98
ICBC	-0.68
JD.com	-0.58

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.

NetEase – is a Chinese internet technology company that primarily develops and operates online PC and mobile games and content. 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.

SQM – is a leading low-cost producer of fertilisers and lithium from the Atacama Desert in Chile. The firm's low-cost production base has placed it in an enviable position to cater for the growing demand for lithium from battery demand driven by the electronic vehicle boom.

Petrobras – the state-owned Brazilian oil and gas company. Despite increasing political pressure to help manage the rising cost of gasoline and diesel, Petrobras continues to benefit from a high oil price which should underpin its strong cashflow generation and generous dividend payments.

Anta Sports – is one of the best run banks in Brazil with a leading consumer franchise. Brazil's proactive approach to tackling inflation has set the foundation for banks like Itaú to return to pre-COVID levels of profitability and loan growth.

Bottom 5 Holdings Relative to Benchmark:

JD.com – operates a Chinese e-commerce platform (rival to Alibaba's Tmall). The business operates in a highly competitive market which has faced regulatory headwinds in recent years.

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.

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

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.

Alibaba – another Chinese multinational technology company, best known for e-commerce and online payment platforms. 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.

Major Transactions During the Quarter

Purchases:

Sinbon Electronics (£5m) – Sinbon are a Taiwanese manufacturer of electric cables that go into everything from connecting a wind farm to the transmission network or connecting an MRI machine to the power outlet. They have a reputation for reliability and high product quality and as such are now suppliers to 7 of the 10 leading global wind turbine manufacturers. They are set to benefit from structural growth in the connection of renewable energy as generation becomes increasingly fragmented in nature. Their broad customer base and use across different end markets has meant that even in times of economic instability they have managed to grow and generate returns above their cost of capital.

APPENDICES

Border To Coast Overseas Developed Markets Equity Fund - United States at 31 December 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tesla	0.00	0.41	0.56
Alphabet C	0.00	0.58	0.13
Oracle	0.47	0.16	0.05
Honeywell International	0.51	0.18	0.05
Chevron	0.82	0.40	0.05

Tesla(u/w) – deteriorating demand outlook met with negative headlines surrounding the CEO, prompting earnings downgrades and weakening sentiment.

Alphabet C (u/w) – continuing headwinds for digital advertising highlighted by what was a third successive quarterly earnings disappointment.

Oracle (o/w) – modest valuation gained favour in the current market, and signs that cloud business is gaining traction.

Honeywell International (o/w) – well regarded management, broad spread of businesses, some of which are seeing recovery from demand and supply chain issues, attractive in this more challenging environment.

Chevron (o/w) – energy sector a performance outlier, projected strong cash flows and balance sheet in face of earnings uncertainty elsewhere.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 31 December 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet A	1.49	0.66	(0.20)
Amazon	1.14	0.93	(0.14)
Vanguard US Mid Cap ETF	2.61	0.00	(0.11)
Exxon Mobil	0.00	0.57	(0.06)
Republic Services	0.30	0.03	(0.05)

Republic Services (o/w) – a sharp drop in commodity pricing for wastepaper put pressure on recycling returns.

Exxon Mobil (u/w) – large energy sector constituent, the best performing group over the quarter.

Vanguard US Mid Cap ETF (o/w) – whilst performing broadly in line with the US benchmark, the mid cap ETF trailed the fund level return.

Amazon (o/w) – growth deceleration in web services, margin pressure in retail, broad weakness in large cap technology.

Alphabet A (o/w) – continuing headwinds for digital advertising were highlighted by what was a third successive quarterly earnings disappointment.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States
at 31 December 2022

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+2.61
Alphabet A	+0.84
Visa Inc	+0.48
Chevron	+0.42
ConocoPhillips	+0.40
Alphabet C	-0.58
Exxon Mobil	-0.57
Tesla	-0.41
Mastercard	-0.37
AbbVie	-0.36

Top 5 Holdings Relative to Benchmark:

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

Alphabet A – parent company of Google: zero weight in the C shares results in a moderate overweight position overall. Recent derating of the shares affords exposure to high margin digital advertising revenues at a modest valuation.

Visa Inc – revenues positively correlated with consumer price inflation, recovery in higher margin cross border revenues.

Chevron – preferred integrated oil company, providing diversified exposure to elevated energy prices.

ConocoPhillips – well diversified energy exploration and production name with a disciplined approach to generating returns on invested capital.

Bottom 5 Holdings Relative to Benchmark:

AbbVie – patent cliff for leading anti-inflammatory drug creates potential near-term earnings gap.

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.

Tesla – accelerating production capacity meets weakening demand, concern around viability of full self-drive capability.

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

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

Major transactions during the Quarter

Purchases:
Vanguard Small-Cap Value ETF (£9.3m) – fund purchased to mitigate portfolio underexposure to Value factor and small cap names.

Sales:
S&P Global Inc (£17.6m) – concern that lean period for debt issuance may weigh on company's ratings business.

Note
1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 31 December 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Novo Nordisk	1.65	0.89	0.11
TotalEnergies	1.21	0.62	0.09
Siemens	0.85	0.44	0.07
ING	0.58	0.19	0.07
Munich Re	0.61	0.19	0.06

Novo Nordisk (o/w) – better than expected earnings and increase in full year guidance, FDA approval of use of existing type 2 diabetes treatment, Victoza, in children, and resolving production issues with key growth product, Wegovy.

TotalEnergies (o/w) – benefitted from higher oil and gas prices and an increase in gas sales at elevated spot prices as the region replaced Russian supply and increased gas storage in advance of winter.

Siemens (o/w) – significant increase in income due to increased demand for both hardware and software products which facilitated an increase in the dividend.

ING (o/w) – expectations of positive impact on net income from rising interest rates and a new share buyback announcement offset lower than expected profits due to one-off adjustments.

Munich Re (o/w) – better than expected earnings from the German reinsurer despite adverse impact of Hurricane Ian.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 31 December 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Teleperformance	0.23	0.06	(0.05)
HBM Healthcare	0.23	0.00	(0.04)
Vestas Wind Systems	0.00	0.12	(0.04)
Prosus	0.00	0.24	(0.03)
EssilorLuxottica	0.00	0.23	(0.03)

EssilorLuxottica (u/w) – organic growth better than expected for the eyewear company with positive performance coming from the Asia Pacific region.

Prosus (u/w) – benefited from rumours of a disposal of part of the Tencent stake and a broader rally in Chinese technology stocks.

Vestas Wind System (u/w) – supply chain and logistical issues for the wind turbine manufacturer appear to have peaked and demand conditions are robust as countries increase exposure to renewable sources.

HBM Healthcare (o/w) – concerns regarding the valuations of the private portfolio due to weaker equity markets and higher interest rates resulting in a widening of the discount to net asset value.

Teleperformance (o/w) – outsourcer impacted by adverse media relating to the working environment at one of the company's offices in Columbia.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 31 December 2022

Largest Relative Over/Underweight Stock Positions (%)

Novo Nordisk	+0.76
TotalEnergies	+0.59
AXA	+0.45
LVMH	+0.45
Munich Re	+0.41
Zurich Insurance Group	-0.30
Prosus	-0.24
Mercedes-Benz	-0.23
EssilorLuxottica	-0.23
Banco Santander	-0.21

Top 5 Holdings Relative to Benchmark:

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

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.

AXA – trading at a significant discount to key peers, despite having a similar business mix; tilt towards property and casualty ("P&C") insurance should result in higher cash generation and more stable capital requirements.

LVMH – considered the best-in-class company in the sector, a strong management team with a good understanding of the luxury end of the market, and potentially less impacted by a consumer slowdown.

Munich Re – one of the largest reinsurers in the world. Skilled underwriting team and prudent reserving policy has insulated the company against adverse market conditions.

Bottom 5 Holdings Relative to Benchmark:

Banco Santander – considered to be one of the weakest banks in the sector with concern over its future direction.

EssilorLuxottica – integration risks are the main concern as the new company becomes a one stop shop for eyewear, although the valuation multiple has receded from high levels.

Mercedes-Benz – concerns that margins are peaking, and valuation is high relative to peers leaving less room for disappointment.

Prosus – concerns over concentrated exposure in its largest investment, Tencent (Chinese technology company) and a management team that is not always considered to be aligned with shareholders.

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

Major transactions during the Quarter

Purchases:
Lonza (£3.2m) – new holding as the portfolio diversifies away from traditional pharmaceuticals; higher growth rates from Biologics division as more biotech companies look to monetise their drug pipelines; strong balance sheet.

Sales:
Novo Nordisk (£4.5m) – reducing overweight position into strength following recent strong results.
Zalando (£3.2m) – full disposal as the company is exposed to high street retailers enhancing their internet offerings.

Note
1) Source: Northern Trust

Border To Coast Overseas Developed Markets Equity Fund - Japan at 31 December 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Mitsubishi UFJ Financial	0.43	0.22	0.05
Sumitomo Mitsui Financial	0.35	0.14	0.04
Dai-ichi Life	0.19	0.06	0.03
ITOCHU	0.29	0.12	0.02
Softbank Group Corp	0.32	0.11	0.02

Mitsubishi UFJ Financial(o/w) – banks and insurers had a strong performance on the prospects for higher interest rates.

Sumitomo Mitsui Financial (o/w) – banks and insurers had a strong performance on the prospects for higher interest rates.

Dai-ichi Life (o/w) – banks and insurers had a strong performance on the prospects for higher interest rates.

ITOCHU (o/w) – a strong performance from this trading house on the back of good results, upward revision of earnings forecasts, and announcement of share buybacks.

Softbank Group Corp (o/w) – despite poor results, share price supported by buybacks, cost cutting, a more cautious investment approach and measures to continue to control debt.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 31 December 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Mitsubishi Estate	0.19	0.04	(0.02)
Daikin Industries	0.27	0.11	(0.02)
Mitsui & Co	0.00	0.12	(0.02)
Ballie Gifford Shin Nippon	0.30	0.00	(0.02)
Asahi	0.18	0.04	(0.02)

Asahi (o/w) – a lacklustre quarter driven by cautious outlooks at other brewers and post COVIDreopening delays.

Baillie Gifford Shin Nippon (o/w) – some reversal of previous quarter's strong performance from underlying holdings as markets again adopt a cautious stance; current discount to net asset value provides scope for performance improvement.

Mitsui & Co (u/w) – banks and insurers had a strong performance on the prospects for higher interest rates.

Daikin Industries (o/w) – results in-line with expectations, but fears of a global recession have hit this maker of air-conditioners and heat pumps.

Mitsubishi Estate (o/w) – weak on the prospect of higher interest rates.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 31 December 2022

Largest Relative Over/Underweight Stock Positions (%)

Ballie Gifford Shin Nippon	+0.30
Mitsubishi UFJ Financial	+0.21
Sumitomo Mitsui Financial	+0.21
Softbank Group Corp	+0.21
Hitachi	+0.20
Daiichi Sankyo	-0.17
Mitsui & Co	-0.12
Honda Motor	-0.11
Mizuho Financial	-0.10
NTT	-0.09

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Ballie Gifford Shin Nippon – a smaller companies fund, focussed on growth stocks, with strong long-term relative performance.

Mitsubishi UFJ Financial and **Sumitomo Mitsui Financial** – exposure to the banking sector is obtained via the larger banks as these are likely to be better managed with improved governance compared to the regional banks.

Softbank Group Corp – technology investment company trading at a discount to the sum of the parts; tends to be volatile due to the underlying technology investments and market sentiment.

Hitachi – the benefits from restructuring are becoming apparent as the company enters a new growth phase, with a strong balance sheet supporting increased returns for shareholders.

Bottom 5 Holdings Relative to Benchmark:

NTT – preference for KDDI as a purer play in the mobile and broadband sector.

Mizuho Financial – exposure to the banking sector through Sumitomo Mitsui Financial and Mitsubishi UFJ Financial.

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

Mitsui & Co – slight preference for other general trading companies, Itochu and Mitsubishi Corp.

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

Major transactions during the Quarter

Purchases:

Kansai Electric Power (£1.1m) – new holding last quarter, increasing exposure to target weight due to potential for a rerating on the restart of more nuclear power production.

Sales:

Murata Manufacturing (£8.2m) – full disposal of holding to reduce portfolio exposure to China; negative view taken on risk of extended COVID related disruption and reduced demand for electronic components.

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 31 December 2022

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
AIA Group	1.17	0.96	0.04
LG Chemical	0.32	0.16	0.02
Samsung Electronics	1.95	1.49	0.02
NCSoft	0.13	0.04	0.02
Hong Kong Exchanges & Clearing	0.59	0.40	0.02

AIA Group (o/w) – recovered following lifting of COVID related restrictions in Hong Kong and expectations for a recovery in China on similar easing of measures.

LG Chemical (o/w) – benefitted from strength in its advanced materials division boosted by rising battery materials shipments and higher selling prices.

Samsung Electronics (o/w) – expectations that current weakness in the cyclical memory chip market would be bottoming out around mid-2023 and the company's earnings would improve from there.

NCSoft (o/w) – rebounded following weakness earlier in the year due to better than expected earnings driven by higher revenues and lower labour and marketing expenses.

Hong Kong Exchanges & Clearing (o/w) – more positive outlook for average trade volumes following the normalisation of economic activity in Hong Kong and expectations of a gradual re-opening 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 2022

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
James Hardie	0.17	0.06	(0.03)
Downer	0.10	0.01	(0.03)
Hyundai Motors	0.30	0.12	(0.02)
UOB	0.00	0.21	(0.02)
Aristocrat Leisure	0.22	0.10	(0.02)

James Hardie (o/w) – earnings downgrade due to deterioration in the repair and remodel business due to falling home prices and falling consumer confidence.

Downer (o/w) – earnings downgrade due to wet weather and higher costs affecting its contracting activities and identification of accounting irregularities in its Australian utilities business which had overstated historical earnings.

Hyundai Motors (o/w) – undermined by macro concerns affecting expectations of auto volumes going forward in spite of recent positive earnings trends.

UOB (u/w) – in a similar fashion to its competitors DBS and OCBC (both in the portfolio), UOB continued to benefit from rising interest rates and ongoing loan growth in a context of stable asset quality.

Aristocrat Leisure (o/w) – underperformed due to expectations of rising costs in its land-based gaming operations, lower digital growth guidance and delays in planned i-gaming launches in the US.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 31 December 2022

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.45
Techtronic Industries	+0.23
CSL	+0.21
AIA Group	+0.21
Goodman	+0.20
Samsung Electronics Prefs	-0.24
UOB	-0.21
Celltrion	-0.10
Shinhan Financial	-0.10
QBE Insurance	-0.10

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

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

Techtronic Industries – technology leading focus on cordless power tools market should lead to improving margins and market share as global penetration increases due to innovative products with increasing ease of use and a focus on the professional market in the US.

CSL – Australian pharmaceutical company which is the global leader in plasma collection and production of Immunoglobulin G (IG), the most common type of human antibody, supported by a technological edge and the highest margins in an oligopolistic industry.

AIA Group – best-in-class provider of insurance and financial services with a strong distribution franchise in Asia Pacific and sizeable potential for growth in the underpenetrated Life Insurance market in China.

Goodman – largest Australian developer with a focus and strong expertise on commercial and industrial property group that could continue enjoying earnings growth supported by strong structural demand for modern logistics and warehouse space.

Bottom 5 Holdings Relative to Benchmark:

QBE Insurance – preference for Insurance Australia Group given its higher returns profile.

Shinhan Financial – although very similar, the Fund prefers KB Financial Group given its slightly more diversified and resilient business model and higher dividend pay-out ratio.

Celltrion – position was exited in early 2022 as reports of accounting regularities emerged as well as concerns over the deteriorating competitive dynamics in the biosimilars space in pharmaceuticals.

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

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

Major transactions during the Quarter

There were no transactions during the quarter.

Market Background
at 31 December 2022

The angst that gripped markets through the latter part of the third quarter continued into October as bond yields continued to rise and equity markets fell to new lows. Labour markets remained resilient and central bank rhetoric largely hawkish. As the fourth quarter progressed though, data helped firm the conviction that the global economy was slowing which was also impacting the US.

Despite the official Fed position remaining strongly aligned with an extended rate hiking cycle, bond markets began to factor in a peak in inflation and interest rates and US 10-year yields moved back below 4% having peaked at 4.2% in late October. The recovery in bond markets helped equity markets to recover but investor nervousness remains due to a potential recession-induced hit to earnings.

We appear to have moved from a phase in recent years where all news was good news, to one where any news is potentially bad news for equities – whether it is strength in the economy necessitating further rate increases, or weaker growth threatening earnings. Thus, markets are being kept in a nervous holding pattern – the prospect of lower inflation due to normalised supply chains, lower commodity price pressures and improving labour markets offset by the inflationary impact of a resumption of growth in China and central banks overdoing interest rate increases and precipitating a deeper recession.

Equity markets eked out a small positive return in sterling terms over the quarter, with most trading in a relatively narrow range as volatility declined somewhat. The MSCI ACWI index returned 0.6% during the quarter in sterling terms, but a much healthier 9.4% in dollar terms as the dollar retreated from the multi-year highs reached at the end of September. European (+11.7%) and UK (+8.9%) markets were the strongest major developed markets during the quarter whereas the US (-0.3%) was the weakest. Emerging and Developed market returns were broadly similar, although China did post stronger returns than broader indices once the prospect of an end to zero-Covid began to be priced in.

At the sector level consumer discretionary stocks were weakest following outperformance in the previous quarter. The squeeze from higher inflation and higher mortgage interest payments across most major economies is expected to depress consumer spending and put pressure on earnings for the sector. Communications stocks were also weak, as several of the larger constituents of the sector such as Google and Facebook continued to experience weaker than expected advertising revenues. Energy and Materials stocks were strong, despite some softening in commodity prices, due to substantial free cash flow generation, attractive valuations and tailwinds from the energy transition. Industrial stocks were also strong offering more cyclical appeal than consumer stocks, with some also considered beneficiaries of the energy transition.

Europe has been the most severely impacted by the energy crisis both in terms of inflation but also the impact on corporate profitability and government finances. A mild start to the winter has softened the expected impact but energy costs remain significantly higher than pre-crisis and there are concerns over storage levels next winter in the absence of Russian supply. This has profound implications for the European economy and Germany's industrial sector and will necessitate a substantial adjustment to the structure of the economy. Equity valuations seem attractive in Europe but significant uncertainty remains.

In the UK, there has been a restoration of calm within financial markets following the elevation of Rishi Sunak to Prime Minister and the reversion to less controversial fiscal policy. The Bank of England has been criticised for not being sufficiently hawkish but given the combination of higher mortgage rates, higher taxes, higher energy costs and disruption caused by industrial action are already substantially impacting the economy the Bank's stance might be understandable. Wage inflation is a threat, but if it represents more of a one-off adjustment to redress some of the squeeze in living standards rather than a lasting impact of a tight labour market, then the Bank's more measured approach may well be appropriate. The UK does seem to have a structural issue with its labour force where the size of the labour force has not recovered to pre-Covid levels in the same way it has in other Western economies, and this is going to act as a brake on growth until addressed. Valuations are very attractive but the labour force issue is but one of many needing a solution.

Note
1) Source: Border to Coast

Market Background
at 31 December 2022

In the US, the approval of the Inflation Reduction Act, and recent passage of the CHIPS bill, seem to offer some grounds for optimism for capital spending and the industrial base in the US over the medium term. This is partly offset by a lax fiscal position which a country without the benefit of having the world's reserve currency would struggle to sustain, but which will have to be addressed at some point. Of more immediate concern though is whether the Fed go too far in interest rate hikes deepening the impending recession. The labour market does not appear as strong as initial data had suggested and greater capital discipline from technology companies is resulting in large workforce reductions. Increases in mortgage rates have already had a severe impact on activity in the housing market which will continue to feed through to the broader economy. However, there is enough ambiguity in economic data to satisfy the Fed policymakers that they need to keep raising interest rates, and they appear to favour raising by too much rather than too little.

The end of zero-Covid policy in China has prompted a rally in its equity market and provided support more broadly to global markets. The increase in infections, and unfortunate increase in mortality, will stymie economic growth in the near term and potentially create some political turbulence, though Xi's position following his re-election for a third term seems unassailable. Relations with the US have settled a little in recent weeks, but tensions over China's support of Russia and own intentions towards Taiwan remain a source of potential volatility, and the process of de-globalisation which Covid and geopolitical considerations have instigated do not make Xi's intentions to re-shape the Chinese economy any easier to fulfil.

After a period of prolonged and unprecedented monetary stimulus which has concluded with a global pandemic and major conflict, it is little wonder most major economies are confronted with multiple challenges which will need to be addressed in the coming years. The overhang of these issues raise doubt over the future trajectory of markets which will be compounded by the onset of monetary tightening by central banks. Market cycles are normally relatively short, with bear markets measured in months rather than years. It is also rare for two consecutive, markedly negative years of performance to occur, and for both equity and bond markets to produce the scale of negative returns they did in 2022, which provides some optimism for 2023.

Note
1) Source: Border to Coast

Border to Coast News

People:

- Our new Chief Investment Officer (CIO), Joe McDonnell formally joined us this month. He has previous leadership roles at Neuberger Berman and Morgan Stanley, and has extensive experience working alongside LGPS and pension funds. We would like to thank John Harrison for all his support as Interim CIO and look forward to his continued support as an Investment Advisor.
- Cllr David Coupe, Chair of Teesside Pension Fund, joined our Board as a Partner Fund nominated Non-Executive Director following the end of Cllr Anne Walsh's two-year tenure. Anne has been a committed and trusted Board member and we thank her for her dedication to the role.
- We have strengthened our Responsible Investment team with the appointment of Colin Baines as Stewardship Manager. He joins us from Friends Provident Foundation where he was the Investment Engagement Manager for six years. With 20 years' experience of working in responsible investment and ESG, Colin will be a huge asset to all of us.

Investment Funds:

- In November we began our search for a high-quality third-party manager to support our UK Real Estate proposition. This is an important milestone in the development of this capability, which is expected to launch in 2024 and will be the final significant building block to help Partner Funds in implementing strategic asset allocations.
- A crucial component of our net zero roadmap is investment into solutions that support the energy transition. We recently announced a €100m commitment to the Clean Hydrogen Infra Fund, the world's first and largest fund focused on investments in clean hydrogen assets.

Responsible Investment:

- In September we published our Net Zero Implementation Plan. This important document is the result of months of work, with support from our Board, Partner Fund officers and the Joint Committee. The result is a target-driven plan detailing how we will address the systemic risk of climate change, drive reductions in real world carbon emissions, and reduce our carbon footprint.
- Our Net Zero Implementation Plan, has been approved by the Net Zero Asset Managers initiative. The plan is aligned with the global goals of the Paris Agreement and follows the Net Zero Investment Framework (NZIF) set by the Institutional Investors Group for Climate Change (IIGCC).
- We were pleased to have the opportunity to feedback on DLUHC's proposals on reporting of climate change risk in the LGPS. Having produced TCFD reports since 2019, we made a submission on how this important agenda can be taken forward.
- Following their annual review, our Responsible Investment Policy, Voting Guidelines and Climate Change Policy have been published. Updates include increased scrutiny of companies' management of climate, diversity and human rights.
- We recently received the delayed Principles for Responsible Investment assessment for the year to 31 March 2021. The scores were significantly above the median, with either four or five-star ratings for all modules. It is difficult to compare to previous years due to a change in methodology, however we believe they are broadly consistent with 2020.

Other News:

- We won the Industry Contribution to Diversity and Inclusion Award at Investment Week's annual Women in Investment Awards 2022, against a very impressive shortlist (which included HSBC and Fidelity).
- We were also named Pool of the Year at the LAPF Investment Awards 2022, the third time in four years that we have won the accolade. We were also awarded Best Approach to Responsible Investment (RI). This recognises the work, led by Jane Firth and her team, to strengthen our policies and processes, and their continued work to ensure we use the strength of our collective voice to influence change.

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.

Fund List and Inception Dates

Fund	Inception Date
Border to Coast UK Listed Equity	26/07/2018
Border to Coast Overseas Dev Markets	26/07/2018
Border to Coast Emerging Markets Equity	22/10/2018
Border to Coast UK Listed Equity Alpha	14/12/2018
Border to Coast Global Equity Alpha	24/10/2019
Border to Coast Sterling Investment Grade Credit	18/03/2020
Border to Coast Sterling Index-Linked Bond	23/10/2020
Border to Coast Multi Asset Credit	11/11/2021
Border to Coast Listed Alternatives	18/02/2022

Appendix B

STATE STREET GLOBAL ADVISORS

Quarterly Investment Report - 80237

For the Period 01 Oct 2022 to 31 Dec 2022

Middlesbrough Borough Council

Middlesbrough Borough Council

Report ID: 3491423.1 Published: 18 Jan 2023

Quarterly Investment Report - 80237

As of 31 Dec 2022

Middlesbrough Borough Council

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Accounting Summary (expressed in GBP)

As of 31 Dec 2022

Middlesbrough Borough Council

	Market Value 01 Oct 2022		Contributions	Withdrawals	Change in Market Value	Market Value 31 Dec 2022	
Passive Equity Portfolio							
North America ESG Screened Index Equity Sub-Fund	36,929,780	6.80%	0	0	(309,299)	36,620,481	6.29%
Europe ex UK ESG Screened Index Equity Sub-Fund	109,686,200	20.20%	0	0	12,634,714	122,320,915	21.00%
Japan ESG Screened Index Equity Sub-Fund	99,357,320	18.30%	0	0	4,902,228	104,259,549	17.90%
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund	296,930,180	54.69%	0	0	22,466,830	319,397,009	54.82%
Total	**542,903,480**	**100.00%**	**0**	**0**	**39,694,473**	**582,597,953**	**100.00%**

Performance Summary (expressed in GBP)

As of 31 Dec 2022

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Passive Equity Portfolio								
North America ESG Screened Index Equity Sub-Fund								21 Sep 2018
Total Returns	-6.83%	-0.84%	-9.92%	-9.92%	10.48%	N/A	N/A	10.36%
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	-6.88%	-0.96%	-10.40%	-10.40%	10.09%	N/A	N/A	10.08%
Difference	**0.05%**	**0.12%**	**0.48%**	**0.48%**	**0.39%**	**N/A**	**N/A**	**0.28%**
Total Returns (Net)	-6.83%	-0.84%	-9.93%	-9.93%	10.46%	N/A	N/A	N/A
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	-6.88%	-0.96%	-10.40%	-10.40%	10.09%	N/A	N/A	N/A
Difference	**0.05%**	**0.12%**	**0.47%**	**0.47%**	**0.37%**	**N/A**	**N/A**	**N/A**
Europe ex UK ESG Screened Index Equity Sub-Fund								26 Sep 2018
Total Returns	-0.71%	11.52%	-7.50%	-7.50%	5.66%	N/A	N/A	5.36%
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	-0.73%	11.64%	-8.15%	-8.15%	5.39%	N/A	N/A	5.17%
Difference	**0.02%**	**-0.12%**	**0.65%**	**0.65%**	**0.27%**	**N/A**	**N/A**	**0.19%**
Total Returns (Net)	-0.71%	11.51%	-7.51%	-7.51%	5.64%	N/A	N/A	N/A
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	-0.73%	11.64%	-8.15%	-8.15%	5.39%	N/A	N/A	N/A
Difference	**0.02%**	**-0.13%**	**0.64%**	**0.64%**	**0.25%**	**N/A**	**N/A**	**N/A**
Japan ESG Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	-0.43%	4.93%	-4.85%	-4.85%	2.66%	2.81%	9.30%	3.95%
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	-0.45%	4.88%	-5.27%	-5.27%	2.38%	2.64%	9.21%	3.79%
Difference	**0.02%**	**0.05%**	**0.42%**	**0.42%**	**0.28%**	**0.17%**	**0.09%**	**0.16%**

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Total Returns (Net)	-0.43%	4.93%	-4.87%	-4.87%	2.64%	N/A	N/A	N/A
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	-0.45%	4.88%	-5.27%	-5.27%	2.38%	N/A	N/A	N/A
Difference	**0.02%**	**0.05%**	**0.40%**	**0.40%**	**0.26%**	**N/A**	**N/A**	**N/A**
Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	-1.96%	7.57%	-3.26%	-3.26%	4.31%	3.16%	6.52%	9.17%
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	-1.97%	7.46%	-3.44%	-3.44%	4.22%	3.09%	6.46%	9.10%
Difference	**0.01%**	**0.11%**	**0.18%**	**0.18%**	**0.09%**	**0.07%**	**0.06%**	**0.07%**
Total Returns (Net)	-1.96%	7.56%	-3.28%	-3.28%	4.29%	N/A	N/A	N/A
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	-1.97%	7.46%	-3.44%	-3.44%	4.22%	N/A	N/A	N/A
Difference	**0.01%**	**0.10%**	**0.16%**	**0.16%**	**0.07%**	**N/A**	**N/A**	**N/A**

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

R-Factor™ Summary

As of 31 Dec 2022

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	75.98	75.98	0.00
ESG	76.46	76.47	-0.01
Corporate Governance	47.61	47.59	0.02

Source: SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

What is R-Factor?

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

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	439	98.65%	99.89%
Total Number of Securities in Portfolio	445		

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Fund R-Factor Profile

Not Available	0.11%
Laggard	0.05%
Underperformer	1.28%
Average Performer	4.86%
Outperformer	15.85%
Leader	77.84%

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Nestle S.A.	4.45%	4.46%	-0.01%	89.71
Roche Holding Ltd Dividend...	3.11%	3.11%	-0.01%	71.87
ASML Holding NV	3.09%	3.08%	0.00%	81.19
Novo Nordisk A/S Class B	3.00%	3.00%	0.00%	75.93
Novartis AG	2.61%	2.60%	0.00%	89.86
LVMH Moet Hennessy Louis...	2.57%	2.57%	0.00%	70.49
TotalEnergies SE	2.08%	2.08%	0.00%	80.03
SAP SE	1.62%	1.62%	0.00%	89.56
Siemens AG	1.49%	1.49%	0.00%	79.03
Sanofi	1.49%	1.49%	0.00%	90.01

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Top 5 R-Factor Ratings

Danone SA	0.45%	0.46%	-0.01%	100
Teleperformance SA	0.20%	0.20%	0.00%	98.87
L'Oreal S.A.	1.25%	1.25%	0.00%	95.39
Enagas SA	0.06%	0.06%	0.00%	94.52
Capgemini SE	0.38%	0.38%	0.00%	94.14

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Bottom 5 R-Factor Ratings

CTS Eventim AG & Co. KGa...	0.05%	0.05%	0.00%	26.87
PSP Swiss Property AG	0.08%	0.08%	0.00%	33.63
arGEN-X SE	0.29%	0.29%	0.00%	34.40
Lifco AB Class B	0.06%	0.05%	0.00%	35.11
RATIONAL AG	0.04%	0.04%	0.00%	35.81

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

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

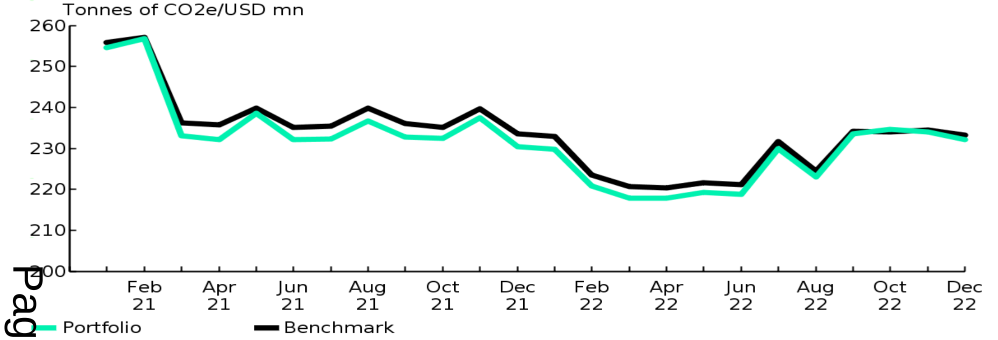
Climate Profile

As of 31 Dec 2022

Europe ex UK ESG Screened Index Equity Sub-Fund

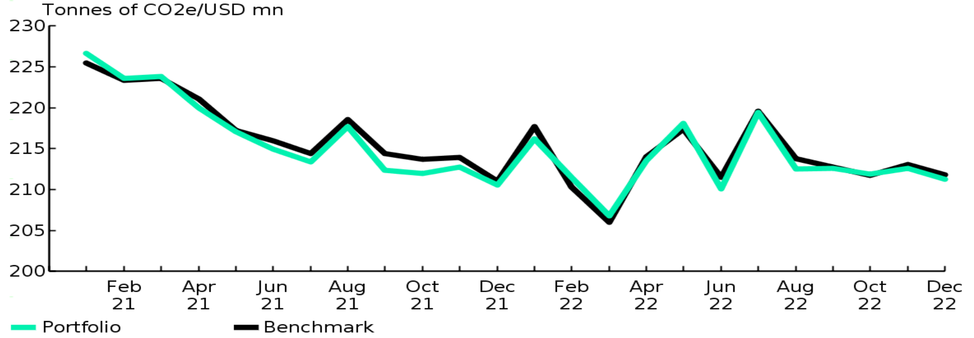
Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX

Carbon Intensity



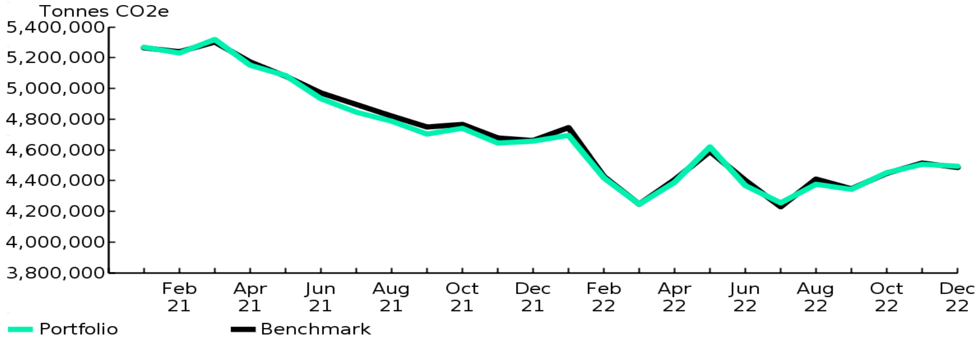
Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Weighted Average Carbon Intensity



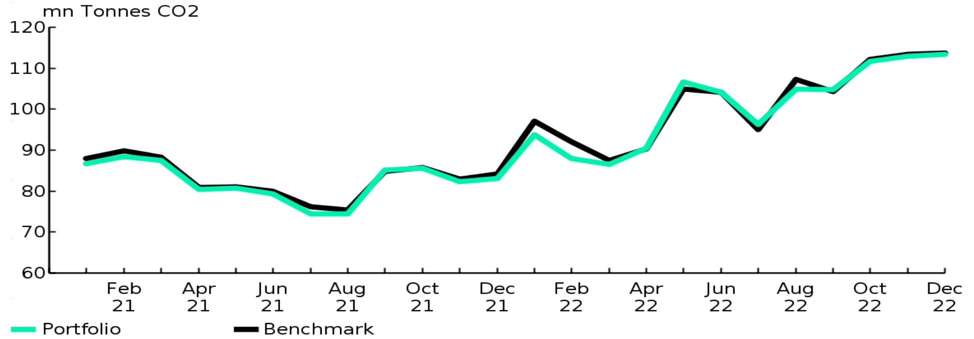
Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Stewardship Profile

As of 31 Dec 2022

Europe ex UK ESG Screened Index Equity Sub-Fund

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

Stewardship Profile	Q3 2022
Number of Meetings Voted	399
Number of Countries	16
Management Proposals	7,149
Votes for	89.01%
Votes Against	10.99%
Shareholder Proposals	176
With Management	97.73%
Against Management	2.27%

Source: SSGA as of 30 Sep 2022

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	4
1	19
2	51
3	84
4	95
5	68
6	65
7	34
8	13
9	7
10	2
10+	2
Not Available	1
Total	**445**

Source: Factset/SSGA. Holdings as of 31 Dec 2022, Factset data as of 30 Nov 2022.

R-Factor™ Summary

As of 31 Dec 2022

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	67.79	67.77	0.02
ESG	66.42	66.40	0.02
Corporate Governance	64.61	64.63	-0.02

Source: SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

What is R-Factor?

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

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Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	635	98.60%	99.75%
Total Number of Securities in Portfolio	644		

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Fund R-Factor Profile

Not Available	0.25%
Laggard	2.35%
Underperformer	1.08%
Average Performer	14.33%
Outperformer	31.48%
Leader	50.50%

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Apple Inc.	5.87%	5.84%	0.03%	90.67
Microsoft Corporation	5.40%	5.41%	-0.01%	78.34
Amazon.com Inc.	2.25%	2.24%	0.01%	63.40
Alphabet Inc. Class A	1.59%	1.59%	0.00%	72.56
UnitedHealth Group Incorpo...	1.50%	1.49%	0.01%	50.98
Alphabet Inc. Class C	1.42%	1.42%	0.00%	72.56
Exxon Mobil Corporation	1.37%	1.35%	0.02%	65.57
Berkshire Hathaway Inc. Cla...	1.20%	1.20%	0.00%	18.98
JPMorgan Chase & Co.	1.18%	1.16%	0.01%	78.23
Procter & Gamble Company	1.08%	1.08%	0.00%	76.06

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Top 5 R-Factor Ratings				
HP Inc.	0.09%	0.08%	0.01%	100
Cisco Systems Inc.	0.59%	0.59%	0.01%	97.92
Apple Inc.	5.87%	5.84%	0.03%	90.67
Colgate-Palmolive Company	0.20%	0.20%	0.00%	87.98
Adobe Incorporated	0.46%	0.47%	-0.01%	86.92

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Bottom 5 R-Factor Ratings				
AMC Entertainment Holding...	0.01%	0.01%	0.00%	14.32
Live Nation Entertainment In...	0.03%	0.03%	0.00%	16.36
Constellation Software Inc.	0.09%	0.09%	0.00%	16.41
Berkshire Hathaway Inc. Cla...	0.47%	0.48%	0.00%	18.98
Berkshire Hathaway Inc. Cla...	1.20%	1.20%	0.00%	18.98

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

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

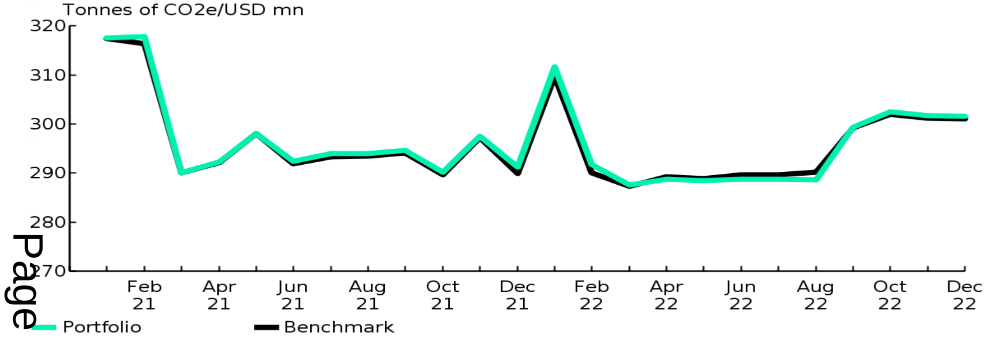
Climate Profile

As of 31 Dec 2022

North America ESG Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Carbon Intensity



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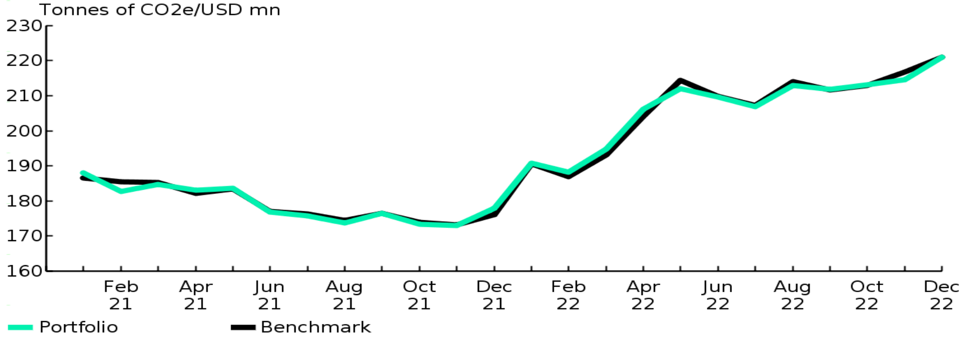
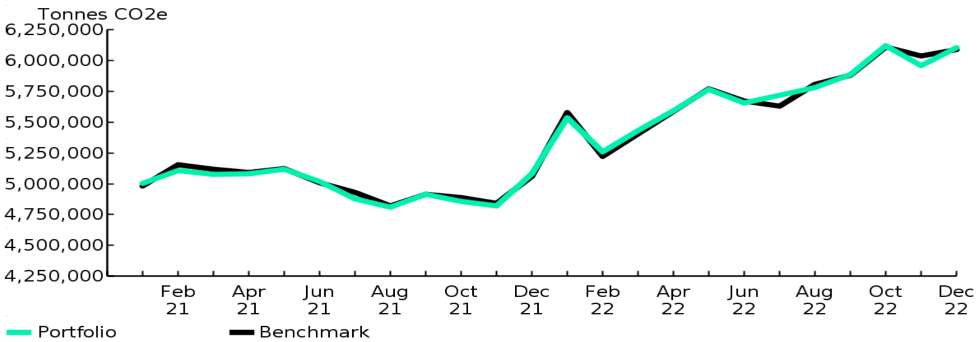
Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Weighted Average Carbon Intensity



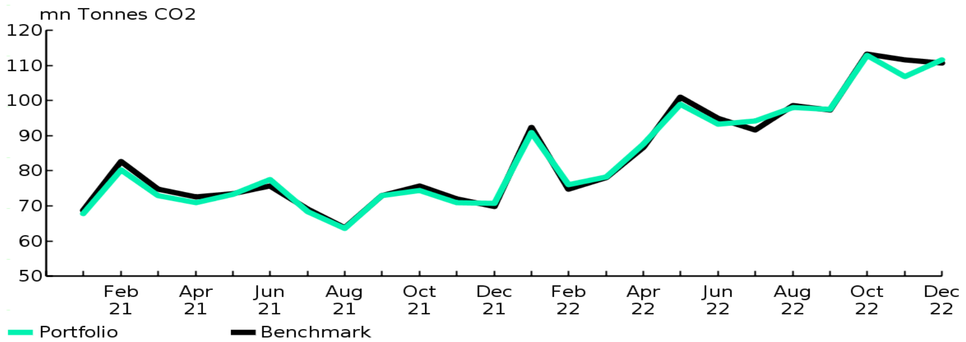
Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Stewardship Profile

As of 31 Dec 2022

North America ESG Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q3 2022
Number of Meetings Voted	524
Number of Countries	12
Management Proposals	6,260
Votes for	90.94%
Votes Against	9.06%
Shareholder Proposals	427
With Management	78.45%
Against Management	21.55%

Source: SSGA as of 30 Sep 2022

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	5
1	14
2	100
3	221
4	180
5	79
6	28
7	10
8	4
9	0
10	0
10+	0
Not Available	3
Total	**644**

Source: Factset/SSGA. Holdings as of 31 Dec 2022, Factset data as of 30 Nov 2022.

R-Factor™ Summary

As of 31 Dec 2022

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	63.27	63.29	-0.02
ESG	61.63	61.65	-0.02
Corporate Governance	66.36	66.39	-0.03

Source: SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

What is R-Factor?

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

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	487	96.25%	99.29%
Total Number of Securities in Portfolio	506		

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Fund R-Factor Profile

Not Available	0.71%
Laggard	2.34%
Underperformer	4.87%
Average Performer	20.25%
Outperformer	34.39%
Leader	37.46%

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Toyota Motor Corp.	4.61%	4.61%	0.00%	78.02
Sony Group Corporation	2.60%	2.60%	0.00%	83.74
Mitsubishi UFJ Financial Gr...	2.20%	2.19%	0.00%	62.06
Keyence Corporation	2.10%	2.10%	0.00%	51.34
Daiichi Sankyo Company Li...	1.68%	1.67%	0.00%	70.95
Sumitomo Mitsui Financial...	1.44%	1.44%	0.00%	53.99
KDDI Corporation	1.35%	1.35%	0.00%	67.01
Shin-Etsu Chemical Co Ltd	1.32%	1.32%	0.00%	65.52
Takeda Pharmaceutical Co....	1.30%	1.30%	0.00%	78.91
HitachiLtd.	1.26%	1.26%	0.00%	74.23

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Top 5 R-Factor Ratings

Kao Corp.	0.50%	0.50%	0.00%	85.47
Sony Group Corporation	2.60%	2.60%	0.00%	83.74
Bridgestone Corporation	0.55%	0.55%	0.00%	83.12
TOTO Ltd	0.14%	0.14%	0.00%	82.90
Ricoh Company Ltd.	0.13%	0.12%	0.01%	81.57

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Bottom 5 R-Factor Ratings

Relo Group Inc.	0.05%	0.05%	0.00%	6.84
Sanrio Company Ltd.	0.06%	0.06%	0.00%	10.85
SMS Co. Ltd.	0.04%	0.03%	0.00%	13.73
Sankyo Co. Ltd.	0.05%	0.05%	0.00%	15.40
TSURUHA Holdings Inc.	0.08%	0.08%	0.00%	16.55

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

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

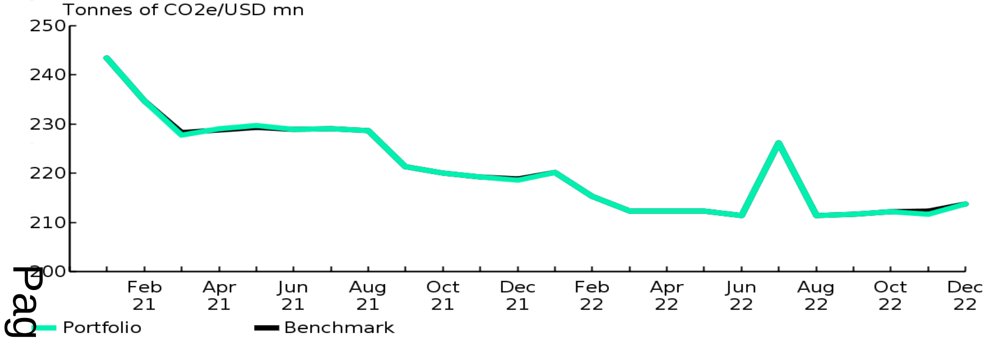
Climate Profile

As of 31 Dec 2022

Japan ESG Screened Index Equity Sub-Fund

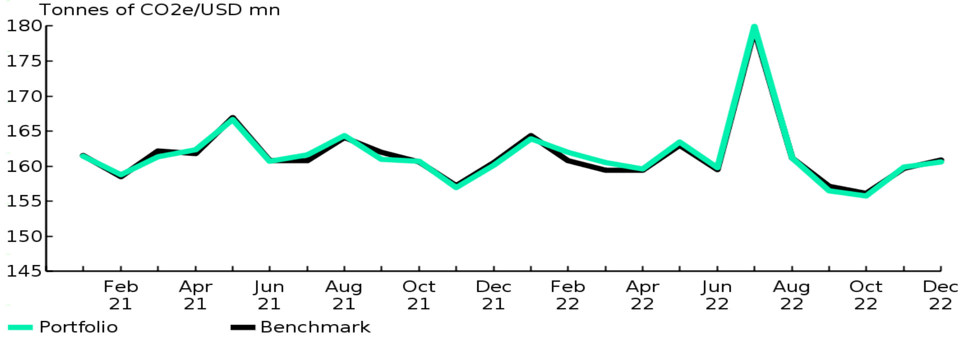
Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

Carbon Intensity



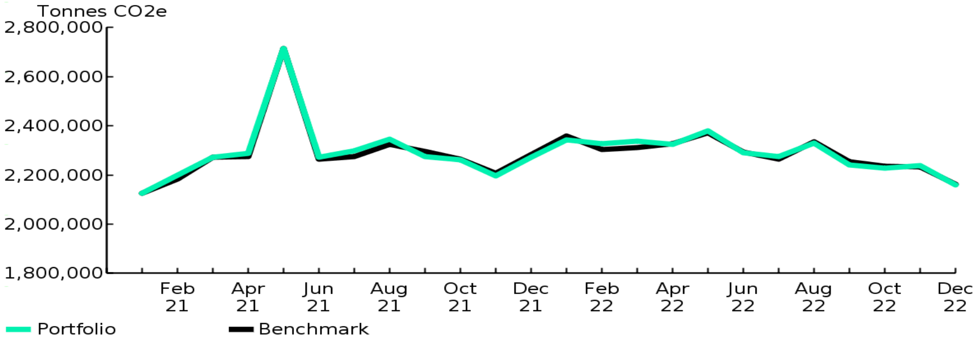
Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Weighted Average Carbon Intensity



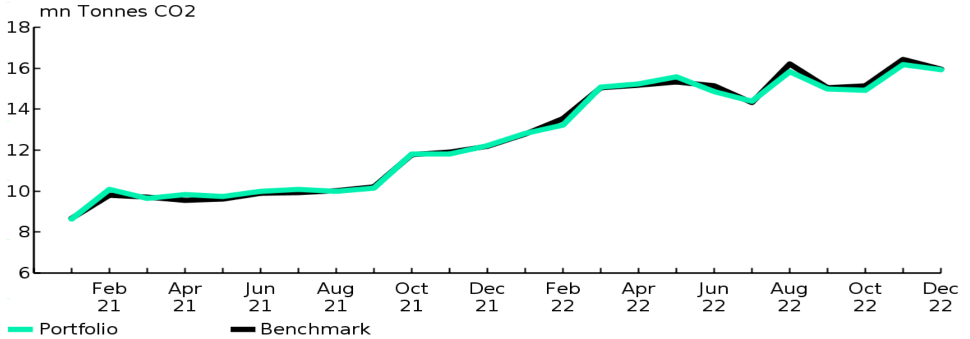
Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Stewardship Profile

As of 31 Dec 2022

Japan ESG Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q3 2022
Number of Meetings Voted	413
Number of Countries	1
Management Proposals	5,238
Votes for	92.59%
Votes Against	7.41%
Shareholder Proposals	107
With Management	93.46%
Against Management	6.54%

Source: SSGA as of 30 Sep 2022

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	128
1	223
2	110
3	33
4	12
5	0
6	0
7	0
8	0
9	0
10	0
10+	0
Not Available	0
Total	**506**

Source: Factset/SSGA. Holdings as of 31 Dec 2022, Factset data as of 30 Nov 2022.

R-Factor™ Summary

As of 31 Dec 2022

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	65.53	65.54	-0.01
ESG	65.21	65.22	-0.01
Corporate Governance	54.62	54.61	0.01

Source: SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

What is R-Factor?

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

Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	377	97.16%	97.15%
Total Number of Securities in Portfolio	388		

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Fund R-Factor Profile

Not Available	2.85%
Laggard	2.84%
Underperformer	1.96%
Average Performer	15.84%
Outperformer	32.55%
Leader	43.97%

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Samsung Electronics Co. Lt...	7.99%	8.00%	-0.01%	81.12
AIA Group Limited	5.13%	5.14%	-0.02%	75.24
Commonwealth Bank of Aus...	4.58%	4.58%	0.00%	79.21
CSL Limited	3.62%	3.62%	0.00%	69.40
National Australia Bank Limi...	2.49%	2.50%	0.00%	81.71
Westpac Banking Corporati...	2.12%	2.13%	0.00%	72.77
Hong Kong Exchanges & Cl...	2.12%	2.12%	0.00%	66.03
Australia & New Zealand Ba...	1.86%	1.85%	0.01%	N/A
DBS Group Holdings Ltd	1.76%	1.76%	0.00%	72.20
Woodside Energy Group Ltd	1.76%	1.75%	0.00%	71.09

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Top 5 R-Factor Ratings				
GPT Group	0.21%	0.21%	0.00%	89.42
City Developments Limited	0.11%	0.11%	0.00%	88.30
Dexus	0.22%	0.22%	0.00%	86.04
National Australia Bank Limi...	2.49%	2.50%	0.00%	81.71
Samsung Electronics Co. Lt...	7.99%	8.00%	-0.01%	81.12

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

Bottom 5 R-Factor Ratings				
SSANGYONGC&E.CO.LTD.	0.02%	0.02%	0.00%	2.86
Paradise Co. Ltd	0.03%	0.02%	0.00%	5.48
Hanssem Co. Ltd	0.01%	0.01%	0.00%	6.53
HLB Co. Ltd.	0.09%	0.09%	0.00%	9.50
JS Global Lifestyle Compan...	0.05%	0.05%	-0.01%	13.08

Source: Factset/SSGA. Holdings as of 31 Dec 2022, R-Factor data as of 30 Nov 2022.

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

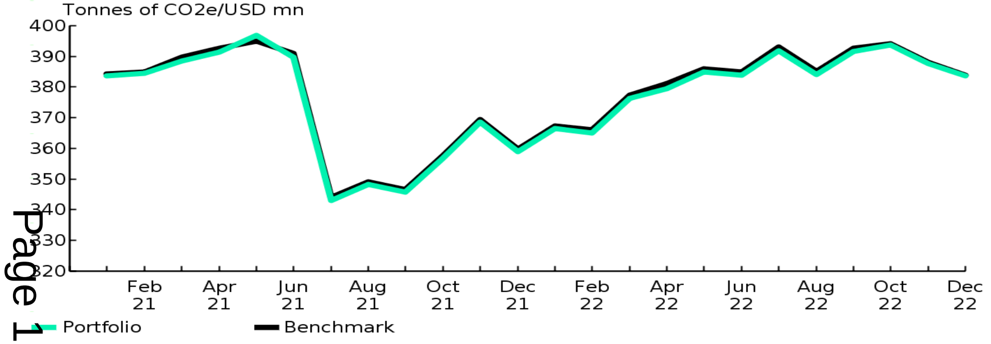
Climate Profile

As of 31 Dec 2022

Asia Pacific ex Japan ESG Screened Index Equity Sub-Fund

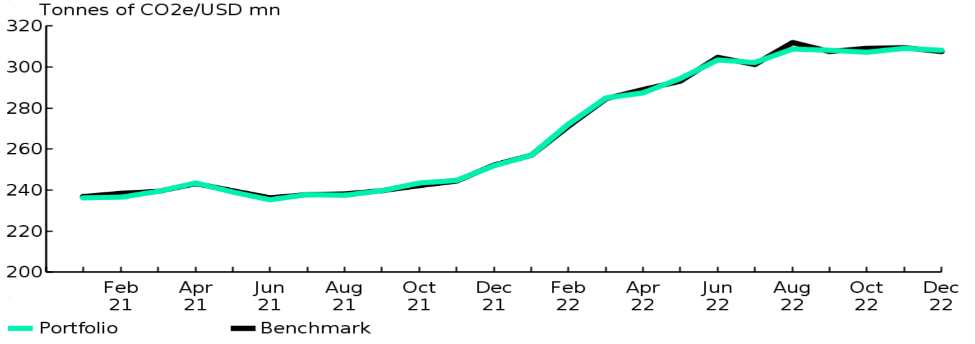
Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX

Carbon Intensity



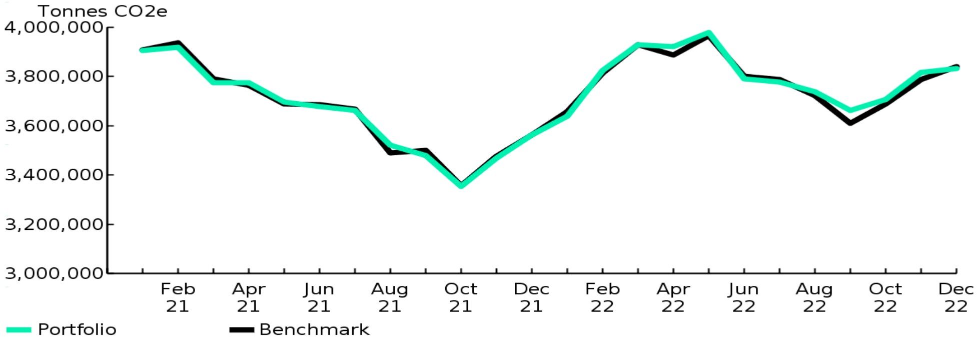
Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Weighted Average Carbon Intensity



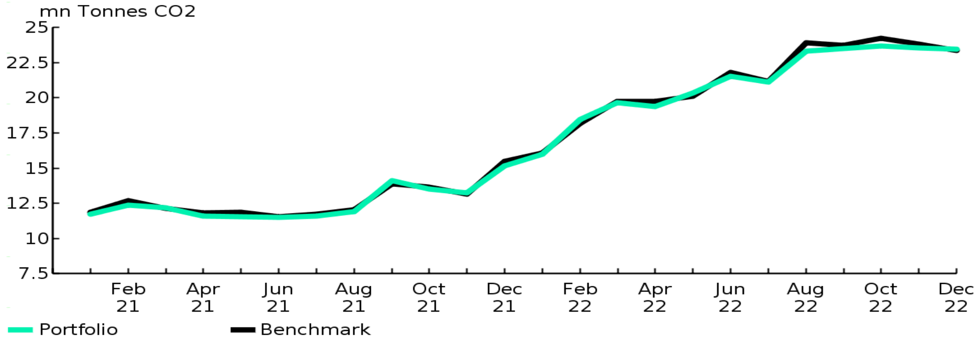
Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2022. Trucost data as of 30 Nov 2022.

Stewardship Profile

As of 31 Dec 2022

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 2022
Number of Meetings Voted	132
Number of Countries	10
Management Proposals	1,202
Votes for	84.86%
Votes Against	15.14%
Shareholder Proposals	15
With Management	93.33%
Against Management	6.67%

Source: SSGA as of 30 Sep 2022

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

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

Gender Diversity

Women on Board	Number of Securities
0	95
1	83
2	80
3	70
4	42
5	16
6	0
7	1
8	0
9	0
10	0
10+	0
Not Available	1
Total	**388**

Source: Factset/SSGA. Holdings as of 31 Dec 2022, Factset data as of 30 Nov 2022.

Relationship Management Team

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Important Information

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

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

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

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

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

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

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

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

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

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

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

- Scope 1+2 Carbon Emissions- Measured in Metric Tons of CO_2e.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_2 Emissions - Measured in Metric tons of CO_2. The carbon footprint that could be generated if the proven and probable fossil fuel reserves owned by index constituents were burned per USD million invested. Unlike carbon intensity and carbon emissions, the S&P Trucost Total Reserves Emissions metric is a very specific indicator that is only applicable to a very selected number of companies in extractive and carbon-intensive industries. Those companies are assigned Total Reserves Emissions numerical results by Trucost, whereas the rest of the holdings in other industries do not have numerical scores and are instead displaying "null", blank values. In order to present a more comprehensive overview of a portfolio's overall weighted average fossil fuel reserves, State Street Global Advisors replaces blank results with "zeros". While that might slightly underestimate the final weighted average volume, it provides a more realistic result, given that most companies in global indices have no ownership of fossil fuel reserves.

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

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

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- State Street Global Advisors Limited is authorised and regulated by the Financial Conduct Authority.

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- 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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- 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.

- If your account holds Russian securities and instruments, then as of the date of this publication, they have been fair valued. Such fair value may be zero. If your portfolio holds such Russian securities and instruments, then the portfolio may not be able to dispose of such securities and instruments depending on the relevant market, applicable sanctions requirements, and/or Russian capital controls or other counter measures. In such circumstances, the portfolio would continue to own and have exposure to Russian-related issuers and markets. Please refer to your portfolio holdings report.

BORDER TO COAST UK LISTED EQUITY FUND

ESG & CARBON REPORT

Q4 2022

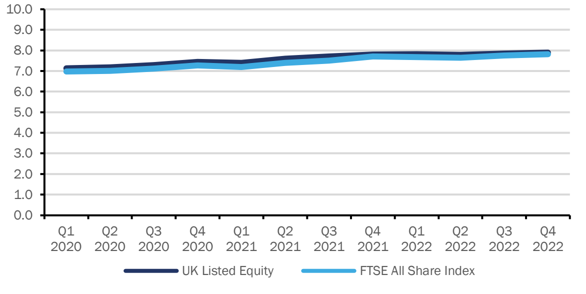
MSCI ESG RATING

AAA

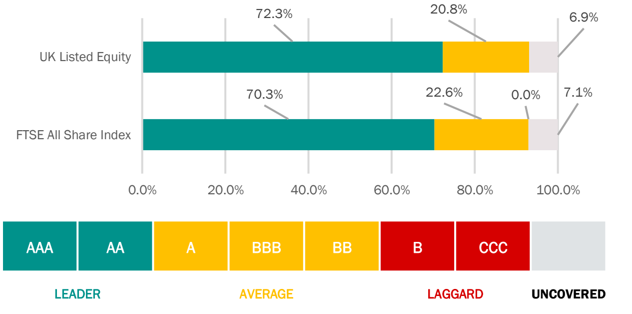
BORDER TO COAST PENSIONS PARTNERSHIP

	End of Quarter Position[1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	(green)	Fund has an equal or better *Weighted ESG Score* than the benchmark.
UK Listed Equity	AAA [1]	7.9 [1]	(green)	(amber)	Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE All Share Index	AAA [1]	7.8 [1]		(red)	Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]			
	% Portfolio Weight	% Relative Weight	MSCI Rating
Unilever	5.0%	+0.4%	AAA [1]
Diageo	3.9%	+0.4%	AAA [1]
Relx	2.2%	+0.3%	AAA [1]
National Grid	1.9%	+0.3%	AAA [1]
CRH	1.3%	+0.3%	AAA [1]

Lowest ESG Rated Issuers [1]			
	% Portfolio Weight	% Relative Weight	MSCI Rating
Haleon	1.0%	+0.3%	BB [1]
British American Tobacco	2.9%	-0.3%	BBB [1]
Glencore	2.3%	-0.8%	BBB [1]
Beazley	0.5%	+0.3%	BBB [1]
Fresnillo	0.4%	+0.3%	BBB [1]

Quarterly ESG Commentary

- The ESG Weighted score remained consistent in the quarter, retaining its 'AAA' Rating and slightly above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be 'Leaders' and no 'Laggards'.
- There were several upgrades in the quarter including Unilever and Derwent London to 'AAA'. Haleon, a new position in the quarter due to a spinoff from GSK, is currently the lowest rated company and is discussed in further detail below.

Feature Stock: Haleon

Haleon, formed from a combination of the consumer healthcare divisions of GlaxoSmithKline, Novartis and Pfizer, and spun out from GSK in 2022, is one of the largest global consumer healthcare businesses. It has leading global market positions in pain relief, respiratory health & digestive health, and number 3 in oral health, with key brands including Sensodyne, Aquafresh, Theraflu, Voltaren, Panadol and Centrum. The consumer healthcare market continues to see attractive growth, with Haleon anticipating above market growth supported by its brands and market positions.

MSCI initiated on Haleon in October 2022 with an ESG rating of BB. Whilst recognising it leads global peers on corporate governance, MSCI sees opportunities to improve product carbon footprint, raw material sourcing and lower the use of single source packaging. Product Safety and Quality is scored well below peers despite the highly regulated nature of the industry and likely reflects potential Zantac litigation risk that gained prominence following the listing. Haleon disputes that indemnities given to GSK at the time of the separation cover historic drugs such as Zantac, a common heartburn pill formerly developed by GSK and withdrawn from sale in 2019. Risk appears to be fully reflected in the valuation and will take time to fully resolve, however a recent court ruling in the US dismissing claims would appear to lower any potential financial liability for GSK or Haleon.

[1]Source: MSCI ESG Research 31/12/2022

BORDER TO COAST UK LISTED EQUITY FUND

ESG & CARBON REPORT

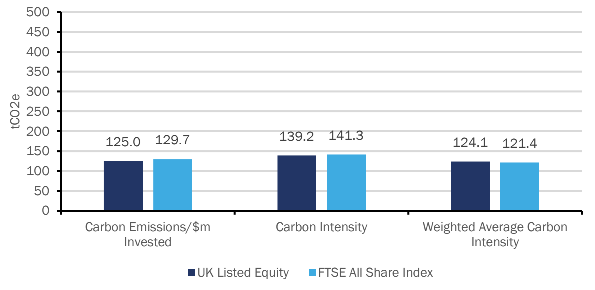
Q4 2022

MSCI ESG RATING

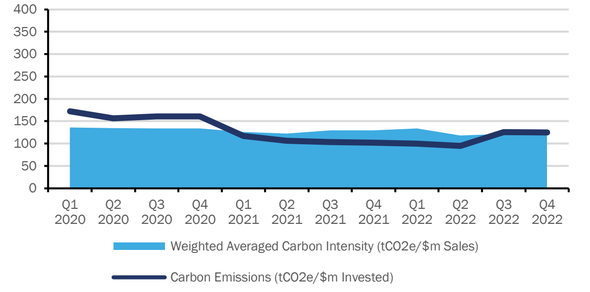
AAA

BORDER TO COAST PENSIONS PARTNERSHIP

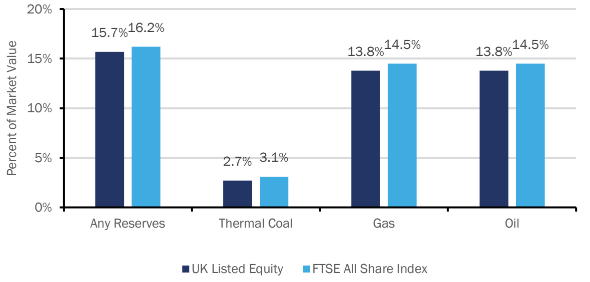
Carbon Emissions and Intensity[1]



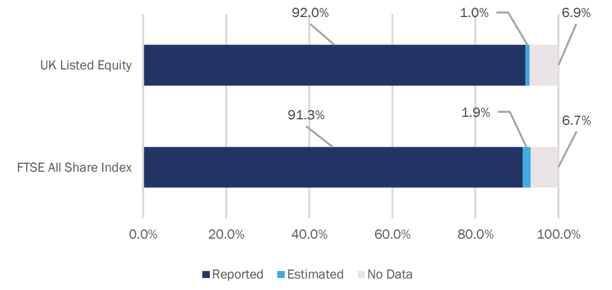
Weighted Average Carbon Intensity Trend[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Weighted Average Carbon Intensity [1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Shell	7.9%	+0.7%	26.2% [1]	Yes	4
CRH	1.3%	+0.3%	13.3% [1]	Yes	4
Rio Tinto	2.4%	-0.3%	10.2% [1]	Yes	4
BP	3.6%	-0.1%	7.8% [1]	Yes	4*
National Grid	1.9%	+0.3%	5.1% [1]	Yes	4

Quarterly Carbon Commentary

- The Fund is currently below, or in-line with, the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity (WACI).
- All carbon metrics remained level when compared to last quarter.

Feature Stock: Shell

As one of the only oil and gas companies that has a carbon target in line with the Paris Agreement, the Company aims to move its portfolio away from oil towards natural gas, which is considered to be the transition fuel for meeting carbon targets. The Company is a leading global producer of liquified natural gas (LNG) and has a strong position in downstream operations (refining, petrochemicals). The Company has a strong balance sheet and historically has been a good allocator of capital; the Fund has an overweight position relative to the benchmark.

Shell supports the goals of the Paris Agreement to limit the rise in the average global temperature well below 2° Celsius and has set an ambition to become a net-zero emissions energy business by 2050 or earlier. With reference to the publication of the EU's carbon strategy that is likely to be followed by the UK and directionally by the US, the Company is well placed to reduce its own carbon footprint and facilitate the infrastructure required to decarbonise other sectors previously reliant on fossil fuels in line with the EU's strategic targets.

Shell is aligned with the CA100+ Net Zero GHG Emissions ambition for 2050, albeit partially meets the short and term ambition criteria. The Company meets the framework for Climate Policy Engagement, Climate Governance and TCFD Disclosure. Engagement with the Company continues with the focus for Shell to reach alignment with the CA100+ Net Zero Benchmark criteria in due course.

[1]Source: MSCI ESG Research 31/12/2022

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	0.0%	0.0%
Investment Trust/ Funds	6.9%	6.9%

[1]Source: MSCI ESG Research 31/12/2022

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BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

ESG & CARBON REPORT

Q4 2022

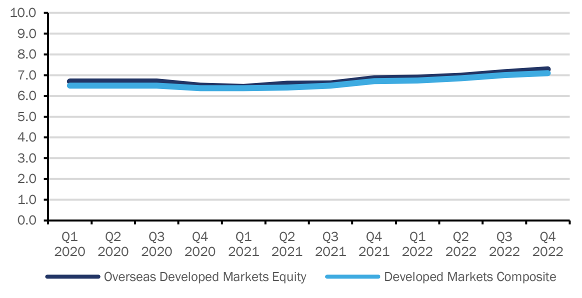
MSCI ESG RATING

AA

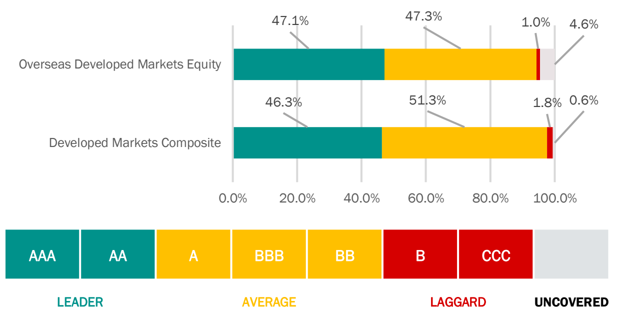
PENSIONS PARTNERSHIP

	End of Quarter Position[1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		Fund has an equal or better *Weighted ESG Score* than the benchmark.
Overseas Developed Markets Equity	AA [1]	7.3 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
Developed Markets Composite	AA [1]	7.1 [1]			Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
Microsoft Corporation	2.5%	-0.3%	AAA [1]
Novo Nordisk	1.7%	+0.8%	AAA [1]
ASML Holding	1.3%	+0.5%	AAA [1]
L'Oreal	0.7%	-0.1%	AAA [1]
Schneider Electric	0.7%	+0.4%	AAA [1]

Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
META Platforms	0.2%	-0.2%	CCC [1]
Jardine Matheson Holdings	0.1%	+0.1%	CCC [1]
Hyundai Motor	0.3%	+0.3%	B [1]
Bandai Namco	0.1%	+0.1%	B [1]
Hyundai Mobis	0.1%	+0.1%	B [1]

Quarterly ESG Commentary

- The ESG Weighted score increased over the quarter and remains slightly above the benchmark. This is due to the Fund holding fewer ESG 'Laggards'.
- During the quarter META Platforms was downgraded to 'CCC' by MSCI. This is discussed in more detail below.

Feature Stock: Meta Platforms

With over 3bn monthly active users Meta Platforms is the world's largest social media company. Historically, the Company has benefited from strong digital advertising revenue growth (advertising is 99% of group income). At a more mature phase now, digital advertising has been more directly exposed to a slowing economy. For this reason, and due to concern around the challenge posed by Apple's tightened privacy settings, the fund currently holds Meta at below the benchmark weight.

The Company's ESG track record is a further concern, especially its poor ranking in governance, privacy and data security, as highlighted by the Cambridge Analytica scandal and last year's whistle blower hearing in the US House of Representatives. As well as being a poor reflection on the Company's stewardship, such issues run the risk of drawing the attention of an increasingly hawkish Federal Trade Commission. MSCI have recently downgraded Meta to "CCC", its lowest ESG rating. MSCI's reasoning is, the recently announced job cuts will weigh heavily on staff morale, holds merit from a human capital standpoint. Near term however, Meta shares have rallied strongly on the announced cost saving initiatives, as investors have taken reassurance from the Company's willingness to act in mitigation of weakening revenue growth.

[1]Source: MSCI ESG Research 31/12/2022

BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

ESG & CARBON REPORT

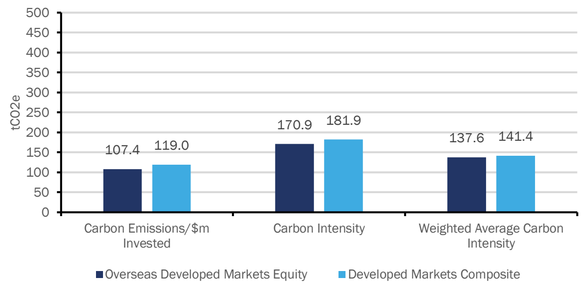
Q4 2022

MSCI ESG RATING

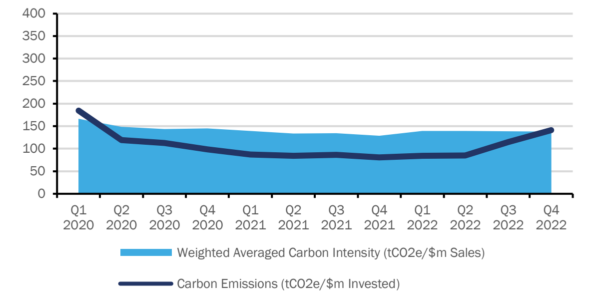
AA

BORDER TO COAST PENSIONS PARTNERSHIP

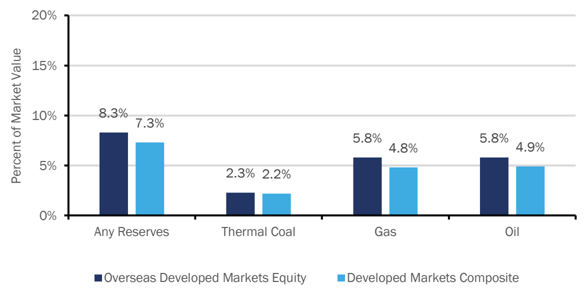
Carbon Emissions and Intensity[1]



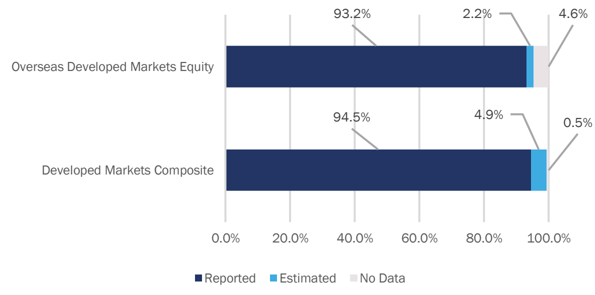
Weighted Average Carbon Intensity Trend[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Weighted Average Carbon Intensity [1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
RWE	0.4%	+0.3%	9.9% [1]	Yes	3
NextEra Energy	0.5%	+0.2%	9.2% [1]	Yes	3
Holcim	0.3%	+0.2%	8.9% [1]	Yes	4
Air Liquide	0.7%	+0.4%	7.1% [1]	Yes	4
Linde	0.6%	+0.3%	5.7% [1]	No	3

Quarterly Carbon Commentary

- The Fund remains below the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity (WACI).
- WACI and carbon intensity remained relatively flat in the quarter. Carbon emissions increased slightly in the quarter largely driven by a small increased weight in RWE, Holcim and ArcelorMittal.

Feature Stock: Air Liquide

French gas supplier, Air Liquide, announced its new strategic plan for 2025 earlier this year named ADVANCE, which sets out its carbon strategy. The 2025 target to start reducing its absolute CO2 emissions will be followed by a goal of achieving a 33% reduction in its Scope 1 and Scope 2 CO2 emissions by 2035, using 2020 as its comparative starting point. Air Liquide will be looking to be carbon neutral by 2050 aligning the Group with international efforts to reduce global warming, as outlined in the Paris Agreement. To decarbonise its assets, Air Liquide will leverage on capturing CO2, accelerating low-carbon hydrogen production through electrolysis or by using renewable feedstock such as biomethane. With regards to indirect emissions, Air Liquide will focus on increasing energy efficiency and low carbon electricity consumption. Air Liquide will also deploy a broad range of low-carbon solutions for its clients to help them decrease their CO2 footprint.

Air Liquide sees business opportunities in the emerging hydrogen sector linked to reducing carbon emissions from the industrial sector, heavy-duty trucking, and elsewhere. The Company has said it will invest approximately 8 billion euros in the hydrogen supply chain as part of its carbon-neutrality goals and aim to accelerate its hydrogen developments to "at least triple" its annual revenue from hydrogen activities to more than 6 billion euros by 2035. Air Liquide will also develop competitive CO2 abatement solutions, leveraging its ongoing carbon capture and storage initiatives in Northern Europe and its proprietary technology Cryocap which is able to capture up to 95% of CO2 emissions from industrial facilities. Finally, management has stated that by 2030, Air Liquide aims at bringing its total electrolysis capacity to 3 GW.

[1]Source: MSCI ESG Research 31/12/2022

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	0.2%	0.2%
Investment Trust/ Funds	4.4%	4.4%

[1]Source: MSCI ESG Research 31/12/2022

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BORDER TO COAST EMERGING MARKETS EQUITY FUND

ESG & CARBON REPORT

Q4 2022

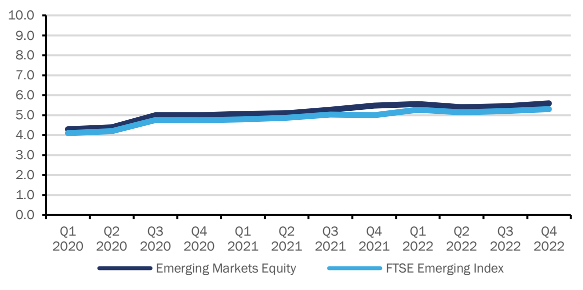
MSCI ESG RATING

BBB

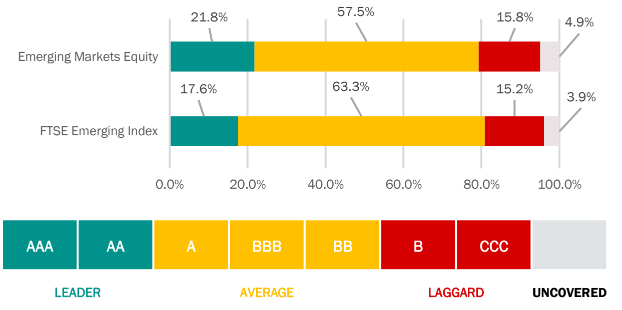
PENSIONS PARTNERSHIP

	End of Quarter Position [1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		Fund has an equal or better *Weighted ESG Score* than the benchmark.
Emerging Markets Equity	BBB [1]	5.6 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE Emerging Index	BBB [1]	5.3 [1]			Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]				Lowest ESG Rated Issuers [1]			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
Taiwan Semiconductor	6.4%	+0.6%	AAA [1]	Jiangsu Hengli Hydraulic	0.8%	+0.8%	CCC [1]
Infosys	1.4%	+0.3%	AA [1]	TAL Education	0.2%	+0.1%	CCC [1]
Naspers Limited	1.3%	+0.7%	AA [1]	Kweichow Moutai	2.8%	+2.4%	B [1]
ITC Limited	1.2%	+1.0%	AA [1]	Vale	0.9%	-0.2%	B [1]
HDFC Bank	1.0%	+1.0%	AA [1]	Larsen and Toubro	0.9%	+0.6%	B [1]

Quarterly ESG Commentary

- The ESG Weighted score increased slightly over the quarter and remains above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be ‘Leaders’.
- During the quarter five companies (Vale, Formosa Plastics, Sun Pharmaceutical Industries, Zijin Mining Group and Will Semiconductor) were upgraded from ‘CCC’.

Feature Stock: TAL Education

TAL Education Group provides after-school tutoring services and an online education platform in China. The Company also provides investment management and consulting services; develops and sells software and sells educational materials and products.

In 2021, the “Double Reduction” policy was issued by the Chinese government to strengthen regulation of the after-school tutorial sector. These regulations have stopped the company from providing academic courses during public holidays, weekends, and summer/winter breaks and has been cited as an area of material concern by MSCI through its CCC rating. The company recently modified its business model to focus on providing non-academic tutoring services, such as coding and Chinese cultural studies, with these changes addressing regulatory concern and bringing the business is in line with regulatory direction.

While the position in this company was reduced as a result of these heightened risks, the company delivered stronger-than-expected growth during the summer holiday season following the implementation of these changes

[1]Source: MSCI ESG Research 31/12/2022

BORDER TO COAST EMERGING MARKETS EQUITY FUND

ESG & CARBON REPORT

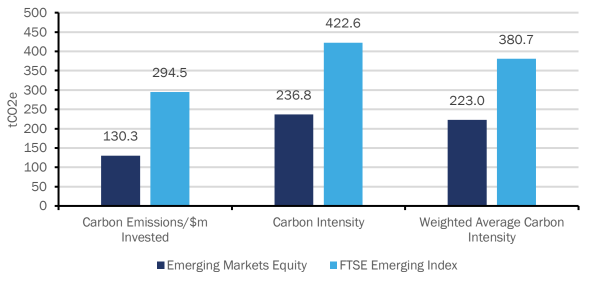
Q4 2022

MSCI ESG RATING

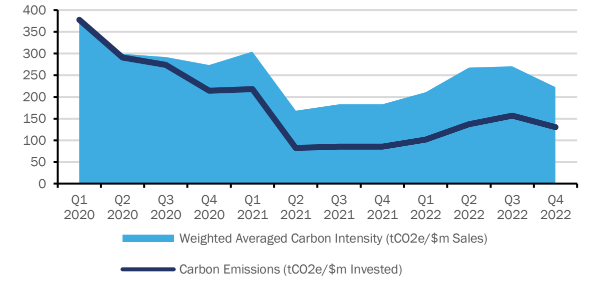
BBB

BORDER TO COAST PENSIONS PARTNERSHIP

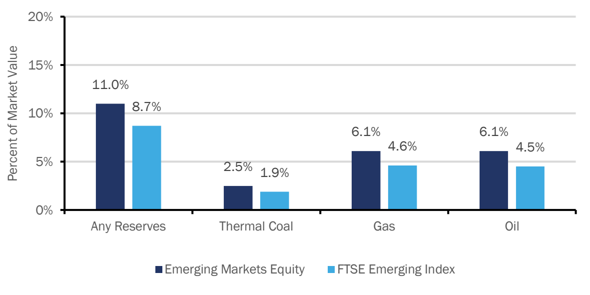
Carbon Emissions and Intensity[1]



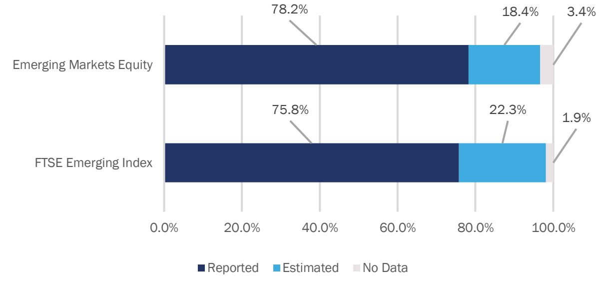
Weighted Average Carbon Intensity Trend[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



Availability of Carbon Emissions Data (% of Market Value)[1]



Largest Contributors to Weighted Average Carbon Intensity [1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Qatar Gas Transport Company	0.5%	+0.4%	11.8% [1]	No	N/A
Tenaga Nasional	0.5%	+0.4%	8.3% [1]	No	2
Petronas Chemicals Group	0.8%	+0.7%	7.1% [1]	No	3
China Shenhua Energy	0.4%	+0.2%	6.2% [1]	Yes	3
Taiwan Semiconductor	6.4%	+0.6%	6.0% [1]	No	N/A

Quarterly Carbon Commentary

- The Fund is currently significantly below the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity (WACI).
- Carbon emissions and WACI decreased in the quarter due to exiting positions in China Resources Power Holdings and Anhui Conch Cement.

Feature Stock: Petronas Chemicals Group

Petronas Chemical is the chemical subsidiary of Petronas Nasional, the Malaysian national oil and gas company. It was established 30 years ago and listed in 2010. Its revenue is split near equally between Olefins & Derivatives, and Fertilisers and Methanol. 80% of revenue comes from Asia & Asean with Malaysia being the domestic and main end market. It is vertically integrated, has a diversified product portfolio and most importantly has low-cost natural gas-based feedstock which it receives from its parent company Petronas Nasional.

Petronas Chemicals has stated that it aims to reduce its net emissions 20% by 2030, accelerating to to 80% by 2040 and net zero by 2050, in line with Malaysia's national carbon neutral goal. This is to be done through a broad approach including using operational efficiencies, renewable energy, forestry carbon offsets and relying on Petronas Nasional's carbon capture storage technology. The interlinkage between the two companies is crucial. Petronas Nasional's commitment to allocate over 20% of its capital expenditure to decarbonisation and renewables as well as the fact that it is building one of the worlds largest carbon capture and storage projects on one of its offshore gas sites is encouraging and adds confidence to the view on Petronas Chemicals net zero commitments.

[1]Source: MSCI ESG Research 31/12/2022

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	1.8%	0.3%
Investment Trust/ Funds	3.1%	3.1%

[1]Source: MSCI ESG Research 31/12/2022

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

PENSION FUND COMMITTEE REPORT

15 MARCH 2023

DIRECTOR OF FINANCE – HELEN SEECHURN

DRAFT ACTUARIAL VALUATION REPORT AS AT 31 MARCH 2022

1. PURPOSE OF THE REPORT

1.1 To provide Members with a copy of the draft actuarial valuation report as at 31 March 2022.

2. **RECOMMENDATION**

2.1 That Members note the report.

3. **FINANCIAL IMPLICATIONS**

3.1 There are no specific financial implications arising from this report. The final valuation report will be published at the end of March 2023 and will set the employer contribution rates for scheme employers for the three year period starting 1 April 2023

4. BACKGROUND

4.1 The Local Government Pension Scheme (LGPS) Regulations 2013 (as amended) require Administering Authorities to obtain an actuarial valuation of the assets and liabilities of their fund as at a specific date every three years – the effective date for the current valuation is 31 March 2022. There is also a requirement to obtain a report from the Fund actuary in respect of the valuation and a rates and adjustments certificate prepared by the actuary setting out the contribution rates due from employers over the period from (in this case) 1 April 2023 onwards. The report and certificate have to be obtained within a year of the effective date of the valuation.

4.2 Hymans Robertson (the Fund's actuary) has been working with the Council (in its role as Administering Authority) and XPS Administration (the Council's outsourced pension administration provider) to progress the 31 March 2022 valuation of the Fund and will publish the final report by the end of March 2020.

4.3. The draft actuarial valuation report is provided at Appendix A. Almost all scheme employers have already been provided details of how the valuation outcome will affect them, including details of their expected future employer contribution rate for the three year period from 1 April 2023. At the time of writing this report a small number of employer results are still being finalised - this may affect entries in the Rates and Adjustments certificate included within the report and the whole fund rate disclosed throughout the report. The actuary has confirmed they do not expect any changes to be significant or to materially impact the draft report as presented.

5. DRAFT VALUATION OUTCOME

5.1 The valuation outcome at a whole Fund level has been positive, with the funding level improving slightly from around 115% to around 116%, largely because of investment returns significantly above the level forecast at the last valuation. Although the value of the Fund has increased by around £1 billion or 25% in the three years since the last valuation, an increase to the expected future inflation rate and a reduction in expected future investment returns has meant the value of liabilities and the future cost of providing scheme benefits has also increased significantly.

5.2 The main tax-raising employers in the Fund are seeing an increase in their employer contribution rate for the three years up to the next valuation – at the end of the three years their employer rates will have increased by 1.5% of pensionable pay. It is worth noting that these employers will still be paying some of the lowest employer contribution rates in the LGPS nationally, partly as a consequence of the Fund's ongoing funding surplus. As at the last valuation, prudence is being applied by the Fund by reducing expectations of the level of future investment returns.

5.3 The full draft report is shown at Appendix A and the Fund actuary will be present at the meeting to answer any questions Members may have on the report.

6. NEXT STEPS

6.1 The actuary will continue to work to complete the remaining individual employer outcomes and they will be issued as they are finalised. The final valuation report will be completed by 31 March 2023 and will be published on the Fund website with a link circulated to all employers and other relevant parties including Committee and Teesside Pension Board Members.

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

TEL NO.: 01642 729040

Appendix A

HYMANS ROBERTSON

Teesside Pension Fund

Report on the actuarial valuation at 31 March 2022

Julie Baillie FFA

Steven Law FFA

02 March 2023
For and on behalf of Hymans Robertson LLP

Use the menu bar above to navigate to each section.

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Final comments	19
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Rates & Adjustments certificate	32
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Executive Summary

We have been commissioned by Middlesbrough Borough Council (the Administering Authority) to carry out a valuation of the Teesside Pension Fund (the Fund) as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report is a summary of the valuation.

Contribution rates

The contribution rates for individual employers set at this valuation can be found in the Rates & Adjustments certificate. Table 1 shows the combined individual employer rates set at this valuation and the last valuation (31 March 2019).

Page 123

Table 1: Whole fund contribution rates compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	19.7% of pay		17.2% of pay	
Secondary Rate	2023/2024	-£27,824,000	2020/2021	-£13,341,000
	2024/2025	-£27,226,000	2021/2022	-£13,340,000
	2025/2026	-£25,130,000	2022/2023	-£13,303,000

- The Primary rate has increased mainly due to higher inflation
- The Secondary rate has decreased mainly due to good investment performance since the last valuation

Funding position

At 31 March 2022, the past service funding position has improved from the last valuation at 31 March 2019. Table 2 shows the single reported funding position at the current and previous valuation.

Table 2: Single reported funding position at 31 March 2022 compared with 31 March 2019

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	1,532	1,223
Deferred Pensioners	769	627
Pensioners	2,050	1,711
Total Liabilities	**4,351**	**3,561**
Assets	**5,042**	**4,088**
Surplus/(Deficit)	**691**	**527**
Funding Level	**116%**	**115%**

The required investment return to be 100% funded is 3.4% pa. The likelihood of the Fund's investment strategy achieving the required return is 83%.

Approach to valuation

Valuation Purpose

The triennial actuarial valuation is an important part of the risk management framework of the Teesside Pension Fund (the Fund). Its main purpose is to ensure the Fund continues to have a contribution plan and investment strategy that will achieve the objectives set out in the Funding Strategy Statement.

We have been commissioned by Middlesbrough Borough Council (the Administering Authority) to carry out a valuation of the Teesside Pension Fund as at 31 March 2022. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report marks the culmination of the valuation process and contains its two key outcomes:

1. Employer contribution rates for the period 1 April 2023 to 31 March 2026.
2. The funding level of the Fund at 31 March 2022.

Further information on the valuation process, methodology and strategy is set out in the publicly available Funding Strategy Statement, Investment Strategy Statement and published papers and minutes of the Teesside Pension Fund Committee. Additional material is also contained in Hymans Robertson's LGPS 2022 valuation toolkit[1].

[1] www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

Setting employer contribution rates

Employer contributions need to be set at a level which ensures the Fund has a reasonable likelihood of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex as those earned today might only start being paid in 50 years' time. Over that time period, there is significant uncertainty over factors which affect the cost of benefits, eg inflation, investment returns. These uncertainties are allowed for by taking a risk-based approach to setting employer contribution rates. This approach is built around three key funding decisions set by the Fund and asset-liability modelling.

Key funding decisions

For each employer, the Fund determines the most appropriate choice for the following three funding decisions. Further detail is set out in the Funding Strategy Statement.

What is the funding target for each employer?
Will the employer remain in the Fund for the long-term or exit at some point

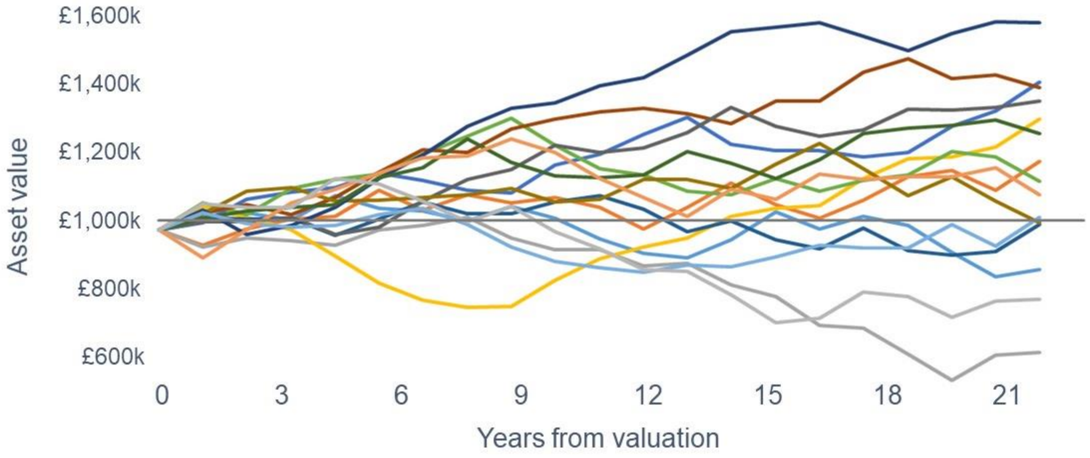
What is the funding time horizon?
How long will the employer participate in the Fund

What is the required likelihood?
How much funding risk can the employer's covenant support

Modelling approach

Asset-liability modelling is used to project each employer's assets and benefit payments into the future using 5,000 different economic scenarios. The economic scenarios are generated using Hymans Robertson's Economic Scenario Service (ESS) (further information in Appendix 2).

Picture 1: sample progression of employer asset values under different economic scenarios



Measuring the funding level

The past service funding level is measured at the valuation date. While it is limited in providing insight into a funding plan, it is a useful high-level summary statistic. To measure the funding level, a market-related approach is taken to calculate both the assets and the liabilities (so they are consistent with each other).

- The market value of the Fund's assets at the valuation date have been used.
- The liabilities have been valued using assumptions based on market indicators at the valuation date (these assumptions are detailed in Appendix 2).

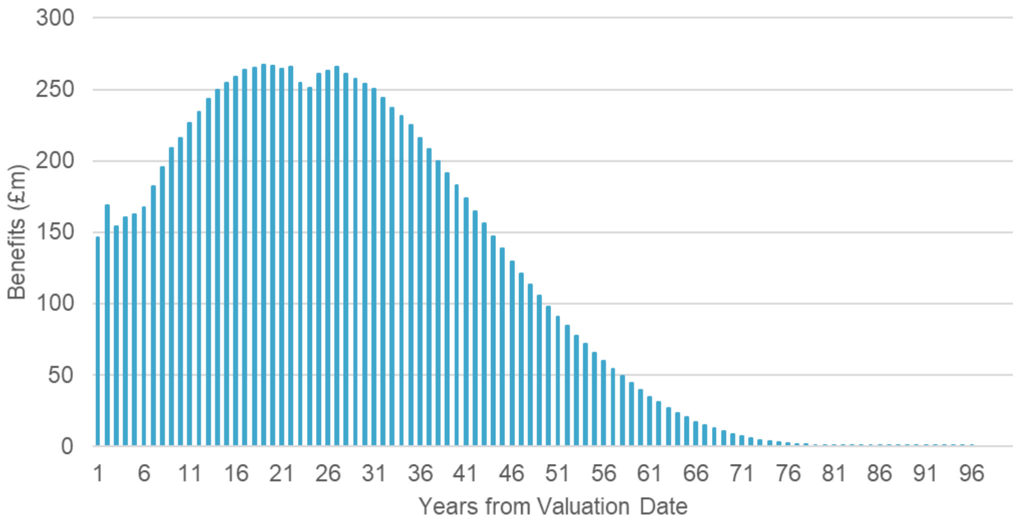
Further detail on the liabilities

The liabilities are the value of all future payments to members based on all benefits earned up to the valuation date, expressed in today's money.

Chart 1 shows the projected payments for all members in the Fund at the valuation date. The projections are based on the membership data provided for the valuation (Appendix 1), the assumptions (Appendix 2) and our understanding of the LGPS benefit structure as at 31 March 2022 (details at www.lgpsregs.org).

To express the future payments in today's money, the projections are discounted with an assumed future investment return on the Fund's assets (the discount rate).

Chart 1: projected benefit payments for all service earned up to 31 March 2022



Valuation results

Employer contribution rates

The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned. A secondary objective is to ensure the rates are as stable as possible. The risk-based approach detailed earlier is used to meet both these objectives.

The employer contribution rate is made up of two components.

1. A primary rate: the level sufficient to cover all new benefits.
2. A secondary rate: the costs associated with sufficiently funding benefits accrued up to the valuation date.

Each employer has a contribution rate which is appropriate to their circumstances and these can be found in the Rates & Adjustments Certificate. Broadly speaking:

- Primary rates have increased since the last valuation due to rising inflation.
- Secondary rates have decreased due to strong investment performance since the previous valuation.

However, all employers will be different and the contribution rate will reflect the membership and experiences of each employer.

Table 3 shows the total of all employer contribution rates to be paid into the Fund over the period 1 April 2023 to 31 March 2026.

Table 3: Whole-fund contribution rate, compared with the previous valuation

	This valuation 31 March 2022		Last valuation 31 March 2019	
Primary Rate	19.7% of pay		17.2% of pay	
Secondary Rate	2023/2024	-£27,824,000	2020/2021	-£13,341,000
	2024/2025	-£27,226,000	2021/2022	-£13,340,000
	2025/2026	-£25,130,000	2022/2023	-£13,303,000

The primary rate includes an allowance of 0.6% of pensionable pay for the Fund's expenses (0.5% at 31 March 2019).

Employees pay a contribution to the Fund in addition to these rates. These rates are set by the LGPS Regulations. The average employee contribution rate at 31 March 2022 is 6.3% of pay (6.4% at 31 March 2019).

Funding level

The funding level is the ratio of assets to liabilities. The market value of the assets at the valuation date are known. The value of the liabilities is uncertain given that the level of future investment returns are unknown.

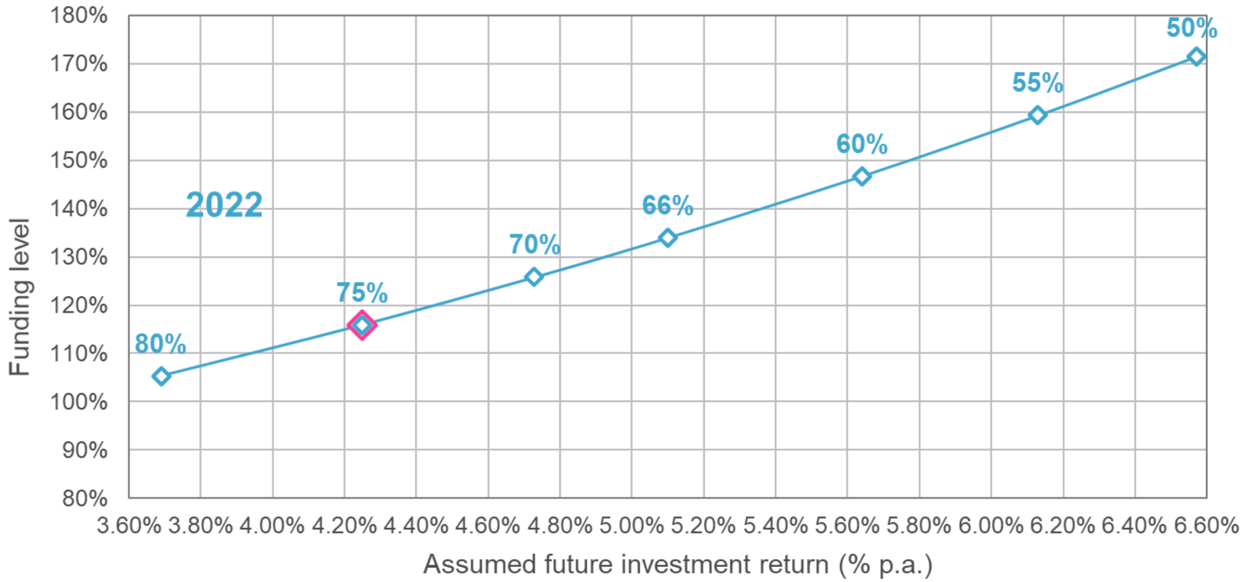
Therefore, the liabilities and funding level have been calculated across a range of different investment returns (the discount rate).

The likelihood of the Fund's investment strategy (detailed in Appendix 1) achieving certain levels of return has also been calculated, to help better understand funding risk.

Chart 2 shows how the funding level varies with future investment return assumptions at 31 March 2022 (blue line).

- **The funding level is 100% if future investment returns are c.3.4% pa. The likelihood of the Fund's assets yielding at least this return is around 83%.**
- **There is a 50% likelihood of an investment return of 6.6% pa. So the best-estimate funding level is 172% at 31 March 2022.**

Chart 2: funding level across a range of future investment returns



Figures along the line show the likelihood of the Fund's assets exceeding that level of return over the next 20 years

Single funding level as at 31 March 2022

While the chart on the previous page provides a better understanding of the past service funding position, there is still a requirement to report a single funding level at 31 March 2022.

To report a single funding level and funding surplus/deficit for the 2022 valuation, a discount rate of 4.25% pa has been used. There is a 75% likelihood associated with a future investment return of 4.25% pa.

Table 4 details the liabilities, split by member status, and the market value of assets at the valuation date. The results at the 2019 formal valuation are shown for comparison. (NB at 2019 the reported position used a discount rate with a 75% associated likelihood and 25 year time horizon).

The funding level and surplus/deficit figures provide a high-level snapshot of the funding position of the Fund as at 31 March 2022; however, there are limitations:

- The liabilities are calculated using a single set of assumptions about the future and so are very sensitive to the choice of assumptions.
- The market value of assets held by the Fund will change on a daily basis.

The future progression of the funding position is uncertain. If the financial and demographic assumptions made at this valuation actually occur, employers pay contributions in line with the R&A certificate and there are no other changes in the financial or demographic environment, we project that the funding level at the next valuation (31 March 2025) will be approximately 114%.

Table 4: single reported funding level

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	**(£m)**	**(£m)**
Employees	1,532	1,223
Deferred Pensioners	769	627
Pensioners	2,050	1,711
Total Liabilities	**4,351**	**3,561**
Assets	**5,042**	**4,088**
Surplus/(Deficit)	**691**	**527**
Funding Level	**116%**	**115%**

***Important:** the reported funding level does not directly drive the contribution rates for employers. The contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and also reflect each employer's funding profile and covenant.*

Changes since the last valuation

Events between 2019 and 2022

The most significant external event to occur since the last valuation has been the Covid-19 pandemic. Please note, exit records were incomplete within the membership data so an accurate analysis of the impacts of leavers and deaths is not possible. The column of 'Actual' membership experience and 'Impact on funding position' should therefore be viewed with caution since they do not reflect the complete membership movements. However, the impact on the funding position is expected to have been small due to the likely age profile of the excess deaths and the level of pension ceased.

Other significant factors occurring which affect the funding strategy of the Fund have been the better than expected investment returns. This has had a material positive impact on the funding position and employers' secondary contribution rates.

Financial

Table 5: analysis of financial experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on funding position
3 year period	14.0%	30.7%	16.7%	+£612m
Annual	4.45% pa	9.3% pa	4.9% pa	

Membership

Table 6: analysis of membership experience between 2019 and 2022 valuations

	Expected	Actual	Difference	Impact on funding position
Early leavers	3,056	1,614	-1,442	Not available
Ill-health retirements	180	166	-14	+£4m
Salary increases	3.4% pa	1.4% pa	-2.0% pa	+£46m
Benefit increases	2.1% pa	1.8% pa	-0.3% pa	+£28m
Pension ceasing	£8.4m	£3.0m	-£5.4m	Not available

Changes since the last valuation

Future outlook

Expectations about the future, which inform the assumptions used to value the liabilities, have changed since the last valuation. The most significant changes are:

- Future inflation: this is expected to be on average higher than at 2019 due to the current level of high inflation.
- Investment returns: due to change in the Fund's investment strategy and financial markets, future investment returns are now expected to be lower than at the last valuation.

Table 7: summary of change in future outlook

Factor	What does it affect?	What's changed?	Impact on liabilities
Future investment returns	The rate at which future benefit payments are discounted back, ie the discount rate assumption	Future investment returns slightly higher at 2022 than at 2019. The required return is now 4.25% pa vs. 4.45% pa at 2019.	Increase of £145m
Inflation	The rate at which pensions in payment and deferment and CARE pots increase	Significant increase in short-term future inflation expectations.	Increase of £379m
Salary increases	The rate at which future salaries increase. This affects benefits that are still linked to final salary, ie accrued before 1 April 2014	No material change since last valuation given competing factors eg tighter budgetary conditions vs strong job market and pressure from National Living Wage increases.	Increase of £11m
Current life expectancy	How long we expect people to live for based on today's current observed mortality rates.	Slight reduction in life expectancy based on current observed data (not allowing for Covid-related excess deaths)	Decrease of £23m
Future improvements in life expectancy	How we expect life expectancies to change (increase) in the future.	Uncertainty about effectiveness of mitigations against life expectancy increases in the LGPS ie State Pension Age increases and Cost Cap. Need to better reflect wider pension and insurance industry long-term expectations.	Decrease of £42m

Reconciling the overall change in funding position

The tables below provide insight into the funding position change between 31 March 2019 and 31 March 2022. Firstly, the changes we expect to happen (Table 8), which relate mostly to items on the asset side. Then the impact of actual experience (Table 9), which mainly affects the liabilities. Note that a separate analysis is not available for the actual pension ceasing due to the way that member data has been recorded.

Expected development

Table 8: expected development of funding position between 2019 and 2022 valuations

Change in the surplus/deficit position	Surplus / (Deficit)
	£m
Last valuation at 31 March 2019	**527**
Cashflows	
Employer contributions paid in	202
Employee contributions paid in	90
Benefits paid out	0
Net transfers into / out of the Fund	n/a
Other cashflows (e.g. Fund expenses)	(22)
Expected changes	
Expected investment returns	510
Interest on benefits already accrued	(491)
Accrual of new benefits	(362)
Expected position at 31 March 2022	**454**

* We have insufficient data to value the impact on the liabilities as a result of transfers in/out

Impact of actual events

Table 9: impact of actual events on the funding position at 31 March 2022

Change in the surplus/deficit position	Surplus / (Deficit)
	£m
Expected position at 31 March 2022	**454**
Events between 2019 and 2022	
Salary increases less than expected	46
Benefit increases less than expected	28
Early retirement strain (and contributions)	(2)
Ill health retirement strain	4
Early leavers less than expected	
Commutation less than expected	(7)
Pensions ceasing less than expected*	n/a
McCloud remedy	(10)
Other membership experience	34
Higher than expected investment returns	612
Changes in future expectations	
Investment returns	(145)
Inflation	(379)
Salary increases	(11)
Longevity	65
Other demographic assumptions	2
Actual position at 31 March 2022	**691**

Numbers may not sum due to rounding
*actual pension ceasing is not available for analysis

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Sensitivity & risk analysis

Sensitivity and risk analysis: assumptions

There is risk and uncertainty inherent with funding benefit payments that will be paid out many years in the future. The Fund is aware of these and has in place a risk register which is regularly reviewed. Additionally, as part of the valuation, the Fund reviews sources of risk that may impact its funding position and the contribution rates payable by employers.

This section discusses some of the most significant sources of funding risk (assumptions, regulatory, administration and governance and climate change). Further information of the Fund's approach to funding risk management, including monitoring, mitigation and management, is set out in the Funding Strategy Statement.

The valuation results depend on the actuarial assumptions made about the future. By their nature, these assumptions are uncertain which means it's important to understand their risk levels and the sensitivity of the results to changes in the assumptions.

Contribution rates

The risk-based approach to setting employer contribution rates mitigates the limitation of relying on one set of assumptions. Therefore, there is no need to carry out additional analysis of the sensitivity of contribution rates to changes in financial assumptions. The contribution rates are sensitive to changes in demographic assumptions. The results in this section in relation to the funding position can be broadly applied to the contribution rates.

Funding level

Financial assumptions

On page 10, we have already set out how the results vary with the assumed future investment return. The table below considers inflation.

Table 10: sensitivity of funding position to inflation assumption

CPI Assumption	Surplus/ (Deficit)	Funding Level
% pa	**(£m)**	**%**
2.5%	817	119%
2.7%	691	116%
2.9%	562	113%

Demographic assumptions

The main area of demographic risk is if people live longer than expected. The table below shows the impact of longer term longevity rates improving at a faster rate (1.75% pa vs 1.5% pa used in the results)

Table 11: sensitivity of funding position to longevity assumption

Long term rate of improvement	Surplus/ (Deficit)	Funding Level
% pa	**(£m)**	**%**
1.5%	691	116%
1.75%	635	114%

Sensitivity and risk analysis: other risks

Regulatory, Administration and Governance risks

Potential risks in this area include change in central government legislation which changes the future cost of the LGPS and failures in administration processes leading to incorrect data and inaccuracies in actuarial calculations. At this valuation, specific risks include:

- **McCloud:** the remedy to resolve the McCloud case is yet to be formalised in regulations. However, an allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1].
- **Goodwin:** the remedy to this issue is still uncertain, it is difficult to identify who it would apply to and its impact is estimated to be very small for a LGPS fund (0.1-0.2% of liabilities). Therefore, no allowance has been made for this case at the 2022 valuation.
- **Cost Cap:** a legal challenge is ongoing in relation to the 2016 cost cap valuation and no information is known about the outcome of the 2020 cost cap valuation. At this valuation, no allowance has been made for any changes to the benefit structure that may occur as a result of a cost cap valuation.
- **GMP indexation:** it is assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This is a different approach to that taken for the 2019 valuation which only included members reaching State Pension Age between 6 April and 5 April 2021 (inclusive).

Post valuation events

Since 31 March 2022, there has been significant volatility in the financial markets, short-term inflation expectations and rises in interest rates by central banks. These events affect the value of the Fund's assets and liabilities.

- The Fund's investment return since 31 March 2022 is estimated to be somewhere between 0% and -5%.
- Liability valuations are likely to be lower now than at 31 March 2022 due to rises in expected future investment returns and progression through the shorter-term period of high inflation expectations..

As an open scheme, with a strong covenant, the Fund takes a long-term view when considering the funding impact of such events. For employers who have a very short time horizon, recent volatility may be more immediately impactful, and the Fund has engaged with these employers as appropriate.

No explicit allowance has been made for this volatility in the valuation results or contribution rates detailed in the Rates & Adjustments Certificate. The Fund will continue to monitor changes in the financial and demographic environment as part of its ongoing risk management approach.

[1] www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

Sensitivity and risk analysis: climate change

Background

Climate change is a major source of uncertainty which could affect future investment returns, inflation and life expectancies. Therefore, the Fund has explicitly explored the resilience of its funding and investment strategy to future potential climate change outcomes.

It is impossible to confidently quantify the effect of climate risk given the significant uncertainty over the impact of different possible climate outcomes. Instead, three different climate change scenarios have been considered as a stress-test (instead of trying to predict how climate change affects the funding level in the future).

All the scenarios assume that there will be a period of disruption linked either to the response to climate risk (transition risks) or the effect of it (physical risks). This disruption will lead to high volatility in financial markets, and the later the disruption, the more pronounced it will be.

Further detail on the scenarios is shown on the next page and in our guide 10 of [Hymans Robertson's LGPS 2022 valuation toolkit][1]

Outcome of analysis

The Fund has set its funding and investment strategy using asset-liability modelling and considering two main risk metrics:

- Likelihood of success – the chance of being fully funded in 20 years' time
- Downside risk – the average worst 5% of funding levels in 20 years' time

When exploring the potential impact of climate change, the Fund has compared how these risk metrics change under each climate change scenario (against the '*Core'* model used when setting the funding and investment strategy). The stress test results for the Fund are shown in Table 12 below.

Table 12: sensitivity of funding position to longevity assumption

Scenario	Likelihood of success	Downside risk
Core	**79%**	**56%**
Green Revolution	79%	55%
Delayed Transition	76%	55%
Head in the Sand	74%	53%

The results are worse in the climate scenarios. This is to be expected given that they are purposefully stress-tests and all the scenarios are bad outcomes. While the risk metrics are weaker, they are not materially so and not enough to suggest that the funding and investment strategy are unduly exposed to climate change risk. The Fund will continue to monitor this risk as more information emerges and climate change modelling techniques evolve.

[1] www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

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Final comments

Final comments

The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Strategy Statement, which in particular highlights how different types of employer in different circumstances have their contributions calculated
- The Investment Strategy Statement, which sets out the investment strategy for the Fund
- The general governance of the Fund, such as meetings of the Teesside Pension Fund Committee and the Teesside Pension Board, decisions delegated to officers, the Fund's business plan, etc
- The Fund's risk register

New employers joining the Fund
Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.

Cessations and bulk transfers
Any employer who ceases to participate in the Fund should be referred to the Fund Actuary in accordance with Regulation 64 of the LGPS regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement

should be referred to the Fund Actuary to consider the impact on the Fund.

Valuation frequency
Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2025 when contribution rates payable from 1 April 2026 will be set.

SIGNATURE

Julie Baillie FFA
02 March 2023
For and on behalf of Hymans Robertson LLP

SIGNATURE

Steven Law FFA

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Appendices

APPENDIX 1

Data

Membership data

A summary of the membership data provided by the Fund for the 2022 valuation is set out in Table 13. The corresponding membership data from the previous valuation is also shown for reference.

The results of the valuation are dependent on the quality of the data used. We have carried out a series of validation checks on the data supplied to us by the Administering Authority to ensure that it is fit for purpose.

Asset data

To check the membership data and derive employer asset values, we have used asset data and employer level cashflow data provided by the Fund.

Table 13: Whole fund membership data as at 31 March 2022 and 31 March 2019

Whole Fund Membership Data	This Valuation 31 March 2022	Last Valuation 31 March 2019
Employee members		
Number	25,928	22,338
Total actual pay (£000)	493,300	413,608
Total accrued pension (£000)	95,861	84,421
Average age (liability weighted)	52.1	51.0
Future working lifetime (years)	6.4	11.6
Deferred pensioners (including undecideds)		
Number	26,369	26,372
Total accrued pension (£000)	43,397	41,338
Average age (liability weighted)	52.0	51.6
Pensioners and dependants		
Number	26,255	23,772
Total pensions in payment (£000)	128,553	112,533
Average age (liability weighted)	68.3	67.6

APPENDIX 1

Data

Investment strategy

A summary of the investment strategy allocation used for the calculation of employer contribution rates and to derive the future assumed investment return is set out in Table 14.

This information is as set out in the Fund's Investment Strategy Statement.

Table 14: Investment strategy used for the 2022 valuation

% allocation	Core Strategy
UK equities	10.0%
Global equities (unhedged)	40.0%
EM equities (unhedged)	5.0%
Infrastructure (unlisted)	10.0%
Private equity	6.5%
Total growth assets	**71.5%**
Index-linked gilts (24 yr maturity)	3.0%
A credit (4 yr maturity), duration hedged	4.0%
Total protection assets	**7.0%**
Asset backed securities	5.0%
Multi asset credit	1.0%
Property	13.5%
Cash	2.0%
Total income generating assets	**21.5%**

APPENDIX 2

Assumptions

To set and agree assumptions for the valuation, the Fund carried out in-depth analysis and review in June 2022 with the final set agreed by the Pensions Committee on 29 June 2022.

Financial assumptions

Setting employer contribution rates

An asset-liability model is used to set employer contributions at the 2022 valuation. This model relies on Hymans Robertson's proprietary economic model, the Economic Scenario Service (ESS). The ESS reflects the uncertainty associated with future levels of inflation and asset returns and the interactions and correlations between different asset classes and wider economic variables. In the short term (first few years), the models are fitted with current financial market expectations. Over the longer term, models are built around views of fundamental economic parameters, for example equity risk premium, credit spreads and long term inflation. The table below shows the calibration of the ESS at 31 March 2022. Further information on the assumptions used for contribution rate setting is included in the Funding Strategy Statement.

Table 15: ESS individual asset class return distributions at 31 March 2022

		Asset class annualised total returns											Inflation/Yields		
Time period	Percentile	Cash	Index Linked Gilts (long)	UK Equity	Private Equity	Property	Emerging Markets Equity	Unlisted Infrastructure Equity	Multi Asset Credit (sub inv grade)	All World ex UK Equity in GBP unhedged	Asset Backed Securities (AA rated) GBP	CorpShort A	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th	0.8%	-3.1%	-0.4%	-1.2%	-0.6%	-2.5%	0.7%	1.7%	-0.4%	1.1%	1.4%	1.6%	-1.7%	1.1%
	50th	1.8%	-0.7%	5.7%	9.4%	4.4%	5.8%	5.9%	3.5%	5.8%	2.3%	2.4%	3.3%	-0.5%	2.5%
	84th	2.9%	2.0%	11.6%	20.1%	9.5%	14.4%	11.2%	5.2%	11.9%	3.6%	3.4%	4.9%	0.7%	4.3%
20 years	16th	1.0%	-2.6%	1.7%	2.4%	1.4%	0.1%	2.6%	2.8%	1.8%	1.5%	2.0%	1.2%	-0.7%	1.3%
	50th	2.4%	-0.9%	6.2%	10.0%	5.0%	6.3%	6.5%	4.4%	6.3%	3.0%	3.2%	2.7%	1.1%	3.2%
	84th	4.0%	0.8%	10.6%	17.6%	8.9%	12.8%	10.6%	6.0%	11.1%	4.7%	4.6%	4.3%	2.7%	5.7%
40 years	16th	1.2%	-1.1%	3.2%	4.7%	2.6%	2.1%	3.9%	3.6%	3.4%	1.8%	2.4%	0.9%	-0.6%	1.1%
	50th	2.9%	0.3%	6.7%	10.3%	5.5%	6.8%	7.0%	5.3%	6.8%	3.5%	3.9%	2.2%	1.3%	3.3%
	84th	4.9%	1.9%	10.2%	16.1%	8.8%	11.7%	10.3%	7.1%	10.4%	5.6%	5.8%	3.7%	3.2%	6.1%
	Volatility (5yr)	2%	9%	18%	30%	15%	26%	15%	6%	18%	3%	3%	3%		

APPENDIX 2

Assumptions

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Financial assumptions

Calculating the funding level

The table below summarises the assumptions used to calculate the funding level at 31 March 2022, along with a comparison at the last valuation.

Table 16: Summary of assumptions used for measuring the funding level, compared to last valuation on 31 March 2019

Assumption	31 March 2022	Required for	31 March 2019
Discount rate	4.25% pa	To place a present value on all the benefits promised to scheme members at the valuation date. The Fund's assets are estimated to have a 75% likelihood of returning above the discount rate.	4.45% pa (based on a 75% likelihood and 25 year time horizon)
Benefit increases/CARE revaluation	2.7% pa	To determine the size of future benefit payments.	2.1% pa
Salary increases	3.7% pa	To determine the size of future final-salary linked benefit payments.	3.1% pa

Allowing for the McCloud remedy

Allowance has been included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022[1]. Further technical detail about this assumption is set out in guide 13 of Hymans Robertson's LGPS 2022 valuation toolkit[2]

1 www.lgpslibrary.org/assets/bulletins/2022/222AppA.pdf

2 www.hymans.co.uk/media/uploads/LGPS_2022_Valuation_Toolkit.pdf

APPENDIX 2

Assumptions

Demographic assumptions

The same demographic assumptions are used in setting contribution rates and assessing the current funding level.

Longevity

Table 17: Summary of longevity assumptions

	This valuation 31 March 2022	Last valuation 31 March 2019
Baseline assumption	VitaCurves based on member-level lifestyle factors	S2N tables with best-estimate scaling factors
Future improvements	**CMI 2021 model** Initial addition = **0.25% (both Female and Male)** Smoothing factor = **7.0** **1.5% pa** long-term rate of improvement	**CMI 2018 model** Initial addition = **0%** Smoothing factor = **7.5** **1.5% pa** long-term rate of improvement

Further information on these assumptions can be provided upon request. Sample rates are included on the next page.

Other demographic assumptions

Table 18: Summary of other demographic assumptions

Death in service	See sample rates in Tables 19 & 20
Retirements in ill health	See sample rates in Tables 19 & 20
Withdrawals	See sample rates in Tables 19 & 20
Promotional salary increases	See sample rates in Tables 19 & 20
Commutation	80% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits
50:50 option	0.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option
Retirement age	The earliest age at which a member can retire with their benefits unreduced
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependent of a female member is assumed to be 3 years older than her.

APPENDIX 2

Assumptions

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Sample rates for demographic assumptions

Males

Table 19: Sample rates of male demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0.00	0.00	0.00	0.00
25	117	0.17	267.06	537.03	0.00	0.00	0.00	0.00
30	131	0.20	189.49	380.97	0.00	0.00	0.00	0.00
35	144	0.24	148.05	297.63	0.10	0.07	0.02	0.01
40	150	0.41	119.20	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.90	0.68	0.23	0.17
55	162	1.70	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33
65	162	5.10	0.00	0.00	11.83	8.87	0.00	0.00

Females

Table 20: Sample rates of female demographic assumptions

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	352.42	467.37	0.00	0.00	0.00	0.00
25	117	0.10	237.14	314.44	0.10	0.07	0.02	0.01
30	131	0.14	198.78	263.54	0.13	0.10	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.10	0.08
50	162	0.90	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00

Figures are incidence rates per 1,000 members except salary scale. FT and PT denoted full-time and part-time members respectively.

APPENDIX 3

Reliances and limitations

We have been commissioned by Middlesbrough Borough Council ("the Administering Authority") to carry out a full actuarial valuation of the Teesside Pension Fund ("the Fund") as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations").

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2022 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

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This summary report is the culmination of other communications in relation to the valuation, in particular:

- Our 2022 valuation toolkit which sets out the methodology used when reviewing funding plans
- Our paper to the Fund's Pension Committee dated June 2022 which discusses the valuation assumptions
- Our initial results report dated October 2022 which outlines the whole fund results and inter-valuation experience
- Our paper to the Fund's Pension Committee dated December 2022 which discusses the funding strategy for the Fund's employers
- Our data report dated XXXX which summarises the data used for the valuation, the approach to ensuring it is fit for purpose and any adjustments made to it during the course of the valuation
- The Funding Strategy Statement which details the approach taken to adequately fund the current and future benefits due to members

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

The following Technical Actuarial Standards apply to this advice, and have been complied with where material and to a proportionate degree. They are:

- TAS100 – Principles for technical actuarial work
- TAS300 – Pensions

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APPENDIX 4

Glossary

Term	Explanation
50:50 option	An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).
Asset-liability modelling	An approach to modelling and understanding risk for a pension fund. The assets and liabilities are projected forward into the future under many different future scenarios of inflation, investment returns and interest rates. The future scenarios are then analysed to understand the risk associated with a particular combination of contribution rates and investment strategy. Different combinations of contribution rates and/or investment strategies may be tested.
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Deferred pensioners	A former employee who has left employment (or opted out of the pension fund) but is not yet in receipt of their benefits from the fund.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.

APPENDIX 4

Glossary

Term	Explanation
Discount rate	A number used to place a single value on a stream of future payments, allowing for expected future investment returns.
Employee members	Members who are currently employed by employers who participate in the fund and paying contributions into the fund.
ESS	Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.
Funding position	The extent to which the assets held by the fund at 31 March 2022 cover the accrued benefits ie the liabilities. The two measures of the funding position are: • the funding level - the ratio of assets to liabilities; and • the funding surplus/deficit - the difference between the asset and liabilities values.
Inflation	Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas.
Liabilities	An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Pensioners	A former employee who is in receipt of their benefits from the fund. This category includes eligible dependants of the former employee.

APPENDIX 4

Glossary

Term	Explanation
Primary rate	The estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the fund's expenses.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence Level of more than 50%. All other assumptions aim to be best estimate.
Prudence Level	A percentage indicating the likelihood that a discount rate assumption will be achieved in practice, based on the ESS model. The higher the prudence level, the more prudent the discount rate is.
Secondary rate	An adjustment to the primary rate, generally to reflect costs associated with benefits that have already been earned up to the valuation date. This may be expressed as a percentage of pay and/or monetary amount.
Withdrawal	Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire, but are no longer earning new benefits.

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Rates & Adjustments certificate

Rates and Adjustments Certificate

In accordance with Regulation 62 of the LGPS regulations, we have assessed the contributions that should be paid into the Teesside Pension Fund (the Fund) by participating employers for the period 1 April 2023 to 31 March 2026 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments certificate are detailed in the Funding Strategy Statement dated March 2023 and in Appendix 2 of the report on the actuarial valuation dated 31 March 2023. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole fund primary and secondary contribution rates for the period 1 April 2023 to 31 March 2026. The primary rate is the payroll weighted average of the underlying individual employer primary rates and the secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the LGPS regulations and CIPFA guidance. The secondary rate has been shown both as a monetary amount and an equivalent percentage of the projected pensionable pay.

		This valuation 31 March 2022	
Primary rate		19.7% of pay	
Secondary rate		Monetary amount	Equivalent to % of payroll
	2023/24	-£27,824,000	-5.3%
	2024/25	-£27,226,000	-5.0%
	2025/26	-£25,130,000	-4.4%

The required minimum contribution rates for each employer in the Fund are set out in the remained of this certificate.

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Hartlepool Borough Council	19.4%	-7.0%	-6.5%	-5.5%	12.4%	12.9%	13.9%	
	Middlesbrough Borough Council	19.1%	-7.6%	-7.1%	-6.1%	11.5%	12.0%	13.0%	
104	Middlesbrough Borough Council	19.1%	-7.6%	-7.1%	-6.1%	11.5%	12.0%	13.0%	
329	SLM Charitable Trust (MBC)	19.1%	-7.6%	-7.1%	-6.1%	11.5%	12.0%	13.0%	
330	SLM Food and Beverage Ltd MBC	19.1%	-7.6%	-7.1%	-6.1%	11.5%	12.0%	13.0%	
331	SLM Fitness and Health (MBC)	19.1%	-7.6%	-7.1%	-6.1%	11.5%	12.0%	13.0%	
X0384	XPS	19.1%	-7.6%	-7.1%	-6.1%	11.5%	12.0%	13.0%	
	Redcar and Cleveland Borough Council	19.7%	-9.5%	-9.0%	-8.0%	10.2%	10.7%	11.7%	
103	Redcar and Cleveland Borough Council	19.7%	-9.5%	-9.0%	-8.0%	10.2%	10.7%	11.7%	
311	Mellors Catering Ltd - Eston	19.7%	-9.5%	-9.0%	-8.0%	10.2%	10.7%	11.7%	
400	Veritau Tees Valley Limited	19.7%	-9.5%	-9.0%	-8.0%	10.2%	10.7%	11.7%	
	Stockton on Tees Borough Council	19.4%	-6.3%	-5.8%	-4.8%	13.1%	13.6%	14.6%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Other Scheduled Bodies Pool	20.7%	-3.0%	-3.0%	-3.0%	17.7%	17.7%	17.7%	
6	Guisborough Town Council	20.7%	-3.0%	-3.0%	-3.0%	17.7%	17.7%	17.7%	
7	Saltburn and Marske Parish Council	20.7%	-3.0%	-3.0%	-3.0%	17.7%	17.7%	17.7%	
20	Loftus Town Council	20.7%	-3.0%	-3.0%	-3.0%	17.7%	17.7%	17.7%	
191	Ingleby Barwick Town Council	20.7%	-3.0%	-3.0%	-3.0%	17.7%	17.7%	17.7%	
200	Yarm Town Council	20.7%	-3.0%	-3.0%	-3.0%	17.7%	17.7%	17.7%	
214	Skelton & Brotton Parish Council	20.7%	-3.0%	-3.0%	-3.0%	17.7%	17.7%	17.7%	
215	Billingham Town Council	20.7%	-3.0%	-3.0%	-3.0%	17.7%	17.7%	17.7%	
274	Lockwood Parish Council	20.7%	-3.0%	-3.0%	-3.0%	17.7%	17.7%	17.7%	
406	Thornaby Town Council	20.7%	-3.0%	-3.0%	-3.0%	17.7%	17.7%	17.7%	
	Cleveland Police and Chief Constable	19.0%	-4.0%	-3.5%	-3.5%	15.0%	15.5%	15.5%	
49	Cleveland Police	19.0%	-4.0%	-3.5%	-3.5%	15.0%	15.5%	15.5%	
235	Office for the Police and Crime Commissioner for Cleveland	19.0%	-4.0%	-3.5%	-3.5%	15.0%	15.5%	15.5%	
236	Chief Constable for Cleveland	19.0%	-4.0%	-3.5%	-3.5%	15.0%	15.5%	15.5%	
	Cleveland Fire Authority	19.3%	-5.0%	-5.1%	-5.1%	14.3%	14.2%	14.2%	
48	Cleveland Fire and Rescue Service	19.3%	-5.0%	-5.1%	-5.1%	14.3%	14.2%	14.2%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
25	Teesside University	19.6%	-3.0%	-3.0%	-3.0%	16.6%	16.6%	16.6%	
	College Pool	**19.7%**	**-4.0%**	**-4.0%**	**-4.0%**	**15.7%**	**15.7%**	**15.7%**	
27	Hartlepool College of FE	19.7%	-4.0%	-4.0%	-4.0%	15.7%	15.7%	15.7%	
33	Hartlepool Sixth Form College	19.7%	-4.0%	-4.0%	-4.0%	15.7%	15.7%	15.7%	
38	The Northern School of Art	19.7%	-4.0%	-4.0%	-4.0%	15.7%	15.7%	15.7%	
	Education Training Collective (Stockton Riverside College)	**19.7%**	**-4.0%**	**-4.0%**	**-4.0%**	**15.7%**	**15.7%**	**15.7%**	
51	Redcar and Cleveland College	19.7%	-4.0%	-4.0%	-4.0%	15.7%	15.7%	15.7%	
194	Stockton Riverside College	19.7%	-4.0%	-4.0%	-4.0%	15.7%	15.7%	15.7%	
	Middlesbrough College	**19.7%**	**-4.0%**	**-4.0%**	**-4.0%**	**15.7%**	**15.7%**	**15.7%**	
61	Middlesbrough College	19.7%	-4.0%	-4.0%	-4.0%	15.7%	15.7%	15.7%	
	Academy Pool	**19.7%**	**-2.2%**	**-2.2%**	**-2.2%**	**17.5%**	**17.5%**	**17.5%**	
64	Emmanuel Schools Foundation	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
228	Nunthorpe MAT (Nunthorpe Academy) Limited	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
230	KTS Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
238	The 1590 Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
251	Extol Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
254	Catcote Academy (Hartlepool Aspire Trust)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
255	Horizons Specialist Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
264	Skelton Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
267	Sunnyside Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
269	Viewley Hill Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
282	Green Lane Primary Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
283	Kader Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
286	Delta Academies Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
290	Dayspring Trust (Ian Ramsey CofE Academy)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
291	The Ascent Academies Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
321	Melrose Learning Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
324	Tees Valley Education Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
332	Tees Valley Collaborative Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
333	River Tees Multi Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
339	Vision Academy Learning Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
349	Our Children 1st Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
350	Nunthorpe MAT (Rye Hills Academy)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
365	Galileo Multi Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
367	Endeavour Academies Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
369	Legacy Learning Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
376	James Cook Learning Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
378	Prince Regent Street Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
379	IRIS Learning Trust - Teesville Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
380	Northern Lights Learning Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
385	Steel River Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
413	NEAT Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
419	North East Learning Trust (Rye Hills)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	1Excellence Multi Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
351	1Excellent MAT (St Mark's Academy)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
352	1Excellent MAT (Pentland Academy)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	Academies Enterprise Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
63	Unity City Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
233	North Ormbesby Primary Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
245	Caldicotes Primary Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	Ad Astra Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
373	Ayresome Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
408	Ad Astra Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	Bishop Hogarth Catholic Education Trust (Carmel Education Trust)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
256	St Michael's Catholic Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
265	St Bede's Catholic Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
299	Our Lady & St Bede Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
334	St Thomas of Canterbury MAT	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
375	St Josephs Catholic Primary	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
405	Carmel Education Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Dales Academies Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
231	All Saints Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
390	Thornaby CofE Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
391	St Francis Of Assisi CofE School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	Durham and Newcastle Diocesan Learning Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
359	Holy Trinity Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
360	St Aidans Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
361	Egglescliffe Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
372	St Mary's CE Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	Eden Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
252	Stranton Academy Trust (Stranton)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	Falcon Education Academies	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
206	Freebrough Academy (Falcon)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
208	Thornaby Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
410	Falcon Education Academies Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	Ironstone Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
284	Normanby Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
285	Nunthorpe Primary Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
345	Ormesby Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
346	Zetland Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Ironstone Academy Trust (continued)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
358	Riverdale Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
377	Overfields Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	Lingfield Education Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
270	Hemlington Hall Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
414	Lingfield Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	Nicholas Postgate Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
323	Sacred Heart SCV Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
327	St Hilda's Catholic Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
371	Nicholas Postgate Catholic Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	Northern Education Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
207	Northern Education Trust (North Shore Academy)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
244	Northern Education Trust (Dyke House Academy)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
260	Northern Education Trust (Frederick Nattrass Primary Academy)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
261	Northern Education Trust (The Oak Tree Academy)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
271	Northern Education Trust (Norton Primary Academy)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
273	Northern Education Trust (The Grangefield Academy)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
312	Northern Education Trust (Manor Community Academy)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	Northern Education Trust (continued)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
386	Badger Hill Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
387	Whitecliffe Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
388	Freebrough Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	Outwood Grange Academy Trust	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
224	Eston Park Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
232	Gilbrook Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
262	Outwood Academy Acklam	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
287	Hillsview Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
297	Outwood Academy Bydales	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
322	Outwood Academy - Ormesby	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
347	Outwood Academy Bishopsgarth	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
357	Outwood Academy Redcar	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
389	Outwood Academy Normanby	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
411	Outwood Academy Riverside	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	The Enquire Learning Trust (TLET)	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
249	Hardwick Green Primary Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
268	Rose Wood Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
272	Yarm Primary School	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
277	Easterside Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	

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Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
	The Enquire Learning Trust (TLET) continued	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
289	Harrow Gate Primary Academy	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
325	Enquire Learning Trust Central	19.7%	-2.2%	-2.2%	-2.2%	17.5%	17.5%	17.5%	
	Beamish Museum	19.2%	-3.5%	-3.5%	-3.5%	15.7%	15.7%	15.7%	
	Beyond Housing	19.6%	3.8%	3.8%	3.8%	23.4%	23.4%	23.4%	
	Business and Enterprise North East	31.9%	-7.4% plus £93,000	-7.4% plus £93,000	-7.4% plus £93,000	24.5% plus £93,000	24.5% plus £93,000	24.5% plus £93,000	
	Care Quality Commission	19.5%	-1.6%	-1.6%	-1.6%	17.9%	17.9%	17.9%	
	SLM (RCBC)	20.2%	-6.9%	-6.9%	-6.9%	13.3%	13.3%	13.3%	
241	SLM Community Leis Char Trust	20.2%	-6.9%	-6.9%	-6.9%	13.3%	13.3%	13.3%	
242	SLM Food & Beverage Ltd	20.2%	-6.9%	-6.9%	-6.9%	13.3%	13.3%	13.3%	
243	SLM Fitness & Health Limited	20.2%	-6.9%	-6.9%	-6.9%	13.3%	13.3%	13.3%	
	Tascor (Reliance Secure Task Management Services Pool)	19.3%	-1.3%	-1.3%	-1.3%	18.0%	18.0%	18.0%	
	Thirteen Group	25.4%	-2.6%	-2.6%	-2.6%	22.8%	22.8%	22.8%	
60	Future Regeneration of Grangetown	32.6%				32.6%	32.6%	32.6%	
170	Liberata UK Ltd	41.8%	-41.8%	-41.8%	-41.8%	0.0%	0.0%	0.0%	
177	Tees Active Limited	24.1%	-5.9%	-5.9%	-5.9%	18.2%	18.2%	18.2%	
246	One IT Solutions Ltd	18.7%				18.7%	18.7%	18.7%	
266	Mellors Catering Services Ltd								TBC
288	Creative Management Serv Ltd	20.9%	8.5% plus £4,000	8.5% plus £4,000	8.5% plus £4,000	29.4% plus £4,000	29.4% plus £4,000	29.4% plus £4,000	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
295	Mellors Catering - CENTRAL								TBC
313	Mellors Catering - Dormanstown	28.0%				28.0%	28.0%	28.0%	
328	Tees Valley Combined Authority	18.1%	-1.5%	-1.5%	-1.5%	16.6%	16.6%	16.6%	
335	Onsite Building Trust	28.3%				28.3%	28.3%	28.3%	
336	NMRN Operations	28.1%				28.1%	28.1%	28.1%	
341	ONE IT SERVICES LTD - PORTER	14.0%	1.9%	1.9%	1.9%	15.9%	15.9%	15.9%	
353	Caterlink RCBC	28.2%				28.2%	28.2%	28.2%	
355	Caterlink St Oswalds	27.9%				27.9%	27.9%	27.9%	
364	South Tees Development Corp	17.3%	-1.0%	-1.0%	-1.0%	16.3%	16.3%	16.3%	
370	Care and Custody Health Ltd	19.4%				19.4%	19.4%	19.4%	
381	Churchills Outwood Grange	20.6%				20.6%	20.6%	20.6%	
382	Churchills Collaborative Trust	27.1%	5.9%	5.9%	5.9%	33.0%	33.0%	33.0%	
392	Mitie Cleveland Fire	25.7%	£1,000	£1,000	£1,000	25.7% plus £1,000	25.7% plus £1,000	25.7% plus £1,000	
399	Bulloughs Cleaning	39.3%	-21.4%	-21.4%	-21.4%	17.9%	17.9%	17.9%	
409	Middlesbrough and Stockton Mind	28.7%				28.7%	28.7%	28.7%	
412	Redcar & Eston CIC	18.6%	-0.7%	-0.7%	-0.7%	17.9%	17.9%	17.9%	
417	Mellors Riverdale	18.6%				18.6%	18.6%	18.6%	
418	Mellors Skelton	40.6%	£27,000	£27,000	£27,000	40.6% plus £27,000	40.6% plus £27,000	40.6% plus £27,000	
421	Caterlink - NPCAT								TBC
423	Park Holmes	32.9%				32.9%	32.9%	32.9%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay plus monetary amount)			Total contributions (primary rate plus secondary rate)			Notes
			2023/24	2024/25	2025/26	2023/24	2024/25	2025/26	
425	Hutchinsons Catering (AET)	38.9%	£75,000	£77,000	£80,000	38.9% plus £75,000	38.9% plus £77,000	38.9% plus £80,000	
426	Hutchisons Catering (Extol)	38.9%	£9,000	£9,000	£10,000	38.9% plus £9,000	38.9% plus £9,000	38.9% plus £10,000	
427	Mellors (Dales)	18.9%				18.9%	18.9%	18.9%	

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Notes to the Rates and Adjustments Certificate

1. INSERT NOTES AS APPROPRIATE TO TABLE

2. **If you have any employers who are pre-paying contributions, you will need to include the following information in this section:** This employer has elected to pre-pay elements of their contributions set out in this Rates and Adjustments Certificate. A discount has been applied to the pre-payment amount to reflect the early payment of contributions. The table below sets out more details relating to the pre-payment amount.

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Employer	Employer A	Employer B	Employer C	Employer D
Pre-payment amount	£X.Xm			
Date payment to be made by	1 April 2023			
Amount payable in respect of - 2023/24 - 2024/25 - 2025/26	 £X.Xm £X.Xm £X.Xm			
Rate of discount	X.X% pa			
Revised contributions due* - 2023/24 - 2024/25 - 2025/26	 £Y.Ym £Y.Ym £Y.Ym			

*in addition to the pre-payment amount

3. MORE NOTES AS APPROPRIATE TO TABLE

Further comments to the Rates and Adjustments Certificate

- Contributions expressed as a percentage of payroll should be paid into the Fund at a frequency in accordance with the requirements of the Regulations
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions.
- The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.
- The monetary contributions set out in the certificate above can be prepaid in advance with appropriate adjustments for interest as and when agreed with the Administering Authority. Under these circumstances a revised Rates and Adjustments certificate may be issued reflecting any advance payments.

SIGNATURE

Julie Baillie FFA

02 March 2023
For and on behalf of Hymans Robertson LLP

SIGNATURE

Steven Law FFA

HYMANS ROBERTSON

Section 13 Dashboard

Section 13 dashboard

To be completed once GAD confirm required information

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

PENSION FUND COMMITTEE REPORT

15 MARCH 2023

DIRECTOR OF FINANCE – HELEN SEECHURN

REVISED FUNDING STRATEGY STATEMENT

1. PURPOSE OF THE REPORT

1.1 To ask Members to agree to the revised Funding Strategy Statement enclosed at Appendix A.

2. **RECOMMENDATION**

2.1 That Members agree to the revised Funding Strategy Statement.

3. **FINANCIAL IMPLICATIONS**

3.1 There are no specific financial implications relating to this report, although the Funding Strategy Statement does set out how employers in the Fund have their contribution rates set and are treated on exiting the Fund.

4. **REVISED FUNDING STRATEGY STATEMENT**

4.1 The Fund actuary presented the 21 October 2022 Committee with a paper setting out proposals to consult with the Pension Fund Employers on changes to the Funding Strategy Statement. That paper summarised the purpose of the Funding Strategy Statement (FSS) as follows:

"Under Local Government Pension Scheme Regulations, all LGPS funds have a statutory obligation to produce an FSS. It is a key document for the Fund, in two ways:

1. The inputs it requires: the Fund's officers and Pensions Committee need to go through a process to be satisfied that the Fund is managing funding risks and will be collecting an appropriate level of contributions from all employers in the Fund. The FSS provides a helpful framework for organising this process and covering all the necessary areas.
2. The outputs it gives: the finalised FSS itself should be a clear and transparent reference point for the Fund's stakeholders. It will set out how the Fund manages funding risks and provide evidence that the contribution arrangements are solidly derived, fair and consistent. It will also help in any future discussions with employers, perhaps where an approach is queried or questions are raised.

The FSS is prepared in collaboration with the Fund Actuary and forms an integral part of the triennial valuation. The FSS also outlines how the funding strategy fits in with the investment strategy."

4.2 The paper explained that the revised FSS would have a changed format to make it more accessible and would take into account the changing regulations and environment the Fund works in and reflect the updated approach to funding working with the new Fund actuary (Hymans Robertson).

4.3 The most significant changes to the FSS include

4.3.1 Review of funding assumptions and approach

The actuary has reviewed the funding approach and assumptions as part of the 2022 valuation. These have been updated to reflect Hymans Robertson's actuarial methodology, and emerging experience and market conditions as at 31 March 2022, The revised approach and assumptions are incorporated into the updated FSS.

4.3.2 Climate risk

The Fund recognises that climate change is a key risk due to the open-ended time horizons of the liabilities. As part of the modelling analysis for reviewing the Council's contribution strategy, the actuary has stress-tested the results under additional climate scenarios. The updated FSS includes this ongoing work.

4.3.3 Risk-based exit valuation approach

The Fund has reviewed the approach to cessation valuations that are carried out when an employer leaves the Fund. The previous approach was closely tied to gilt yields on a particular day, an approach which introduces much volatility into cessation valuations over time. The revised approach is instead linked to the expected investment return of the assets held by the Fund, with a prudent level of risk incorporated for the protection of the Fund.

4.4 All Fund employers were sent a copy of the revised draft FSS as part of the consultation process. A small number of employers responded, with one providing a detailed response. After careful consideration, it was felt no changes were required to the draft FSS following the consultation.

4.5 The final updated FSS is enclosed at Appendix A. The Fund actuary will be present at the meeting to assist with any questions Members have in relation to the FSS.

5. NEXT STEPS

5.1 If approved by Members, the revised FSS will be published on the Fund's website.

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

TEL NO.: 01642 729040

Appendix A

Teesside Pension Fund
Funding Strategy Statement
March 2023

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Funding Strategy Statement
March 2023

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Appendix B – Roles and responsibilities
Appendix C – Risks and controls
Appendix D – Actuarial assumptions
Appendix E – New employers
Appendix F – Bulk transfers
Appendix G – Academies and Free Schools
Appendix H - Employer exits

1 Welcome to Teesside Pension Fund's funding strategy statement

This document sets out the funding strategy statement (FSS) for Teesside Pension Fund.

The Teesside Pension Fund is administered by Middlesbrough Council, known as the administering authority. Middlesbrough Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 March 2023.

There's a regulatory requirement for Middlesbrough Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact nick_orton@middlesbrough.gov.uk

1.1 What is the Teesside Pension Fund?

The Teesside Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees, and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at https://www.teespen.org.uk/lgps-members/investments-and-funds/.

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

1.6 How is the funding strategy specific to the Teesside Pension Fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of three elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The third element is an allowance for the fund's expenses, and this is included in the primary rate.

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach allows for the maturing profile of the membership when setting employer contribution rates.

2.2 Prepayment of contributions

The fund permits the prepayment of employer contributions in specific circumstances. On a case-by-case basis the fund actuary will determine the prepayment amount, which may require assumptions to be made about payroll over the period which the scheduled contribution is due. The prepayment amount may include a discount to reflect the investment return that is assumed to be generated by the fund over the period of prepayment.

Employer contributions

- The fund will consider requests from employers to make payment of their employer contributions early.
- Each case will be considered on its own merits, taking into account the type of the employer, the employer rate, the amount and the value of cash the fund holds.
- The prepayment of employer contributions will only be permitted for secure, long-term employers (eg local authorities)

Employee contributions

- The fund will not consider requests to allow payment of employee contributions early.

Prepayment of contributions does not guarantee that the employer will benefit from earlier investment: the value of the prepaid contributions can fall if investment returns are negative.

2.3 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

Type of employer				CABs		TABs*
Sub-type	**Local authorities, Police, Fire and Academies**	**University & Colleges**	**Town & Parish Councils**	**Open to new entrants**	**Closed to new entrants**	**all**
Funding target*	Ongoing	Ongoing	Ongoing	Ongoing if funding guarantee- otherwise low-risk exit basis	Ongoing if funding guarantee- otherwise low-risk exit basis	Ongoing, but may move to low-risk exit basis
Minimum likelihood of success	75%	75%	75%	75%/tbc	75%tbc	75%/tbc
Maximum time horizon	20 years	20 years	20 years	20 years (if funding guarantee) or average future working lifetime	Average future working lifetime (or 20 years if less)	Remaining contract length (or 20 years if less)
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon*					
Secondary rate	% of payroll only, if deduction to primary rate; may be % of payroll or monetary amount if an addition to primary rate					
Stabilised contribution rate?	Yes	No	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Reduction may be permitted if funding level (on relevant funding target) is >100%				Reduce contributions by spreading the surplus over the remaining contract term, if over 3 years, at admin authority's discretion
Phasing of contribution changes	Covered by stabilisation arrangement	Phasing of contribution increases or decreases at administering authority discretion				

** Employers participating in the fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

2.4 Interim contribution rate for new employers

Where the new employer:

- does not have a pass-through agreement with a letting authority for a contract,
- has fewer than 10 members,
- will be allocated a notional share of assets equal to the transferring liabilities (ie is fully funded at the outset) and

the fund will normally set a rate for the new employer using a self-service contribution rate calculator provided by the fund's actuary.

2.5 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. If this isn't appropriate, contribution increases or decreases may be phased. The fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for some employers.

Table 2: current stabilisation arrangement

Type of employer	Councils	Police	Fire	Academy (main pool)
Maximum contribution increase per year	+1.0% of pay	+1.0% of pay	+1.0% of pay	+1.0% of pay
Maximum contribution decrease per year	-1.0% of pay	-1.0% of pay	-1.0% of pay	-1.0% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

2.6 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations for a 'significant change' to the liabilities or covenant of an employer, in line with its policy on contribution reviews. A review may be instigated by the fund or at the request of a participating employer.

The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

The fund's approach reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

The fund would consider one or more of the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;

- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (eg a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

2.7 What is pooling?

The administering authority operates funding pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In this type of pooling arrangement the participating employers within each shares funding risk and experience.

Employer assets are redistributed within a funding pool at each valuation (and at interim dates, where necessary) so that each employer has the same funding level as the others in the pool.

Pooled employers are typically identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are based on the funding position of the pool at the date the employer leaves. Cessation terms also apply, which means higher contributions may be required at that point.

2.8 What are the current contribution pools?

- **Schools** – generally pool with their funding council (although there may be exceptions for specialist or independent schools and are not listed individually on the rates and adjustments certificate.
- **Academies** –academies and free schools are typically pooled together. Academies joining the Fund through a consolidation exercise from another LGPS Fund may be pooled together as a separate Multi Academy Trust (MAT).
- **Colleges** – all colleges are pooled together
- **TABs** – may be pooled with the respective letting employer.

2.9 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers will be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread if the administering authority agrees:

Any strain payments that are spread over a period of time may be subject to an interest charge, as determined by the administering authority.

3.2 Pension costs – early retirement on ill-health grounds and death-in-service

The fund operates cost-sharing to spread the additional costs across all employers of:

- ill-heath early retirement strain costs
- lump sums on death before or after retirement

These costs are spread across all employers. Employers with a relevant ill-health retirement or death-related cost are not asked to make an immediate lump sum payment to the Fund.

These additional costs are spread across employers in proportion to their asset share. The relevant member's employer's asset share is credited with the early retirement strain cost amount or the death grant lump sum.

The Fund actuary will make an appropriate adjustment to spread the cost of any survivor benefits coming into payment for a death in service where the impact would otherwise be material to the employer.

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see section 5).

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund?

Employers can join the fund if they are a new scheduled body or a new admission body. New designating employers may also join the fund if they pass a designation to do so.

The fund will determine the assets and liabilities for a new employer. The calculation will depend on the type of employer and the circumstances of joining.

The fund will also set a contribution rate. This will be set in the way described in section 2 unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement).

The fund's policy on new employers, including pass-through arrangements for admission bodies, is detailed in Appendix E.

5.2 New academies

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share that transfers into the academies pool, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. Academies are fully pooled for funding purposes and pay a common contribution rate based on the current funding strategy (set out in section 2).

If an academy leaves one MAT and joins another, all active, deferred and pensioner members are expected to transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

The fund's policy on academies and free schools is detailed in Appendix G.

5.3 New admission bodies as a result of outsourcing services

New admission bodies usually join the fund because an existing employer (typically a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees revert to the letting employer or to a replacement contractor. Deferred and pensioner liabilities will revert to the letting employer (known as subsumption).

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

The fund's default policy is to require all new admission bodies to be set up with a pass-through arrangement.

Additional information on outsourcing from an academy or free school is included in Appendix G.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, eg set up of a wholly owned subsidiary company by a local authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designating employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designating employers in the fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The fund's bulk transfer policy is detailed in Appendix F. Additional information about bulk transfers of staff relating to academies consolidating into a single LGPS fund is also included in Appendix G

7 What happens when an employer leaves the fund?

7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of an admission body
- a breach of an admission agreement that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the fund.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the fund. The actuary aims to protect remaining employers from the risk of future loss. The funding targets adopted for the cessation calculation is below. These are defined in Appendix D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or may be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

The fund's policy on employer exits is detailed in Appendix H.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – a surplus– the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is included within the fund's policy on employer exits detailed in Appendix H.

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period if the employer enters into a deficit spreading agreement (DSA)
- if an exiting employer enters into a deferred debt agreement, the employer stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is in Appendix H.

7.5 What if an employer has no active members?

When an employer leaves the fund because their last active member has left or retired, they may: pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at formal valuation

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

The consultation process included:

1. A draft version of the FSS circulated by 20 December 2022 for comments by all participating employers
2. Comments requested by 31 January 2023 allowing six weeks for comments to be submitted
3. Closure of the consultation on 31 January 2023 with publication on 28 February 2023, in advance of publication of the 2022 formal valuation report by 31 March 2023

A3 How is the FSS published?

The FSS is emailed to participating employers, the Pension Fund Committee and the Teesside Pension Board (which includes employer, employee and pensioner representatives). A full copy is included in the fund's annual report and accounts. Copies are freely available on request and sent to investment managers and independent advisers.

The FSS is published at https://www.teespen.org.uk/lgps-members/investments-and-funds/trust-documents/

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at https://www.teespen.org.uk/

Appendix B – Roles and responsibilities

B1 The administering authority:

1 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the fund against employer default

9 works with the fund actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the fund's performance and funding, amending the strategy statements as necessary

14 enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the fund.

B3 The fund actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency

2 provides information to the Government Actuary Department so they can carry out their statutory obligations

3 advises on fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS

3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the administering authority on processes and working methods

5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out in the board terms of reference available here:
https://moderngov.middlesbrough.gov.uk/mgCommitteeDetails.aspx?ID=1151

Details of the key fund-specific risks and controls are in the risk register available at https://moderngov.middlesbrough.gov.uk/documents/s11115/Agenda%20Item%207%20-%20Appendix%20C%20Risk%20Register.pdf

C2 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admission bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities	Tax-raising, no individual assessment required	n/a
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Police, Fire, Town/Parish Councils	Tax-raising or government-backed, no individual assessment required	n/a
Other employers	Case-by-case by employer	Case-by-case by employer

C3 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the fund has carried out in-depth asset liability modelling to stress test both the funding and the investment strategies against possible future climate scenarios.

The fund included climate scenario stress testing in the contribution modelling exercise for the whole fund (as a proxy for local authority employers) at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for individual employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund has a Responsible Investment Policy incorporating its approach to climate change which was last agreed by Pensions Committee in June 2020. The Fund also endorses Border to Coast's Responsible Investment Policy, Corporate Governance and Voting Guidelines and Climate Change Policy, updates of which were agreed by the Pensions Committee in December 2022.

The current strategies were proven to be resilient to climate transition risks within an appropriate level of prudence. The Fund will continue to monitor the resilience of the funding strategy to climate risks at future valuations or when there has been a significant change in the risk posed to the Fund (eg global climate policy changes).

Further details on how the Fund manages climate risks is set out in the Fund's Responsible Investment Policy at https://moderngov.middlesbrough.gov.uk/Data/Teesside%20Pension%20Fund%20Committee/202006171100/Agenda/att1018294.pdf

Appendix D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns										
		Cash	Index Linked Gilts (long)	UK Equity	Developed World ex UK Equity	Private Equity	Property	Emerging Markets Equity	Unlisted Infrastructure Equity	Multi Asset Credit (sub inv grade)	Direct Lending (private debt) GBP Hedged	Inflation (CPI)
10 Years	16th %ile	0.8%	-3.1%	-0.4%	-0.7%	-1.2%	-0.6%	-2.5%	0.7%	1.7%	2.7%	1.6%
	50th %ile	1.8%	-0.7%	5.7%	5.6%	9.4%	4.4%	5.8%	5.9%	3.5%	6.0%	3.3%
	84th %ile	2.9%	2.0%	11.6%	11.7%	20.1%	9.5%	14.4%	11.2%	5.2%	9.2%	4.9%
20 Years	16th %ile	1.0%	-2.6%	1.7%	1.5%	2.4%	1.4%	0.1%	2.6%	2.8%	4.3%	1.2%
	50th %ile	2.4%	-0.9%	6.2%	6.1%	10.0%	5.0%	6.3%	6.5%	4.4%	6.8%	2.7%
	84th %ile	4.0%	0.8%	10.6%	10.8%	17.6%	8.9%	12.8%	10.6%	6.0%	9.2%	4.3%
40 Years	16th %ile	1.2%	-1.1%	3.2%	3.1%	4.7%	2.6%	2.1%	3.9%	3.6%	5.5%	0.9%
	50th %ile	2.9%	0.3%	6.7%	6.5%	10.3%	5.5%	6.8%	7.0%	5.3%	7.7%	2.2%
	84th %ile	4.9%	1.9%	10.2%	10.2%	16.1%	8.8%	11.7%	10.3%	7.1%	10.0%	3.7%
	Volatility (5 yr)	2%	9%	18%	19%	30%	15%	26%	15%	6%	10%	3%

D3 What financial assumptions were used?

Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	1.9%
Low-risk exit basis	Community admission bodies closed to new entrants	0.0%
Contractor exit basis	Transferee admission bodies	Equal to the margin used to allocate assets to the employer on joining the fund

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a funding level at the 2022 valuation, a discount rate of 4.25% applies. This is based on a prudent estimate of investment returns, specifically, that there is a 75% likelihood that the fund's assets will provide future investment returns of 4.25% over the 20 years following the 2022 valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 1% above CPI, plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions	
Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	80% of maximum tax-free cash
50:50 option	0% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	813.01	0.00	0.00	0.00	0.00
25	117	0.17	267.06	537.03	0.00	0.00	0.00	0.00
30	131	0.20	189.49	380.97	0.00	0.00	0.00	0.00
35	144	0.24	148.05	297.63	0.10	0.07	0.02	0.01
40	150	0.41	119.20	239.55	0.16	0.12	0.03	0.02
45	157	0.68	111.96	224.96	0.35	0.27	0.07	0.05
50	162	1.09	92.29	185.23	0.90	0.68	0.23	0.17
55	162	1.70	72.68	145.94	3.54	2.65	0.51	0.38
60	162	3.06	64.78	130.02	6.23	4.67	0.44	0.33

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.10	352.42	467.37	0.00	0.00	0.00	0.00
25	117	0.10	237.14	314.44	0.10	0.07	0.02	0.01

30	131	0.14	198.78	263.54	0.13	0.10	0.03	0.02
35	144	0.24	171.57	227.38	0.26	0.19	0.05	0.04
40	150	0.38	142.79	189.18	0.39	0.29	0.08	0.06
45	157	0.62	133.25	176.51	0.52	0.39	0.10	0.08
50	162	0.90	112.34	148.65	0.97	0.73	0.24	0.18
55	162	1.19	83.83	111.03	3.59	2.69	0.52	0.39
60	162	1.52	67.55	89.37	5.71	4.28	0.54	0.40

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

The LGPS benefit structure is expected to change, to reflect the outcome of the McCloud case which will increase some benefits for some members. The regulations have not yet been formally updated and it is not possible to accurately calculate the eventual benefit increase for any particular member.

To reflect this uncertainty (along with continuing uncertainty from the 2016 cost management exercise) the fund's policy is that the actuary will apply an adjustment of 1.0% to the ceasing employer's active and deferred liabilities, as an estimate of the possible impact of resulting benefit changes.

Low-risk exit basis

Where there is no guarantor for the residual deferred and pensioner liabilities, the low-risk exit basis will apply.

The Fund's low-risk exit basis is defined with reference to a likelihood of success of achieving a level of investment return. This aligns with the approach used to determine the future investment return for the ongoing basis.

For employers leaving the Fund after 31 March 2023, the Fund will apply a risk-based approach to setting the actuarial assumptions used to calculate the ceasing employer's funding position on exit.

1. The discount rate will be based on a prudent estimate of investment returns, specifically so that there is a 90-95% likelihood that the Fund's assets will achieve an investment return at least equal to the discount rate
2. The CPI assumption will be based on Hymans Robertson's ESS model at the date of cessation. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
3. Life expectancy assumptions are those used to set contribution rates from 1 April 2023, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Appendix E – New employers

Introduction

The purpose of this policy is to set out the administering authority's approach to admitting new contractors into the fund on a pass-through basis. In addition, and subject to review on a case-by-case basis, the fund may be willing to apply its pass-through principles to other admission bodies where liabilities are covered by a guarantor within the fund.

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

E1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To set out the fund's approach to admitting new contractors / admission bodies, including the calculation of contribution rates and how risks are shared under the pass-through arrangement.
- To outline the process for admitting new contractors / admission bodies into the fund.

E2 Background

Employees outsourced from local authorities, police and fire authorities or from non-maintained schools (generally academies, regulated by the Department for Education (DfE)) must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007). This is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions.

Pass-through is an arrangement whereby the letting authority (e.g. a local authority or an independent school) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

E3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the fund as an admitted body, their key responsibilities as an admitted body and the requirements of the admission agreement.
- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate.
- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the fund.

E4 Statement of principles

This statement of principles covers the admission of new contractors to the fund on a pass-through basis. Pass-through is the default approach for the admission of all new contractors to the fund from the effective date of this policy. For the avoidance of doubt, this would apply to contracts established by councils, police & fire authorities, and academy trusts ("the letting authority").

Fixed contribution rate

The contractor's pension contribution rate is fixed for the duration of the contract, up to a maximum of seven years. For contracts longer than seven years, the contractor's contribution rate will typically be reset to be equal to the letting authority's contribution rate at each seven year review date.

For the protection of the fund, if the new rate is materially higher than the previous rate the contractor must make up the difference in contributions. The fund actuary will assess whether the difference is material and the additional amount to be paid. The letting authority will meet the cost of this assessment.

The shortfall in contributions can either be paid as a single lump sum annually in arrears or included in the contractor's regular monthly contributions.

Funding position of the admission body

The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, longevity, and salary experience under its pass-through arrangement, irrespective of the size of the outsourcing.

The administering authority will review the funding position of the contractor at each triennial valuation and after every seven year period, if the contract extends that far. The administering authority may require the letting authority to make additional contributions to the fund in respect of the pass-through arrangement. This will be requested if the administering authority believes there to be a material deterioration in the admission body's funding position that is not likely to be recovered by the next valuation date.

Additional admission body costs

The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations.

Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.

Security

The contractor will not typically be required to obtain an indemnity bond, as long as both the administering authority and the letting authority agree that it is not required. In this case the letting authority understands that it retains all the risk when the contractor exits the fund, including any unpaid contributions or strain costs. The administering authority fund may still require a bond to cover redundancy costs, at the fund's discretion.

Admission body asset share

All assets and liabilities relating to the contractor's staff will remain the ultimate responsibility of the letting authority during the period of participation. However, there will be a notional transfer of assets to the contractor within the fund, to allow the funding position of the admission body to be tracked and for the notional required contribution rate to be calculated for comparison.

At the end of the contract (or when there are no longer any active members participating in the fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains and/or augmentations and/or salary experience. Likewise, no "exit credit" payment will be payable from the fund to the contractor (or letting authority). The letting authority will retain responsibility for the contractor's deferred and pensioner members

Documentation

The terms of the pass-through agreement will be documented by way of the admission agreement between the administering authority, the letting authority, and the contractor.

All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply; however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above.

The administering authority is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority. The administering authority has the final say in any such discussions.

E5 Policy and process

Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority and the fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

Where an academy is guaranteeing a pass-through arrangement, the academy must inform the Education and Skills Funding Agency (ESFA) as per section 5.41 of the academies handbook 2022.

Contribution rates

The contribution rate payable by the contractor over the period of participation will be set equal to the primary rate payable by the letting authority assessed on a likelihood of success of 75% assessed at the most recent triennial valuation. This means that the contractor's contribution rate will change once every three years, following the triennial actuarial valuation, but not between those times. Even then, this would always be in line with changes in the letting authority future service primary rate, and not affected by the (generally more volatile) changes in past service funding level.

Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will typically be required by the fund from contractors participating on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the fund.

A cessation valuation is required when a contractor no longer has any active members in the fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations at the end of the contract.

However, in some circumstances, the contractor will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is as follows:

Risks	**Letting authority**	**Contractor/ Admitted body**
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the discount rate that affect past service liabilities	✓	
Changes to the discount rate that affect future service accrual *		✓
Change in longevity assumptions that affect past service liabilities	✓	
Changes to longevity that affect future accrual *	✓	✓
Price inflation affects past service liabilities	✓	
Price inflation / pension increases that affect future accrual *	✓	✓
Exchange of pension for tax free cash	✓	
Ill health retirement experience	✓	
Strain costs attributable to granting early retirements (not due to ill health (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements)		✓
Greater/lesser level of withdrawals	✓	
Rise in average age of contractor's employee membership	✓	
Changes to LGPS benefit package*	✓	✓
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund		✓
Award of additional pension or augmentation		✓

**Depending on commercial agreement*

The risk allocation should be agreed between the contractor and letting authority before the contract commences and should be appropriately detailed in the service agreement and legal documentation.

E6 Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required. Contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions. Contractors should clarify this with their auditors.

As the letting authority retains most of the pension fund risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The above is the default approach unless the administering authority is otherwise notified. Contractors should clarify the treatment of pension costs with their auditors.

E7 Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the Administering authority.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy.

E8 Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the winning bidder.

- **Tender Notification** - The letting authority should publicise this pass-through policy as part of its tender process to bidders.

- **Initial notification to Pension Team** – The letting authority should contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.

- **Confirmation of winning bidder** – The letting authority should immediately advise the administering authority of the winning bidder.

- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the Fund.

- **Template admission agreement** – a standard pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to the employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Administering authority, will the wording within the standard agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority.

- **Signed admission agreement** – A fully executed admission agreement must be in place before the fund will accept contributions.

E9 Cost

The letting authority will be liable to meet any costs incurred by the administering authority for work relating to pass-through arrangements which includes (but is not limited to) any actuarial fees.

F10 Related Policies

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

The treatment of new employers joining the fund is set out in the in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

The treatment of employers exiting the fund is set out in the in the Funding Strategy Statement, specifically "Section 7 – What happens when an employer leaves the fund?"

Appendix F – Bulk transfers

F1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with the bulk transfer of scheme member pension rights into and out of the fund in prescribed circumstances.

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

F2 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- Bulk transfers out of the fund do not allow a deficit to remain behind unless a scheme employer is committed to repairing this; and
- Bulk transfers received by the fund must be sufficient to pay for the added benefits being awarded to the members, again with the scheme employer making good any shortfall where necessary.

Bulk transfer requests will be considered on a case-by-case basis.

F3 Background

Bulk transfers into and out of the fund can occur for a variety of reasons, such as:

- where an outsourcing arrangement is entered into and active fund members join another LGPS fund, or leave the LGPS to join a broadly comparable scheme;
- where an outsourcing arrangement ceases and active scheme members re-join the fund from another LGPS fund or a broadly comparable scheme;
- where there is a reorganisation of central government operations (transfers in from, or out to, other government sponsored schemes);
- where there is a reorganisation or consolidation of local operations (brought about by, for example, local government shared services, college mergers or multi-academy trust consolidations); or
- a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, or vice versa.

Unlike bulk transfers out of the LGPS, there is no specific regulatory provision to allow for bulk transfers into the LGPS. As a result, any transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of employees, must be treated the same way as individual transfers.

F4 Guidance and regulatory framework

Local Government Pension Scheme Regulations

When considering any circumstances involving bulk transfer provisions, the administering authority will always ensure adherence to any overriding requirements set out in the Local Government Pension Scheme Regulations 2013 (as amended), including:

- Regulation 98 – applies on transfer out to non-LGPS schemes. It allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement.

- Regulation 99 - gives the LGPS actuary discretion as to the choice of method of calculation used to calculate the bulk transfer value.
- Regulation 100 – allows an individual who holds relevant pension rights under a previous employer to request to be admitted for past service into the LGPS. Members wishing to transfer in accrued rights from a Club scheme (that is schemes with benefits broadly similar to those of the LGPS), who request to do so within 12 months of joining their new LGPS employment, must be granted their request. For members with "non-Club" accrued rights the LGPS fund does not have to grant the request. Any request must be received in writing from the individual within 12 months of active employment commencing or longer at the discretion of the employer and the administering authority.
- Regulation 103 - states that any transfer between one LGPS fund and another LGPS fund (in England and Wales) where ten or more members elect to transfer will trigger bulk transfer negotiations between fund actuaries.

Best Value authorities

The Best Value Authorities Staff Transfers (Pensions) Direction 2007 applies to all "Best Value Authorities" in England. Best Value Authorities include all county, district and borough councils in England, together with police and fire and rescue authorities, National Park Authorities and waste disposal authorities. The Direction:

- requires the contractor to secure pension protection for each transferring employee through the provision of pension rights that are the same as or are broadly comparable to or better than those they had as an employee of the authority, and
- provides that the provision of pension protection is enforceable by the employee.

The Direction also requires similar pension protection in relation to those former employees of an authority, who were transferred under TUPE to a contractor, in respect of any re-tendering of a contract for the provision of services (ie second and subsequent rounds of outsourcing).

Academies and multi-academy trusts

New Fair Deal guidance, introduced in October 2013, applies to academies and multi-academy trusts. It requires that, where they outsource services, they ensure pension protection for non-teaching staff transferred is achieved via continued access to the LGPS. As a result the fund would not expect to have any bulk transfers out of the LGPS in respect of outsourcings from academies or multi-academy trusts.

Other employers

For all scheme employers that do not fall under the definition of a Best Value Authority or are not an academy (ie town and parish councils, arms-length organisations, further and higher education establishments, charities and other admission bodies), and who are not subject to the requirements of Best Value Direction or new Fair Deal guidance, there is no explicit requirement to provide pension protection on the outsourcing or insourcing of services. However, any successful contractor is free to seek admission body status in the fund, subject to complying with the administering authority's requirements (eg having a bond or guarantor in place).

The old Fair Deal guidance may still apply to a specific staff transfer if permitted by the new Fair Deal guidance or if outside the coverage of the new Fair Deal guidance. (If the individual remains in their original scheme then their past service rights are automatically protected). In the absence of a bulk transfer agreement the administering authority would not expect to pay out more than individual Cash Equivalent Transfer Value (CETV) amounts, in accordance with appropriate Government Actuary's Department (GAD) guidance.

F5 Statement of principles

This statement of principles covers bulk transfer payments into and out of the fund. Each case will be treated on its own merits alongside appropriate actuarial advice, but in general:

- Where a group of active scheme members joins (or leaves) the fund, the administering authority's objective is to ensure that sufficient assets are received (or paid out) to meet the cost of providing those benefits.
- Ordinarily the administering authority's default approach for bulk transfers out (or in) will be to propose (or accept) that the transfer value is calculated using ongoing assumptions based on the employer's share of fund assets (capped at 100% of the value of the liabilities). The fund will retain the discretion to amend the bulk transfer basis to reflect the specific circumstances of each transfer – including (but not restricted to):
    - the use of cessation assumptions where unsecured liabilities are being left behind;
    - where a subset of an employer's membership is transferring (in or out), the fund may consider an approach of calculating the bulk transfer payment as the sum of CETVs for the members concerned; or
    - where transfer terms are subject to commercial factors.
- Where an entire employer is transferring in or out of the fund the bulk transfer should equal the asset share of the employer in the transferring fund regardless of whether this is greater or lesser than the value of past service liabilities for members.
- There may be situations where the fund accepts a transfer in amount which is less than required to fully fund the transferred in benefits on the fund's ongoing basis (eg where the employer has suitable strength of covenant and commits to meeting that shortfall over an appropriate period). In such cases the administering authority reserves the right to require the receiving employer to fund this shortfall (either by lump sum or by increasing in ongoing employer contributions) ahead of the next formal valuation.
- Any shortfall between the bulk transfer payable by the fund and that which the receiving scheme is prepared to accept must be dealt with outside of the fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme.
- Service credits granted to transferring scheme members should fully reflect the value of the benefits being transferred, irrespective of the size of the transfer value paid or received.

F6 Policy

The following summarises the various scenarios for bulk transfers in or out of the fund, together with the administering authority's associated policies.

Inter-fund transfer (transfer between the fund and another LGPS fund)

Scenario	Bulk transfer mechanism	Policy
In	< 10 members – GAD guidance	CETVs in accordance with GAD guidance.

Scenario	Bulk transfer mechanism	Policy
	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	**Actives only transferring:** Subject to negotiation. **All members transferring (ie all actives, deferred and pensioners):** Receive all assets attributable to the membership within the transferring scheme.
Out	< 10 members – GAD guidance	CETVs in accordance with GAD guidance.
	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	**Actives only transferring (ie remaining members left behind):** Subject to negotiation. **All actives transferring (ie deferred and pensioner members left behind):** Assets will be retained by the fund to cover the liabilities of the deferred and pensioner members calculated using the fund's cessation assumptions. The residual assets will then be transferred to the receiving scheme. **All members transferring (ie all actives, deferred and pensioners):** Transfer all assets attributable to the membership to the receiving scheme. The fund reserves the right to consider the individual circumstances of each transfer when considering appropriate terms and may take into account representations from the employers involved.

Club Scheme

Scenario	Bulk transfer mechanism	Policy
In	Club Memorandum	CETVs in accordance with GAD guidance and Club Memorandums
Out	Regulation 98 of the Local Government Pension Scheme Regulations 2013 or Club Memorandum	**Actives only transferring (ie remaining members left behind):** CETVs in accordance with GAD guidance and Club Memorandums **All actives transferring (ie deferred and pensioner members left behind):** Assets will be retained by the fund to cover the liabilities of the deferred and pensioner members calculated using the fund's cessation assumptions. The residual assets will then be transferred to the receiving scheme. Minimum transfer amounts may apply. The fund reserves the right to consider the individual circumstances of each transfer when considering appropriate terms and may take into account representations from the employers involved.

Broadly Comparable Scheme or non-Club scheme

Scenario	Bulk transfer mechanism	Policy
In	GAD guidance	The fund does accept transfers in from non-Club schemes on an individual or bulk basis. There may be instances where the fund may make exceptions in which case, the fund will consider the individual circumstances of the transfer when considering appropriate terms.
Out	1 member only – GAD guidance	CETV in accordance with GAD guidance
	2 or more members – Regulation 98 of the Local Government Pension Scheme Regulations 2013	The fund will consider the individual circumstances of each transfer when considering appropriate terms and may take into account representations from the employers involved.

F7 Practicalities and process

Format of transfer payment

Ordinarily payment will be in cash.

A deduction from the bulk transfer will be made for any administration, legal and transaction costs incurred by the fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

Impact on transferring employer

Any transfer out or in of pension rights may affect the valuation position of the employer and consequently their individual contribution rate.

The fund will agree with the transferring employer how this change is dealt with. Though it is likely this will be through adjustments to its employer contribution rate, the fund may require a lump sum payment or instalments of lump sums to cover any relative deterioration in deficit, for example where the deterioration in deficit is a large proportion of its total notional assets and liabilities. Where the transfer is small relative to the employer’s share of the fund, any adjustment may be deferred to the next valuation.

Consent

Where required within the Regulations, for any bulk transfer the administering authority will ensure the necessary consent is obtained from each individual eligible to be part of the transfer.

Approval process

The fund will normally agree to bulk transfers into or out of the fund where this policy is adhered to.

Non-negotiable

It should be noted that, as far as possible, the fund's preferred terms on bulk transfers are non-negotiable. Any differences between the value the fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept (or pay) should be dealt with by the employers concerned outside the fund.

Costs

Actuarial and other professional costs will be recharged in full to the employer.

Appendix G – Academies and Free Schools

G1 Introduction

The purpose of this policy is to set out the administering authority's funding principles relating to academies, including free schools, and Multi-Academy Trusts (MATs).

G2 Aims and Objectives

The administering authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT
- to state the approach for setting contribution rates for academies
- to outline the responsibilities of academies seeking to consolidate
- to outline the responsibilities of academies when outsourcing

G3 Background

As described in section 5.2 new academies join the fund on conversion from a local authority school or on creation of new provision. For funding purposes, academies will join the academies pool.

Funding policy relating to academies and MATs remains at the fund's discretion with guidance on how the fund will apply this discretion set out within this policy.

G4 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the fund which may be relevant but is not specific to academies.

There is currently a written ministerial guarantee of academy LGPS liabilities, which was reviewed in 2022.

Academy guidance from the Department for Education and the Department for Levelling Up, Housing and Communities may also be relevant.

G5 Statement of Principles

This Statement of Principles covers the fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding councils, MATs and individual academies.
- academies must consult with the fund, as well as the Education and Skills Funding Agency, prior to carrying out any outsourcing activity.
- the fund's current approach is to treat all academies within a MAT as pooled employers, fully sharing pension risks
- the fund will generally consider receiving additional academies into the fund as part of a consolidation exercise.

G6 Policies

Admission to the fund

As set out in section 5.2:

Asset allocation on conversion

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial transferring asset share, capped at a maximum of 100%. The academy will then be allocated a share of assets equal to the funding level of the pool at the [[date of transfer/last valuation]]

Contribution rate

New academy contribution rates are based on the current funding strategy (set out in section 2). All academies within the pool pay a common contribution rate.

G7 Multi-academy trusts

Asset tracking

The fund's current policy is to share risks fully between academies in the pool. Assets for each academy are recalculated at each triennial valuation so that each academy has the same funding level.

Academies leaving a MAT (but continuing as an employer)

As set out in section 5.2, if an academy leaves one MAT and joins another in the Teesside Pension Fund, all active, deferred and pensioner members transfer to the new MAT. The individual asset share of that academy will be transferred to the new MAT in full, noting that this may be more (or less) than 100% of the transferring liabilities.

G8 Merging of MATs (contribution rates)

If two MATs in the fund merge during the period between formal valuations, the new merged MAT will continue to pay academy pool rate until the rates are reassessed at the next formal valuation.

G9 Cessations of academies and multi-academy trusts

A cessation event will occur if a current academy or MAT ceases to exist, either as an entity or as an employer in the fund.

The cessation approach will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split to become/join more than one new/existing employer within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers as described in section I7.
- In all other circumstances, and following payment of any cessation debt, the ceasing academy or MAT would be treated the same as any other employer, as described in section 7.5.

G10 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside of the fund they would need to seek approval from the secretary of state to consolidate their liabilities (and assets) into one LGPS fund

The fund's preferred approach is for all active, deferred and pensioner liabilities relating to a consolidating academy to transfer into or out of the fund, along with all the asset share allotted to the consolidating academy.

Where a direction has been granted the fund does generally accept academy consolidations into the fund. The fund will provide the necessary administrative assistance to academies seeking to consolidate into another LGPS fund. However, the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

G11 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce to another employer. The employer makes an admission agreement with the fund and becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

It is the fund's preference for the contractor's contribution rate to be set equal to the letting academy's (or MAT's) total contribution rate.

It is critical for any academy (or MAT) considering any outsourcing to contact the fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the fund's admissions / pass-through policy.

In some cases, it is necessary to seek approval from Department for Education before completing an outsourcing (including seeking confirmation that the guarantee provided to academies will remain in place for the transferring members).

G12 Accounting

Academies (or MATs) may choose to prepare combined FRS102 disclosures (eg for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements eg academies are pooled for contribution and funding risks but may still prepare individual disclosures.

Each academy or MAT remains responsible for communicating their own accounting requirements to the fund actuary (or other provider) that is preparing their FRS102 disclosure.

Appendix H - Employer exits

Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis. However, certain principles will apply as governed by the regulatory framework (see below) and the fund's discretionary policies.

Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the fund.
- To provide information about how the fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

Background

As described in section 7, a scheme employer may become an exiting employer when a cessation event is triggered eg when the last active member stops participating in the fund. On cessation from the fund, the administering authority will instruct the fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the fund (Regulation 64) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer

- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the fund.

- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
    - a) Notify its intention to make a determination to-
        - (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer
        - (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
    - b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.

- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
    a) The extent to which there is an excess of assets in the fund relating to that employer in paragraph (2)(a)
    b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
    c) Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
    d) Any other relevant factors

- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the fund within the period specified in the suspension notice.

- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining fund employers may be amended.

- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.

- Regulation 64 (5) – following the payment of an exit payment to the fund, no further payments are due to the fund from the exiting employer.

- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.

- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the Transitional Regulations") give the fund the ability to levy a cessation debt on employers who have ceased participation in the fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the fund expects to deal with any such cases.
This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the fund.

Statement of Principles

This Statement of Principles covers the fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the fund.
- the fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (section 7). This would extinguish any liability to the fund by the exiting employer.
- the fund's key objective is to protect the interests of the fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.

Policies

On cessation, the administering authority will instruct the fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in section 7.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see Repayment flexibility on exit payments below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see Exit credits below).

Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in section 7.2 and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police, Fire	Low-risk basis[1]	Shared between other fund employers
Colleges & Universities	Low-risk basis	Shared between other fund employers
Academies	Low-risk basis	DfE guarantee may apply, otherwise see below
Designating employers	Low-risk basis	Shared between other fund employers (if no guarantor exists)
Admission bodies (CABs)	Low-risk basis	Shared between other fund employers (if no guarantor exists)
Admission bodies (TABs)	Ongoing basis[2]	Letting authority (where applicable), otherwise shared between other fund employers

[1]Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (eg machinery of Government changes), these cessation principles would apply.

[2]Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (eg stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

Cessation of academies and multi-academy trusts (MATs)

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the administering authority.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

Further details are included in the fund's Academies Policy in Appendix G.

Repayment flexibility on exit payments

Deferred spreading arrangement (DSA)

The fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the fund's policy is:

- The agreed spread period is no more than three years, but the fund could use its discretion to extend this period in certain circumstances.
- The fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The fund will only consider written requests within six months of the employer exiting the fund. The exiting employer would be required to provide the fund with detailed financial information to support its request.
- The fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.

- The fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.
- Where appropriate, cases may be referred to the S151 Officer for consideration and considered on its individual merit.

Deferred debt agreement (DDA)

The fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the fund may exercise its discretion to set up a deferred debt agreement as described in Regulation 64 (7A)).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the fund actuary until the termination of the DDA.

The administering authority may consider a DDA in the following circumstances:

- The employer requests the fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The administering authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements
- All costs of the arrangement are met by the employer, such as the cost of advice to the fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrols new active fund members.
- The period specified, or as varied, under the DDA elapses.

- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The administering authority serves a notice on the employer that the administering authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (ie employer is now largely fully funded on their low-risk basis).
- The fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the fund actuary on the calculation date (ie the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

Exit credits

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.

The administering authority will determine the amount of exit credit to be payable (noting that this could be nil). However, in making a determination, the administering authority will take into account the following factors.

a) the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified.

b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.

c) any representations to the administering authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.

d) any other relevant factors

Admitted bodies

i. No exit credit will be payable in respect of admissions who joined the fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the fund.

ii. No exit credit will normally be payable to any admission body who participates in the fund via the mandated pass-through approach. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph iii) below. Note that this decision remains as a discretion by the administering authority, who will decide on a case-by-case basis.

iii. The fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the fund.

iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in iii), the fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.

v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

vi. If the admission agreement ends early, the fund will consider the reason for the early termination, and whether that should have any relevance on the fund's determination of the value of any exit credit payment. In these cases, the fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

vii. If an admission body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

viii. The decision of the fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

Scheduled bodies and designating bodies

i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

ii. Where no formal guarantor or risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

iii. The decision of the fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.

iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

v. If a scheduled body or resolution body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

i. The fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the fund and the respective investment returns earned on both.

iii. The fund will also factor in if any contributions due or monies owed to the fund remain unpaid by the employer at the cessation date. If this is the case, the fund's default position will be to deduct these from any exit credit payment.

iv. The final decision will be made by the pension manager, in conjunction with advice from the fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

v. The fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the fund will discuss its approach to determining an exit credit with all affected parties. The decision of the fund in these instances is final.

vi. The guidelines above at point v) in the 'Admitted bodies' section, and at points i) and ii) in the 'Scheduled bodies and designating bodies' section, make reference to the fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 2 (section 2.3). Considering the approach taken when setting contribution rates of the exiting employer may help the fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

Practicalities and process

Responsibilities of ceasing employers

An employer which is aware that its participation in the fund is likely to come to an end must:

- advise the fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a three month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).

- provide any relevant information on the reason for leaving the fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.

- provide all other information and data requirements as requested by the administering authority which are relevant, including in particular any changes to the membership which could affect the liabilities (eg salary increases and early retirements) and an indication of what will happen to current employee members on cessation (eg will they transfer to another fund employer, will they cease to accrue benefits within the fund, etc.).

Responsibilities of Administering Authority

The administering authority will:

- gather information as required, including, but not limited to, the following:
  - details of the cessation - the reason the employer is leaving the fund (ie end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
  - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
  - the likely outcome for any remaining employee members (eg will they be transferred to a new employer, or will they cease to accrue liabilities in the fund).
- identify the party that will be responsible for the employer's deficit on cessation (ie the employer itself, an insurance company, a receiver, another fund employer, guarantor, etc.).
- commission the fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.
- At the time this policy was produced, the fund has been informed by HMRC that exit credits are not subject to tax. However, all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

Responsibilities of the actuary

Following commission of a cessation valuation by the administering authority, the fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining fund employers, including any residual effects to be considered as part of triennial valuations.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

PENSION FUND COMMITTEE REPORT

15 MARCH 2023

DIRECTOR OF FINANCE, HELEN SEECHURN

PENSION FUND BUSINESS PLAN 2023/26

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 2023/24 Pension Fund budget.

3. FINANCIAL IMPLICATIONS

3.1 The 2023/24 forecast income and expenditure is set out in the Business Plan, and is summarised below (expenditure in brackets):

	£ millions
Income from employers / members	124.8
Expenditure to members	(186.7)
Administration and management expenses	(8.7)
Estimated net investment income	64.5
Net increase/decrease in net assets available for benefits	**(6.1)**

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 2023/25 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 2023/24, and a summary of the performance for 2022/23 (latest available) (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 2022/23 and an estimate for income and expenditure for 2023/24 (see Appendix D and page 21 of Appendix 1); and
- An annual plan for key decisions and a forward work programme for 2023/26 and an outline work plan for 2023 – 2026.

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

TEL NO.: 01642 729040

Business Plan

2023 – 2026

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 2022-23, and projections for 2023-24, as well as the administration and investment expenses.

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

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

INTRODUCTION

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

The Fund currently has almost 78,000 scheme members from over 170 employer bodies, including four Local Authorities.

The draft results of the latest Actuarial Valuation, as at March 2022 showed the assets worth £5.04 billion, were sufficient to meet 116% 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 taxpayers, and the employing bodies, while achieving and maintaining fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of

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

- Seek returns on investments within reasonable risk parameters.

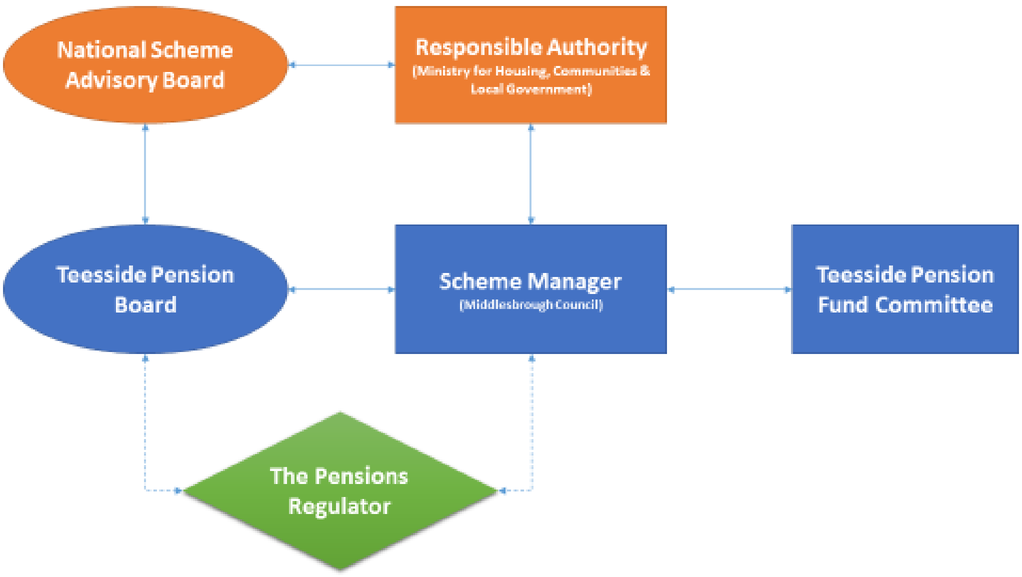
Service Promise

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

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

GOVERNANCE ARRANGEMENTS

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



Responsible Authority

For the LGPS, this is the 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 that are relevant to the LGPS are:

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

Please visit The Pensions Regulator website for more information: 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, His Majesty's Revenue & Customs (HMRC)'s requirements for UK registered pension schemes and all other relevant statutory provisions.

b) Ensuring robust risk management arrangements are in place.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Teesside Pension Board

The Board is responsible for assisting the Administering Authority:

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

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

Teesside Pension Officer Support

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

- Internal advice comes from the **Director of Finance**, 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 Advisors – as at 31 December 2022 around 12% of the Fund's total equities were managed by State Street Global Advisors.
- 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, was reawarded to Northern Trust following a procurement exercise from 1 June 2022 and is due to be reviewed in 2026.
- Pension Administration Services are provided by 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 pending contract extension to the end of May 2024, the administration contract is being put out to tender during 2023.
- 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 is being updated in line with the ongoing triennial valuation and will be published by March 2023.

The funding target of the Fund is to achieve fully funded status, i.e. the assets of the Fund match, exactly, its liabilities. This is expressed as a percentage, with fully funded status represented as 100% funded. The Fund’s Actuary carries out a full actuarial valuation every three years, with the last valuation undertaken based on the assets and membership at 31 March 2019 – the final valuation report was published on 31 March 2020. The next valuation is being 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 outs out the Fund's strategy asset allocation (also known as the customised benchmark), a tailor made mix of investments which is reached after an Actuarial Valuation and subsequent Asset/Liability Study. The strategic asset allocation was last updated in 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:

Pension Administration KPI	Target
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 Administration KPI	Target
Pension costs to be recharged monthly to all employers.	98.75%
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:

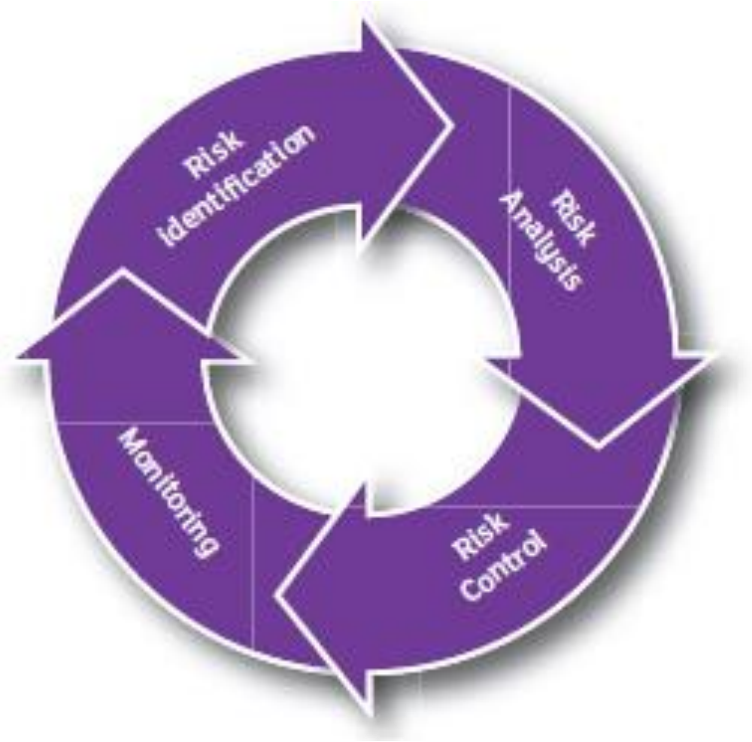
- Integrate risk management into the culture and day-to-day activities of the Fund.
- Raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners).
- Anticipate and respond positively to change.
- Minimise the 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 2021/22 audit £50 million) is used as a very high fund value for the purposes of scoring the identified risks.

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

TRAINING PLAN

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

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

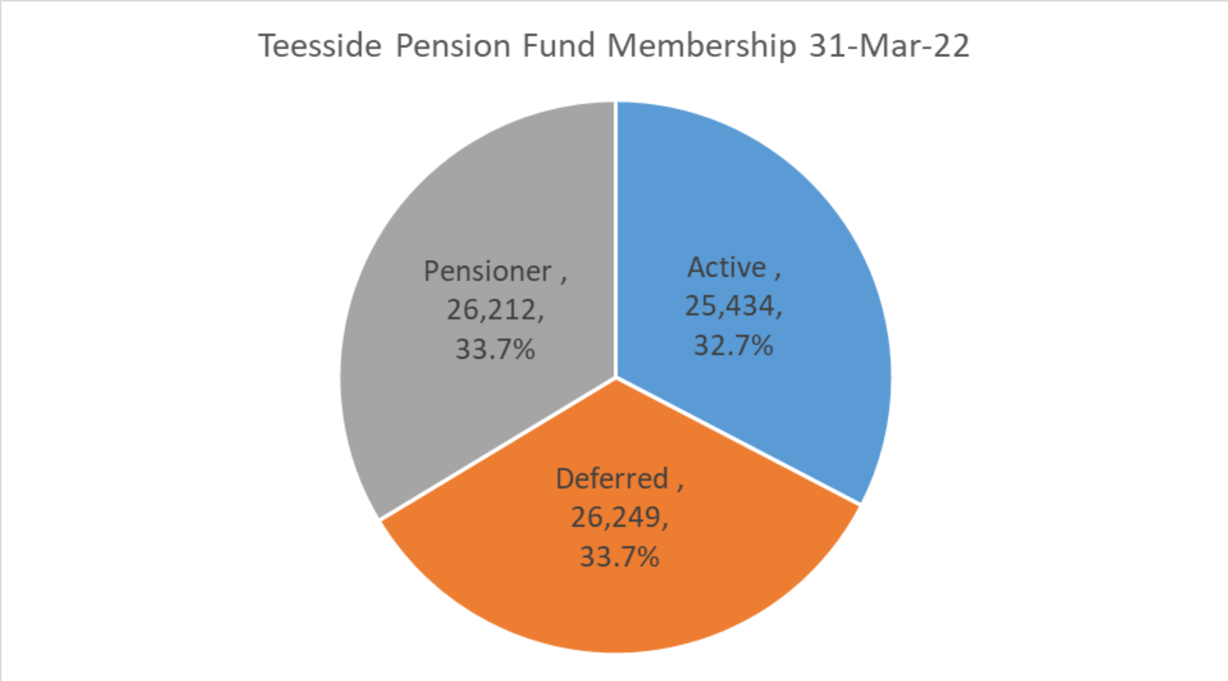
The Principles included in the Myners Review of Institutional Investment included a requirement under "Effective Decision Making" that Trustees should have sufficient expertise and be offered appropriate training.

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

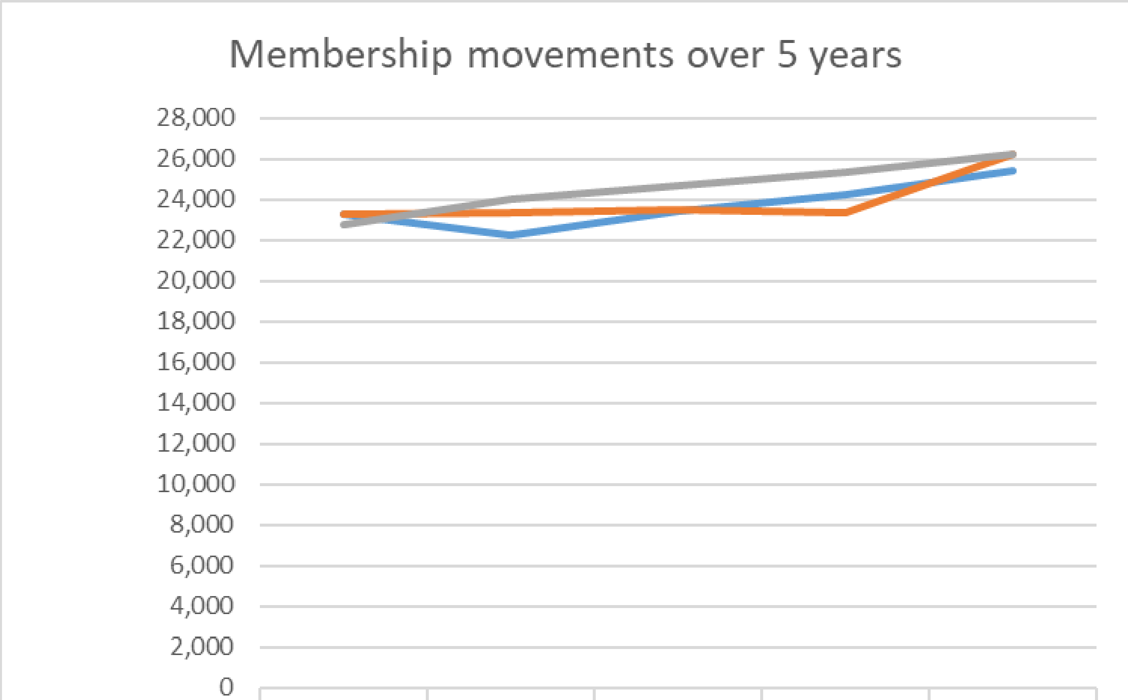
Training for Members and the staff employed by the Fund is essential as the Fund is moving to a position where its primary role will be managing two critically important outsourcing contracts with Border to Coast managing the majority of the Fund's investment assets, and XPS Administration managing the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

MEMBERSHIP DATA

The total scheme membership for the Fund as at 31 March 2022 was 77,895 made up of the following membership types:



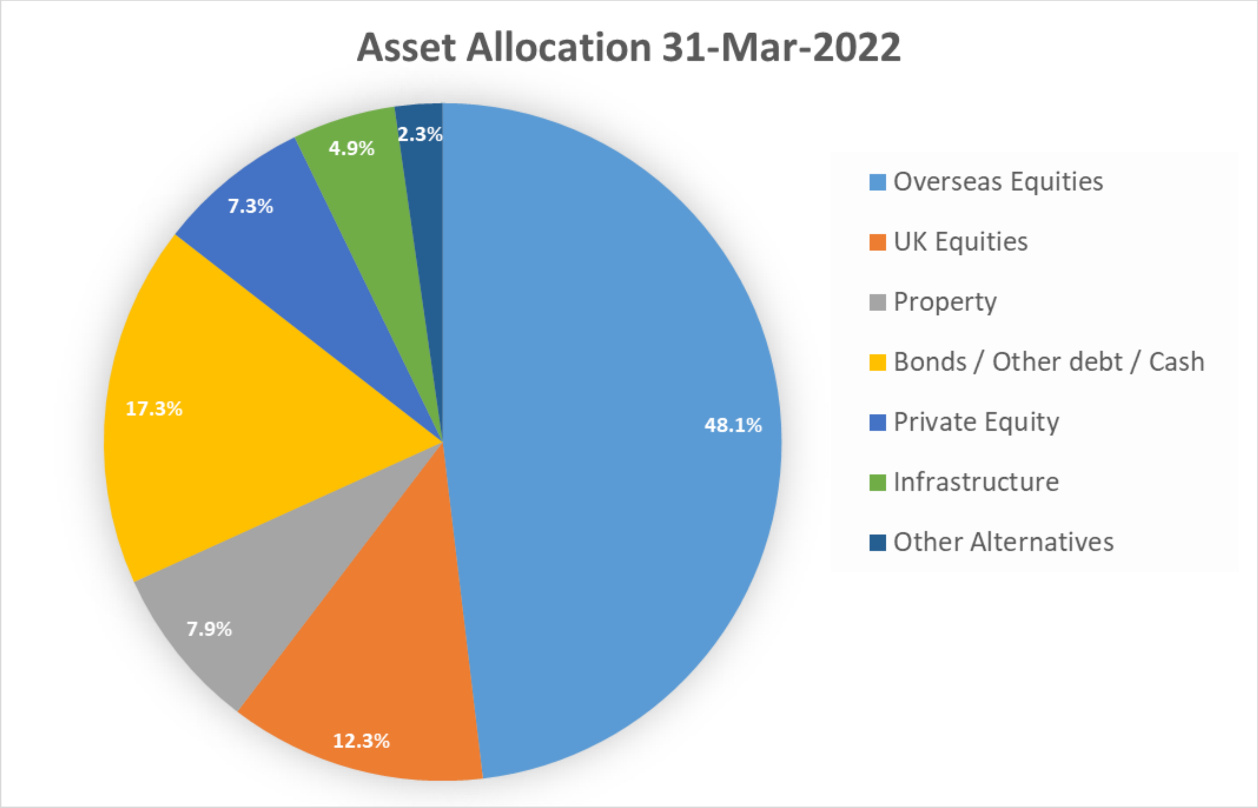
The changes to the scheme membership types is shown below. Whilst the total membership has increased by approx. 8,600 members over the period, the numbers of active and deferred members have fluctuated but increased, whereas the numbers of pensioner members has increased more steadily over the period.



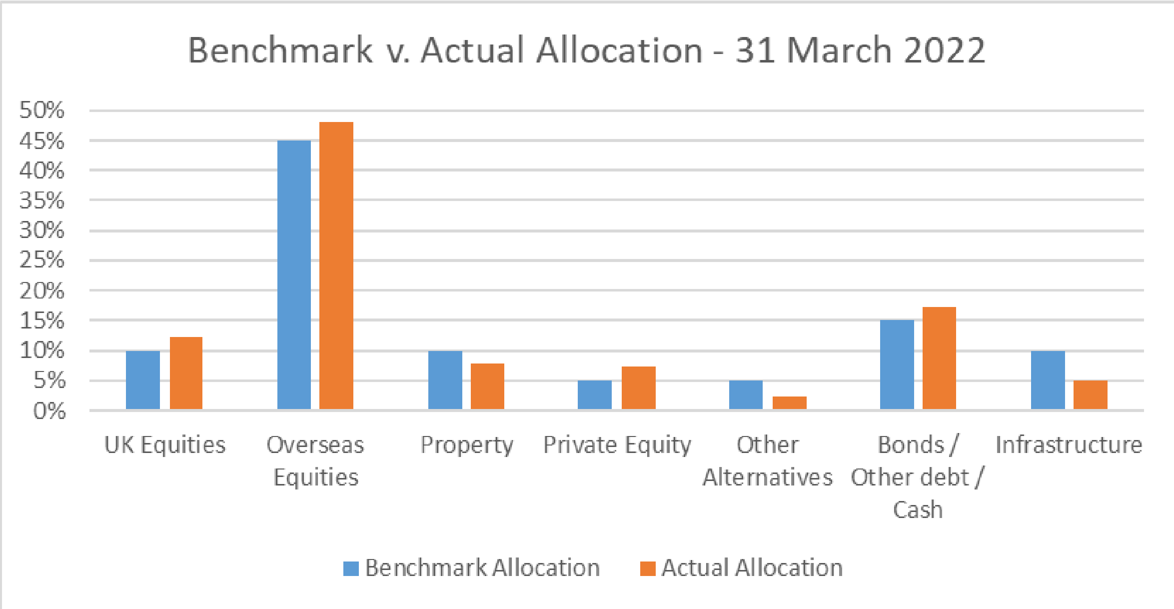
	2018	2019	2020	2021	2022
Active	23,295	22,274	23,438	24,238	25,434
Deferred	23,243	23,361	23,488	23,322	26,249
Pensioner	22,757	23,983	24,651	25,366	26,212

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 draft result of this valuation shows a surplus of c. £690 million and a funding ration of 116%. 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	2021-22 Actual £'000s	***2022-23 Forecast £'000s***	***2023-24 Estimate £'000s***
Contributions	-97,693	-107,075	-112,615
Transfers in from other pension funds	-2,371	-4,070	-4,070
Other income	-3,626	-8,083	-8,083
Total income from employers / members	**-103,690**	**-119,228**	**-124,768**
Benefits payable	153,758	161,580	179,700
Payments to and on account of leavers	5,973	6,547	7,000
Total expenditure to members	**159,731**	**168,127**	**186,700**
Management expenses	8,128	8,585	8,650
Total income less expenditure	**64,169**	**57,484**	**70,582**
Investment income	-49,933	-57,000	-64,500
Change in Asset Market Value	-492,353	0	0
Net return on investments	**-542,286**	**-57,000**	**-64,500**
Net (increase) / decrease in net assets available for benefits during the year	**-486,245**	**484**	**6,082**

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.

2023/24:

Pooling of Investment Assets:

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

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.

Pension Administration:

- Continue to implement customer service improvements – updated website, better liaison with scheme employers
- Carry out retendering exercise for pension administration
- Implement 'McCloud' changes, including retrospective review of leavers since 2014 - this is an additional check on leaving / drawing benefits to give certain scheme members the better of benefits under the current CARE scheme or under the old final salary rules for service from 1 April 2014 to 31 March 2022.
- Implement outcome of GMP reconciliation exercise.
- Prepare data and system functionality for compliance with Pensions Dashboard requirements.

Funding:

- Implement outcome of actuarial valuation as at 31 March 2022 – work with actuary and XPS to review valuation process to see where improvements can be made.
- Review and update the Funding Strategy Statement and Investment Strategy Statement if required.

<u>2024/25</u>:

- 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.
- Assess and review local investments approach in light of eventual 'levelling up' guidance and Border to Coast's capacity in this area.
- Prepare data for submission to actuary for 31 March 2025 triennial valuation. Work with actuary on reviewing assumptions.
- Implement Pensions Dashboard (subject to revised Government timetable – tbc)

2025/26:

- Further develop governance approach, taking into account UK Stewardship Code requirements.
- Develop and review Responsible Investments approach, incorporating TCFD reporting.
- Carry out 31 March 2025 triennial valuation.

Middlesbrough
moving forward

Teesside Pension Fund

Our Service Promise

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

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

Scheme Members

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

Scheme Employers

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

Pension Fund Committee

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

Pension Board

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

What we'll do for you:

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

What you can do for us:

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

APPENDIX B

SUMMARY OF PERFORMANCE AGAINST TARGETS

Funding:

	Target	Actual
2019 Triennial Actuarial Valuation	100%	115%

Investments:

	As at 31 December 2022	
	Benchmark	Actual
Performance Return – 1 Year	-4.4%	-0.1%
Performance Return – 3 Year (per annum)	3.2%	6.5%
Performance Return – 5 Year (per annum)	4.0%	6.1%
Performance Return – 10 Year (per annum)	7.7%	8.0%

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%	100.00%
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%	99.90%
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%	c.94% (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%

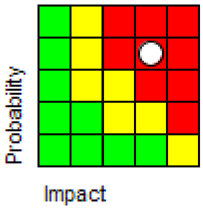
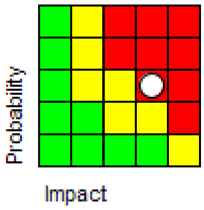
Accounting:

	Target	Actual
External Auditor Opinion	True & Fair View	True & Fair View (draft) –2021/22 accounts not signed off as at 07.03.2022
Internal Audit Opinion – Investments	Strong Control Environment	Strong Control Environment
Internal Audit Opinion – Administration	Strong Control Environment	Strong Control Environment

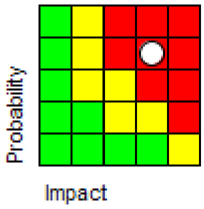
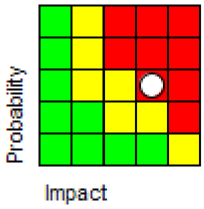
Governance:

	Target	Actual
Funding Strategy Statement	Last 3 Years	June 2021 (update due to be published March 2023)
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

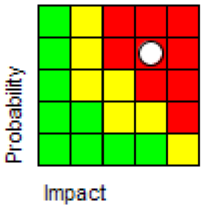
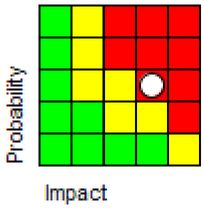
Appendix C - Teesside Pension Fund Risk Register

Code	Title	Original Score		Current Score	
TPF001	INFLATION Price inflation is significantly more than anticipated: an increase in CPI inflation by X % will increase the liability valuation by Y %. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-5		20		15

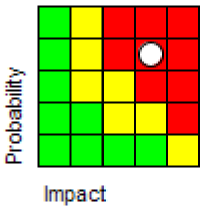
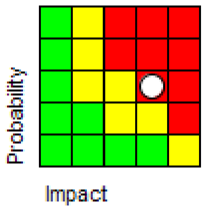
Current Mitigation	Future Mitigation	Responsible Officer
In assessing the member liabilities, the triennial Fund Actuary assumptions made for inflation are "conservatively" set based on independent economic data, and hedged against by setting higher investment performance targets.		Head of Pensions Governance and Investments

Code	Title	Original Score		Current Score	
TPF002	ADVERSE ACTUARIAL VALUATION Impact of increases to employer contributions following the actuarial valuation. Fund & Reputation Impact-3 Employers Impact-5 Member Impact-1		20		15

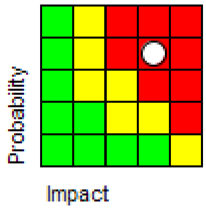
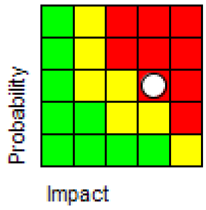
Current Mitigation	Future Mitigation	Responsible Officer
Interim valuations provide early warnings. Actuary has scope to smooth impact for most employers.		Head of Pensions Governance and Investments

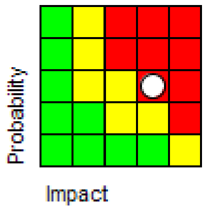
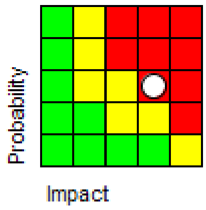
Code	Title	Original Score		Current Score	
TPF003	GLOBAL FINANCIAL INSTABILITY Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		20		15

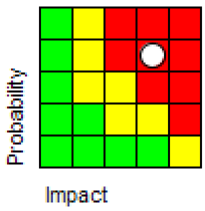
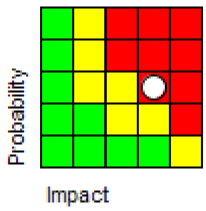
Current Mitigation	Future Mitigation	Responsible Officer
Increasing investment diversification will allow the Fund to be better placed to withstand this type of economic instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.		Head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

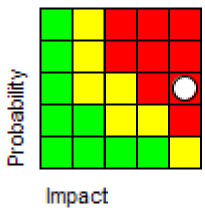
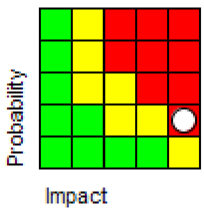
Code	Title	Original Score		Current Score	
TPF004	POLITICAL RISK Significant volatility and negative sentiment in investment markets following the outcome of adversely perceived political changes. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		20		15

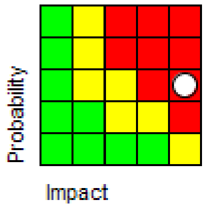
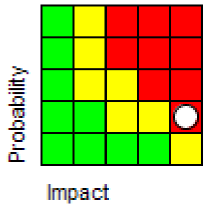
Current Mitigation	Future Mitigation	Responsible Officer
Increasing investment diversification will allow the Fund to be better placed to withstand this type of political instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.		Head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

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

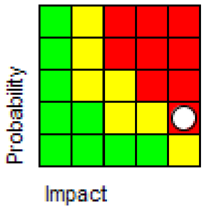
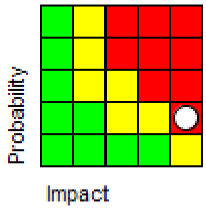
Code	Title	Original Score		Current Score	
TPF012	POOLING INVESTMENT UNDERPERFORMANCE Investments in the investment pool not delivering the required return. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		15		15
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
Ongoing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

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

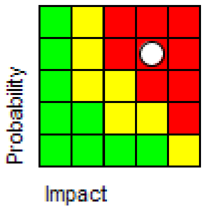
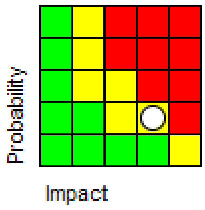
Code	Title	Original Score		Current Score	
TPF009	HIGHER THAN EXPECTED COSTS OF INVESTMENT POOLING Higher setup and ongoing costs of Border to Coast and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs). Fund & Reputation Impact-7 Employers Impact-2 Member Impact-1		21		14
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
Border to Coast's budget is set annually with the agreement of at least 9 of the 11 partner funds. Expenditure is monitored and reported to the Officer Group and Joint Committee meetings. Tenders for suppliers ensure value for money ethos applies.				Head of Pensions Governance and Investments	

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

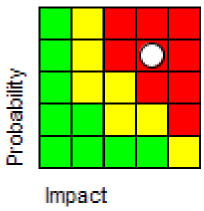
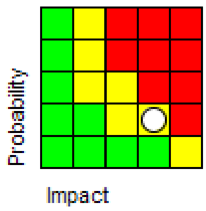
Current Mitigation	Future Mitigation	Responsible Officer
With the pooling of investment assets TPF staff work closely with Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity of performance, with training provided to TPF staff as required.		Head of Pensions Governance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

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

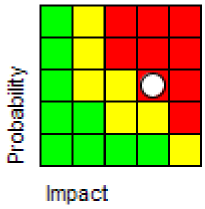
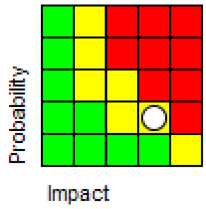
Current Mitigation	Future Mitigation	Responsible Officer
This is mitigated by the Triennial Valuation and the engagement of Two Independent Investment Advisors.		Head of Pensions Governance and Investments

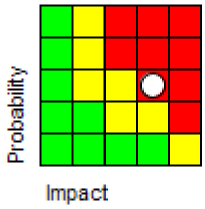
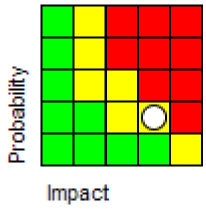
Code	Title	Original Score		Current Score	
TPF007	KEY PERSON RISK Concentration of knowledge & skills in small number of officers and risk of departure of key staff - failure of succession planning. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1		20		10

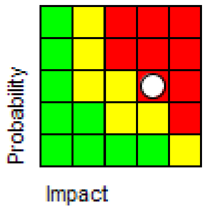
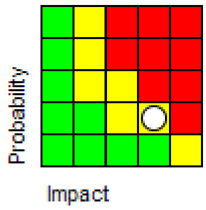
Current Mitigation	Future Mitigation	Responsible Officer
Two Deputy positions were created in 2018/19 (although one remains to be filled). These act to support deputise as required for the Head of Investments, Governance and Pensions.		Head of Pensions Governance and Investments

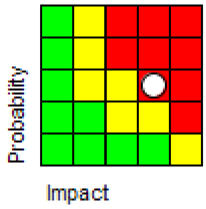
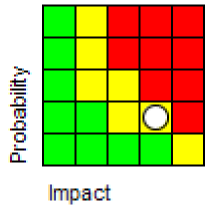
Code	Title	Original Score		Current Score	
TPF008	INSUFFICIENT STAFF Causes failure to have time to adopt best practice by properly developing staff and processes. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		20		10

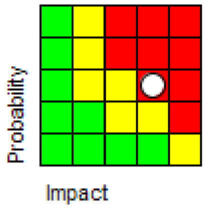
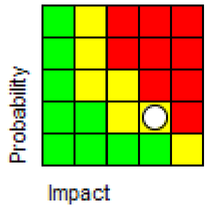
Current Mitigation	Future Mitigation	Responsible Officer
In preparation for the pooling of investment assets to Border to Coast, the team was expanded and has a total complement of 9 staff (albeit with two current vacancies). With a new investment strategy of passive rather than active management, investment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

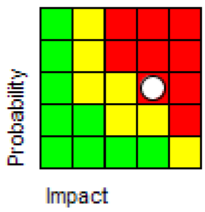
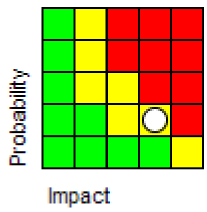
Code	Title	Original Score		Current Score	
TPF011	UNANTICIPATED PAY RISES Increases are significantly more than expected for employers within the Fund. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 	15	 	10
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
1) Fund employers will monitor own experience. 2)Triennial Actuarial valuation Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) will be long term assumptions, any employer specific assumptions above the actuaries long term assumption would lead to further review. 3) Employers are made aware of generic impact that salary increases can have upon final salary linked elements of LGPS benefits. 4) Over time, a diminishing proportion of LGPS liabilities are linked to final salary following the introduction of the career average scheme from April 2014.				Head of Pensions Governance and Investments	

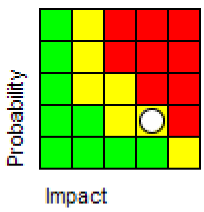
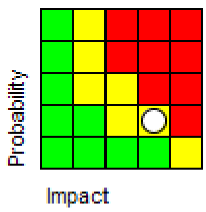
Code	Title	Original Score		Current Score	
TPF013	POOLING SYSTEMIC RISKS Systemic and other investment risks not being properly managed within the investment pool; for example appropriate diversification, credit, duration, liquidity and currency risks. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 	15	 	10
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review Border to Coast sub-fund investment elements on an on-going basis, and report to TPF Committee and Board.				Head of Pensions Governance and Investments	

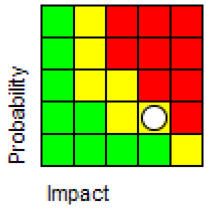
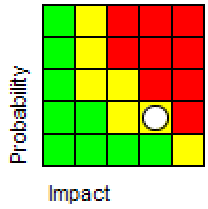
Code	Title	Original Score		Current Score	
TPF014	LONGEVITY Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8%. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 	15	 	10
Current Mitigation		**Future Mitigation**		**Responsible Officer**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

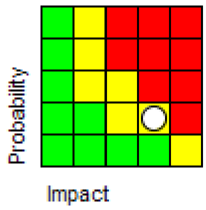
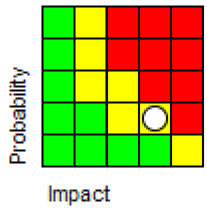
Code	Title	Original Score		Current Score	
TPF017	BULK TRANSFER VALUE DISPUTE Failure to ensure appropriate transfer is paid to protect the solvency of the fund and equivalent rights are acquired for transferring members. Fund & Reputation Impact-3 Employers Impact-5 Member Impact-1		15		10
Current Mitigation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

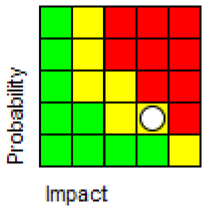
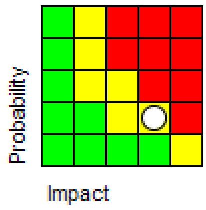
Code	Title	Original Score		Current Score	
TPF018	TPF INVESTMENT UNDERPERFORMANCE Investment Managers fail to achieve performance targets over the longer term: a shortfall of 1% on the investment target will result in an annual impact of £50m. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1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

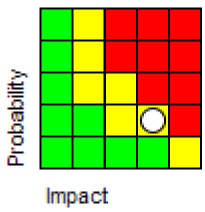
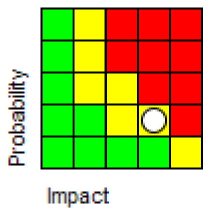
Code	Title	Original Score		Current Score	
TPF019	TPF GOVERNANCE SKILLS SHORTAGE Lack of knowledge of Committee & Board members relating to the investment arrangement and related legislation and guidance. Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1		15		10
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
Pension Fund Committee new members have an induction programme and have access to on-line training based on the requirements of CIPFA Knowledge and Skills Framework including Pooling.				Head of Pensions Governance and Investments	

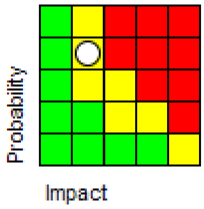
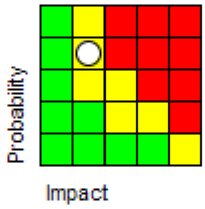
Code	Title	Original Score		Current Score	
TPF025	OUTSOURCED MEMBER ADMIN FAILURE XPS Administration service fails to the point where it is unable to deliver its contractual services to employers and members. Fund & Reputation Impact-1 Employers Impact-1 Member Impact-5		10		10
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
XPS Administration is a well-resourced established pensions administration provider which is not in financial difficulty.				Head of Pensions Governance and Investments	

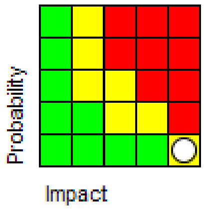
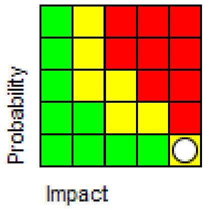
Code	Title	Original Score		Current Score	
TPF026	INSECURE DATA Failure to hold personal data securely - i.e data stolen. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-5		10		10
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
XPS Administration have advised they have robust data security and are not aware of any attempted hacking events.				Head of Pensions Governance and Investments	

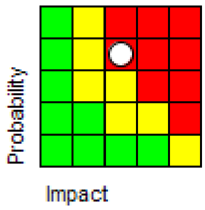
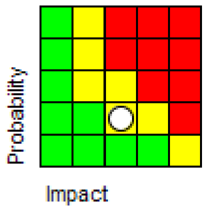
Code	Title	Original Score		Current Score	
TPF028	INADEQUATE POOLING INVESTMENT EXPERTISE Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		10		10
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
Border to Coast has completed recruitment of experienced and capable management team, alongside its expanding complement of over 100 staff.				Head of Pensions Governance and Investments	

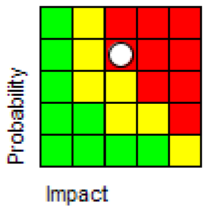
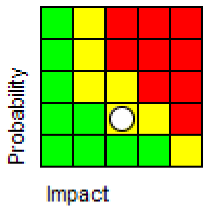
Code	Title	Original Score		Current Score	
TPF029	INSUFFICIENT RANGE OF POOLING ASSET CLASSES Insufficient range of asset classes or investment styles being available through the investment pool. Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1		10		10
Current Mitigation		**Future Mitigation**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

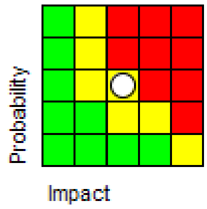
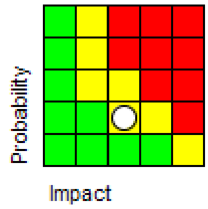
Code	Title	Original Score		Current Score	
TPF031	INTERNAL COMPLIANCE FAILURES Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1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

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

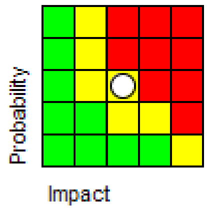
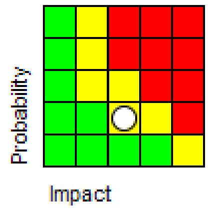
Code	Title	Original Score	Current Score
TPF039	BORDER TO COAST FAILURE Failure of the operator itself, or its internal risks and controls failure of corporate governance, responsible investment, or the failure to exercise voting rights according to policy. Fund & Reputation Impact-7 Employers Impact-4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

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

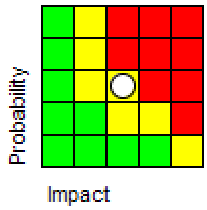
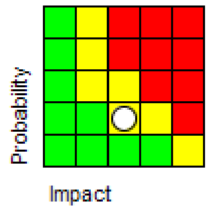
Code	Title	Original Score	Current Score
TPF016	ADVERSE LEGISLATIVE CHANGE Risk of changes to legislation, tax rules etc.; resulting in increases required in employer contributions. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-3	 12	 6
Current Mitigation		**Future Mitigation**	**Responsible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

Code	Title	Original Score	Current Score
TPF022	GDPR COMPLIANCE Non-compliance with GDPR regulations. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	 9	 6

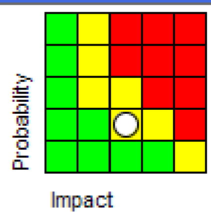
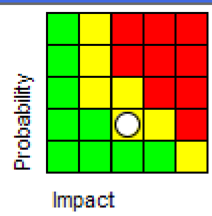
Current Mitigation	Future Mitigation	Responsible Officer
Data protection privacy notices have been distributed by XPS Administration. The Council has established GDPR-compliant processes and procedures.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF023	INACCURATE DATA RECORD COLLATION Failure to maintain proper, accurate and complete data records leading to increased errors and complaints. Fund & Reputation Impact-1 Employers Impact-3 Member Impact-3	 9	 6

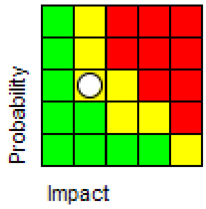
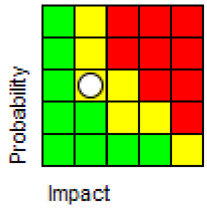
Current Mitigation	Future Mitigation	Responsible Officer
Administration data quality is being assessed as part of the triennial valuation process, as well as being assessed regularly in order to meet Pensions Regulator requirements on scheme data.		Head of Pensions Governance and Investments

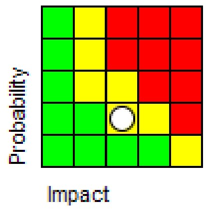
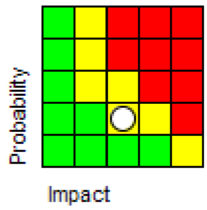
Code	Title	Original Score	Current Score
TPF024	STRUCTURAL CHANGES TO EMPLOYER MEMBERSHIP Risk that TPF are unaware of structural changes to an employer's membership, or changes (e.g. closing to new entrants) meaning the individual employer's contribution level becomes inappropriate. Fund & Reputation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

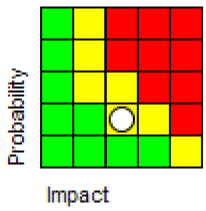
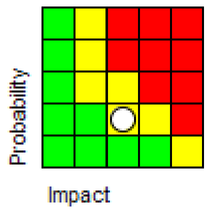
Current Mitigation	Future Mitigation	Responsible Officer
The XPS Administration employer liaison team will improve this by working closely with employers.		Head of Pensions Governance and Investments

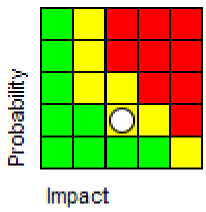
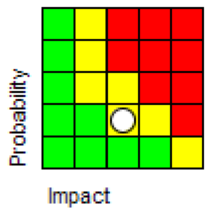
Code	Title	Original Score	Current Score
TPF032	INADEQUATE POOLING DATA Inability to gather robust, quality or timely information from Border to Coast. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	 6	 6

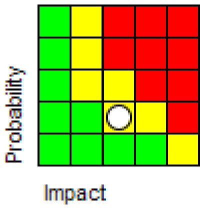
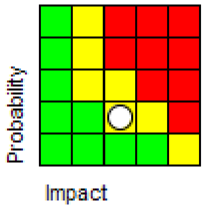
Current Mitigation	Future Mitigation	Responsible Officer
TPF staff work closely with Border to Coast sub- fund asset managers and Border to Coast management to gain full clarity and reporting of performance, with training provided to TPF staff as required.		

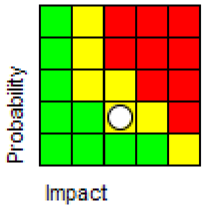
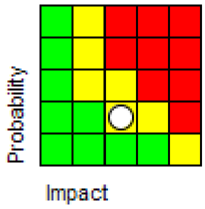
Code	Title		Original Score	Current Score
TPF033	ESG REPUTATIONAL DAMAGE Insufficient attention to environmental, social and governance (ESG) leads to reputational damage. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1		 6	 6
Current Mitigation			**Future Mitigation**	**Responsible Officer**
Border to Coast provides increased focus on Responsible Investment.				Head of Pensions Governance and Investments

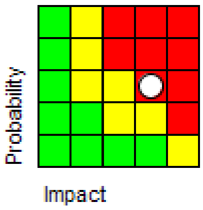
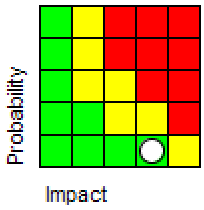
Code	Title		Original Score	Current Score
TPF034	THIRD PARTY SUPPLIER FAILURE Financial failure of third party supplier results in service impairment and financial loss. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1		 6	 6
Current Mitigation			**Future Mitigation**	**Responsible Officer**
New supplier's financial strength is assessed through the procurement process. Existing suppliers are obliged to report any issues.				Head of Pensions Governance and Investments

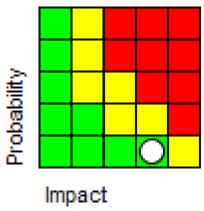
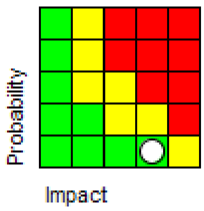
Code	Title		Original Score	Current Score
TPF035	PROCUREMENT PROCESS CHALLENGES Procurement processes may be challenged if seen to be non-compliant with procurement regulations. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non-compliant process. Fund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

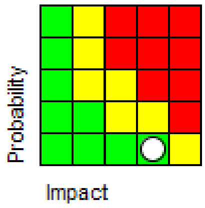
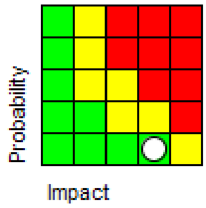
Code	Title		Original Score	Current Score
TPF036	ASSET POOLING TRANSITION RISK Loss or impairment as a result of Asset transition. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1		 6	 6
Current Mitigation			**Future Mitigation**	**Responsible Officer**
Listed assets already transferred	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

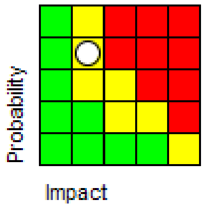
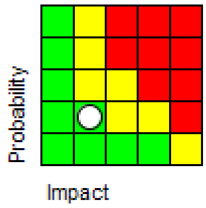
Code	Title	Original Score		Current Score	
TPF037	COMPLIANCE FAILURES Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests, Code of Practice 14. Fund & Reputation Impact-3 Employers Impact-2 Member Impact-0		6		6
Current Mitigation		**Future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

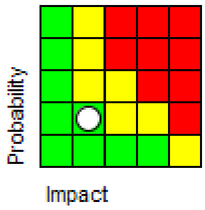
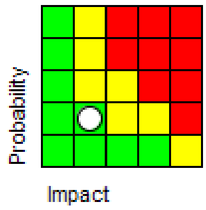
Code	Title	Original Score		Current Score	
TPF038	CUSTODY DEFAULT The risk of losing economic rights to pension fund assets, when held in custody or when being traded. The risk might arise from missed dividends or corporate actions (e.g. rights issues) or problems arising from delays in trade settlements.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

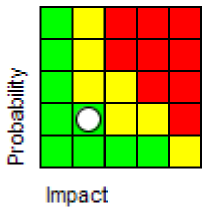
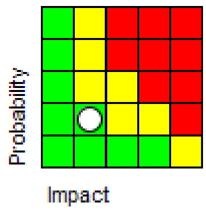
Code	Title	Original Score		Current Score	
TPF020	INADEQUATE BORDER TO COAST OVERSIGHT Insufficient resources to properly monitor pooling & Border to Coast. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		15		5
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
Sufficient resources exist within the team to oversee and monitor Border to Coast. External providers are also involved, such as Portfolio Evaluation Limited and the two independent investment advisors.				Head of Pensions Governance and Investments	

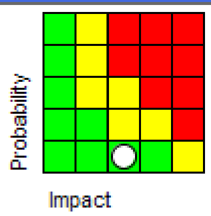
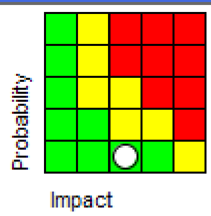
Code	Title	Original Score		Current Score	
TPF042	DECISION MAKING FAILURES Failure to take difficult decisions inhibits effective Fund management. Fund & Reputation Impact-5 Employers Impact-2 Member Impact-1		5		5
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
Ongoing challenge and advice from two independent advisors				Head of Pensions Governance and Investments	

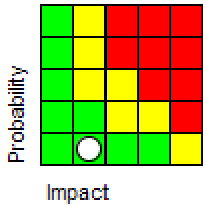
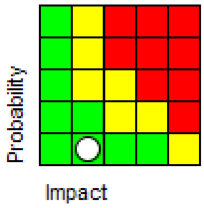
Code	Title	Original Score		Current Score	
TPF043	CASH INVESTMENT FRAUD Financial loss of cash investments from fraudulent activity. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		5		5
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
Approval processes and systems				Head of Pensions Governance and Investments	

Code	Title	Original Score		Current Score	
TPF027	SCHEME MEMBER FRAUD Fraud by scheme members or their relatives (e.g. identity, death of member). Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2		8		4
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
XPS checking processes – e.g. mortality screening				Head of Pensions Governance and Investments	

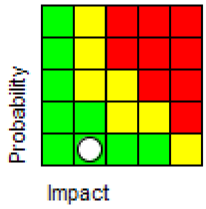
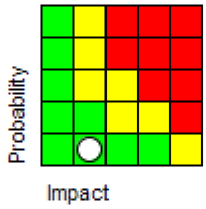
Code	Title	Original Score		Current Score	
TPF040	INACCURATE FUND INFORMATION In public domain leads to damage to reputation and loss of confidence. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1		4		4
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
Checking and reviewing processes, internal and external audit				Head of Pensions Governance and Investments	

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

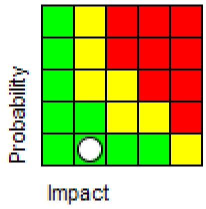
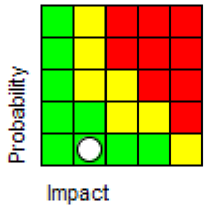
Code	Title	Original Score		Current Score	
TPF044	ICT SYSTEMS FAILURE Prolonged administration ICT systems failure. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-3		3		3
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
Disaster recovery plans				Head of Pensions Governance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

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

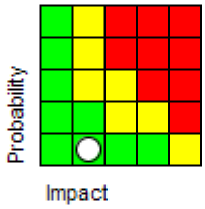
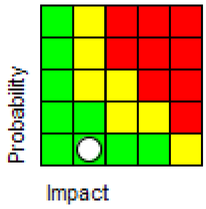
Current Mitigation	Future Mitigation	Responsible Officer
Ongoing monitoring of contribution collection at employer level		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF046	INADEQUATE DISPUTES RESOLUTION PROCESS Failure to agree and implement an appropriate complaints and disputes resolution process. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-2	 2	 2

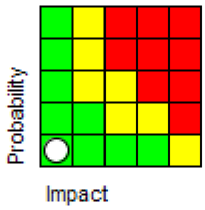
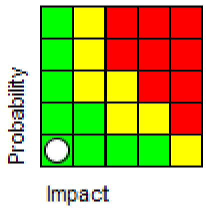
Current Mitigation	Future Mitigation	Responsible Officer
Process is in place and operating effectively.		Head of Pensions Governance and Investments

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

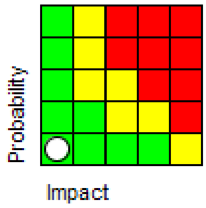
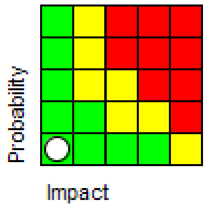
Current Mitigation	Future Mitigation	Responsible Officer
Border to Coast in place – Fund has oversight and jointly owns the company.		Head of Pensions Governance and Investments

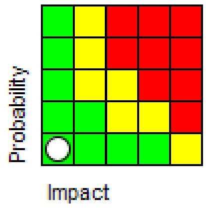
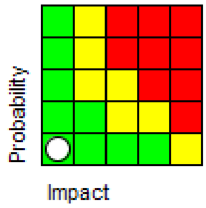
Code	Title	Original Score	Current Score
TPF048	POOLING CUSTODIAN FAILURE Failure to ensure safe custody of assets. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	 2	 2

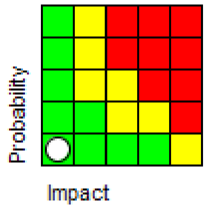
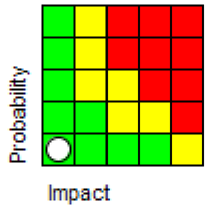
Current Mitigation	Future Mitigation	Responsible Officer
Border to Coast’s custodian is financially secure and keeps pool’s assets segregated.		Head of Pensions Governance and Investments

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

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

Code	Title	Original Score		Current Score	
TPF050	EXCESSIVE ADMIN COSTS Excessive costs of member benefit administration leads to lack of VFM and loss of reputation. Fund & Reputation Impact-1 Employers Impact-1 Member Impact-1		1		1
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
				Head of Pensions Governance and Investments	

Code	Title	Original Score		Current Score	
TPF051	ERRONEOUS MEMBER BENEFIT CALCS Risk of incorrect calculation of members benefits. Fund & Reputation Impact-1 Employers Impact-1 Member Impact-2		1		1
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
				Head of Pensions Governance and Investments	

Code	Title	Original Score		Current Score	
TPF052	INADEQUATE MEMBER COMMS Increased workload for pensions team or increased opt-outs if communications inadequate or misunderstood. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1		1		1
Current Mitigation		**Future Mitigation**		**Responsible Officer**	
				Head of Pensions Governance and Investments	

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Fund account, investment and administration - detailed analysis

	2021-22 Actual £'000s	2022-23 Forecast £'000s	2023-24 Estimate £'000s
Income from members			
Employers contributions normal	*-67,241*	*-73,632*	*-77,500*
Employers contributions additional	*-12*	*-7*	*-7*
Employers contributions deficit recovery	*-506*	*-158*	*-158*
Members contributions	*-29,934*	*-33,278*	*-34,950*
Transfers in from other schemes	*-2,371*	*-4,070*	*-4,070*
Other income	*-3,626*	*-8,083*	*-8,083*
	-103,690	***-119,228***	***-124,768***

	2021-22 Actual £'000s	2022-23 Forecast £'000s	2023-24 Estimate £'000s
Expenditure to members			
Pensions paid	*127,421*	*133,935*	*149,000*
Commutations and lump sum retirement benefits	*22,750*	*25,400*	*28,200*
Lump sum death benefits	*3,587*	*2,245*	*2,500*
Payments to and on account of leavers	*5,973*	*6,547*	*7,000*
	159,731	***168,127***	***186,700***

	2021-22 Actual £'000s	2022-23 Forecast £'000s	2023-24 Estimate £'000s
***Management expenses*:**			
Administration costs	***2,238***	***2,500***	***2,500***
Investment management expenses			
Custody fees	*25*	*25*	*25*
External investment management expenses	*3,959*	*4,500*	*4,500*
Internal investment management expenses	*551*	*600*	*600*
Transaction costs	*939*	*200*	*200*
Total Investment management expenses	***5,474***	***5,325***	***5,325***
External audit cost	*19*	*60*	*75*
Oversight & governance costs	*397*	*700*	*750*
Total Oversight & governance costs	***8,128***	***8,585***	***8,650***

	2021-22 Actual £'000s	2022-23 Forecast £'000s	2023-24 Estimate £'000s
Investment Income			
Investment income from bonds	*0*	*0*	*0*
Investment income from equities	*0*	*0*	*0*
Investment income from pooled investment vehicles	*-33,525*	*-35,000*	*-37,000*
Other investment income	*0*	*0*	*0*
Property gross rental income	*-16,172*	*-17,500*	*-18,500*
Property expenses	*618*	*2,500*	*2,000*
Interest on cash deposits	*-854*	*-7,000*	*-11,000*
	-49,933	***-57,000***	***-64,500***

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

PENSION FUND COMMITTEE REPORT

15 MARCH 2023

DIRECTOR OF FINANCE – HELEN SEECHURN

INTERNAL AUDIT REPORTS

1. PURPOSE OF THE REPORT

1.1 To provide Members with the outcome of two recent internal audit reports into the investment and administration of the Pension Fund.

2. **RECOMMENDATION**

2.1 That Members note the report.

3. **FINANCIAL IMPLICATIONS**

3.1 There are no specific financial implications arising from this report.

4. **BACKGROUND**

4.1 Veritau is a shared services group currently owned by nine local authorities in Yorkshire and the North East, including Redcar & Cleveland and Middlesbrough Councils. They act as the internal auditor for the Council and the Pension Fund.

4.2 Veritau carried out two planned audits of the Pension Fund's activities during the 2022/23 financial year, one covering investments and one covering administration. The reports and recommendations in respect of these audits are enclosed as appendices A and B.

4.3 Both audits have an overall audit opinion of "Substantial Assurance" and concluded that a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited

4.4 A representative from Veritau will attend the Committee to briefly present the reports and answer any questions Members may have.

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

TEL NO.: 01642 729040

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Teesside Pension Fund - Administration

Middlesbrough Council

Internal Audit Report 2022/23

Business Unit: Finance
Responsible Officer: Director of Finance
Service Manager: Head of Pensions Governance and Investments
Date Issued: 23 May 2022
Status: Final
Reference: 71920/002

	P1	P2	P3
Actions	0	0	0
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

Teesside Pension Fund (TPF) is financed by way of contributions from employers and employees, based upon a percentage of pensionable pay, and supplemented by earnings from fund investments. The TPF's assets, after payment of benefits, are invested as directed by the Pension Fund Committee.

The day to day running of the TPF is delegated to the Director of Finance of Middlesbrough Council who is responsible for implementing the strategies and policies set by the Pension Fund Committee. Supporting the Director is the Head of Pensions, Governance and Investments who oversees two groups. The Pensions Administration Team is responsible for the calculation and payment of pension benefits and for looking after employer interests in the TPF. This function is currently outsourced and is delivered by XPS Administration.

The Pensions Governance and Investments Team manages the investment of the TPF in conjunction with the advice of TPF's external investment advisors, as well as providing support to the Pension Fund Committee and Teesside Pension Board (TPB). The TPB assists Middlesbrough Council, as the Administering Authority, to: a) secure compliance with the regulations, any other legislation relating to the governance and administration of the scheme, and requirements imposed by the Pension Regulator in relation to the scheme; and b) to ensure the effective and efficient governance and administration of the TPF.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Effective controls are in place for applying pension increases, creating and paying new pension records, and identifying and recovering overpayments.

The scope of this audit was originally agreed as an objective within a previous TPF Administration audit (71920/001) finalised in August 2021.

Key Findings

We found that there are effective controls in place for applying pension increases, creating and paying new pension records and identifying and recovering overpayments.

We were provided with evidence confirming that the validation and reconciliation process performed by XPS to ensure pension increases are applied correctly, is being followed. We saw that the pension increase procedure notes are sufficiently detailed and provide clear guidance to staff involved in the process. The 2022/23 pension increase procedure notes have been updated to reflect feedback received

Veritau

from the annual Audit and Assurance Faculty (AAF) review undertaken by XPS. This review highlighted the need to ensure that post-run checks can be supported by evidence, along with confirmation from a second employee, prior to the pension increase being submitted. We also saw evidence to demonstrate that pension increases had been appropriately authorised prior to being applied.

Our review of new pension records did not highlight any concerns. The evidence provided to us confirmed the accuracy of payments made at the correct rate, and that new pension details are uploaded into Altair in a timely manner. The lack of any identifiable issues is also consistent with the conclusions contained in the annual XPS Service Delivery Report for 2021/22, with XPS reporting only 2 out of 2,208 new members being processed beyond the target of 20 working days.

We reviewed a sample of ended pension records, and confirmed that appropriate evidence was available to support the ending of the accounts that we looked at, and that the records had been updated appropriately.

XPS have processes in place for identifying and calculating pension overpayments that are required to be recovered. Overpayments are generally as a result of late notifications being received from external parties, which is beyond the ability of XPS to control.

We reviewed a sample of suspended pensioner records and confirmed that the reason for the suspension had been recorded, and that evidence was available to support the suspension.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

Audit Opinions and Priorities for Actions

Audit Opinions
Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit. Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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Pension Fund Investments

Middlesbrough Council

Internal Audit Report

Business Unit: Teesside Pension Fund
Responsible Officer: Director of Finance
Service Manager: Head of Pensions Governance and Investments
Date Issued: 22 December 2022
Status: Final
Reference: F1020/003

	P1	P2	P3
Actions	**0**	**0**	**0**
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes in the UK. In this scheme investment yield and capital growth, alongside member contributions, are used to fund pension payments. The LGPS is administered on a local level, with 87 LGPS funds existing in England and Wales. Teesside Pension Fund (TPF) is one of these local funds, administered through Middlesbrough Council.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 included a requirement for all LGPS Funds to pool their assets. A pool company must be appointed to implement investment strategies and as a result 8 asset pools were set up. TPF is a partner shareholder of the Border to Coast Pension Partnership, and delegates investment management responsibilities to this pool. As a pool member, the TPF are responsible for effective governance and holding the Border to Coast Pension Partnership to account.

In line with statutory guidance, TPF must produce an investment strategy statement, which should be kept under review and revised at least every 3 years. Investment or pensions committees are the most common decision-making bodies in LGPS schemes. The committee responsibilities include approving TPF's investment strategy statement and setting investment targets ensuring that they are aligned with TPF's risk appetite; monitoring the performance of the Border to Coast; and selecting, dismissing, and monitoring TPF's advisors – including investment consultants. TPF's risk register highlights various risks, including those relating to investments underperformance, and inability to gather robust, quality or timely data from Border to Coast.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- Relevant, consistent performance information is produced by Border to Coast Pensions Partnership and sent to TPF on a regular basis;
- Relevant, consistent performance information is made available to the TPF Committee in a timely manner;
- Information is used as a tool to review the Border to Coast's performance against the Pension Fund's Investment Strategy;
- Mechanisms are in place to challenge the Border to Coast's performance and management of the Pension Fund's investments.

Key Findings

Our work confirmed that Teesside Pension Fund (TPF) is in receipt of relevant, consistent information from the Border to Coast Pensions Partnership regarding investment performance, and that this performance information is provided to TPF on a regular basis. TPF receives quarterly update reports regarding its own investments within Border to Coast sub-funds. A review of these reports from Q1 2021 to Q3

2022 found that the information is relevant in terms of being applicable to the quarter in question and provides detail on developments within the quarter which may positively or negatively impact on the investment performance. Our review of the quarterly updates also found that the information was consistent, with performance data corresponding with the previous report, allowing for comparisons to be made between the information contained in the quarterly reports. We looked at the TPF Committee minutes and confirmed that these reports are presented in a timely manner.

We saw that information is being used to measure performance of investments against the TPF Investment Strategy. Benchmarks set out in the Investment Strategy to measure performance are different to those used by Border to Coast. As an example, Border to Coast use ‘FTSE Emerging Markets’ as its performance benchmark for its Emerging Market sub-fund, whereas in the Investment Strategy from April 2021 the benchmark listed was ‘MSCI AC World Index’. However, we did not see any evidence that this has caused issues regarding performance monitoring as TPF use a company called Portfolio Evolution Limited to produce quarterly reports which analyse the information presented in the Border to Coast updates.

TPF’s Investment Strategy states that as a responsible investor, TPF aims to incorporate Environmental, Social and Corporate Governance (ESG) factors into investment decisions. To address this, Border to Coast have produced quarterly ESG performance information for the sub-funds that TPF have invested in. These reports provide a MSCI[1] rating with 'AAA' being the highest and 'CCC' being the lowest ratings. The reports also include commentary and a list of the best and worst MSCI scoring holdings within each sub-fund. The reports have demonstrated that rating have improved between 2021 and Q1 2022, suggesting that the quality of investment, in terms of ESG factors has improved.

Although our review of committee minutes did not find evidence of documented challenge by Committee members, we confirmed that there are a range of mechanisms in place for TPF to challenge and discuss the performance and management of investments. A review of the Committee minutes found that the presentation of the quarterly investment updates and ESG reports was a standing item. The quarterly investment updates are presented to the Committee within the following quarter. Discussions with a member of staff who attends the Committee confirmed that questions are asked, which are more strategic in nature and focus on future rather than current performance. However, there are appropriate processes in place to identify and challenge any change in Border to Coast’s performance. TPF is also represented at the Officer Operations Group (OOG), which take place each quarter. We reviewed the OOG meeting minutes and confirmed that TPF officers have attended and engaged in these meetings.

Overall Conclusions

A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

[1] MSCI is an investment company that produces an ESG rating system which aim to measure a company’s management of financially relevant ESG risks and opportunities

Audit Opinions and Priorities for Actions

Audit Opinions

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TEESSIDE PENSION FUND

Border to Coast

Teesside Pensions Committee 15.03.23

Agenda Item 11

AGENDA

- Strategic Plan 3
- Investments Summary 9
- Equity Fund Performance 11
- Alternatives Update 17

STRATEGIC PLAN

Border to Coast Teesside Pensions Committee

2023-2026 STRATEGIC PLAN

BUILDING A RESLIENT ORGANISATION

FINANCIAL

- Funding model review
- Capital / financial risk oversight
- Benchmarking

PEOPLE

- Strengthening structures and capacity of teams (reducing key person dependencies)
- Remuneration strategy and wider EVP development

PROCESS AND TECHNOLOGY

- Documenting, embedding and streamlining, through improved use of technology and data, core processes, controls and MI
- Core to this are the next steps in data strategy including implementation of ERM and CRM software

2023-2026 STRATEGIC PLAN

KEY THEMES & RISKS

PEOPLE & CULTURE

- Retention and recruitment
- Real Estate work and resource integration

POLITICAL LANDSCAPE

- Implementation of Cumbria and North Yorkshire structure changes
- Levelling up
- Climate Change / TCFD Reporting
- Pooling consultation

ECONOMIC LANDSCAPE

- Possibility of Market Correction
- Inflation:

  - contract pressures

  - effect on liabilities
- Currency: contracts invoiced in dollars / euros

LEGAL, REGULATORY & RESILIENCE

- FCA, Audit, HMRC, public contracting, etc.
- External & internal (cyber and outsourcer resilience)
- Data Management – how to create, store and share information.
- Building longer term financial resilience

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INVESTMENT STRATEGY: CAPABILITY LAUNCH TIMELINE

	SCHEDULED 2022	SCHEDULED 2023	SCHEDULED 2024	SCHEDULED 2025
Equities	UK Alpha - review Global Alpha – change implementation	Emerging Markets Alpha	Overseas Dev Equity Review ESG / Factor Index-Tracking	
Alternatives	Listed Alternatives Series 2a	UK Opportunities Series 2b	Series 2c plus next Climate Opps Cashflow Management	Series 3
Fixed Income		Green, Social and Sustainable Bonds		
Real Estate		Global Real Estate	UK Real Estate	
Other	Climate Change Strategy	Responsible Investment Strategy (2023–2024) Currency Hedging Income Distribution (2023–2024)	Rebalancing Equity Protection (2024–2025)	Review of Climate Change Strategy

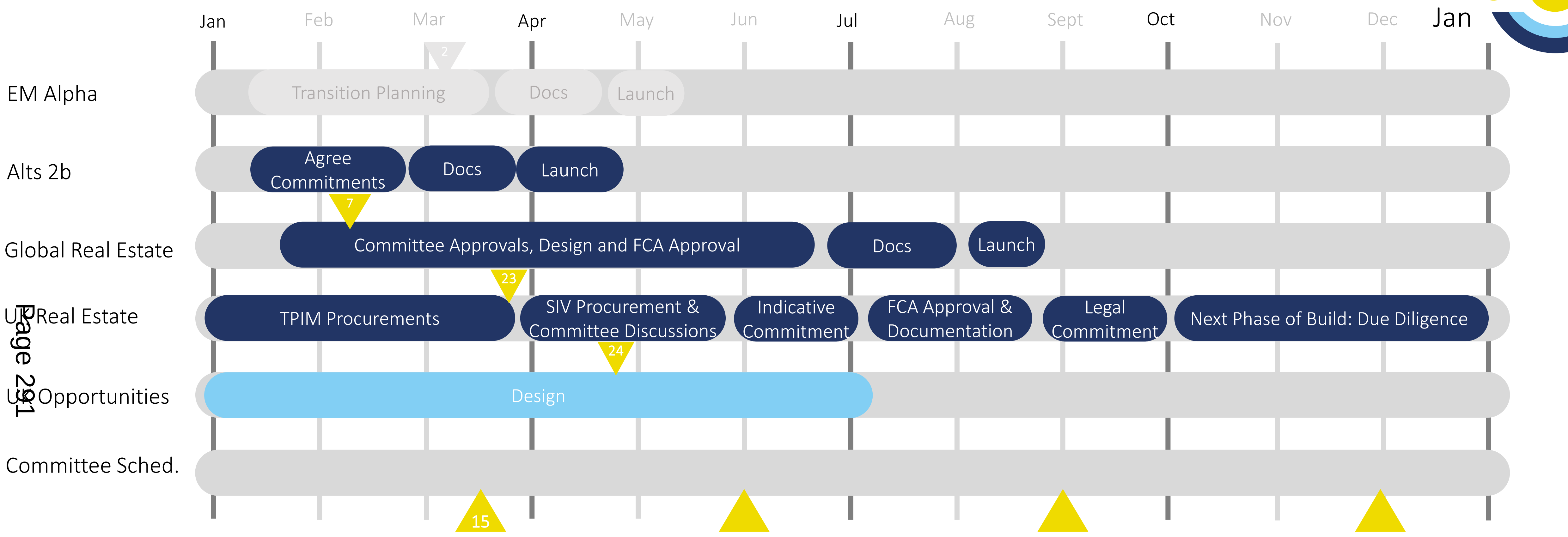
Delivered - Delivery within tolerance

Forecast Delivery Date

Work to do to agree with Partner Funds how to take forward

INTERNAL

TEESSIDE: KEY DATES



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15 March: Committee Meeting – General performance update

June: Committee Meeting

Sept: Committee Meeting

Dec: Committee Meeting

RESPONSIBLE INVESTMENT: COLLECTIVE VOICE & REPORTING

RI REPORTING

- With the increase in RI reporting (especially on the revised Stewardship Code and enhanced TCFD reporting) we intend to strengthen structures, capacity and breadth of teams, thereby reducing key person dependencies. This includes moving work from front office professionals
- This will enable us to support Partner Funds with their TCFD reporting expected to become mandatory under the recent DLUHC consultation

COLLECTIVE VOICE

- Build on our programme of activity to ensure we can effectively communicate our RI activities, commitments and progress. This includes activity on our strategic engagement themes*; our journey to Net Zero; shareholder resolutions; collaborative engagement; and responses to consultations
- *Low Carbon Transition; Waste and Water Management; Social Inclusion and Labour Management; Diversity of Thought

INVESTMENTS SUMMARY

Border to Coast Teesside Pensions Committee

TEESSIDE – VALUATION & COMMITMENTS

Listed Investments	Teesside Value (as at 31/12/2022)	Total Fund Value (as at 31/12/2022)
	£	£
UK Listed Equity Fund	627m	3.5bn
Overseas Developed Markets Equity	1,574m	5.4bn
Emerging Markets Equity	202m	935m

Alternative Investments	Teesside Commitment (Series 1)	Teesside Commitment (Series 2A)	Total Series 1 Commitment (all Partner Funds)	Total Series 2A Commitment (all Partner Funds)
	£	£	£	£
Infrastructure	200m	150m	2,455m	1,025m
Private Equity	200m	100m	1,720m	705m
Private Credit	-	-	1,501m	985m
Climate Opportunities	-	80m	-	1,350m

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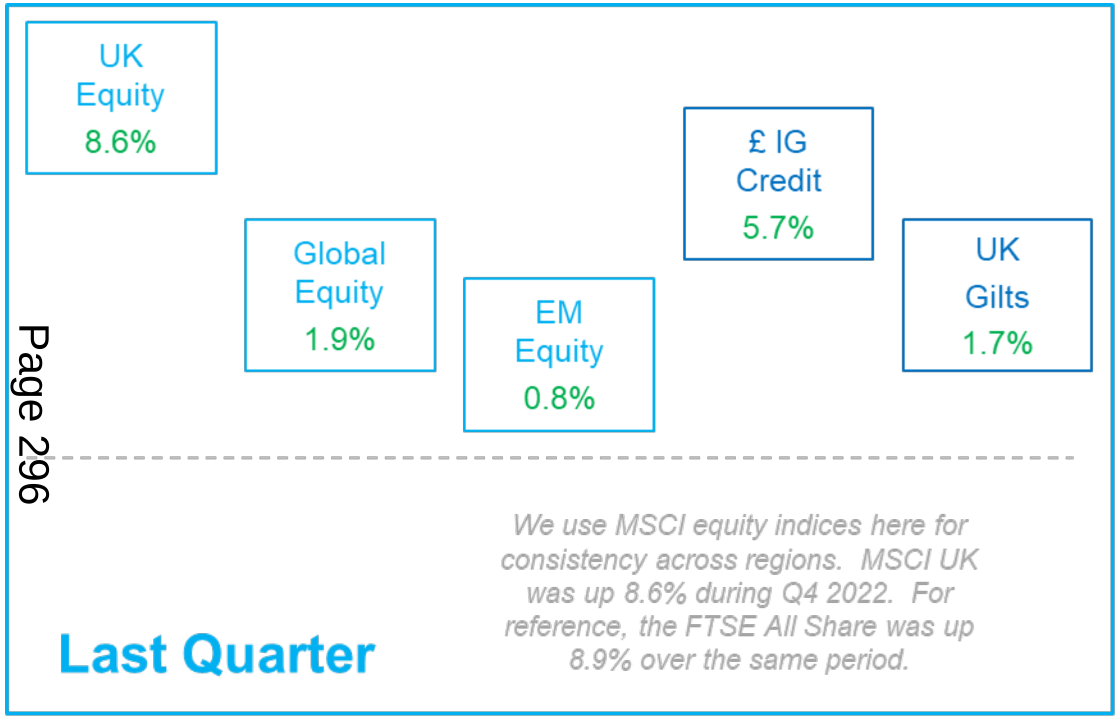
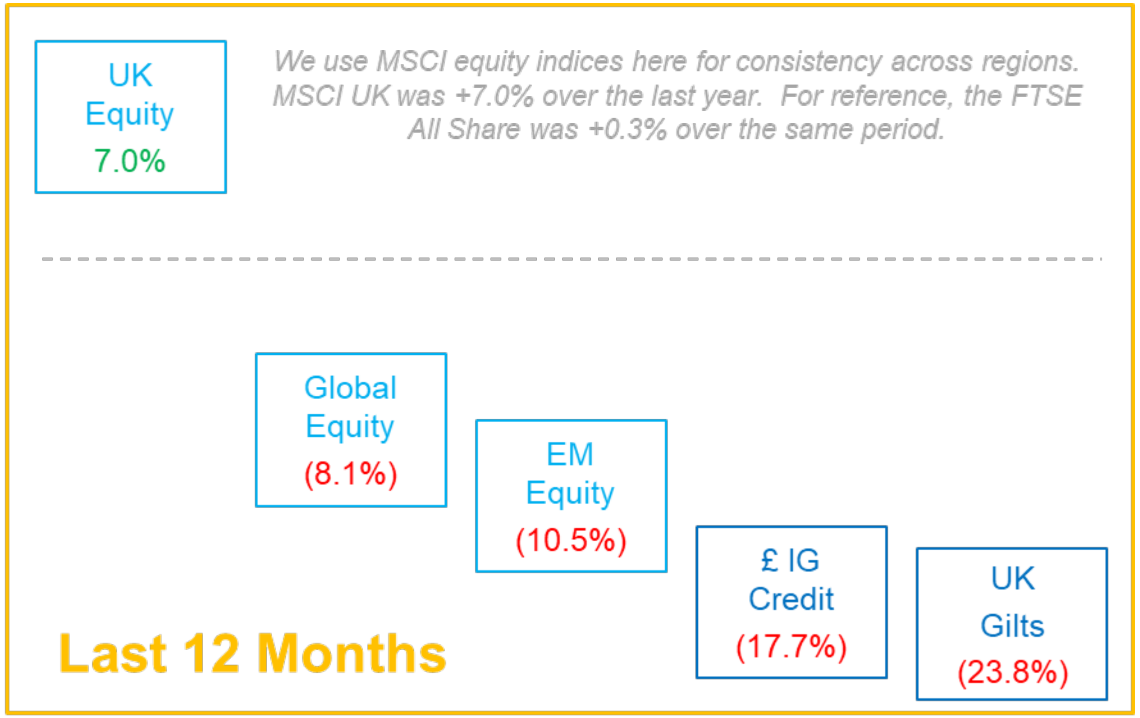
Source: Border to Coast (2022)

Past performance is not a reliable indicator of future performance and is not guaranteed.

EQUITY FUND PERFORMANCE

MARKET MOVEMENTS (TO 31 DECEMBER 2022)

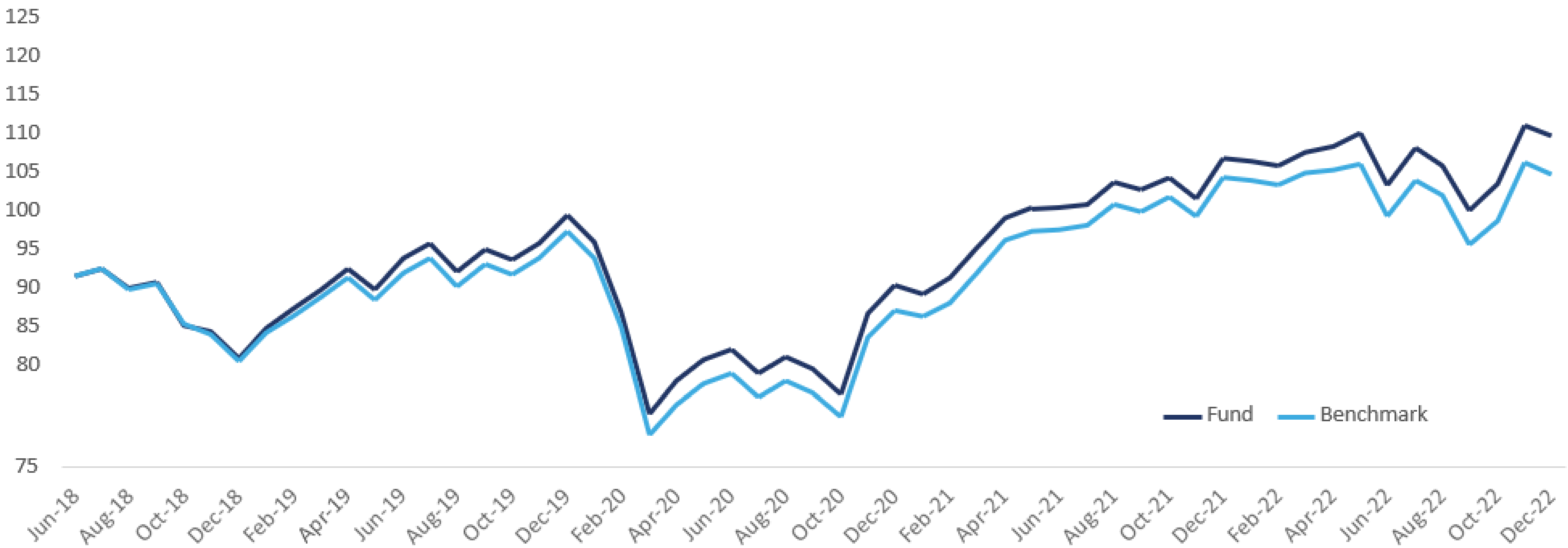




- A volatile year ended somewhat positively with markets in Q4 gaining back some of their loses. Inflation readings began to ease, and markets started to discuss the potential for a slower pace of interest rate increases in 2023. This was beneficial for both equities and bonds.
- The quarter's major news was that the Chinese authorities rapidly loosened previously strict COVID-19 restrictions. This elevated investors' hopes for a timely economic recovery. Chinese equities have performed strongly since this policy reversal.

Source: Bloomberg (2023). **Note:** Charts for illustration only and are not to scale.

UK LISTED EQUITY FUND – PERFORMANCE TO 31 DECEMBER 2022



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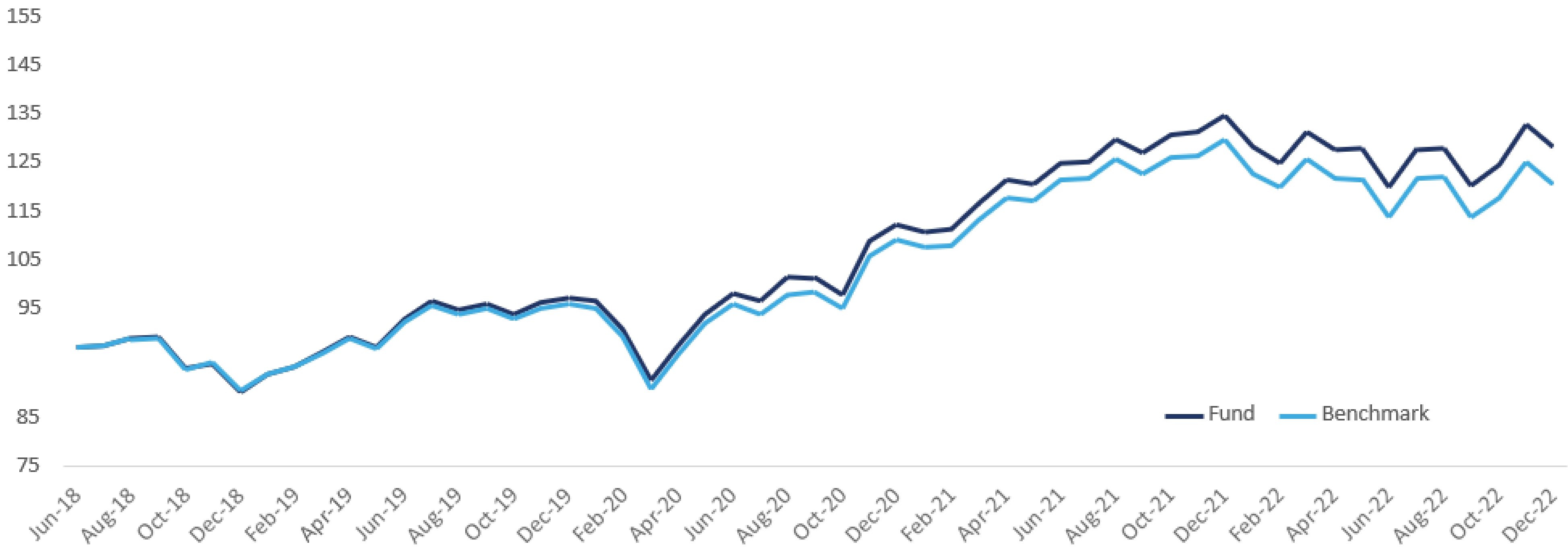
Period	1m (%)	3m (%)	6m (%)	1 Year (%)	3 Years p.a. (%)	Since Inception p.a. (%)
Fund	-1.18%	9.00%	5.77%	2.40%	3.10%	3.86%
Benchmark	-1.42%	8.90%	5.14%	0.34%	2.30%	2.86%
Relative Performance	0.24%	0.10%	0.60%	2.06%	0.80%	1.00%

Source: Northern Trust, Border to Coast. **Note:** Inception date for the UK Listed Equity Fund was 26 July 2018.

Figures refer to the past. Past performance is not a reliable indicator of future performance and is not guaranteed.

OVERSEAS DEVELOPED EQUITY FUND– PERFORMANCE TO 31 DECEMBER 2022



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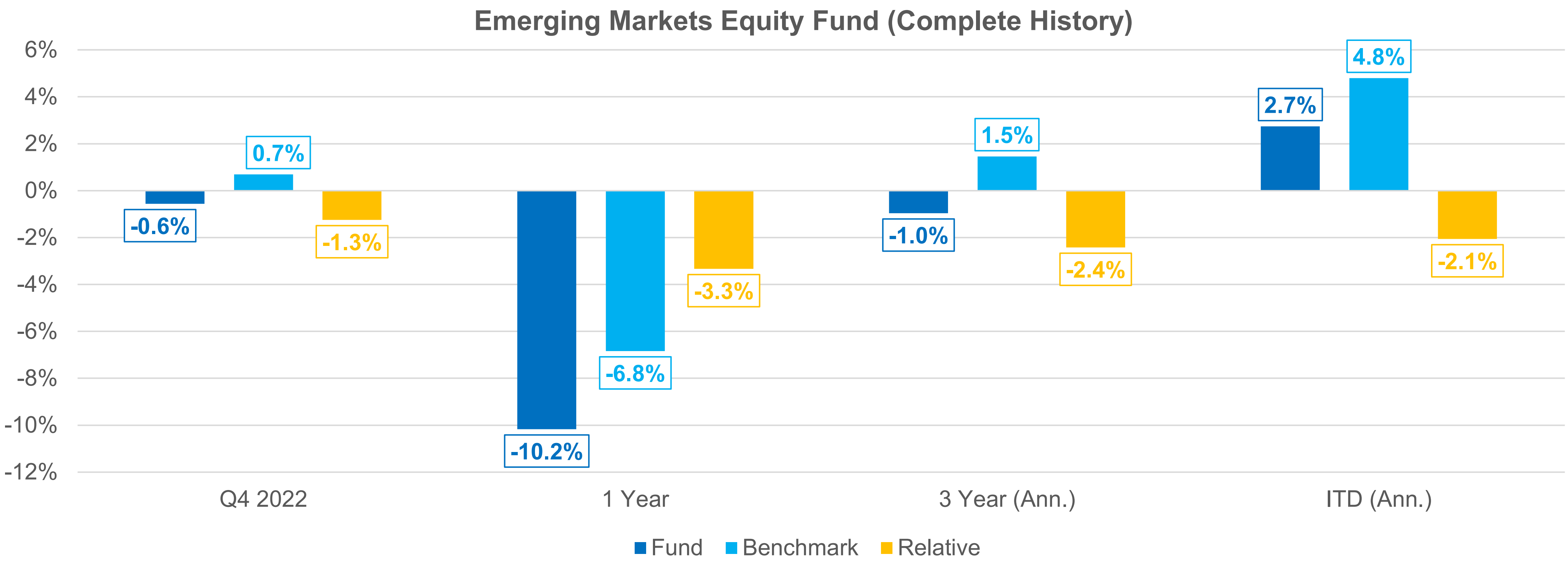
Period	1m (%)	3m (%)	6m (%)	1 Year (%)	3 Years p.a. (%)	Since Inception p.a. (%)
Fund	-3.10%	6.12%	6.52%	-4.40%	8.77%	8.23%
Benchmark	-3.29%	5.46%	5.56%	-6.42%	7.18%	6.86%
Relative Performance	0.20%	0.66%	0.96%	2.02%	1.60%	1.36%

Source: Northern Trust, Border to Coast. **Note:** Inception date for the Overseas Developed Equity Fund was 26 July 2018.

Figures refer to the past. Past performance is not a reliable indicator of future performance and is not guaranteed.

EMERGING MARKETS EQUITY FUND - PERFORMANCE TO 31 DECEMBER 2022



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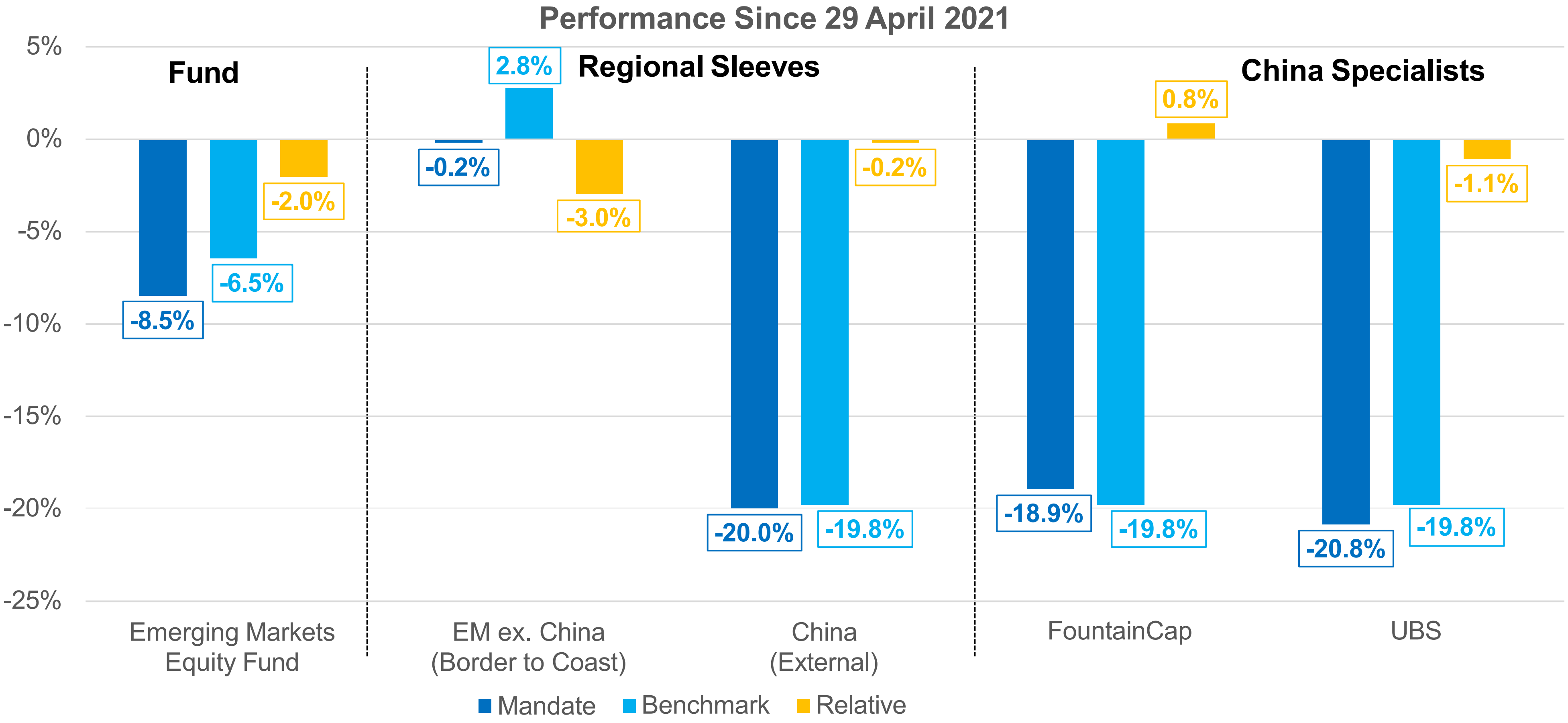
From **29 April 2021**, the Fund aims to provide a total return which outperforms the total return of the **FTSE Emerging Index by at least 1.5% per annum** over rolling three years periods (net of management fees). Between 10 April and 28 April 2021, the benchmark return was equal to the Fund return (performance holiday for restructure) and prior to 29 April 2021, the benchmark was S&P Emerging BMI with a performance target of 1% per annum.

Source: Northern Trust (2022) **Note:** Inception date for the Emerging Markets Equity Fund was 22 October 2018.

Figures refer to past performance, past performance is not a reliable indicator for future results.

EMERGING MARKETS EQUITY FUND – POST RESTRUCTURE PERFORMANCE



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The Fund aims to provide a total return which outperforms the total return of the FTSE Emerging Index by at least 1.5% per annum over rolling three years periods (net of management fees).

Source: Northern Trust (2022) **Note:** Restructure of the Emerging Markets Equity Fund completed on 28 April 2021. Figures refer to past performance, past performance is not a reliable indicator for future results.

ALTERNATIVES UPDATE

Border to Coast Teesside Pensions Committee

PRIVATE EQUITY

CAPITAL DEPLOYMENT

Series 1A	31 December 2022	30 September 2022
Capital Committed	99.7%	99.7%
Capital Drawn	64.7%	58.7%
Capital Distributed[1]	12.2%	11.4%
Series 1B	**31 December 2022**	**30 September 2022**
Capital Committed	99.1%	99.1%
Capital Drawn	46.0%	40.0%
Capital Distributed[1]	0.5%	0.3%
Series 1C	**31 December 2022**	**30 September 2022**
Capital Committed	100.0%	100.0%
Capital Drawn	25.9%	18.0%
Capital Distributed[1]	0.1%	0.1%

[1] Including Recallable Distributions

Source: Albourne

PRIVATE EQUITY SERIES 2

CAPITAL DEPLOYMENT

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Series 2A	31 December 2022	30 September 2022
Capital Committed	62.7%	47.6%
Capital Drawn	1.4%	0.1%
Capital Distributed[1]	0.0%	0.0%

[1] Including Recallable Distributions

Source: Albourne

PRIVATE EQUITY

PERFORMANCE

Series	Fund	IRR (%)	TVPI
Series 1A	GreatPoint Ventures Innovation Fund II, L.P.	51.7	2.87
	Palatine Private Equity IV	25.4	1.27
	Baring Asia Fund VII	38.9	1.92
	Neuberger Berman Co-investment IV	46.5	1.52
	StepStone Opportunities Fund VI	26.5	1.48
	StepStone Secondaries Op Fund IV	55.5	1.75
	Hg Saturn 2	40.8	1.38
	Hg Genesis 9	46.5	1.52
	Blackstone Life Sciences V	11.0	1.18
	Digital Alpha Fund II-A, LP	27.7	1.31
	Series 1A	**39.9**	**1.62**
Series 1B	KKR Asian IV	30.4	1.22
	Thoma Bravo XIV-A, LP	6.2	1.07
	Nordic Capital X Alpha LP	N/M	1.28
	AlpInvest Co-Investment Fund VIII	N/M	1.23
	Endless V	N/M	1.17
	C-Bridge Healthcare Fund V	N/M	1.66
	Series 1B	**25.8**	**1.21**
Series 1C	Strategic Value Special Situations Fund V	N/M	1.33
	Insight Partners XII	N/M	0.98
	HarbourVest Co-investment Fund VI Feeder AIF SCSp	N/M	1.05
	Baring Asia (BPEA) VIII	N/M	N/A
	StepStone VC Opportunities VII	N/M	N/A
	General Catalyst Group XI – Aggregator	N/M	1.11
	PAI Partners VIII	N/M	N/A
	Veritas VIII	N/M	N/A
	Series 1C	**12.1**	**1.08**
	Series 1	**34.1**	**1.38**

Performance as at 30/09/2022. Past Performance is not a reliable indicator for future results.

Source: Private Monitoring Report

INFRASTRUCTURE

CAPITAL DEPLOYMENT

Series 1A	31 December 2022	30 September 2022
Capital Committed	98.7%	98.7%
Capital Drawn	63.5%	54.8%
Capital Distributed[1]	10.0%	8.2%
Series 1B	**31 December 2022**	**30 September 2022**
Capital Committed	98.7%	98.7%
Capital Drawn	38.2%	33.4%
Capital Distributed[1]	2.0%	1.8%
Series 1C	**31 December 2022**	**30 September 2022**
Capital Committed	100.0%	100.0%
Capital Drawn	67.5%	44.8%
Capital Distributed[1]	28.8%	5.4%

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[1] Including Recallable Distributions

Source: Albourne

INFRASTRUCTURE SERIES 2

CAPITAL DEPLOYMENT

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Series 2A	31 December 2022	30 September 2022
Capital Committed	67.5%	51.2%
Capital Drawn	7.3%	0.0%
Capital Distributed[1]	0.0%	0.0%

[1] Including Recallable Distributions

Source: Albourne

INFRASTRUCTURE

PERFORMANCE

Series	Fund	IRR (%)	TVPI
Series 1A	Brookfield Infrastructure Fund IV	19.9	1.42
	Global Infrastructure Partners IV-C2, L.P.	23.1	1.20
	AMP Global Infra Fund II	8.9	1.20
	Infracapital Greenfield Partners II	>99	2.03
	iCON Infrastructure Partners V - B, LP	19.5	1.23
	Macquarie GIG Renewable Energy Fund 2	14.8	1.13
	Stonepeak Global Renewable Fund	22.0	1.50
	Arcus European Infrastructure Fund 2 ScSp	20.6	1.28
	Series 1A	**19.0**	**1.30**
Series 1B	Patria Infrastructure Fund IV	35.9	1.31
	I Squared Global Infrastructure Fund III	N/M	1.24
	Greencoat Carlisle Place LP	N/M	1.21
	BlackRock Global Renewable Power III	N/M	1.17
	Stonepeak Infrastructure Fund IV	N/M	1.21
	Infranode II	N/M	0.90
	Antin Mid Cap I	N/M	1.04
	EQT Infrastructure Fund V	N/M	1.10
	Series 1B	**30.6**	**1.17**
Series 1C	Meridiam Sustainable Infrastructure Europe IV	N/M	0.82
	KKR Core	N/M	1.16
	Stonepeak Asia Infrastructure Fund	N/M	2.84
	DigitalBridge Partners II	N/M	1.23
	KKR Aqueduct Co-invest LP	N/M	1.34
	DC Trident Holdings II LP	N/M	1.31
	Axium Infrastructure North America IV L.P.	N/M	N/A
	Arcus European Infrastructure Fund 3 SCSp (Lux)	N/M	N/A
	Series 1C	**30.6**	**1.17**
	Series 1	**21.1**	**1.20**

Performance as at 30/09/2022. Past Performance is not a reliable indicator for future results.

Source: Private Monitoring Report

APPENDIX

PRIVATE EQUITY / INFRASTRUCTURE – IRR AND TVPI DEFINITIONS

IRR and TVPI (Pages 20 and 23)

- **Internal Rate of Return (IRR):** Most common measure of Private Equity performance. IRR is technically a discount rate: the rate at which the present value of a series of investments is equal to the present value of the returns on those investments.
- **Total Value to Paid-in Capital (TVPI):** TVPI is the sum of the DPI and RVPI. TVPI is net of fees. TVPI is expressed as a ratio.
- **Distributions to Paid-in-Capital (DPI):** The amount a partnership has distributed to its investors relative to the total capital contribution to the fund. DPI is expressed as a ratio. Also known as realization ratio.
- **Residual Value to Paid-in Capital (RVPI):** The measure of value of the limited partner's interest held within the fund, relative to the cumulative paid-in capital. RVPI is net of fees and carried interest. This is a measure of the fund's "unrealized" return on investment. RVPI is expressed as a ratio.

Source: Private Monitoring Report

PENSIONS PARTNERSHIP

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 12

PENSION FUND COMMITTEE REPORT

15 MARCH 2023

DIRECTOR OF FINANCE – HELEN SEECHURN

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

William Bourne **3rd March 2023**

Market Commentary

1. In December I said that while there was greater clarity about the future, the immediate course of markets looked challenging and that a global recession was quite likely. My pessimism has not yet been justified. Equity markets have risen, and whilst growth has slowed, recent data suggests a shallow recession at worst.

2. Central bank policy has shifted. Both the Federal Reserve and the Bank of England raised rates again to 4.75% and 4% respectively and signalled that further interest rate rises will be more muted. The Peoples' Bank of China has eased monetary policy substantially, presumably as a way of escaping their COVID lockdowns, and the Bank of Japan has also substantially expanded its balance sheet against the renewed threat of deflation.

3. Inflation rates continue to fall in most countries, but the immediate outlook for 2023 remains relatively high. For example, the IMF's latest forecast[1] was 7.3% in 2022, 4.6% in 2023 and 2.6% in 2024. Bond markets continue to price in longer-term inflation at around 3%, and the Bank of England has publicly said it expects inflation to be at around 2% by the end of 2024. Food and groceries inflation is currently running much higher, at 10%+ globally. Japan yet again remains the exception, where inflation is below their 2% target.

4. There has been a significant improvement in economic data and forecasts generally. For example, the IMF's forecast[2] upgraded growth for most countries. They expect global 2023 growth to be at 2.2%, tilted towards China and emerging markets. This is still low compared to history, but 0.2% higher than their forecast in October. The outlier remains the U.K., which the IMF downgraded by 0.9% and expects uniquely to undergo a shallow recession. Against this general optimism, there is anecdotal

[1] IMF World Economic Outlook Update, January 2023

[2] ibid

evidence of job losses, lower spending and companies struggling to refinance debt.

5. Equities have reacted to the better news and easier monetary policy and the U.K. FTSE100 (heavy in oil and financial stocks) has reached an all-time high. U.S. earnings will decline in 2003, but investors seem to be looking through the dip to a reacceleration in 2024. Valuations are close to the post-2008 average, although higher than longer term norms[3]. Equity investors may be pinning their hope on a revival of Chinese growth.

6. Not all is rosy, however. Bond yields have fallen over the past three months and the U.S. bond yield curve, which is a traditional and usually reliable signal of recession ahead, is substantially inverted. This inversion is partly because of demand for collateral in very short term corporate lending markets but it may still be accurate in warning of an economic slowdown.

7. Fundamentals still look difficult, with low growth in most western countries, a likely worsening of the situation in Ukraine, sticky inflation, and increased friction and costs on the supply side leading to earnings downgrades. As one example of the latter, the cost of 'on-shoring' production of high-end semi-conductor chips in the U.S. is about 50% higher than in Taiwan. Even large tech companies, who might be considered less affected by fundamentals, are laying off staff (e.g., Google, Amazon).

8. The U.K. finds itself the laggard among developed countries, as the Bank of England acknowledges. This is down to a combination of the aftermath of the autumn LDI fiasco (higher bond yields, less trust), BREXIT (more trade friction, higher inflation), labour unrest (lost growth, more uncertainty), and the lack over many decades of a long-term strategy at government level. From a financial perspective, the main implication is likely to be a higher risk premium on U.K. assets.

Recommendations

9. If inflation comes down as expected, cash will begin to deliver a positive real (i.e., after inflation) return. That will make it easier for the pension fund to deliver its target return, but the higher cost of money will also mean a greater level of risk in investing generally. The opportunities for investors will come where companies need to refinance themselves, whether via the stock market, debt markets, or private markets. However, investors will need to show discrimination in the prices they pay, and corporate defaults will be more common.

10. The Fund's relatively high equity weighting has stood it in good stead over the past six months. I do not recommend any changes at this time.

[3] S&P 500 Price to Earnings ratio is 17x, compared to long-term average 14x (Factset 31/1/23)

Investment report for Teesside Pension Fund
March 2023

Political and economic outlook

Is politics entering a more conciliatory and productive era in the UK and Europe? The Prime Minister appears to have turned his back on the divisive and fatuous and potentially harmful period of his immediate predecessors. Rishi Sunak is taking the responsibilities of his position seriously and seems intent on trying to take the country forward. He has improved our relationship with the European Union which has enabled a workable agreement on Northern Ireland to be agreed. The behaviour of the Democratic Unionist party and their acceptance or not of the agreement will definitively show if we are entering a more conciliatory and productive era. We can only hope the DUP will see you fit to ratify the agreement and allow Stormont to start functioning again. There is clearly a lot at stake for relations between the UK and Europe and for the prospects for the UK economy.

Elsewhere world politics remain volatile and rather worrying. Relationships between America and China which appeared to be improving after the recent meeting between Presidents Biden and Xi Jinping stumbled somewhat after balloons carelessly went off course and strayed over U.S. territory. It is difficult to assess the impact of a dispute between China and Taiwan on the world economy. We have seen the impact of recent electronic chip shortages on just about every sector of manufacturing, the impact of Taiwan going offline would be devastating across the globe.

The resolve of NATO and the West seems to be holding in the conflict in Ukraine which is just as well as this is a conflict that western democracies are not in a position to lose. In the near future the aid given to Ukraine will need to be increased substantially to bring the fighting to an end within an acceptable time scale and for humanitarian reasons. Naturally this brings

with it the risk of a nuclear conflict but unfortunately that cannot be eliminated.
As I have said previously, the reality of post industrialised economies with larger service sectors has reduced the likelihood of significant recessions, smaller more diverse sectors are more resilient than larger interdependent ones. After a quarter of negative growth most economies have shown relatively strong growth for the past three quarters. The exception has been the UK economy which has shown pretty anaemic growth but at least it has avoided recession. It is noteworthy that the action of Central Banks has had little or no effect on the course of economic activity worldwide. So although Central Banks may in future have an impact on financial markets they are unlikely to determine the course of economic activity.
We are entering a period where core inflation will stay above central banks targets. Inflation though is likely to trend down as energy shocks dissipate and supply constraints are resolved. Eventually, it is likely that developed economies will settle down with interest rates around the five percent level and inflation at three or four percent.
After an extended period of squeeze workers should be in the ascendant with wages taking a larger percentage of national income which is a further factor in inflation remaining above the target rate.

Markets

Rising interest rates and profits falling as a share of national income is not a recipe for rapidly rising stock or bond markets. However stock markets have had a fall and inflation levels are declining so in all likelihood markets will tread water and maintain their value. Developed economies are likely to struggle to get their finances under control which may be good for economic growth in the short term but is likely to restrict rises in markets.

The environment for stock markets could well be described as neutral which implies little action one way or the other.

The prospects for bond markets are slightly worse than for equity markets and I believe prices will continue to trend down albeit slowly as central banks continue to tighten monetary conditions. As the outlook for profits becomes more uncertain corporate bond spreads over government bonds will tend to increase so prices will tend to to fall here too. In addition the negative real yield environment is unhelpful for bonds to meet the fund's return targets.

Within the property portfolio stock selection will be vital to enable the fund to show an adequate return over the medium term. It is an imperfect market where decent investment opportunities should arise to enable this to be achieved.

The rising interest rate environment has made returns more difficult to attain within the alternative investment market. It has also restricted the opportunity set available to investment managers. However it is an enormous universe of differing investment types so good managers should always be able to find investments and strategies which will meet our return requirements. We are moving to a level of investment in alternatives which represent the upper limits, and beyond, of our investment strategy. However, while we maintain a high liquidity cushion that gives us flexibility to cover unexpected demands on cash it might be acceptable to make further investments in this area over the short term.

Our high cash position which is giving negative real returns remains an anomaly in a high inflation environment, however it does bring a modicum of comfort in volatile and uncertain markets. On balance I would expect our cash position to fall as real investment opportunities become available.

Portfolio recommendations

Predictably my recommendations have not changed very much from previous reports, my only excuse is that we are a long-term fund and as you know I have a preference for real assets as the best tool to cover our liabilities. That doesn't mean I don't believe in diversification, I do, but it has to be, in my opinion, appropriate notification. Therefore the fund needs to start by looking at the expected return on the assets and choosing the most appropriate asset mix which has the best chance of meeting the funds actuarial liabilities. This explains why the fund has been skewed to equities, property and other real assets over the long term.

So this leads me to conclude that conventional government fixed interest and index linked securities should be avoided. Corporate bonds are likely to fare worse than government bonds as the covenant is weaker.

As you will have gathered from the report, equities in the developed markets will struggle to make any significant progress. The developing economies are in much better financial shape and I think opportunities could arise in stock markets here despite the slowdown in China.

The more imperfect markets of alternatives and property are likely to throw up investment opportunities suitable for the fund which means cash balances should be allowed to decline modestly over the next quarter or two.

Peter Moon
3 March 2023

Agenda Item 12

TEESSIDE PENSION FUND Q4 2022

CBRE

Quarterly Report
Prepared: 1st March 2023

Fund Objectives

Teesside Pension Fund's primary objective is to create a sustainable income stream to match its long term pension liabilities. This is achieved through investing 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 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

As at 31st December 2022, the portfolio comprised 31 properties located throughout the UK, with a combined value of £378.9m. This reflects an overall Net Initial Yield of 5.21%, and an Equivalent Yield of 5.56%.

The portfolio comprises principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprise 89.3% of the portfolio by capital value. There are 86 demises and a total net lettable area of 2,676,364 sq ft.

The portfolio has a current gross passing rent of £19,834,031 per annum against a gross market rent of £20,140,375 per annum, making the portfolio reversionary in nature.

The weighted average unexpired term is 7.2 years to the earlier of the first break or expiry, and 8.4 years to expiry, ignoring break dates.

Fund Summary

Total Pension Fund Value (September 2022)	£4,812m
Real Estate Weighting (target allocation)	7.9% (5-15%)
Direct Portfolio Value (Dec 2022)	£378.9m

Direct Portfolio

Direct portfolio value (Dec 2022)	£378.9m
Number of holdings	31
Average lot size	£12.2m
Number of demises	86
Void rate (% of ERV) (Estimated UK Benchmark)	0.7% (7.0% – 9.0%)
WAULT to expiry (break)	8.4 years (7.2 years)
Current Gross Passing Rent (Per Annum)	£19,834,031
Current Gross Market Rent (Per Annum)	£20,140,375
Net Initial Yield	5.21%
Reversionary Yield	5.49%
Equivalent Yield	5.56%

Portfolio Highlight (Q4 2022) – Iceland, Swindon

The Fund has completed the purchase of a logistics unit located on Symmetry Park in Swindon. The Property totals 220,994 sq ft and is let to Iceland Foods Ltd, with an unexpired term of 13.2 years.

The property was acquired for £31.1m, reflecting 4.95% NIY.

CBRE

UK Economic Commentary (As at March 2023)

- UK GDP is estimated to have remained flat in Q4 2022 following a contraction by 0.3% in Q3 2022 quarter-on-quarter, following growth of 0.1% in Q2 2022. GDP in Q3 2022 was 0.8% above its pre-pandemic (Q4 2019) level.

- Inflation fell for a third month in a row to 10.1% in January 2023, from 10.5% in December 2022, 10.7% in November 2022 and 11.1% in October 2022. Declining energy and other commodity prices are the main reasons for the fall. Inflation likely reached its peak in October 2022.

- Retail sales volumes increased by 0.5% in January 2023. They declined by 1.0% in December 2022; retail sales volumes were 1.7% below their pre-pandemic February 2020 levels.

- The proportion of retail sales online declined to 25.4% in December 2022 from 25.9% in November. It remains higher than pre-pandemic (19.8% in February 2020) but continues a downward trend since its peak in February 2021 (37.5% of sales).

- The UK unemployment rate increased by 0.1 percentage point to 3.7% in the three months to December 2022. Economic inactivity decreased by 0.1 percentage points to 21.5% on the quarter in September-November 2022. The decrease in inactivity was driven by decreasing numbers of students, long-term sick, or retired.

- The number of job vacancies in October to December 2022 decreased by 75,000 to 1,161,000. The fall in the number of vacancies reflects uncertainty across industries, as survey respondents continue to cite economic pressures as a factor in holding back on recruitment, but vacancies are still above pre-pandemic levels (823,000).

- Both average total pay (including bonuses) and regular pay grew by 6.4% year-on-year in September-November 2022. In real terms (adjusted for inflation), total and regular pay both fell by 2.6%. Even though inflation has been falling for two months in a row, nominal wage growth has been unable keep up with it.

- Looking forward, CBRE forecast UK GDP contracting by -0.8% in 2023, and then growing by 1.7% in 2023 and 2.8% in 2024. The biggest risks to the outlook is an escalation in Ukraine, which might cause another price shock in energy and food. An overreaction to inflation by central banks might also slow down the economy through excessively high borrowing costs.

- The Bank of England increased the Base Rate by 0.5% in February 2023, bringing it to 4.0%. CBRE's base case is that the Bank Rate will peak at c.4.5% in Q3 and Q4 of 2023. After that, the Bank Rate is expected to gradually decline to 3% by early 2025.

UK Real Estate Market Commentary (As at December 2022)

- In H2, UK investment sales of £23.6bn occurred. Together with revisions to volumes for H1, this resulted in a full year total for 2022 of £60.9bn, only marginally lower than the £62.3bn that transacted in 2021.

- The office sector accounted for £18.2bn, or 30% of the full year total, with the industrial and residential sectors commanding a 22% and 19% share of total volume respectively.

- The proportion of purchases accounted for by domestic investors stayed relatively stable over the year, with a roughly 40/60 split between domestic and foreign acquisitions in 2022.

- North American and Asian investors were again the dominant sources of international capital in H2, with nearly three quarters of international capital sourced from these two regions.

- 2022 total returns for All UK Property were -9.1% (-13.3%* capital return, 4.8%* income return)**. All sectors reported negative total returns for 2022, with Industrial recording the lowest total return of -18.1%, driven by -21.0% capital return.

- The quarterly total return for All UK Property for Q4 2022 was -13.5% (-14.6% capital return, 1.2% income return). Industrial total returns were -20.2% (-21.1% capital return, 1.0% income return), retail total returns were -9.8% (-11.3% capital return, 1.6% income return) and office total returns were 2.5% (-12.1% capital return, 1.1% income return).

- Rental values for All UK Property increased by 4.7% throughout 2022, and 1.0% in Q4. This figure reflects another record year for Industrial rental value growth with 10.3%, annual rental growth in the office and retail sectors was 2.0% and 0.5%.

- Capital value movements have been yield driven, with UK All-Property yields moving out 84bps throughout Q4. This brings the annual yield shift to 98bps. The Q4 decline in values bringing the UK All-Property annual result to -13.3%, effectively nullified the 13.8% post-pandemic bounce back in capital values recorded in 2021

* Return figures will not always sum due to the use of compounding calculations over an annual horizon

** Based on CBRE Monthly Index, all property total returns to December 2022

Direct Real Estate Investments

Sales

No sales this period.

Acquisitions

The Fund has completed the purchase of two new assets in Q4 2022. Firstly, a Retail Park located in Tonbridge, an affluent south-east commuter town, let to multiple national retailers including M&S, Halfords and Home Bargains. The Property totals 60,528 sq ft and is let for an average unexpired term of 9.5 years. Acquired for £22.0m reflecting 5.23% NIY.

Secondly, a logistics unit located on Symmetry Park in Swindon. The Property totals 220,994 sq ft and is let to Iceland Foods Ltd with an unexpired term of 13.2 years. Acquired for £31.1m reflecting 4.95% NIY.

Direct Portfolio Analysis

Top Ten Holdings (by Capital Value)

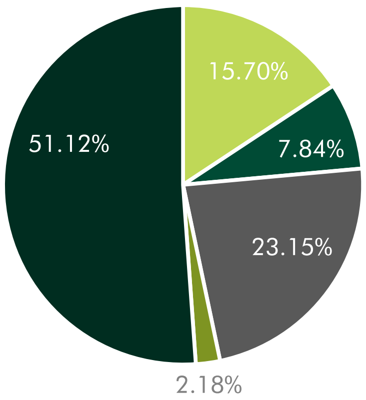
No.	Asset	Sector	Value	% of Direct Portfolio
1	THORNE - Capitol Park	Industrial	£31,200,000	8.2%
2	SWINDON - Symmetry Park	Industrial	£31,100,000	8.2%
3	LONDON - Long Acre	High Street Retail	£31,000,000	8.2%
4	BIRMINGHAM - Bromford Central	Industrial	£20,200,000	5.3%
5	TONBRIDGE - Tonbridge Retail Park	Retail Warehouse	£20,050,000	5.3%
6	PARK ROYAL - Minerva Road	Industrial	£19,500,000	5.1%
7	GATESHEAD - Team Valley	Industrial	£18,900,000	5.0%
8	RUGBY - Valley Park	Industrial	£18,300,000	4.8%
9	PARK ROYAL - Coronation Road	Industrial	£16,300,000	4.3%
10	SWADLINCOTE - William Nadin Way	Supermarket	£15,400,000	4.1%
		Total	£221,950,000	58.6%

We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio, as well as diversifying the lease expiry profile.

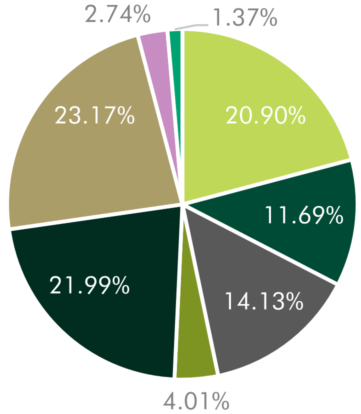
In addition to recommendations on industrial purchases, we may also recommend alternative and long-let investments that offer good covenants, attractive yields and long unexpired terms; these may include hotels, car showrooms, healthcare, leisure, supermarkets and student housing.

Set against a backdrop of low economic growth, we will seek to make purchases where both occupational and investment supply and demand conditions are positive. This should ensure that purchases are accretive to the portfolio's performance.

Sector Allocation (by Capital Value)



Geographical Allocation (by Capital Value)



Direct Portfolio Analysis (continued)

Top Ten Tenants (by Contracted Income)

The Portfolio currently has 86 different demises let to 66 tenants. The largest tenant is Iceland Food Limited which accounts for 8.2% of the annual contracted income. Experian currently lists Iceland as representing a “Very Low Risk” of business failure.

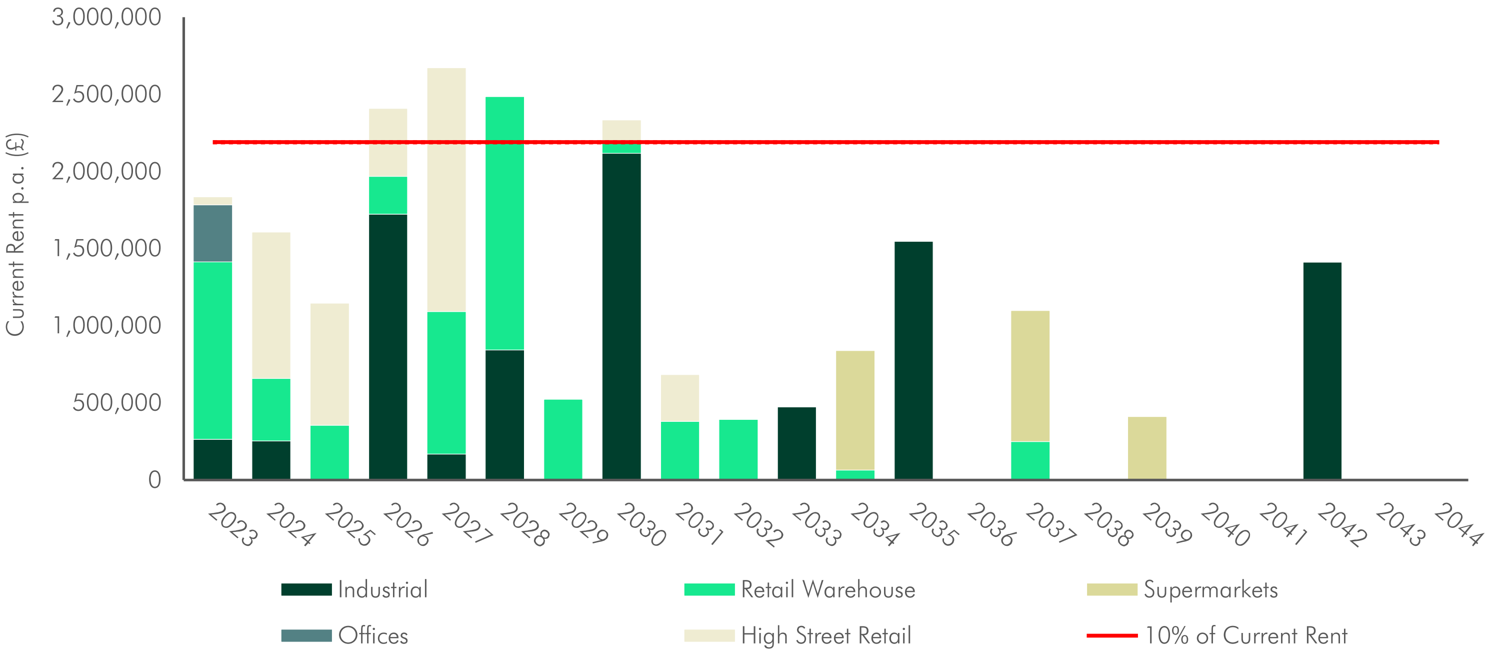
As a significant portion of the portfolio income will be from the top ten tenants, we will monitor their covenant strength and flag any potential issues. Our most recent assessment shows a large majority of these tenants are classed as having a “Very Low Risk” of business failure.

Top Ten Tenants (by Contracted Rent)

#	Tenant	Sector	Number of Leases	Contracted Rent p.a.	% of Portfolio Rent	Risk Rating (Experian)
1	Iceland Food Limited	Industrial / Retail	2	£1,798,211	8.2%	Very Low Risk
2	Zara UK Limited	Retail	2	£1,580,000	7.2%	Very Low Risk
3	Omega Plc	Industrial	1	£1,413,690	6.5%	Very Low Risk
4	Unipart Logistics Limited	Industrial	1	£1,077,000	4.9%	Very Low Risk
5	B&Q plc	Retail	2	£997,000	4.6%	Very Low Risk
6	H&M	Retail	1	£918,123	4.2%	Below Average Risk
7	Royal Mail Group Limited	Industrial	1	£899,162	4.1%	Very Low Risk
8	B&M Retail Limited	Retail	3	£863,400	3.9%	Very Low Risk
9	Libra Textiles	Retail	1	£850,000	3.9%	Very Low Risk
10	Brunel Healthcare	Industrial	1	£843,761	3.9%	Very Low Risk
			Total	£11,240,347	51.3%	

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. A number of the 2023 lease expiries are in negotiations or in solicitor’s hands.



Property Portfolio Returns

The below table demonstrates the Portfolio's return compared to a reference index over the past 1, 3 and 5 years. The CBRE Property Index* is provided for illustrative purposes only:

	1 Year Dec 21 - Dec 22			3 Year (p.a.) Dec 19 - Dec 22			5 Year (p.a.) Dec 17 - Dec 22		
	TPF	Index	Variance	TPF	Index	Variance	TPF	Index	Variance
Income Return	5.1%	4.8%	+0.3%	5.4%	5.3%	+0.1%	5.5%	5.4%	+0.1%
Capital Return	-4.3%	-13.3%	+9.0%	1.7%	-3.0%	+4.7%	0.1%	-2.3%	+2.4%
Total Return	0.82%	-9.1%	+9.9%	7.3%	2.1%	+5.2%	5.7%	2.9%	+2.8%

* Note that the CBRE Property Index is not the performance benchmark for the Portfolio.

Investment Management Update

We continue to seek long-let institutional stock in a range of sectors, primarily industrial, retail warehousing and supermarket sectors to deliver the secure index-linked income streams identified within the Fund's strategy. The Fund's requirement has been articulated to the investment market and we are receiving a substantial number of investment opportunities each week.

Asset Management Update

Unipart, Rugby – February 2023

The Fund has completed the October 2021 rent review with Unipart, increasing the passing rent by 24%.

Royal Mail, Gateshead – February 2023

The outstanding rent review has been determined by an Independent Expert. The settlement figure reflects a 19% uplift on the current passing rent.

Toni & Guy, Gloucester Road – February 2023

The Fund has completed a Lease renewal with Toni & Guy for a term of 10 years reflecting £87 Zone A, a 5% increase on the existing passing rent of the unit. The tenant will benefit from a break on the 5th anniversary of the Lease commencement date.

H&M, Exeter – November 2022

The Fund has completed the June 2022 inflation-linked rent review with H&M, increasing the passing rent by 24%, in line with the RPI provision within the Lease.

Rentokil, Bromford Central – November 2022

The Fund has completed a Lease renewal with Rentokil for a term of 10-years reflecting £7.65 psf, a 23% increase on the existing passing rent of the unit. The tenant will benefit from 4-months rent-free and a break on the 5th anniversary of the Lease commencement date.

Regatta Furniture, Ipswich – September 2022

The Fund has completed a new Lease with Regatta Furniture for a term of 10-years reflecting £17.25 psf, a 6% increase on the existing passing rent, the tenant will benefit from a rent-free period of 4-weeks.

Portfolio Arrears Update – 23rd February 2023

	Rent Due 25 December	Collectable Rent	Quarter Date up to and including 25/12/2022	Week 1 up to and including 01/01/2023	Week 2 up to and including 08/01/2023	Week 3 up to and including 15/01/2023	Week 4 up to and including 22/01/2023	Payment after 22/01/2023	Difference
	4,489,102.29	4,489,102.29	3,092,278.57	272,983.75	639,675.70	107,194.00	5,678.82	255,657.30	115,634.15
Non Collectable Total		0.00							
Collections Including non collectables			68.88%	74.97%	89.21%	91.60%	91.73%	97.42%	
Collections Excluding non collectables			68.88%	74.97%	89.21%	91.60%	91.73%	97.42%	

The rent collection across the entire portfolio over the previous three quarters has reflected the following:
December 2022 – 97.4%
September 2022 – 99.5%
June 2022 – 100%

The total Collectable Arrears on the entire portfolio is £256,995 as at 23rd February 2023.

The Collectable Arrears exclude the following:

- Tenants that have overall credit balances on their accounts
- Tenants with recent charges raised within the last month

Below, is a summary of the tenants that have arrears in excess of £10,000. These six tenants account for 66.6% (£171,307) of the total collectable arrears:

Royal Mail Group Limited (Gateshead) – Total arrears of £49,316 (19.2% of the collectable arrears). This relates solely to insurance. This is being reviewed due to a query with the reinstatement value and whether this should include tenant's fixtures. An amended RCA has now been completed and provided to the insurers to review the overall premium.

B&Q plc (Arbroath) – Total arrears of £39,383 (15.3% of the collectable arrears). This relates mainly to service charge arrears. B&Q have service charge queries and we are working with them to resolve. A Measured Survey is being considered to resolve issues over disagreed floor arears.

Nuffield Health (Guildford) – Total arrears of £30,494 (11.9% of the collectable arrears). This relates mainly to the third monthly instalment of the December 2022 quarter's rent. Once received, they will be in an overall credit position.

Pizza Hut (UK) Limited (Ipswich) – Total arrears of £21,120 (8.2% of the collectable arrears). Current rents are being paid and this relates to the period of insolvency. We are working with Pizza Hut to justify these arrears in line with their CVA and Deed of Variation to the Lease.

Shoe Zone Retail Limited (Congleton) – Total arrears of £18,967 (7.4% of the collectable arrears). This relates to the December 2022 quarter's ret and service charge, which have not been paid. The tenant is disputing the sums charged and this is being reviewed.

American Dry Cleaning Company Limited (17/23 Gloucester Road) – Total arrears of £12,027 (4.7% of the collectable arrears). These arrears relate to many charges including part of the December 2022 quarter's rent, insurance and superior landlord's service charges. We are working with the tenant to get these cleared.

The remaining £85,688,688 (33.3% of the collectable arrears) of arrears is spread across 27 tenants, ranging from £9,556 to 29p.

Real Estate Lending

Debt Investment Portfolio	Sector	Loan Limit	Drawn Balance	Interest Rate	Fully Drawn Income p.a.	Maturity	LTV	ICR
Chester Greyhound	Retail	£20.0m	£20.0m	3.70%	£0.74m	Nov-2025	61.5%	2.38x
St Arthur Homes	Affordable Housing	£16.0m	£4.5m	4.50%	£0.72m	Nov-2026	54.0%	1.35x
TOTAL CURRENT		£36.0m	£24.5m	4.06%	£1.46m		58.4%[1]	2.02x[1]

[1] Portfolio LTV and ICR assume the St Arthur Loan is fully drawn at 55.0% LTV (maximum permissible gearing)

The Fund currently has two committed loans totalling £36.0m, of which £24.5m is drawn. These loans will produce a blended return of 4.06% once St Arthur is fully drawn.

We are continuing to target good quality investment lending opportunities for the Fund across all sectors and UK geographies. Rising interest rates have created an opportunity to target loans at the lowest risk end of the market. This was previously bank-dominated territory where the Fund could not compete on pricing, typically around 2-2.5% at an all-in interest rate level.

The Fund's strategy is to target returns in excess of 5% per annum on the strongest assets, with rates above 6% now achievable on 'Core Plus' opportunities (e.g. another Chester Greyhound), without taking additional risk.

The Fund's target ticket size is £10m to £30m, with loan to value ratios of 45-60% and an expectation that most opportunities will be presented around 50-57.5% LTV.

Existing Loan Portfolio

- All existing loans are performing in line with the loan agreements. All are covenant compliant and all interest and amortisation payments have been made on time.
- Chester Greyhound: A £20.0m senior loan to refinance Aprirose's existing holding of Greyhound Retail Park, Chester. The loan is levered at 61.5% loan to value, with quarterly amortisation payments now commencing to take the loan to 57.5% LTV at maturity. In the period, Boots has signed up to a new 7 year lease from August 2021 (previously holding over) at £165k p.a.
- St Arthur Homes: A £16.0m loan to support the refinance of a 178-unit shared ownership portfolio. The loan closed with an initial drawdown of £4.5m in November 2022. The second drawdown (c.£3.7m) is likely to be requested for late March 2023. St Arthur have 15 months from closing (i.e. to February 2024) to draw the full loan, with any undrawn headroom to be cancelled at that time.

Greyhound Retail Park, Chester

St Arthur Homes - Chapel Riverside, Southampton (24 units)

Responsible Investment Initiatives

Environmental, Social and Governance (ESG) criteria are increasingly prominent in investment decision making and will influence the attractiveness of real estate 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 relevance 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.

Existing Teesside Portfolio

CBRE is implementing a three-stage ESG review process for the existing Portfolio. The first stage will focus on data collection to ensure all data is present and any gaps are filled to create a consistent foundation. Action plans will then be created for specific assets that are in need of improvement to meet regulation and market requirements. The final stage of the process will explore value add initiatives such as electric car charging points, across the portfolio, in order to drive additional revenues and further improve the ESG credentials of these assets.

To date, a significant focus has been on existing EPC ratings, across the Portfolio, and this is the current workstream. Upon conclusion, individual asset plans, where required, will be recommended to the Fund in order to improve those individual ratings ahead of the legislative deadlines.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 14

PENSION FUND COMMITTEE REPORT

15 MARCH 2023

DIRECTOR OF FINANCE – HELEN SEECHURN

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 Committee 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.

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TEL. NO.: (01642) 030643

XPS Administration

Teesside Pension Fund

Performance Delivery Report

2022-2023

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01 Overview

02 Member Movement

03 Member Self Service

04 Pension Regulator Data Scores

05 Customer Service

06 Completed Cases Overview

07 Completed Cases by Month

08 Complaints

Regulations and Guidance

New LGPS Minister

Lee Rowley MP was appointed Parliamentary Under Secretary of State in the Department for Levelling Up, Housing and Communities on 7 September 2022. It has now been confirmed that he has taken over ministerial responsibility for the LGPS.

SAB statement on employer contributions

At its meeting on 10 October 2022, the SAB discussed emerging results from the current round of triennial local fund valuations. The Board understands and recognises the extremely challenging position for local government finance. However, it asks administering authorities and other Scheme employers to have regard to the desirability of long-term stability in pension contributions when considering whether reductions in employer contributions are desirable as a result of an improved funding position. The SAB statement on employer contributions gives more detail about the Board's discussions and the reasons behind making the statement. The statement can be found at https://lgpsboard.org/images/Other/October2022_SAB_statement_on_employer_contributions.pdf

HMRC Tax consultation under McCloud remedy

On 24 November 2022, HMRC launched a consultation on how pension tax will apply to members protected by the McCloud remedy. On 06/01/2023 the LGA published their response to HMRC's consultation on how pensions tax will apply to members protected by the McCloud remedy. The response it mostly technical but does comment on the timing of the consultation in terms of the lateness in confirming policy in this area and consulting over the festive period. The response can be found at https://lgpslibrary.org/assets/cons/nonscheme/20221124_McCloud_tax_CR.pdf

Autumn Statement 2022

The Chancellor of the Exchequer delivered his Autumn Statement to Parliament on 17 November 2022. Pensions policies rumoured in advance of the statement such as changes to tax relief and the removal or suspension of the State Pension triple lock did not emerge. The statement confirmed.

- The State Pension triple lock was maintained and working age benefits will increase in line with inflation in April 2023. Next year's increase will be 10.1 percent.
- No changes to the Annual or Lifetime Allowance Thresholds

The Pensions Dashboards Regulations 2022

On 21 November 2022, the Department for Work and Pensions made The Pensions Dashboards Regulations 2022 – the Regulations. They came into force on 12 December 2022. The Regulations set out requirements for relevant occupational pension schemes to connect to pensions dashboards, and what organisations must do to provide a qualifying pensions dashboard service.

Chancellor announces the 'Edinburgh Reforms'

On 9 December, the Chancellor of the Exchequer announced a set of reforms to drive growth and competitiveness in the financial services sector. In the statement, the Chancellor also confirmed that the Government will consult on:

- • new guidance to the LGPS on asset pooling in early 2023
- • requiring LGPS funds to ensure they are considering investment opportunities in illiquid assets such as venture and growth capital, as part of a diversified investment strategy.

TPS McCloud remedy and the LGPS

The implementation of the McCloud remedy in the Teachers' Pension Scheme (TPS) means that some teachers will be retrospectively eligible for the LGPS for the period from 1 April 2015 to 31 March 2022. The Department for Education (DfE) is in the process of identifying affected members. Officials from DfE will, in some cases, need to confirm the employment status of members during the remedy period with their employer. They plan to start this process in January 2023 and will be contacting relevant schools.

Treasury Direction - McCloud

On 14 December 2022, HM Treasury (HMT) made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022. They came into force on 19 December 2022 and apply to England, Northern Ireland, Scotland and Wales. The Directions set out how certain powers in the Public Service Pensions and Judicial Offices Act 2022 must be exercised. The Act gives relevant government departments powers to rectify McCloud discrimination. For the L G P S, the Directions apply to the following powers in the Act:

- Section 82: an administering authority's power to pay compensation
- Section 83: the power to make regulations compensating members by paying additional LGPS benefits 6
- Section 84(1)(a): the power to make regulations setting out how interest should be calculated and paid on amounts due to the McCloud remedy, and
- Section 84(1)(B): the power to make regulations setting out the process to follow for paying amounts due to the McCloud remedy.

The making of the Directions now allows relevant departments to start consulting on regulations exercising these powers

Maintaining LDI resilience

On 30 November 2022, T P R published a statement on maintaining liability-driven investment (L D I) resilience. The statement is aimed at defined benefit trustees and advisers. It sets out recommended actions in light of recent events in the gilt markets. The statement can be found at https://www.thepensionsregulator.gov.uk/en/document-library/statements/maintaining-liability-driven-investment-resilience

2023/24 employee contribution bands

Bands effective from 1 April 2023 have been released. These are calculated by increasing the 2022/23 employee contribution bands by the September 2022 CPI figure of 10.1 per cent and then rounding down the result to the nearest £100. These will be circulated to employers in due course

Consultation on changes to the SAB's cost management process (C M P)

On 30 January 2023, the Department for Levelling Up, Housing and Communities launched a consultation on changes to the Scheme Advisory Board's (SAB) CMP. The consultation closes on 24 March 2023. The consultation can be found at https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-scheme-advisory-board-cost-management-process

Automatic enrolment trigger remains the same

On 26 January 2023, DWP published its review of the automatic enrolment thresholds for 2023/24. 6 The Pensions Act 2008 requires DWP to annually review various thresholds relevant for automatic enrolment rules. The earnings trigger remains at £10,000 for 2023/24.

Update on McCloud data issues guidance

The LGA are currently working on guidance to assist administering authorities with McCloud data issues. The guidance will set out what options administering authorities in England and Wales may consider if they are unable to collect the data needed to implement the McCloud remedy. It will cover both missing data and data the authority is not confident is accurate. The Scheme Advisory Board (England and Wales) hope to publish the guidance by the end of February 2023.

Confirmation of annual revaluation, earnings and pensions increase

On 20 February 2023, H M Treasury (HMT) published a written ministerial statement confirming the rates of annual revaluation, earnings and pensions increase (PI) due to apply in April 2023 on 10.1%.

Consultation on the annual revaluation date change

On 10 February 2023, the Department for Levelling Up, Housing and Communities (D LUHC) published a consultation and draft regulations on changing the annual revaluation date in the L G P S. If laid, the regulations will take effect from 31 March 2023. The consultation documents along with the LGAs response can be found at https://www.lgpsregs.org/schemeregs/consultations.php. The proposed change in the revaluation date seeks to bring in line the inflationary increases between the opening value of pension benefits and the annual CARE revaluation to remove the imbalance. Previously due to low inflation levels this imbalance has been low however due to this years unprecedented September CPI of 10.1% and imbalance of 7% this would see many more pension scheme members breach the Annual Allowance under current regulations.

GAD 2022 data request

GAD confirms it will be requesting valuation data as at 31 March 2022. This is primarily for the Section 13 exercise, but also to assist with other projects including D LUHC and SAB policy work. GAD will send a formal request to all administering authorities in the next few months.

02 **Membership Movement**

	Actives		Deferred		Pensioner		Widow/Dependent	
Q3 2022/23	25,868	▲	27,002	▲	23,468	▲	3,311	▲
Q2 2022/23	25,713	▼	26,686	▲	23,317	▲	3,321	▼
Q1 2022/23	25,990	▲	26,487	▲	23,128	▲	3,338	▲
Q4 2021/22	25,609	▲	26,240	▲	22,918	▲	3,309	▲
Q3 2021/22	24,729	▼	26,165	▲	22,710	▲	3,240	▲

03 Member Self Service

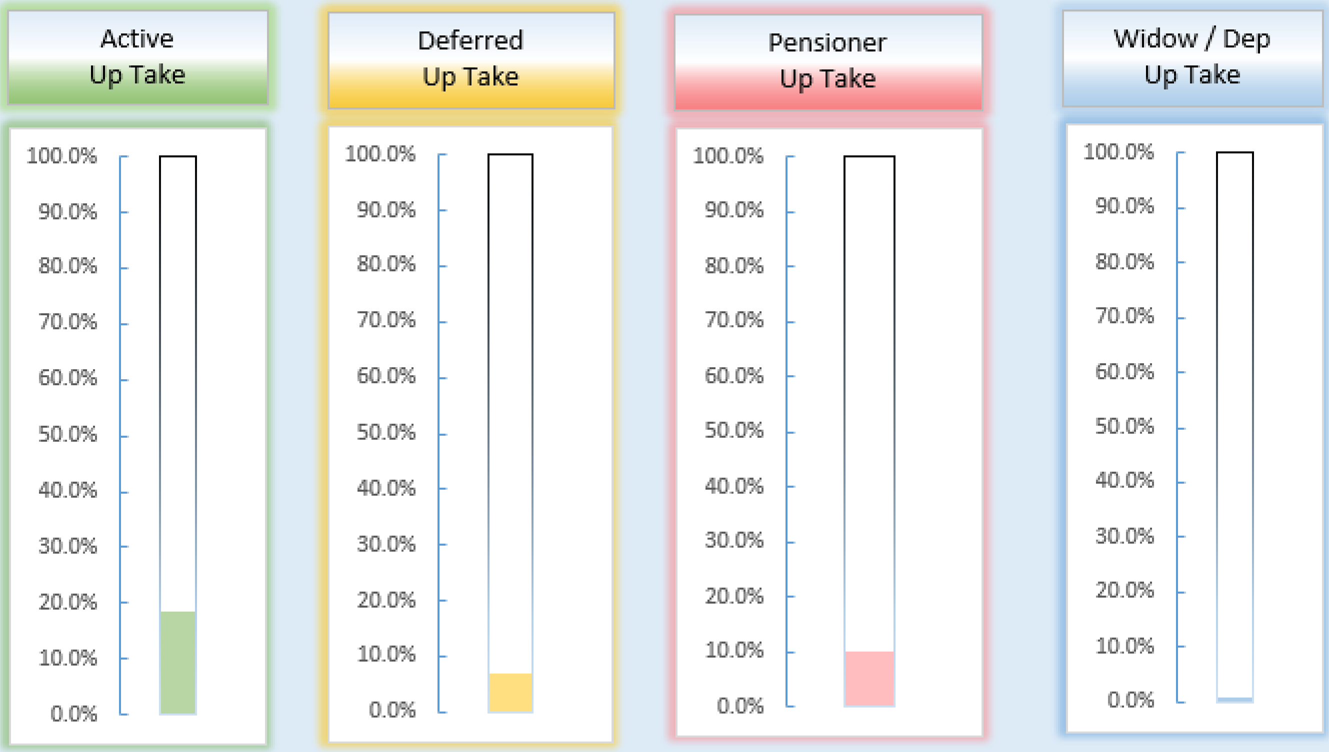
Below is an overview on the activity and registration of the Member Self Service System:

Member Self Service

User Statistics For:

Teesside Pension Fund

Quarter 3	REGISTERED	ACCOUNT DISABLED	ACTIVATION LINK SENT	NOT REGISTERED	TOTAL	Percentage Uptake
Actives	3,866	59	666	21,324	**21,324**	**18.4%**
Deferred	1,457	16	264	21,629	**21,629**	**6.8%**
Pensioner	2,114	59	213	21,164	**21,164**	**10.3%**
Widow/Dep	25	1	3	3,305	**3,305**	**0.8%**
Total	**7,462**	**135**	**1,146**	**67,422**	**67,422**	**11.3%**



04 **Pension Regulator Data Scores**

Common Data

Data Item	Teesside Pension Fund		
	Max Population	Total Fails	% OK
NINo	81,071	182	99.78%
Surname	81,071	0	100.00%
Forename / Inits	81,071	0	100.00%
Sex	81,071	0	100.00%
Title	81,071	164	99.80%
DoB Present	81,071	0	100.00%
Dob Consistent	81,071	0	100.00%
DJS	81,071	0	100.00%
Status	81,071	0	100.00%
Last Status Event	81,071	663	99.18%
Status Date	81,071	1,804	97.77%
No Address	81,071	427	99.47%
No Postcode	81,071	587	99.28%
Address (All)	81,071	4,887	93.97%
Postcode (All)	81,071	4,946	93.90%
Common Data Score	**81,071**	**3,317**	**95.91%**
Members with Multiple Fails	**81,071**	**485**	**99.40%**

Scheme Specific Data

In readiness for the pensions dashboard, there is a minimum requirement pension schemes bust be able to demonstrate against as required and defined by the Pensions Regulator. This standard is available to XPS through a product used by our central team and we are currently undertaking a data mapping exercise in order to be able to carry out the necessary tests. Once this work has been completed, we will be able to report a data score in accordance with the Pensions Regulator standards.

Public sector pension schemes need to be able to connect to the Dashboard by October 2024, so in advance of this, the scheme data must be tested and where necessary, brought up to the requisite standards required

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	4.27	4.26
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	4.04	4.04
5. My query was answered promptly	4.45	4.45
6. The response I received was easy to understand	4.44	4.43
7. Do you feel you know enough about your employers retirement process	76.68%	76.75%
8. Please provide any reasons for your scores (from 18/05/17)		
9. What one thing could improve our service		
10. Did you know about the www.teespen.org.uk website? (from 18/05/17)	47.75%	46.21%
11. Did you use the website to research the retirement process? (from 18/05/17)	27.59%	26.45%
12. Have you heard of Member Self Service (MSS)? (from 18/05/17)	23.80%	22.25%

*scoring is out 5, with 5 being strongly agree and 1 being strongly disagree

Service Development

Following the agreement of the Pensions Committee to fund enhancements to the Pensions Administration Services at their meeting of 7th March 2018, XPS Administration, Middlesbrough has looked to recruit into the roles required to provide this enhanced service.

Additional funds were only drawn down when roles were filled to undertake the additional services. This has so far led to:

Initial Planning

To help with the creation of the teams that will assist with the additional services two new posts were created to covering Governance & Communications plus Systems & Payroll. These were filled by Paul Mudd and Neale Watson respectively on 11th July 2018. Their roles were then to look at how XPS could then provide the agreed services to the Fund.

Employer Liaison

Following the resignation of the original Team Leader, a replacement has been appointed into the role.

The team are currently working on Year End files from the Teesside Pension Fund employers and commencing the role out of the collation of pension contributions on a monthly basis.

Next steps will be to work with the Fund to determine how to undertake employer covenant.

Communications

The new website was launched to Scheme Members and Employers on the 5th May 2021 which is underpinned with 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. The following chart provides an overview of the information we have collected.

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. The initial stage is currently underway and we have a number of employers who have agreed to undertake the initial rollout. 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 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

Interest in employer and member training has increased and the EL team have been delivering sessions in person on both the Scheme and Pensions Tax along with our Employer Health Checks. Feedback has been excellent and we are currently in the process of arranging more sessions in the future. The Year End Submission documentation was sent early to all employers at the beginning of February and confirms the submission deadline of 15/05/2023. In addition to the standard guides a virtual drop in session is proposed if uptake is positive, in order to offer clarification and training on the submission requirements.

I-Connect

Our Employer Services solution, i-Connect simplifies, data interactions between employers and the Teesside Pension Fund within a highly secure environment. Using data taken directly from the payroll system, i-Connect automatically identifies new joiners, opt-outs, and leavers, seamlessly generating an extract for submission.

Reducing the cost and risk associated with processing pension data, i-Connect automates the submission of data to the Teesside Pension Fund in a single solution, improving the flow of data and minimizing manual intervention. All employers were contacted in early January to offer our I-Connect service.

The response has been positive with over 15 payroll providers responding covering multiple employers including Middlesbrough and Redcar and Cleveland Councils. We are currently arranging an onboarding schedule and should have our first payrolls live by early March.

Late Payment Analysis

This table shows analysis of contributions received from participating employers.

We do chase these on a monthly basis and an e-mail has been sent to regular offenders asking them to explain why contributions are being paid across late. Health Checks have been initiated with these employers.

Date	Late Payments	Expected Payments	% Late	<10 Days Late	>10 Days Late
Dec-21	5	144	3.00%	2	3
Jan-22	10	146	7.00%	1	9
Feb-22	9	146	6.00%	2	7
Mar-22	8	146	5.00%	0	8
Apr-22	9	146	6.00%	1	8
May-22	4	146	3.00%	4	0
Jun-22	3	142	2.00%	2	1
Jul-22	2	142	1.00%	0	2
Aug-22	4	140	3.00%	1	3
Sep-22	2	140	1.00%	0	2
Oct-22	8	139	6.00%	8	0
Nov-22	2	140	1.00%	1	1
Dec-22	3	140	2.00%	3	0

05 Completed Cases Overview

2022/23

Teesside Pension Fund	Cases completed	Cases completed within target	Cases completed outside target	Cases: % within target
LG Team – Admin Manager Mathew Spurrell				
April	392	392	0	100%
May	346	346	0	100%
June	434	434	0	100%
Quarter 1	**1,172**	**1,172**	**0**	**100%**
July	458	458	0	100%
August	590	590	0	100%
September	426	426	0	100%
Quarter 2	**1,474**	**1,474**	**0**	**100%**
October	728	728	0	100%
November	701	698	3	100%
December	475	475	0	100%
Quarter 3	**1,904**	**1,901**	**3**	**100%**
January	480	480	0	100%
February	715	715	0	100%
March				
Quarter 4	**1,195**	**1,195**		**100%**
Year - Total	**5,745**	**5,742**	**3**	**100%**

06 **Completed Cases by Month**

October 2022

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%	6.17	347	0	347	347
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	32	0	32	32
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	22	0	22	22
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	327	0	327	327
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 2022

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Days	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	4.03	309	0	309	309
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	9	33	0	33	33
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	39	0	39	39
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	99.1%	7	320	3	320	317
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 2022

Standard Refernce No.	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	Comments
F64	All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	4.48	186	0	186	186	
F65	Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	28	0	28	28	
F67	Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	17	0	17	17	
F68 & F72	Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	244	0	244	244	
F78	Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
F83	Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A			
F86	Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A			
F87	Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A			
F88	All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

January 2023

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	Comments
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	4.67	159	0	159	159	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	5	29	0	29	29	
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	26	0	26	26	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	295	0	295	295	
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A			
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A			
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A			
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

February 2023

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	Comments
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	4.58	180	0	180	180	
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	29	0	29	29	
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	26	0	26	26	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	480	0	480	480	
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			

07 **Complaints**

Full Name	Description	Date received	Date completed	Comment
Retired Member	Delay in allocating the 2nd leaver notification meant payroll was missed.	22/7/2022	2/8/2022	Interest paid, original delay caused by incorrect L/F received

Graeme Hall
Operations Manager
01642 030643

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