Legal and Governance

TEESSIDE PENSION FUND COMMITTEE

Date:	**Wednesday 27th September, 2023**
Time:	**11.00 am**
Venue:	**Mandela Room**

AGENDA

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.

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Tuesday 19 September 2023

MEMBERSHIP

Councillors J Rostron (Chair), J Ewan (Vice-Chair), D Branson, D Coupe, T Furness, S Hill, J Kabuye, T Livingstone, D McCabe, J Beall, R Creevy, Ms J Flaws, Mr B Foulger and Mr T Watson

Assistance in accessing information

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

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 28 June 2023.

PRESENT: Councillors J Rostron (Chair), J Ewan (Vice-Chair), D Branson, D Coupe, T Furness, S Hill, J Kabuye, T Livingstone, J Beall, (Stockton On Tees Council), R Creevy, (Hartlepool Council)
T Watson

ALSO IN ATTENDANCE: P Mudd (XPS Administration), W Bourne (Independent Adviser), P Moon (Independent Adviser), A Owen (CBRE), A Peacock (CBRE), W Baxter (CBRE), D Knight (Border to Coast), N Moore (Border to Coast), Kerr (Border to Coast), A Smith (Border to Coast) and M Rutter (External Auditor) (Ernst Young)

OFFICERS: S Lightwing, N Orton and W Brown

APOLOGIES FOR ABSENCE: Councillor D McCabe, Ms J Flaws and Mr B Foulger

23/1 **WELCOME, INTRODUCTIONS AND EVACUATION PROCEDURE**

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

23/2 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Beall	Non Pecuniary	Member of Teesside Pension Fund
Councillor Ewan	Non Pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non Pecuniary	Member of Teesside Pension Fund
Councillor Coupe	Disclosable Personal Interest	Non-Executive Director of Border to Coast Pensions Partnership Limited

23/3 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 15 MARCH 2023**

The minutes of the meeting of the Teesside Pension Fund Committee held on 15 March 2023 were taken as read and approved as a correct record.

In relation to Minute No 22/56 the Head of Pensions Governance and Investment confirmed that information detailing to the Fund’s exposure to tobacco companies in Border to Coast and State Street had been circulated to all Members of the Committee.

NOTED

23/4 **INVESTMENT ACTIVITY REPORT**

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

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

The Fund continued to favour growth assets over protection assets and currently had no investments in Bonds. Discussions were held at the last Committee Meeting re investing in bonds. Although there was no directive to invest at this time, the Advisers had since indicated the levels at which they felt investment would be appropriate. Officers were monitoring the situation, when the levels came into range there would be further discussion with the advisers.

Current thinking was that an investment via the Border to Coast Sterling Index Linked Bond Fund would be the most appropriate vehicle.

At the June 2018 Committee it was agreed that a maximum level of 20% of the Fund would be held in cash. The cash level at the end of March 2023 was 6.66%.

Investment in direct property would continue on an opportunistic basis where the property had good covenant, yield and lease terms. There had been no purchases or sales during this period.

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. £83 million was invested during this quarter.

Appendix A to the submitted report detailed transactions for the period 1 January 2023 to 31 March 2023. There were net purchases of £84 million in the period, compared to net purchase of £144 million in the previous reporting period.

As at 31 December 2022, the Fund had £335 million invested with approved counterparties. This was a decrease of £79 million over the last quarter. Appendix B to the submitted report showed the maturity profile of cash invested as well as the average rate of interest obtained on the investments for each time period.

The total value of all investments as at 31 March 2023, including cash, was £5,060 million, compared with the last reported valuation as at 31 December 2022, of £4,953 million.

In response to a question from a Member of the Committee, the Head of Pensions Governance and Investments explained that the Actuary had set the return target for the Fund at 4.52%, which equated to around £50 million per quarter. It was emphasised this was a long term target. Since the last valuation the fund had remained fairly static but during the last three years had grown from £4 to £5 billion and exceeded the target massively.

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 31 March 2023 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 Strategic 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 might 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 of the submitted report.

At the end of 31 December 2022 the Fund’s equity weighting was 61.23% compared to 60.2% at the end of December 2022. As cash levels were reducing the team were looking at cashflow projections to determine if, and when, equity redemptions might be required.

A summary of equity returns for the quarter 1 January to 31 March 2023 was shown at paragraph 8.4 of the submitted report.

To date the Fund had 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.

As at 31 May 2023 total commitments to private equity, infrastructure, other alternatives and other debt were approaching £1,927 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.

23/5 **EXTERNAL MANAGERS' REPORTS WITH BORDER TO COAST ESG REPORTS**

A report of the Interim 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 31 March 2023 the Fund had investments in the Border to Coast UK Listed Equity, Overseas Developed Markets and Emerging Markets Equity Funds. For all three sub funds the return target was expected to be delivered over rolling 3 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 £900 million had been made to these sub-funds (£500m to infrastructure and £400m 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 had been made. 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 later in the agenda for this meeting.

The Border to Coast report showed the market value of the portfolio as at 31 March 2023 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 2.05% above benchmark over the last year, exceeding its 1% overachievement target. The Overseas Developed Markets Equity Fund had achieved returns of 1.58% above benchmark over the last year, also above its 1% overachievement target. 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 much of the period of the Fund's investment – although performance over the quarter and year to 31 was above benchmark, albeit still below the 1.5% benchmark.

In relation to the Emerging Markets Equity Fund, it was clarified that whilst the Fund had 5% invested, the Fund did not decide how much of this was invested in particular regions.

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 31 March 2023.

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.

The latest report showed 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 matched the performance of the respective indices.

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. Amongst other information, the report 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.

23/6 **BORDER TO COAST PRESENTATION (1) INVESTMENTS SUMMARY AND UPDATE**

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

The presentation covered the following areas:

- Investments Summary
  - Teesside - Valuation and Commitments.
  - Market Movements to 31 March 2023.
  - UK Listed Equity Fund – Performance to 31 March 2023.
  - Overseas Developed Equity Fund – Performance to 31 March 2023.
  - Emerging Markets Equity Fund – Performance to 31 March 2023.
  - Emerging Markets Equity Fund – Post Restructure – Performance to 31 March 2023.

- Alternatives Update
  - Private Equity – Capital Development.
  - Private Equity – Performance.
  - Infrastructure – Capital Development.
  - Infrastructure – Performance.
  - Climate Opportunities – Capital Development.

- Investment Strategy: Capability Launch Timeline.

- Private Equity/Infrastructure – IRR and TVPI Definitions.

In response to a query, it was confirmed that around 50% of the Emerging Markets Equity Fund was invested in China and it would be difficult to invest in emerging markets without including China. Border to Coast had specialist advisers in this area with a strong focus on ESG aspects. It was a Committee decision as to whether to continue to invest in this Fund.

ORDERED that the information provided was received and noted.

23/7 **BORDER TO COAST PRESENTATION (2) UK REAL ESTATE PROPOSITION UPDATE**

The Committee received a UK Real Estate Proposition Update from Border to Coast.

The presentation included information about:

- Team, Vision and Journey.
- Recap of Propositions.
- Benefits of Pooling.
- UK Real Estate Portfolio – Teesside and Main Fund.
- Principles and Characteristics for new acquisitions.

Members asked questions in relation to the size and type of assets that would be included in the portfolio, benefits of moving Teesside Pension Fund's property portfolio to Border to Coast in terms of the returns and how soon they would be realised, and whether consideration would be given to investing in housing. The Investment Advisers asked questions in relation to the Manager of the new Fund, what assurances could be provided that other assets in the portfolio were of similar quality to Teesside's,
and whether there would be any transitional costs.

BCP were currently preparing a business case which would be presented to the Committee for a decision in the Autumn.

ORDERED that the information provided was received and noted.

23/8 **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.

Peter Moon stated that it was hard to make progress as interest rates rose, all asset classes would be under pressure and lose value, and therefore the Fund should continue with its current investment strategy.

Willam Bourne agreed that interest rates would stay high and suggested that investing in index linked bonds, would provide the best mitigation against the risk of rising inflation.

ORDERED that the information provided was received and noted.

23/9 **CBRE PROPERTY REPORT**

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

Since the report was written there had been further movement in interest rates which was causing concern in the markets and more pressure on valuations. Potentially this provided opportunities to purchase good quality assets at reduced rates. The Fund's existing portfolio was low risk.

As at 31st March 2023, the portfolio comprised 31 mixed-use properties located throughout the UK, with a combined value of £378.9m. A key statistic to note was the void rate which had dropped below 1%. The portfolio had a current gross passing rent of £22,522,679 per annum against a gross market rent of £22,257,625 per annum.

There had been no sales or acquisitions during the quarter but the Fund had agreed terms to purchase a Retail Park in St Albans, in the south-east of England.

The Portfolio currently had 86 different demises let to 66 tenants and details of the top tenants by contract income were shown on page 3 of the submitted report, with the property portfolio returns on page 4.

An update was also provided on asset management and rent arrears.

Environmental, Social and Governance (ESG) criteria had an increasingly prominent role in investment decision making and would influence the attractiveness of investments going forward. CBRE would ensure that responsible investment was put at the forefront of the strategy and that ESG factors were considered within each investment and asset management initiative. This would help ensure that the investment portfolio remained resilient over the long term.

Teesside Pension Fund's property Portfolio currently complied with Minimum Energy Efficiency Standards (MEES) regulation. The Fund had undertaken a strategic review of the Portfolio to ensure continued compliance with incoming regulation in 2025.

ORDERED that the report was received and noted.

23/10 **XPS PENSIONS ADMINISTRATION REPORT**

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

The report provided information on the following:

- Overview

- Membership Movement
- Member Self Service
- Pension Regulator Data Scores
- Customer Service
- Completed Cases Overview
- Completed Cases by Month

The report was taken as read with some key issues highlighted as follows:

McCloud – Legislation was not in place as yet to allow the remedy to be implemented. The impact on the Local Government Pension Scheme Members was not predicted to be as significant as for other schemes, although it would be a lot of work for XPS.

Pensions Dashboard – Introduction of the Pensions Dashboard had been delayed until October 2026.

Membership Movement – There had been increases in membership in all categories.

I-Connect – The system simplified data interactions between employers and the Teesside Pension Fund within a highly secure environment. All employers were contacted in early January to offer our I-Connect service. The response had been positive with over 15 payroll providers responding covering multiple employers including Middlesbrough and Redcar and Cleveland Councils. XPS was currently arranging an onboarding schedule and should have our first payrolls live by early March.

The next priority for XPS would be the production of the Annual Benefit Statements in August.

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

23/11 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

23/12 **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.

23/13 **LOCAL INVESTMENT UPDATE**

The Head of Pensions Governance and Investments provided an update on the Fund's local investments.

ORDERED that the information provided was received and noted.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 5

PENSION FUND COMMITTEE REPORT

27 SEPTEMBER 2023

INTERIM DIRECTOR OF FINANCE – DEBBIE MIDDLETON

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 APRIL - JUNE 2023**

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

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

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

<u>Cash level at the end of June 2023 was 4.34%</u>

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

The Fund purchased one property in the quarter for £30.5m – St Albans Retail Park, additional details are included in the CBRE Report.

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.

<u>An amount of £66m was invested in the quarter.</u>

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 April 2023 – 30 June 2023.

5.2 There were net purchases of £174m in the period, this compares to net purchases of £84m 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 30 June 2023, the Fund had £218 million invested with approved counterparties. This is a decrease of £117 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 30 June 2023, and is prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, is **£5,051 million.** The detailed valuation attached as Appendix C is also available on the Fund's website www.teespen.org.uk. This compares with the last reported valuation, as at 31 March 2023 of **£5,060 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 30 June 2023 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 30/06/23	Minimum	Maximum
GROWTH ASSETS	**75%**	**84.06%**	**55%**	**95%**
UK Equities	**10%**	**12.75%**	**40%**	**80%**
+Overseas Equities	**45%**	**49.53%**		
Property	**10%**	**9.38%**	**5%**	**15%**
Private Equity	**5%**	**8.87%**	**0%**	**10%**
Other Alternatives	**5%**	**3.53%**	**0%**	**10%**
PROTECTION ASSETS	**25%**	**14.93%**	**5%**	**45%**
Bonds / Other debt / Cash	**15%**	**6.66%**	**5%**	**45%**
Infrastructure	**10%**	**8.27%**		

(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 30 June 2023 the Fund's equity weighting was 62.27% compared to 61.23% at the end of March 2023 As cash levels are reducing the team are looking at cashflow projections to determine if and when equity redemptions may be required.

Summary of equity returns for the quarter 1 April 2023 – 30 June 2023:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	-0.36%	-0.46%	0.10%
BCPP Overseas	3.40%	2.10%	1.30%
BCPP Emerging Market	-1.80%	-2.08%	0.27%
SSGA Pacific	-2.07%	-2.04%	-0.03%
SSGA Japan	3.02%	2.94%	0.08%
SSGA Europe	0.38%	0.04%	0.34%
SSGA North America	5.72%	5.59%	0.13%

(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 4.34% 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.

8.8 **ALTERNATIVES**

As at 31 August 2023 total commitments to private equity, infrastructure, other alternatives and other debt were £1,927m, as follows:

	Total committed	Total Invested
Border to Coast Infrastructure	£500m	£170m
Other Infrastructure Managers	£317m	£252m
Border to Coast Private Equity	£400m	£123m
Other Private Equity Managers	£364m	£232m
Other Alternatives	£226m	£165m
Other Debt	£120m	£104m
Totals	**£1,927m**	**£1,046m**

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

TEL NO.: 01642 729040

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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 April 2023	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	333,153.37	333,153.37	0.00
04 April 2023	P	Gresham House British Susutainable Imfrastructure Fund II	Infrastructure	Infrastructure	~	~	GBP	5,531,866.71	5,531,866.71	0.00
04 April 2023	S	Gresham House British Susutainable Imfrastructure Fund II	Infrastructure	Infrastructure	~	~	GBP	-1,505,141.22	-1,505,141.22	0.00
05 April 2023	P	Capital Dynamics, Clean Energy Infrastructure VIII Co-Investment	Infrastructure	Infrastructure	~	~	GBP	666,666.67	666,666.67	0.00
05 April 2023	P	Capital Dynamics, Clean Energy Infrastructure VIII	Infrastructure	Infrastructure	~	~	GBP	1,333,333.33	1,333,333.33	0.00
06 April 2023	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	239,018.15	239,018.15	0.00
06 April 2023	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	EUR	12,288,365.71	12,288,365.71	0.00
11 April 2023	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	196,242.40	196,242.40	0.00
12 April 2023	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	101,549.13	101,549.13	0.00
19 April 2023	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	296,553.76	296,553.76	0.00
20 April 2023	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	220,810.18	220,810.18	0.00
26 April 2023	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	603,044.86	603,044.86	0.00
27 April 2023	P	Ancala Infrastructure Fund II	Infrastructure	Infrastructure	~	~	EUR	323,417.76	323,417.76	0.00
27 April 2023	S	Ancala Infrastructure Fund II	Infrastructure	Infrastructure	~	~	EUR	-32,854.36	-32,854.36	0.00
04 May 2023	S	ACIF Infrastructure LP	Infrastructure	Infrastructure	~	~	EUR	-182,752.11	-182,752.11	0.00
08 May 2023	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-91,671.79	-91,671.79	0.00
09 May 2023	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	32,338.35	32,338.35	0.00
09 May 2023	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-20,610.38	-20,610.38	0.00
09 May 2023	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	338,322.99	338,322.99	0.00
10 May 2023	P	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	134,467.61	134,467.61	0.00
15 May 2023	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	3,920,251.66	3,920,251.66	0.00
15 May 2023	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	-26,276.94	-26,276.94	0.00
18 May 2023	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-15,220.41	-15,220.41	0.00
18 May 2023	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	73,126.08	73,126.08	0.00
18 May 2023	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	266,233.93	266,233.93	0.00
22 May 2023	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	116,649.63	116,649.63	0.00
22 May 2023	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-41,187.53	-41,187.53	0.00
26 May 2023	P	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	224,498.29	224,498.29	0.00
30 May 2023	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	533,147.40	533,147.40	0.00
30 May 2023	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	15,188.80	15,188.80	0.00
05 June 2023	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	254,241.88	254,241.88	0.00
05 June 2023	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	EUR	2,600,861.76	2,600,861.76	0.00
06 June 2023	P	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	128,608.90	128,608.90	0.00
07 June 2023	P	Blackrock Global Renewable Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	1,038,986.52	1,038,986.52	0.00
08 June 2023	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	7,267.40	7,267.40	0.00
08 June 2023	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	351,903.06	351,903.06	0.00
12 June 2023	P	Capital Dynamics Clean Energy Infrastructure VIII Co-Investment	Infrastructure	Infrastructure	~	~	GBP	1,033,333.33	1,033,333.33	0.00
12 June 2023	P	Capital Dynamics Clean Energy Infrastructure VIII	Infrastructure	Infrastructure	~	~	GBP	2,066,666.67	2,066,666.67	0.00
13 June 2023	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	638,367.29	638,367.29	0.00
14 June 2023	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	625,628.90	625,628.90	0.00
15 June 2023	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-10,302.27	-10,302.27	0.00
19 June 2023	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	171,162.58	171,162.58	0.00
20 June 2023	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	9,208.78	9,208.78	0.00
20 June 2023	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-95,017.18	-95,017.18	0.00
21 June 2023	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-91,465.22	-91,465.22	0.00
21 June 2023	P	ACIF Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	643,254.67	643,254.67	0.00
22 June 2023	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	33,555.29	33,555.29	0.00
22 June 2023	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-10,712.67	-10,712.67	0.00
26 June 2023	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	129,453.69	129,453.69	0.00
								35,397,535.42		
14 April 2023	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	GBP	1,130,061.72	1,130,061.72	0.00

23 May 2023	P	Hearthstone Residential Fund 2 LP	Other Alternatives	Other Alternatives	~	~	GBP	3,287,266.31	3,287,266.31	0.00
26 May 2023	S	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	-122,271.64	-122,271.64	0.00
14 June 2023	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	EUR	154,792.24	154,792.24	0.00
14 June 2023	P	Gresham House British Strategic Investment Housing Fund	Other Alternatives	Other Alternatives	~	~	GBP	1,694,915.25	1,694,915.25	0.00
19 June 2023	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	582,902.09	582,902.09	0.00
20 June 2023	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	82,510.73	82,510.73	0.00
22 June 2023	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	248,907.75	248,907.75	0.00
22 June 2023	S	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	-53,115.15	-53,115.15	0.00
								7,005,969.31		
20 April 2023	S	Greyhound Retail Park, Chester	Other Debt	Property Debt	~	~	GBP	-109,375.00	-109,375.00	0.00
21 April 2023	P	St Arthur Homes	Other Debt	Property Debt	~	~	GBP	4,580,824.00	4,580,824.00	0.00
02 June 2023	P	Leonardo Warehouse Unit	Other Debt	Property Debt	~	~	GBP	975,391.09	975,391.09	0.00
22 June 2023	P	St Arthur Homes	Other Debt	Property Debt	~	~	GBP	2,163,000.00	2,163,000.00	0.00
22 June 2023	S	Pantheon Private Debt PSD II	Other Debt	Other Alternatives	~	~	USD	-22,037.48	-22,037.48	0.00
								7,587,802.61		
31 May 2023	P	Border to Coast Overseas Developed Markets Equity Fund	Overseas Equities	Overseas Developed M	~	3.6716	GBP	39,872,000.88	39,872,000.88	0.00
31 May 2023	P	Border to Coast Emerging Markets Hybrid Fund	Overseas Equities	Overseas Developed M	~	3.6602	GBP	6,902,132.20	6,902,132.20	0.00
								46,774,133.08		
05 April 2023	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	426,441.98	426,441.98	0.00
06 April 2023	P	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	969,829.49	969,829.49	0.00
14 April 2023	S	Foresight Regional Investment IV LP	Private Equity	Private Equity	~	~	GBP	-226,188.55	-226,188.55	0.00
17 April 2023	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	623,077.66	623,077.66	0.00
20 April 2023	P	Foresight Regional Investment IV LP	Private Equity	Private Equity	~	~	GBP	27,490.75	27,490.75	0.00
21 April 2023	P	Unigestion Direct III - Global	Private Equity	Private Equity	~	~	EUR	1,449,992.35	1,449,992.35	0.00
21 April 2023	P	Unigestion Direct III - Co-Investment	Private Equity	Private Equity	~	~	EUR	947,328.34	947,328.34	0.00
24 April 2023	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	163,880.22	163,880.22	0.00
28 April 2023	P	Foresight Regional Investment IV LP	Private Equity	Private Equity	~	~	GBP	201,715.64	201,715.64	0.00
02 May 2023	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	EUR	1,002,035.24	1,002,035.24	0.00
03 May 2023	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	898,116.81	898,116.81	0.00
09 May 2023	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	144,231.58	144,231.58	0.00
09 May 2023	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-19,120.28	-19,120.28	0.00
11 May 2023	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	93,528.05	93,528.05	0.00
12 May 2023	P	Crown Co-Investment Opportunties II	Private Equity	Private Equity	~	~	USD	239,610.06	239,610.06	0.00
12 May 2023	S	Crown Co-Investment Opportunties II	Private Equity	Private Equity	~	~	USD	-1,868,958.47	-1,868,958.47	0.00
16 May 2023	P	Capital Dynamics LGPS Collective Private Equity for Pools 18/19	Private Equity	Private Equity	~	~	GBP	250,000.00	250,000.00	0.00
18 May 2023	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	1,510,923.52	1,510,923.52	0.00
18 May 2023	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-1,027,934.61	-1,027,934.61	0.00
19 May 2023	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	1,770,470.78	1,770,470.78	0.00
25 May 2023	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	103,756.32	103,756.32	0.00
25 May 2023	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	437,587.69	437,587.69	0.00
30 May 2023	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	422,990.14	422,990.14	0.00
30 May 2023	S	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	-67.95	-67.95	0.00
31 May 2023	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	~	~	EUR	904,029.13	904,029.13	0.00
02 June 2023	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	89,387.83	89,387.83	0.00
05 June 2023	P	Unigestion Secondary V	Private Equity	Private Equity	~	~	EUR	2,574,152.76	2,574,152.76	0.00
06 June 2023	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	765,106.36	765,106.36	0.00
06 June 2023	P	Capital Dynamics LGPS Collective Private Equity for Pools 18/19	Private Equity	Private Equity	~	~	GBP	300,000.00	300,000.00	0.00
07 June 2023	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	968,939.26	968,939.26	0.00
08 June 2023	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	287,839.11	287,839.11	0.00
08 June 2023	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-30,796.21	-30,796.21	0.00

08 June 2023	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	10,315.11	10,315.11	0.00
09 June 2023	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	310,122.70	310,122.70	0.00
09 June 2023	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	-33,446.57	-33,446.57	0.00
12 June 2023	P	Crown Co-Investment Opportunties III	Private Equity	Private Equity	~	~	USD	1,227,576.47	1,227,576.47	0.00
14 June 2023	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	355,836.63	355,836.63	0.00
14 June 2023	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	70,667.83	70,667.83	0.00
14 June 2023	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-2,013.49	-2,013.49	0.00
15 June 2023	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	1,438,148.91	1,438,148.91	0.00
15 June 2023	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	815,815.29	815,815.29	0.00
15 June 2023	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	785,160.00	785,160.00	0.00
15 June 2023	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	-53,836.23	-53,836.23	0.00
15 June 2023	P	Hermes GPE Innovation Fund	Private Equity	Private Equity	~	~	GBP	322,916.47	322,916.47	0.00
16 June 2023	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	730,262.85	730,262.85	0.00
16 June 2023	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	-13,663.71	-13,663.71	0.00
16 June 2023	P	Unigestion Direct II - Europe	Private Equity	Private Equity	~	~	EUR	915,987.97	915,987.97	0.00
16 June 2023	P	Unigestion Direct II - North America	Private Equity	Private Equity	~	~	EUR	531,427.25	531,427.25	0.00
16 June 2023	P	Unigestion Direct II - Asia	Private Equity	Private Equity	~	~	EUR	1,296,781.80	1,296,781.80	0.00
22 June 2023	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	125,837.77	125,837.77	0.00
23 June 2023	P	Crown Global Opportunties VII	Private Equity	Private Equity	~	~	USD	1,261,083.74	1,261,083.74	0.00
23 June 2023	S	Crown Global Opportunties VII	Private Equity	Private Equity	~	~	USD	-728,020.68	-728,020.68	0.00
23 June 2023	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	25,734.67	25,734.67	0.00
23 June 2023	S	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	-2,688.19	-2,688.19	0.00
28 June 2023	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	9,376.58	9,376.58	0.00
28 June 2023	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	-58,278.00	-58,278.00	0.00
								23,740,500.18		
08 June 2023	P	St Albans - Griffiths Way Retail Park	Property Unit Trusts/Direct Property	Property Unit Trusts/I	~	~	GBP	31,447,438.71	31,447,438.71	0.00
								31,447,438.71		
31 May 2023	P	Border to Coast Uk Listed Equity Fund	UK Equities	United Kingdom	~	4.2131	GBP	22,087,666.65	22,087,666.65	0.00
Periods April, May and June 2023 (Cumulative) Total								**22,087,666.65**		
Total Profit - ***NB: Losses are shown with a ( )***								**174,041,045.96**		**0.00**

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Appendix B


Treasury Management Investment Profile as at 30 June 2023
Millions
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30 Jun 23

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	0.24500000	10.910
Common Stock YOUNG AUSTRALIAN MINES LTD SEDOL : 6741626	0.00 AUD	225,391.000	287,505.650	0.06900000	8,142.660
Total Australia	**0.00**	**225,476.000**	**287,505.650**		**8,153.570**
Europe Region					
Common Stock ACIF INFRASTRUCTURE FUND LP CUSIP : 9936FC996	0.00 EUR	26,020,381.460	23,118,673.140	0.74175340	16,562,765.370
Total Europe Region	**0.00**	**26,020,381.460**	**23,118,673.140**		**16,562,765.370**
Guernsey, Channel Islands					
Common Stock AMEDEO AIR FOUR PL ORD NPV SEDOL : BNDVLS5	0.00 GBP	4,666,665.000	3,907,776.010	0.47800000	2,230,665.870
Total Guernsey, Channel Islands	**0.00**	**4,666,665.000**	**3,907,776.010**		**2,230,665.870**
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**	**32,598,922.460**	**29,697,948.620**		**18,881,778.610**
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	1.30450000	19,567,500.000
Total Guernsey, Channel Islands	**0.00**	**15,000,000.000**	**15,000,000.000**		**19,567,500.000**
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	1.22820000	643,898,131.470
Total United Kingdom	**0.00**	**524,261,627.970**	**544,484,934.330**		**643,898,131.470**

**Generated by Northern Trust from periodic data on 24 Jul 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**		**663,465,631.470**
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	1.26900000	18,222,286.040
Total Guernsey, Channel Islands	**0.00**		**14,359,563.469**	**15,000,000.000**		**18,222,286.040**
Japan						
Unit Trust Equity JPN SCREENED INX EQY SUB-FND-HKHX SEDOL : 001533W	0.00	GBP	48,440,992.757	89,842,364.060	2.29040000	110,949,249.810
Total Japan	**0.00**		**48,440,992.757**	**89,842,364.060**		**110,949,249.810**
Luxembourg						
Unit Trust Equity ABERDEEN STANDARD EUR PPTY GROWTH FD LP SEDOL : 8A8TB3U	0.00	EUR	324.970	20,636,888.600	120,966.80000000	33,734,098.400
Total Luxembourg	**0.00**		**324.970**	**20,636,888.600**		**33,734,098.400**
Pacific Region						
Unit Trust Equity ASIA PFC EX JPN SCREEN INX EQ SUB-FND-HKHY SEDOL : 001532W	0.00	GBP	50,692,305.509	242,515,511.220	6.18290000	313,425,455.730
Total Pacific Region	**0.00**		**50,692,305.509**	**242,515,511.220**		**313,425,455.730**
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 EUR EX UK SCREEN INX EQ SUB-FND-HKGY SEDOL : 4A8NH9U	0.00	GBP	15,403,278.712	97,842,558.840	8.66550000	133,477,111.680
Unit Trust Equity LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY SEDOL : 0521664	0.00	GBP	1,368,174.000	1,282,865.490	2.87873100	3,938,604.910
Unit Trust Equity NA SCREEN INX EQ SUB-FND-HKHQ SEDOL : 1A8NH9U	0.00	GBP	2,621,178.211	24,012,835.230	15.54400000	40,743,594.110
Total United Kingdom	**0.00**		**19,452,630.923**	**123,460,198.990**		**178,159,310.700**
Total Unit trust equity	**0.00**		**132,945,817.628**	**491,454,962.870**		**654,490,400.680**
Total Equities	**0.00**		**704,806,368.058**	**1,080,637,845.820**		**1,336,837,810.760**

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	15,295,359.510	13,201,080.630	1.24742930	16,373,264.390
Real Estate La Salle Real Estate Debt Strategies IV CUSIP : 9944J7997	0.00	EUR	8,804,987.470	7,666,898.350	0.97564400	7,371,905.600
Total Europe Region	**0.00**		**24,100,346.980**	**20,867,978.980**		**23,745,169.990**
United Kingdom						
Real Estate HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP CUSIP : 9936FD994	0.00	GBP	10,000,000.010	10,000,000.010	0.95803790	9,580,379.010
Real Estate HEARTHSTONE RESIDENTIAL FUND 2 CUSIP : 9942CJ992	0.00	GBP	13,740,773.160	13,740,773.160	0.92556990	12,718,046.040
Real Estate TEESSIDE PENSION FUND - DIRECT PROPERTY CUSIP : 9936HG995	0.00	GBP	367,705,160.010	367,705,160.010	1.12141480	412,350,008.470
Total United Kingdom	**0.00**		**391,445,933.180**	**391,445,933.180**		**434,648,433.520**
Total Real estate	**0.00**		**415,546,280.160**	**412,313,912.160**		**458,393,603.510**
Funds - real estate						
United Kingdom						
Funds - Real Estate DARWIN LEISURE PRO UNITS CLS 'C' SEDOL : B29MQ57	0.00	GBP	6,493,057.480	10,611,644.050	3.34240000	21,702,395.320
Funds - Real Estate DARWIN LEISURE PROPERTY FUND UNITS K GBP INC SEDOL : 4A9TBEU	0.00	GBP	34,527,436.047	35,000,000.000	0.92490000	31,934,425.600
Funds - Real Estate HERMES PROPERTY UT SEDOL : 0426219	0.00	GBP	2,589,184.000	15,720,126.330	6.41000000	16,596,669.440
Funds - Real Estate LEGAL AND GENERAL MANAGED PROPERTY FUND SEDOL : 004079W	0.00	GBP	108,263.760	385,000.000	58.34580000	6,316,735.690
Funds - Real Estate THREADNEEDLE PROP THREADNEEDLE PROP UNITTRST SEDOL : 0508667	46,332.41	GBP	12,750.000	1,527,939.200	266.98000000	3,403,995.000
Total United Kingdom	**46,332.41**		**43,730,691.287**	**63,244,709.580**		**79,954,221.050**
Total Funds - real estate	**46,332.41**		**43,730,691.287**	**63,244,709.580**		**79,954,221.050**
Total Real Estate	**46,332.41**		**459,276,971.447**	**475,558,621.740**		**538,347,824.560**

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships						
Partnerships						
Europe Region						
Partnerships ACCESS CAPITAL FUND INFRASTRUCTURE II - EUR CUSIP : 993QEX997	0.00	EUR	15,876,000.000	13,946,299.760	1.11289510	15,161,946.690
Partnerships ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE CUSIP : 993KDB999	0.00	EUR	16,792,108.800	14,502,844.730	1.41280800	20,358,605.630
Partnerships ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2) CUSIP : 993SRL995	0.00	EUR	8,815,500.000	7,629,082.710	1.02242900	7,734,633.750
Partnerships ACCESS CAPITAL, CO-INVESTMENT FUND BUY-OUT EUROPE II CUSIP : 993SRM993	0.00	EUR	9,050,000.000	7,793,842.420	0.97675540	7,585,671.730
Partnerships Darwin Bereavement Services Fund, Incomeunits CUSIP : 993XBG992	0.00	GBP	30,000,000.000	30,000,000.000	1.01136630	30,340,989.000
Partnerships UNIGESTION DIRECT III - EUR CUSIP : 994RLP993	0.00	EUR	5,426,562.680	4,827,027.090	0.85606160	3,986,479.040
Total Europe Region	**0.00**		**85,960,171.480**	**78,699,096.710**		**85,168,325.840**
Global Region						
Partnerships CAPITAL DYNAMICS GLOBAL SECONDARIES V - GBP CUSIP : 993LJT992	0.00	GBP	11,042,925.550	11,042,925.550	1.65977380	18,328,758.500
Partnerships CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD CUSIP : 993BRL992	0.00	USD	14,282,130.030	10,780,911.090	2.25321410	25,312,222.620
Partnerships INSIGHT IIFIG SECURED FINANCE FUND II (GBP) CUSIP : 9946P0990	0.00	GBP	50,000,000.000	50,000,000.000	0.99342370	49,671,185.000
Partnerships LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS2018/19 - GBP CUSIP : 993LRK992	0.00	GBP	6,979,550.000	6,979,550.000	1.36462800	9,524,489.360
Partnerships PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV CUSIP : 993FYQ994	0.00	USD	24,363,063.000	19,141,292.790	1.63193930	31,273,085.190
Partnerships UNIGESTION DIRECT II - EUR CUSIP : 993MTE992	0.00	EUR	16,815,965.760	14,547,379.230	1.32593310	19,133,881.120
Total Global Region	**0.00**		**123,483,634.340**	**112,492,058.660**		**153,243,621.790**
United Kingdom						
Partnerships ANCALA INFRASTRUCTURE FUND II SCSP CUSIP : 993FSE998	0.00	EUR	18,536,840.380	16,327,050.490	1.12497580	17,895,281.540
Partnerships BORDER TO COAST CLIMATE OPPORTUNITIES SERIES 2A CUSIP : 994MVX996	0.00	GBP	12,305,965.350	12,305,965.350	1.01888040	12,538,306.900
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	84,537,400.980	67,043,290.010	0.88365010	58,757,601.730
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1B CUSIP : 993KGJ999	0.00	USD	31,050,930.990	24,270,369.830	0.88809920	21,690,568.920

◆ Asset Detail - Customizable

Asset Subcategory / Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships						
Partnerships						
United Kingdom						
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1C CUSIP : 9942A6992	0.00	GBP	33,475,989.750	33,475,989.750	1.08507440	36,323,939.490
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 2 A (GBP) CUSIP : 994NWK991	0.00	GBP	32,132,409.390	32,132,409.390	0.98194470	31,552,249.100
Partnerships BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A CUSIP : 993BRK994	0.00	GBP	1,410,180,187.320	1,410,180,187.320	1.17730430	1,660,211,198.310
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1 CUSIP : 993FYP996	0.00	USD	84,349,466.330	65,436,995.070	1.08725750	72,135,590.260
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1B CUSIP : 993U46998	0.00	USD	33,214,985.470	26,434,864.000	0.99669140	26,039,318.650
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1C CUSIP : 993XGK998	0.00	GBP	21,051,375.052	21,051,375.050	0.98437070	20,722,356.800
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 2A- GBP CUSIP : 994JQY997	0.00	GBP	3,914,091.290	3,914,091.290	0.70401400	2,755,575.070
Partnerships CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP CUSIP :	0.00	GBP	7,101,910.490	7,101,910.490	1.05997100	7,527,819.160
Partnerships CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp CUSIP : 993FP0991	0.00	GBP	17,508,087.400	17,508,087.400	1.01018900	17,686,477.300
Partnerships FORESIGHT REGIONAL INVESTMENT LP CUSIP : 994JXS992	0.00	GBP	751,005.730	751,005.730	0.85605350	642,901.080
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	15,638,997.820	15,638,997.820	1.10103470	17,219,079.270
Partnerships GRESHAM HOUSE BSI INFRASTRUCTURE LP CUSIP : 993FP5990	0.00	GBP	19,070,660.400	19,070,660.400	1.25908740	24,011,628.220
Partnerships GRESHAM HOUSE, BRITISH SUSTAINABLE INFRASTRUCTURE FUND II CUSIP : 994FXD993	0.00	GBP	12,383,298.400	12,383,298.400	1.07078590	13,259,861.320
Partnerships GREYHOUND RETAIL PARK, CHESTER CUSIP : 9948YV998	0.00	GBP	19,825,238.000	19,825,238.000	0.98141810	19,456,847.410
Partnerships HERMES GPE INNOVATION FUND CUSIP : 993NEB992	0.00	GBP	13,049,079.250	13,049,079.250	1.32595350	17,302,472.300
Partnerships INNISFREE PFI CONTINUATION FUND CUSIP : 9936FE992	0.00	GBP	8,672,972.000	8,672,972.000	1.20122560	10,418,195.990
Partnerships INNISFREE PFI SECONDARY FUND 2 CUSIP : 9936FF999	0.00	GBP	7,728,331.000	7,728,331.000	1.17296390	9,065,053.270
Partnerships LEONARDO WAREHOUSE UNIT CUSIP : 9948YW996	0.00	GBP	25,154,880.020	25,154,880.020	0.99974960	25,148,581.240
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	1.11039000	11,103,900.000
Total United Kingdom						

◆ Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships						
Partnerships	**0.00**		**2,199,873,663.772**	**2,147,696,609.020**		**2,405,626,560.100**
United States						
Partnerships BLACKROCK GLOBAL ENERGY AND POWER INFRASTRUCTURE FUND III CUSIP :	0.00	USD	19,932,225.000	15,763,315.930	0.99154710	15,545,473.980
Partnerships BLACKROCK GLOBAL RENEWABLE POWER FUND III CUSIP : 993QHY992	0.00	USD	12,268,320.830	9,649,142.290	0.91322870	8,812,507.810
Partnerships BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL CUSIP : 993FYK997	0.00	USD	20,910,827.000	15,821,278.950	1.19566710	19,666,013.220
Partnerships BRIDGES EVERGREEN TPF HOUSING CO-INVEST LP CUSIP : 993XEU998	0.00	GBP	765,180.380	765,180.380	0.92520670	707,950.010
Partnerships CROWN CO INVESTMENT OPPORTUNITIES III CUSIP : 993XX2999	0.00	USD	1,560,000.000	1,227,428.300	1.00000000	1,227,042.020
Partnerships CROWN CO-INVEST OPPORTUNITIES III CUSIP : 993XBM999	0.00	USD	11,910,000.000	9,219,630.710	1.06815020	10,006,424.570
Partnerships CROWN GLOBAL OPPORTUNITIES VII CUSIP : 993FYN991	0.00	USD	18,920,000.000	15,037,081.030	1.30486000	19,418,688.210
Partnerships Crown Growth Opportunities Global III fund CUSIP : 993FYM993	0.00	USD	26,330,724.490	19,663,135.710	1.57490020	32,617,501.090
Partnerships FORESIGHT ENERGY INFRASTRUCTURE PARTNERS CUSIP : 993FS9999	0.00	USD	10,390,337.000	8,516,087.180	0.91910940	7,511,586.630
Partnerships LGT CAPITAL CROWN SECONDARIES SPECIAL OPPORTUNITIES II CUSIP : 993QEY995	0.00	USD	16,887,500.000	13,140,741.710	1.34181450	17,823,487.310
Partnerships PANTHEON SENIOR DEBT SECONDARIES II CUSIP : 993UAP999	0.00	USD	23,089,228.480	18,185,235.620	0.59896220	10,877,865.260
Partnerships UNIGESTION SA CUSIP : 993FYL995	0.00	USD	26,062,926.950	19,912,519.300	1.33219470	27,310,253.210
Total United States	**0.00**		**189,027,270.130**	**146,900,777.110**		**171,524,793.320**
Total Partnerships	**0.00**		**2,598,344,739.722**	**2,485,788,541.500**		**2,815,563,301.050**
Total Venture Capital and Partnerships	**0.00**		**2,598,344,739.722**	**2,485,788,541.500**		**2,815,563,301.050**

◆ Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Hedge Fund						
Hedge equity						
Global Region						
Hedge Equity						
IIF UK I LP CUSIP : 993FP3995	0.00	USD	96,854,761.450	80,595,460.340	1.05091270	80,061,266.260
Total Global Region	**0.00**		**96,854,761.450**	**80,595,460.340**		**80,061,266.260**
Total Hedge equity	**0.00**		**96,854,761.450**	**80,595,460.340**		**80,061,266.260**
Total Hedge Fund	**0.00**		**96,854,761.450**	**80,595,460.340**		**80,061,266.260**

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	292,514.69	0.000	0.000	0.00000000	0.000
Recoverable taxes EUR - Euro	1,104,998.44	0.000	0.000	0.00000000	0.000
Recoverable taxes CHF - Swiss franc	2,372,061.37	0.000	0.000	0.00000000	0.000
Total	**3,867,290.25**	**0.000**	**0.000**		**0.000**
Total Recoverable taxes	**3,867,290.25**	**0.000**	**0.000**		**0.000**
Total All Other	**3,867,290.25**	**0.000**	**0.000**		**0.000**

**Generated by Northern Trust from periodic data on 24 Jul 23*

◆ Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Cash and Cash Equivalents					
Cash					
Cash GBP - British pound sterling	0.00	635.850	635.850	1.00000000	635.850
Cash THB - Thai baht	0.00	4,791.940	4,791.940	1.00000000	4,791.940
Cash USD - United States dollar	146.07	69,636.280	69,636.280	1.00000000	69,636.280
Total	**146.07**	**75,064.070**	**75,064.070**		**75,064.070**
Total Cash	**146.07**	**75,064.070**	**75,064.070**		**75,064.070**
Cash (externally held)					
Cash (externally held) GBP - British pound sterling	0.00	218,675,690.930	218,675,690.930	1.00000000	218,675,690.930
Cash (externally held) EUR - Euro	0.00	0.330	0.330	1.00000000	0.330
Total	**0.00**	**218,675,691.260**	**218,675,691.260**		**218,675,691.260**
Total Cash (externally held)	**0.00**	**218,675,691.260**	**218,675,691.260**		**218,675,691.260**
Funds - short term investment					
Funds - Short Term Investment GBP - British pound sterling	1,231.51	337,000.000	337,000.000	1.00000000	337,000.000
Total	**1,231.51**	**337,000.000**	**337,000.000**		**337,000.000**
Total Funds - short term investment	**1,231.51**	**337,000.000**	**337,000.000**		**337,000.000**
Total Cash and Cash Equivalents	**1,377.58**	**219,087,755.330**	**219,087,755.330**		**219,087,755.330**
Report Total:	**3,915,000.24**	**4,078,370,596.007**	**4,341,668,224.730**		**4,989,897,957.960**

◆ Asset Detail - Customizable

Asset Subcategory

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

ASSET	BOOK COST	PRICE	MARKET VALUE	FUND %
GROWTH ASSETS				
UK EQUITIES				
BORDER TO COAST PE UK LISTED EQUITY A GBP ACC	616,483,147.80	1.23	643,898,131.47	12.75%
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			**643,978,325.27**	**12.75%**
OVERSEAS EQUITIES				
YOUNG AUSTRALIAN MINES LTD	287,505.65	0.07	8,142.66	0.00%
FINEXIA FINL GROUP NPV	0.00	0.25	10.91	0.00%
ASIA PACIFIC EX JAPAN SCREEN INDEX EQUITY SUB-FUND	242,515,511.22	6.18	313,425,455.73	6.20%
JAPAN SCREENED INDEX EQUITY SUB-FUND	89,842,364.06	2.29	110,949,249.81	2.20%
EUROPE EX UK SCREENED INDEX EQUITY SUB-FUND	97,842,558.84	8.67	133,477,111.68	2.64%
NORTH AMERICA SCREENED INDEX EQUITY SUB-FUND	24,012,835.23	15.54	40,743,594.11	0.81%
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	1,460,100,230.99	1.18	1,703,432,306.75	33.72%
BORDER TO COAST EMERGING MARKET HYBRID FUND	240,527,251.16	0.97	199,736,036.92	3.95%
TOTAL OVERSEAS EQUITIES			**2,501,771,908.57**	**49.53%**
TOTAL EQUITIES			**3,145,750,233.84**	**62.27%**
PRIVATE EQUITY				
CAPITAL DYNAMICS LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS 18/19	6,979,550.00	1.36	9,524,489.36	0.19%
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	10,780,911.09	2.25	25,312,222.62	0.50%
CROWN CO INVESTMENT OPPORTUNITIES III	10,447,059.01	1.07	11,233,466.59	0.22%
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	13,140,741.71	1.34	17,823,487.31	0.35%
UNIGESTION SA	19,912,519.30	1.33	29,306,742.90	0.58%
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	19,141,292.79	1.63	31,290,363.69	0.62%
CROWN GLOBAL OPPORTUNITIES VII	15,037,081.03	1.30	19,418,688.21	0.38%
CROWN GROWTH OPPORTUNITIES GLOBAL III	19,663,135.71	1.57	36,350,702.25	0.72%
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	15,821,278.95	1.20	19,676,879.36	0.39%
BORDER TO COAST PRIVATE EQUITY SERIES 1A	65,436,995.07	1.09	94,279,510.00	1.87%

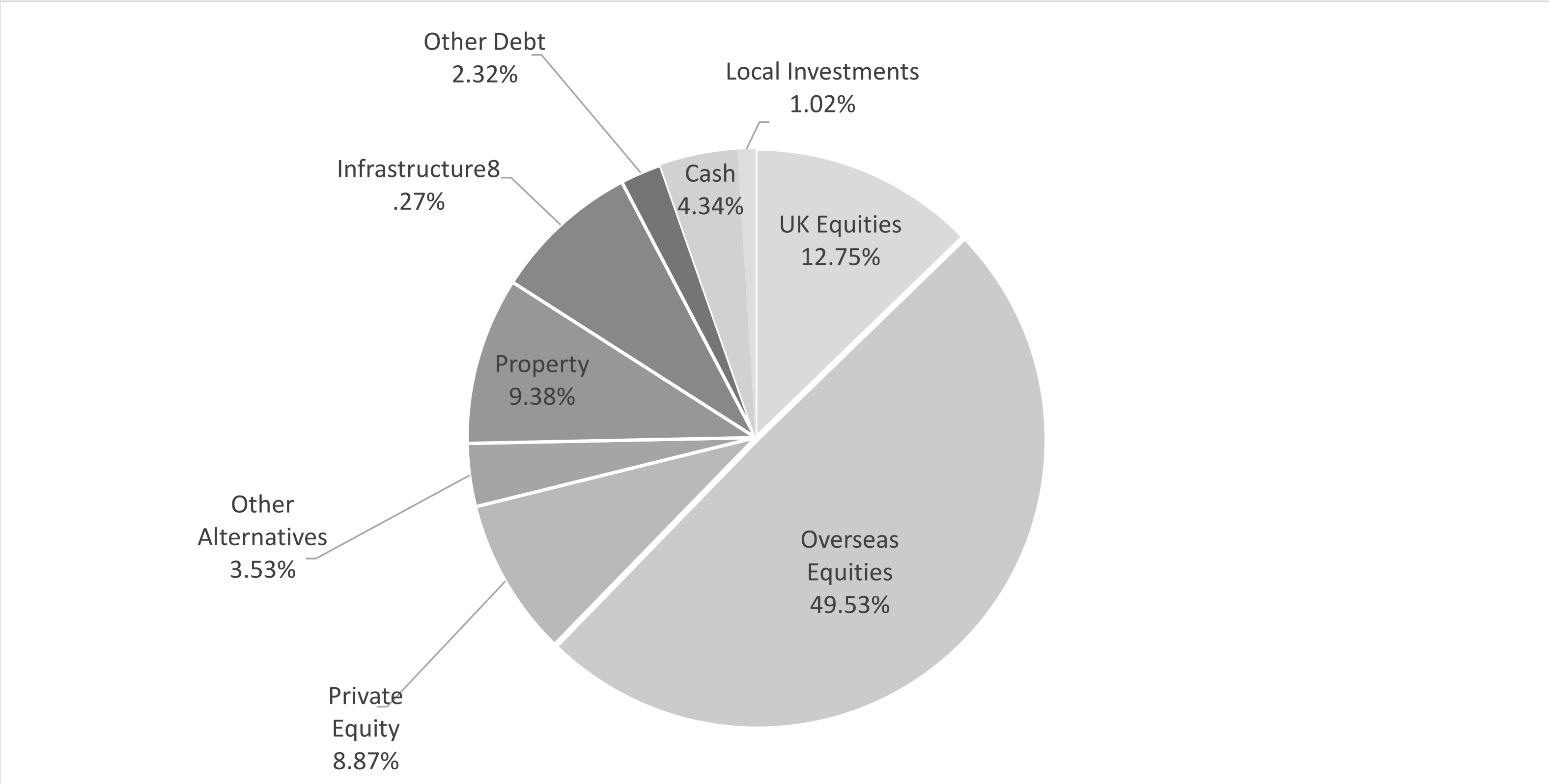
BORDER TO COAST PRIVATE EQUITY SERIES 1B	26,434,864.00	1.00	32,327,502.00	0.64%
BORDER TO COAST PRIVATE EQUITY SERIES 1C	21,051,375.05	0.98	16,975,843.00	0.34%
BORDER TO COAST PRIVATE EQUITY SERIES 2A	3,914,091.29	0.70	2,749,679.00	0.05%
UNIGESTION DIRECT II	14,547,379.23	1.33	18,967,522.51	0.38%
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE	14,502,844.73	1.41	20,381,310.14	0.40%
ACCESS CAPITAL CO INVESTMENT FUND BUY OUT EUROPE II	7,793,842.42	0.98	7,594,131.60	0.15%
HERMES GPE INNOVATION FUND	13,341,398.86	1.33	17,302,472.30	0.34%
CAPITAL DYNAMICS GLOBAL SECONDARIES V	11,042,925.55	1.66	17,835,461.48	0.35%
CAPITAL MID-MARKET DIRECT V	13,201,080.63	1.25	15,446,514.05	0.31%
FORESIGHT REGIONAL INVESTMENTS LP	751,005.73	0.86	437,168.00	0.01%
UNIGESTION DIRECT III	7,227,415.02	0.86	3,990,925.00	0.08%
PRIVATE EQUITY			**448,225,081.37**	**8.87%**
GB BANK LIMITED	40,080,000.00	1.00	40,080,000.00	0.79%
PRIVATE EQUITY - LOCAL INVESTMENT			**40,080,000.00**	**0.79%**
TOTAL PRIVATE EQUITY			**488,305,081.37**	**9.67%**
OTHER ALTERNATIVES				
AMEDEO AIR FOUR PLUS LTD	3,907,776.01	0.48	2,230,665.87	0.04%
BORDER TO COAST CLIMATE OPPORTUNITIES SERIES 2A	12,305,965.35	1.02	10,679,508.00	0.21%
DARWIN LEISURE PRO UNITS CLS 'C'	10,611,644.05	3.34	23,447,079.87	0.46%
DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION	15,000,000.00	1.27	18,222,286.04	0.36%
DARWIN BEREAVEMENT SERVICES FUND, INCOME UNITS	30,000,000.00	1.01	30,262,134.43	0.60%
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	15,000,000.00	1.30	19,567,500.00	0.39%
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	35,000,000.00	0.92	31,934,425.60	0.63%
HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP	10,000,000.01	0.96	9,651,643.74	0.19%
HEARTHSTONE RESIDENTIAL FUND 2	13,740,773.16	0.93	9,430,780.47	0.19%
GRESHAM HOUSE BSI HOUSING LP	15,638,997.82	1.10	15,524,165.07	0.31%
LA SALLE REAL ESTATE DEBT STRATEGIES IV	7,666,898.35	0.98	7,414,962.55	0.15%
OTHER ALTERNATIVES			**178,365,151.64**	**3.53%**
BRIDGES EVERGREEN TPF HOUSING CO-INVESTMENT LP	765,180.38			0.00%
OTHER ALTERNATIVES - LOCAL INVESTMENT			**0.00**	**0.00%**
TOTAL OTHER ALTERNATIVES			**178,365,151.64**	**3.53%**

PROPERTY				
DIRECT PROPERTY				
TEESSIDE PENSION FUND - DIRECT PROPERTY	399,152,598.72	1.12	412,350,000.00	8.16%
TOTAL DIRECT PROPERTY			**412,350,000.00**	**8.16%**
PROPERTY UNIT TRUSTS				
ABERDEEN STANDARD LIFE EUROPEAN PROPERTY GROWTH FUND	20,636,888.60	120,966.80	33,771,720.14	0.67%
LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY	1,282,865.49	2.88	1,368,174.00	0.03%
HERMES PROPERTY PUT	15,720,126.33	6.41	16,597,497.02	0.33%
THREADNEEDLE PROP PROPERTY GBP DIS	1,527,939.20	266.98	3,403,995.00	0.07%
LEGAL AND GENERAL MANAGED PROPERTY FUND	385,000.00	58.35	6,316,735.69	0.13%
TOTAL PROPERTY UNIT TRUSTS			**61,458,121.85**	**1.22%**
TOTAL PROPERTY			**473,808,121.85**	**9.38%**
PROTECTION ASSETS				
INFRASTRUCTURE				
ACIF INFRASTRUCTURE FUND LP	23,118,673.14	0.74	16,798,588.65	0.33%
ACCESS CAPITAL FUND INFRASTRUCTURE II	13,946,299.76	1.11	14,764,769.42	0.29%
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2)	7,629,082.71	1.02	7,102,414.63	0.14%
INNISFREE PFI CONTINUATION FUND	8,672,972.00	1.20	10,418,195.99	0.21%
INNISFREE PFI SECONDARY FUND 2	7,728,331.00	1.17	9,065,053.27	0.18%
BORDER TO COAST INFRASTRUCTURE SERIES 1A	67,043,290.01	0.88	76,534,466.00	1.52%
BORDER TO COAST INFRASTRUCTURE SERIES 1B	24,270,369.83	0.89	25,022,697.00	0.50%
BORDER TO COAST INFRASTRUCTURE SERIES 1C	33,475,989.75	1.09	37,975,347.00	0.75%
BORDER TO COAST INFRASTRUCTURE SERIES 2A	32,132,409.39	0.98	31,552,249.10	0.62%
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	15,763,315.93	0.99	17,551,103.43	0.35%
BLACKROCK GLOBAL RENEWABLE POWER FUND III	9,649,142.29	0.91	10,046,675.86	0.20%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP	8,750,377.05	1.06	7,560,583.00	0.15%
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp	17,500,754.07	1.01	14,456,006.00	0.29%
IIF UK I LP	80,595,460.34	1.05	80,105,499.11	1.59%
ANCALA INFRASTRUCTURE FUND II SCSP	16,327,050.49	1.12	18,301,060.22	0.36%
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS	8,516,087.18	0.92	8,204,280.97	0.16%
GRESHAM HOUSE BSI INFRASTRUCTURE LP	19,070,660.40	1.26	18,827,149.00	0.37%
GRESHAM HOUSE BRITISH SUSTAINABLE INFRASTRUCTURE FUND II	16,410,023.89	1.07	13,259,861.32	0.26%

INFRASTRUCTURE			**417,545,999.97**	**8.27%**
CO-INVESTMENT BSI LP - WASTE KNOT	10,000,000.00	1.11	11,194,854.22	0.22%
INFRASTRUCTURE - LOCAL INVESTMENT			**11,194,854.22**	**0.22%**
TOTAL INFRASTRUCTURE			**428,740,854.19**	**8.49%**
OTHER DEBT				
INSIGHT IIFIG SECURED FINANCE II FUND	50,000,000.00	0.99	49,671,185.00	0.98%
GRAFTONGATE INVESTMENTS LTD (LEONARDO WAREHOUSE UNIT)	26,130,271.11	1.00	26,130,271.11	0.52%
GREYHOUND RETAIL PARK CHESTER	19,825,238.00	0.98	19,456,847.41	0.39%
ST ARTHUR HOMES	11,278,266.00	1.00	11,278,266.00	0.22%
PANTHEON SENIOR DEBT SECONDARIES II	18,185,235.62	0.60	10,877,865.26	0.22%
TOTAL OTHER DEBT			**117,414,434.78**	**2.32%**
CASH				
	635.85	1.00	635.85	0.00%
	4,791.94	1.00	4,791.94	0.00%
	69,636.28	1.00	69,636.28	0.00%
	337,000.00	1.00	337,000.00	0.01%
CUSTODIAN CASH			**412,064.07**	**0.01%**
INVESTED CASH	218,675,690.93	1.00	**218,675,690.93**	**4.33%**
TOTAL CASH			**219,087,755.00**	**4.34%**
TOTAL FUND VALUE - 30th June 2023			**5,051,471,632.67**	**100%**

Market Value timing differences included in valuation above	Market Value
Overseas Equities	
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	43,221,108.44
BORDER TO COAST EMERGING MARKET HYBRID FUND	-27,811,277.85
	15,409,830.59
Private Equity	
CROWN GROWTH OPPORTUNITIES GLOBAL III	3,733,201.16
BORDER TO COAST PRIVATE EQUITY SERIES 1A	22,143,919.74
BORDER TO COAST PRIVATE EQUITY SERIES 1B	6,288,183.35
UNIGESTION SA	1,996,489.69
	34,161,793.94
Infrastructure	
BORDER TO COAST INFRASTRUCTURE SERIES 1A	17,776,864.27
BORDER TO COAST INFRASTRUCTURE SERIES 1B	3,332,128.08
BORDER TO COAST INFRASTRUCTURE SERIES 1C	1,651,407.51
GRESHAM HOUSE BSI INFRASTRUCTURE LP	1,608,069.73
	24,368,469.59
Other Debt	
ST ARTHUR HOMES	6,743,824.00
	6,743,824.00
Total	**80,683,918.12**

Asset Allocation Summary	**Actual**	
UK Equities	643,978,325.27	12.75%
Overseas Equities	2,501,771,908.57	49.53%
Private Equity	448,225,081.37	8.87%
Other Alternatives	178,365,151.64	3.53%
Property	473,808,121.85	9.38%
Infrastructure	417,545,999.97	8.27%
Other Debt	117,414,434.78	2.32%
Cash & Bonds	219,087,755.00	4.34%
Local Investments - Private Equity, Other Alternatives & Infrastructure	51,274,854.22	1.02%
	5,051,471,632.67	100.00%



TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 6

PENSION FUND COMMITTEE REPORT

27 SEPTEMBER 2023

INTERIM DIRECTOR OF FINANCE – DEBBIE MIDDLETON

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')

1.2 To provide Members with details of proposed changes to:

- The method Border to Coast uses to apportion its costs between its investors (the Partner Funds).
- The benchmarks State Street use for their passive equity funds.

2. RECOMMENDATION

2.1 That Members note the report.

3. FINANCIAL IMPLICATIONS

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

4. PERFORMANCE

4.1 At 30 June 2023 the Fund had investments in the following three Border to Coast listed equity sub-funds:

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

equities) by FountainCap and UBS, and part managed internally (for all emerging markets equities excluding China) by the team at Border to Coast.

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

The Fund also has investments in the Border to Coast Private Equity sub-fund and the Border to Coast Infrastructure sub-fund. To date, total commitments of £900 million have been made to these sub-funds (£500m to infrastructure and £400m to private equity) with around 33% 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 at 30 June 2023 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 0.80% above benchmark over the last year, just under its 1% overachievement target, whereas the Overseas Developed Markets Equity Fund has achieved returns of 2.35% above benchmark over the last year, comfortably above its 1% overachievement target. Since inception, the UK fund has delivered performance of 0.93% a year above benchmark, slightly below its long-term target, and the overseas fund has delivered performance of 1.49% above benchmark, above its long-term target. The performance of the Emerging Markets Equity Fund has been below benchmark throughout much of the period of our Fund's investment – although performance over the quarter and year to 30 June 2023 was above benchmark, albeit still below the 1.5% over benchmark target.

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 at 30 June 2023. 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.

5.5 State Street has recently advised that it will be making further changes to its passive equity indices and will be excluding additional sectors. The Fund has been notified that from 18th December 2023 the benchmarks of the State Street Sub-Funds the Fund invests in will apply screens to exclude certain securities related to Tobacco and Thermal Coal. Excluded companies will be any involved in production of tobacco or tobacco products and companies that extract thermal coal or have thermal coal power generation and this activity represents 10% or more of revenues. This is in addition to the current screening for UN Global Compact Violations and Controversial Weapons which came into effect on 18th November 2020. Initial indications are across the four State Street Sub-Funds these changes will cover around 0.36% of the current assets (tobacco) and 0.88% of the current assets (thermal coal) that the Fund invests via State Street.

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.

7. BORDER TO COAST – PROPOSED CHANGES TO COST SHARING APPROACH

7.1 When Border to Coast was established over 5 years ago its Partner Funds set out an approach to apportion the costs of setting up and running the different investment propositions (sub-funds) Border to Coast would provide. To ensure adequate funding for each of the new propositions, the initial cost-sharing approach included apportioning some ongoing management charges based on the assets Partner Funds had identified as likely to transfer into the pool. Whilst it was acknowledged that over time charging most costs on an 'assets under management' basis would be fairest, at the outset this would cause anomalies and may in some circumstances could make it more expensive for those Partner Funds that were committing a greater proportion of their assets to pooling.

7.2 Now that Border to Coast has reached a stage where majority of the sub-funds originally envisaged have now been created, it is an appropriate time to revisit the was costs are apportioned. Over the next few months Partner Funds (or their administering authorities) will be asked to agree to make some changes to the agreements that set up Border to Coast to allow cost apportionment from the coming year to be based primarily on an ‘assets under management’ basis. This will not change the costs that Border to Coast charges, it will just apportion them differently – in a way that more fairly represents how Partner Funds are invested. More information on the proposed change is shown in the briefing note recently shared with the Border to Coast Officer Operations Group (OOG) at Appendix D.

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

TEL NO.: 01642 729040

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Appendix A

Teesside Pension Fund

Quarterly Investment Report - Q2 2023

Contents

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,496,996,147
Inflows	£68,861,800
Outflows	£0
Net Inflows / Outflows	£68,861,800
Realised / Unrealised gain or loss	£(18,791,472)
Value at end of the quarter	£2,547,066,475

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 30 June 2023

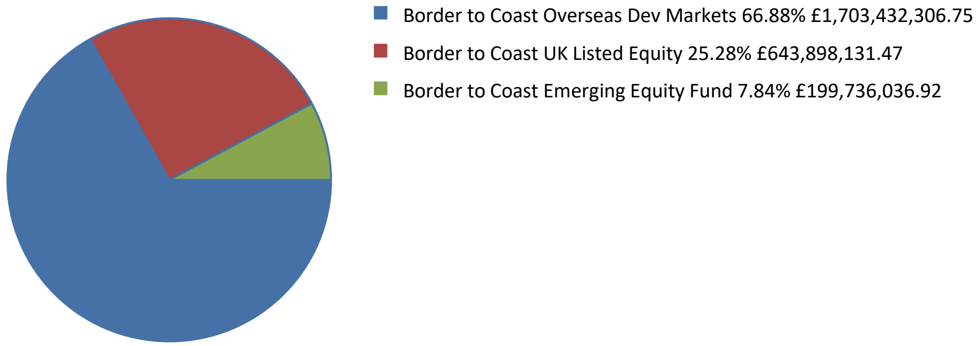
Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Border to Coast UK Listed Equity	FTSE All Share GBP	643,898,131.47	25.28
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	1,703,432,306.75	66.88
Border to Coast Emerging Equity Fund	EM Equity Fund Benchmark[2]	199,736,036.92	7.84

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 30 June 2023

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	25.28	(0.36)	(0.46)	0.10	(0.09)
Border to Coast Overseas Dev Markets	66.88	3.40	2.10	1.30	2.24
Border to Coast Emerging Equity Fund	7.84	(1.80)	(2.08)	0.28	(0.15)
Total	**100.00**	**2.01**			

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 30 June 2023

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	646,204,882.64	25.88	22,087,666.65		(24,394,417.82)	643,898,131.47	25.28
Border to Coast Overseas Dev Markets	1,647,396,920.40	65.98	39,872,000.88		16,163,385.47	1,703,432,306.75	66.88
Border to Coast Emerging Markets Equity	203,394,344.24	8.15	6,902,132.20		(10,560,439.52)	199,736,036.92	7.84
Total	**2,496,996,147.28**	**100.00**	**68,861,799.73**		**(18,791,471.87)**	**2,547,066,475.14**	**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 30 June 2023

	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	4.04	3.11	0.93	(0.35)	(0.46)	0.10	8.69	7.89	0.80	10.39	10.02	0.36	--	--	--
Border to Coast Overseas Dev Markets	9.10	7.61	1.49	3.40	2.10	1.31	15.27	12.92	2.35	11.35	9.65	1.70	--	--	--
Border to Coast Emerging Markets Equity	2.21	3.85	(1.64)	(1.80)	(2.08)	0.27	(2.88)	(3.62)	0.74	0.62	2.06	(1.43)	--	--	--

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 30 June 2023

	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	4.05	3.11	0.94	(0.36)	(0.46)	0.10	8.69	7.89	0.80	10.39	10.02	0.37	--	--	--
Border to Coast Overseas Dev Markets	9.11	7.61	1.50	3.40	2.10	1.31	15.28	12.92	2.36	11.36	9.65	1.71	--	--	--
Border to Coast Emerging Markets Equity	2.37	3.85	(1.48)	(1.72)	(2.08)	0.36	(2.61)	(3.62)	1.01	0.85	2.06	(1.20)	--	--	--

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 30 June 2023

UK Listed Equity Fund

The Fund generated a total return of -0.35% during the quarter, compared to the benchmark return of -0.46%, resulting in 0.10% of outperformance.

The Fund benefited from the following factors:

- Overweight Industrials sector alongside positive stock selection with, in particular, overweight positions in Melrose Industries, Ferguson and Dowlais.
- Underweight allocation to Telecommunications, where larger index constituents BT and Vodafone have been weak performers.
- Stock selection in Consumer Discretionary, where Marks & Spencer and Whitbread have continued to perform strongly.

This was partly offset by the following:

- Stock selection in Financials where 3i Group (not held) outperformed and Impax Environmental (overweight) underperformed.
- Underweight allocation to Technology, combined with stock selection, where NCC (overweight) issued a profit warning.
- Overweight allocation to Consumer Staples where bond proxies have underperformed in a rising rate cycle.

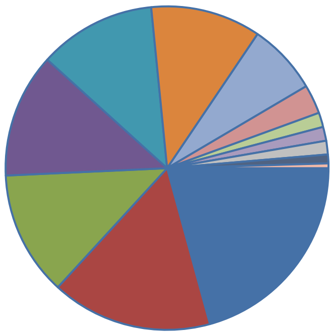
Note
1) Source: Border to Coast

Border To Coast UK Listed Equity Fund at 30 June 2023

Largest Relative Over/Underweight Sector Positions (%)

Common Stock Funds	+1.44
Consumer Staples	+1.11
Health Care	+0.79
Industrials	+0.52
Energy	+0.29
Financials	-2.53
Real Estate	-0.92
Utilities	-0.72
Technology	-0.71
Telecommunications	-0.37

Sector Portfolio Breakdown



Note
1) Source: Northern Trust

UK Listed Equity Fund

The Border to Coast UK Listed Equity Fund aims to provide a total return (income and capital) which outperforms the total return of the FTSE All Share Index by at least 1% per annum over rolling 3-year periods (before calculation of the management fee).

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

Sector Weights:

Common Stock Funds (o/w) – exposure to UK smaller companies via specialist funds/collective vehicles. While UK small caps, in common with other geographies, have underperformed the wider market over much of the past 2 years, over longer periods they typically outperform, benefitting from stronger growth potential, with the funds delivering long-term outperformance.

Consumer Staples (o/w) – broad mix of food and beverage, beauty, personal care, and home care product manufacturers 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.

Healthcare (o/w) – global demographics (an ageing and growing global population), greater incidence of chronic health conditions, and increasing ability of emerging market populations to fund modern healthcare help drive above-GDP growth in global healthcare spending. Sector benefits from pricing power and barriers to entry such as patent protections and rigorous drug approval processes.

Financials (u/w) – predominantly due to underweight investment trusts and Asian-focused banks, as well as 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 alongside pent-up demand from the recent re-opening of the China/Hong Kong border.

Real Estate (u/w) – broad concerns around retail/leisure sector exposure, long-term vacancy rates, downward rent re-negotiations, costs associated with 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.

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

Border To Coast UK Listed Equity Fund Attribution at 30 June 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Melrose Industries	0.60	46.21	0.30	109.33	0.08
BT	0.00	0.00	0.37	(16.08)	0.07
Whitbread	0.71	15.06	0.30	15.11	0.06
Dowlais Group	0.31	(9.22)	0.07	(47.96)	0.05
Ferguson	0.34	17.02	0.00	0.00	0.05

Melrose Industries PLC (o/w) – demerger of the automotive and powder metallurgy divisions has seen the shares re-rate as a pure-play aerospace business, with improving momentum and profitability driven by an accelerating recovery in both commercial (post-Covid disruption) and defence aerospace markets (Russia/Ukraine and China/Taiwan concerns).

BT Group PLC (u/w) – exited our position last quarter. Increasing competition from alternative network providers, deteriorating line losses, elevated Openreach capex and balance sheet concerns (debt financing costs and caution around the pension fund deficit ahead of the triennial review) have weighed on the shares.

Whitbread PLC (o/w) – strong quarterly trading update confirmed continued momentum in room pricing and occupancy, with market share gains as independent hotel capacity exits the market and expansion in Germany benefits from increasing hotel maturity.

Dowlais Group PLC (o/w) – auto divisions de-merged from Melrose in April with an undemanding rating at separation. Benefitting from an easing of bottlenecks in auto supply chains, growing recognition of its leading market positions and appreciation of the auto electrification opportunity.

Ferguson PLC (o/w) – continues to benefit from a strong construction market and infrastructure investment in the US, gaining market share in fragmented markets. Shares have also re-rated following the switch of its primary listing to the US.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund Attribution Continued at 30 June 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
3I Group plc	0.00	0.00	0.81	17.42	(0.12)
John Wood Group	0.21	(32.69)	0.04	(32.35)	(0.07)
HSBC	4.97	14.31	5.43	14.61	(0.06)
British Land	0.40	(18.95)	0.12	(19.21)	(0.06)
Centrica	0.00	0.00	0.31	18.90	(0.05)

3i Group PLC (u/w) – not held. Concentrated investment portfolio with the European discount retailer Action, accounting for over half of the net asset value, continuing to perform ahead of expectations.

John Wood Group PLC (o/w) – shares have reversed gains as private equity firm Apollo announced it did not intend to make a firm offer for the company after several unsuccessful all-cash proposals.

HSBC Holdings PLC (u/w) – quarterly trading update ahead of expectations and elevated share buyback announced. Rate cycle tailwind and expectations around China re-opening/rising cross border activity in Hong Kong.

British Land Co PLC (o/w) – full year results confirmed the rate cycle continues to weigh on property valuations with net asset value 12% lower and year end loan to value moving higher at 36%.

Centrica PLC (u/w) – not held. Trading statement confirmed continued strong performance across both its upstream energy trading division and downstream British Gas division.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast UK Listed Equity Fund at 30 June 2023

Largest Relative Over/Underweight Stock Positions (%)

Impax Environmental Markets	+0.88
Schroder UK Smaller Companies Fund	+0.75
Liontrust UK Smaller Companies	+0.68
Herald Investment Trust	+0.51
Shell	+0.47
3I Group plc	-0.81
Rolls Royce	-0.55
Glencore	-0.54
HSBC	-0.46
NatWest	-0.45

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

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

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

Liontrust UK Smaller Companies Fund – specialist UK small-cap fund with an investment style focussed factors considered relevant to the stronger long-term growth profile of smaller companies.

Herald Investment Trust PLC – specialist investment trust focussed on smaller quoted companies in telecommunications, multimedia and technology, with a global investment mandate. Long track record of outperformance.

Shell PLC – Elevated energy prices and Shell's global LNG scale have enabled significant debt reduction while also supporting a commitment to invest in energy transition and return an increasing proportion of cash generated to shareholders.

Bottom 5 Holdings Relative to Benchmark:

3i Group PLC – global private equity investor with a highly concentrated investment portfolio; 60% of the current net asset value is invested in a single asset, Action, a European discount retailer.

Rolls-Royce Holdings PLC – recently exited holding on uncertainty over the recovery profile of long-haul air travel post-Covid lockdown relative to that of short-haul, and the associated demand for wide-bodied engines and engine flying hours.

Glencore PLC – historically a higher risk commodity company with significant operations in geographies with weaker governance, such as the Democratic Republic of the Congo and thermal coal exposure higher than peers.

HSBC Holdings PLC – caught in the midst of the geopolitical tension between the US and China, heightened by more recent economic sanctions restricting the export of leading-edge technology to China. Fund preference for Standard Chartered offering a broader Asian/emerging market exposure.

NatWest Group PLC – The fund has recently added NatWest as a holding given its increased index weight, strong capital position and beneficiary of the rising rate cycle, although we remain cautious around the potential for rising defaults as UK monetary policy continues to tighten to combat inflation.

Major transactions during the Quarter
Purchases:
NatWest Group PLC (£5.1m) – new holding. See above.

Sales:
Dechra Pharmaceuticals PLC (£5.5m) –exited recently added holding following company acceptance of all-cash private equity offer.
Wickes Group PLC (£5.0m) – exited position – DIY sectors have struggled in the face of rising consumer headwinds.

Border To Coast Overseas Developed Markets Equity Fund - Overview at 30 June 2023

Overseas Developed Markets Fund

The Fund generated a total return of 3.40% during the quarter compared to the composite benchmark return of 2.10% resulting in 1.31% of outperformance.

The fund has historically shown a low correlation of returns between its different geographic splits. The past quarter was exceptional with outperformance delivered across all geographies simultaneously. Despite relative returns all being positive, there was a notable variation in both absolute returns and the source of those returns.

The key driver of absolute performance was the funds US equity exposure which gained 7.30%. High growth companies with exposure to specific market themes such as AI performed exceptionally well. In stark contrast, Developed Asia ex Japan lagged, with the index dropping 2.35% over the quarter. Our investments in high quality companies with sustainable returns proved defensive and delivered outperformance of 0.28% over the period.

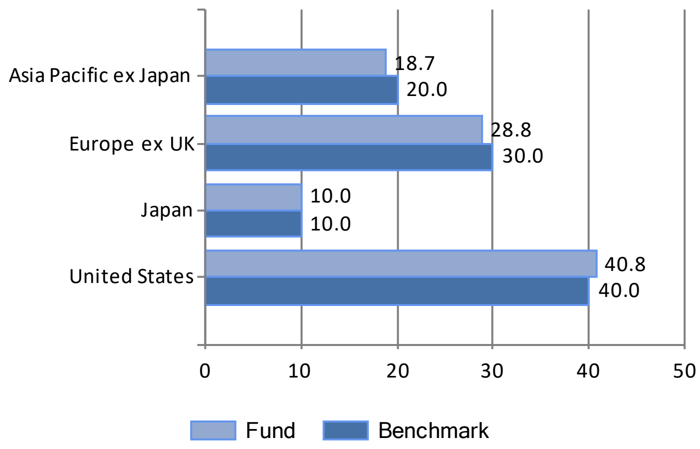
On a sector basis the strength of the technology sector and specifically US Technology, where the fund is overweight, was the major contributor to returns. This accounted for near half of the fund's total outperformance over the period. The healthcare sector was also a positive contributor to returns where despite its poor performance, strong stock selection resulted in materially better returns.

The Fund retains its low risk profile with strong diversification across its four geographies. 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 30 June 2023

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.

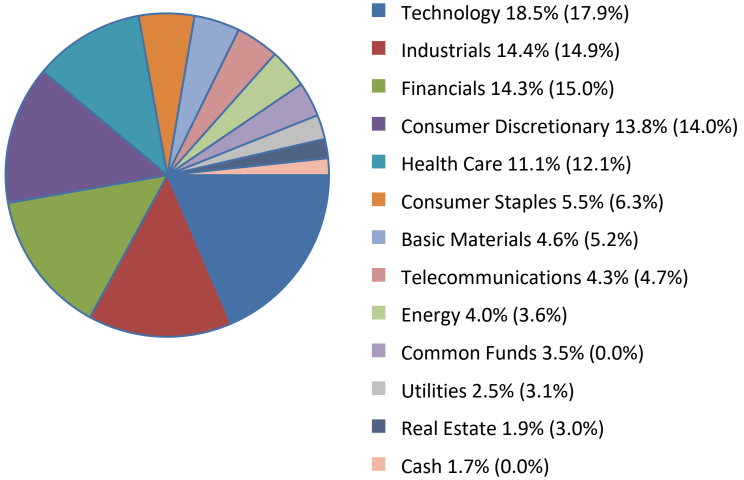
(*) The Benchmark is a composite of the following indices:
•40% S&P 500
•30% FTSE Developed Europe ex UK
•20% FTSE Developed Asia Pacific ex Japan
•10% FTSE Japan

	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	**9.10**	**7.61**	**1.49**	**3.40**	**2.10**	**1.31**	**15.27**	**12.92**	**2.35**	**11.35**	**9.65**	**1.70**
United States	12.88	11.60	1.28	7.30	5.63	1.67	15.37	13.66	1.71	14.13	12.99	1.15
Japan	5.65	3.29	2.37	6.49	2.94	3.55	16.29	12.12	4.17	7.70	4.49	3.20
Europe ex UK	7.58	6.08	1.51	0.89	0.07	0.82	21.82	18.47	3.34	11.16	8.84	2.32
Asia Pacific ex Japan	4.87	3.45	1.42	(2.08)	(2.35)	0.28	3.70	2.80	0.90	6.76	5.84	0.91

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 30 June 2023

Sector Portfolio Breakdown



Overseas Developed Markets Fund

Sector Weights:

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

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

Energy (o/w) – 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.

Real Estate (u/w) – high leverage leaves the sector exposed in a rising interest rate environment; longer-term concerns around impact of home/flexible working on the longer-term demand for office space.

Health Care (u/w) – despite favourable longer-term growth characteristics, reduced exposure to Covid-beneficiaries whose valuations no longer reflect fundamentals.

Consumer Staples (u/w) – 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.

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 30 June 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
NVIDIA Corporation	1.57	48.22	1.13	48.12	0.18
Alphabet A	1.87	12.30	0.77	12.23	0.10
Eli Lilly	0.71	32.43	0.40	33.05	0.08
Oracle	0.62	25.20	0.20	25.02	0.08
Broadcom	0.73	32.13	0.39	32.00	0.08

NVIDIA Corp (o/w) – the company provided short-term revenue guidance that was significantly ahead of market expectations driven by AI related demand for the latest versionsof its industry-leading data centre microprocessors.

Alphabet Inc Class A (o/w) – the quarter saw increasing investor confidence that Google internet search can defend its position against new entrants in digital advertising, and against an AI augmented platform being introduced by its principal rival in search, Microsoft.

Eli Lilly & Co (o/w) – growth continues to exceed that of its pharmaceutical peers driven by its diabetes franchise. The period saw encouraging news for the associated treatment of obesity and certain related co-morbidities. Obesity represents a significant opportunity, as does the market for Lilly's promising late-stage pipeline drug for the treatment of Alzheimer's disease, which also generated positive headlines in the quarter.

Oracle Corp (o/w) – the company saw strong results from its nascent but fast-growing cloud service business. The share price also benefitted from reporting that Oracle has beneficial access to Nvidia's leading data centre chips, giving it an early start in securing generative AI revenues.

Broadcom Inc (o/w) – investor expectations grew over the quarter around the scale of the company's opportunity in niche semiconductors and data centre networking solutions that will be key to running augmented AI workloads across data centres.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund Attribution Continued at 30 June 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Tesla	0.00	0.00	0.76	22.71	(0.13)
Alphabet C	0.00	0.00	0.67	13.12	(0.07)
Dollar General	0.26	(21.28)	0.04	(21.39)	(0.06)
Meta Platforms	0.49	31.64	0.68	31.69	(0.05)
Teleperformance	0.13	(31.03)	0.04	(31.46)	(0.04)

Tesla Inc (u/w) – the period saw ongoing investor enthusiasm for the leader in US electric car production, driven by comments from the company that they are seeing a strong demand response following a series of vehicle price cuts.

Alphabet Inc Class C (u/w) – the quarter saw increasing investor confidence that Google internet search can defend its position against new entrants in digital advertising, and against the AI augmented platform being introduced by its principal rival in search.

Dollar General Corp (o/w) – experienced subdued same store sales after consecutive quarters of gross margin pressure, with this starting to challenge management's credibility. The company has reasoned that their core low-income customer base is showing increasing signs of shopping basket inflation fatigue.

Meta Platforms (u/w) – the quarter saw an improvement in social media advertising revenues. Combined with a reaffirmation from the company that they will continue to bear down on cost, this gave rise to expectations for profit improvement resulting in an uplift for Meta's valuation and share price.

Teleperformance (o/w) – the French IT services company operates global call centres and tends to work higher up the value chain by offering a higher service. The management announced a major acquisition of Majorel Group for €3bn that surprised the market and was not consistent with the company's state strategy.

Note

1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund at 30 June 2023

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.09
Alphabet A	+1.10
Novo Nordisk	+0.59
Visa Inc	+0.58
Microsoft	+0.53
Tesla	-0.76
Alphabet C	-0.67
Exxon Mobil	-0.47
Mastercard	-0.35
Hermes	-0.28

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

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

Alphabet Inc Class A – parent company of Google: zero weight in the C shares nets out to a moderate overweight position. Google enjoys strong and profitable internet advertising market positions whilst also benefitting from a fast-growing cloud computing infrastructure business.

Novo Nordisk – the Danish pharmaceutical company has a strong market position in type 2 diabetes and they have also branched out into treatment of obesity. Their obesity treatment drug, Wegovy, is seeing demand far outstrip supply as they extend its offering to other countries.

Visa Inc Class A – Visa's revenues are positively correlated with consumer price inflation and are being boosted by the ongoing recovery in lucrative overseas travel transactions. Ongoing spend conversion from cash to card and contactless payments is a secular growth opportunity.

Microsoft Corp – the company enjoys the benefit of structural growth from its Azure cloud hosting business as well as upselling opportunities from the migration of Office license sales to online subscription sales. The company should be well placed to pursue opportunities in augmented AI within the enterprise space.

Bottom 5 Holdings Relative to Benchmark:

Tesla Inc – there is a concern that the Company may need to cut vehicle prices further to stimulate demand at a time of increasing competition. The high valuation of the shares is difficult to justify without evidence, so far illusive, that Tesla can generate material revenue streams from vehicle autonomous driving functionality.

Alphabet Inc Class C – the large holding in the alternative A share class results in a moderate overweight exposure to Alphabet overall.

Exxon Mobil Corp – we hold a preference for Chevron and ConocoPhillips due to their better track records of ESG engagement.

Mastercard Inc Class A – the fund holds a preference for Visa, the other global payment network company due to Visa's more favourable valuation.

Hermes – higher valuation and less diversified than some peers. The portfolio has an o/w position in LVMH, which trades at a lower valuation despite best-in-class characteristics.

Summary of Performance - Funds (Net of Fees) Border to Coast Emerging Markets Equity Fund at 30 June 2023

	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	2.21	3.85	(1.64)	(1.80)	(2.08)	0.27	(2.88)	(3.62)	0.74	EM Equity Fund Benchmark[3]
Border to Coast	2.69	3.51	(0.82)	4.37	3.71	0.66	9.89	7.27	2.62	FTSE Emerging ex China (Net)
FountainCap	(20.57)	(19.93)	(0.63)	(12.46)	(12.28)	(0.18)	(20.91)	(20.88)	(0.03)	FTSE China (Net)
UBS	(21.55)	(19.93)	(1.61)	(12.26)	(12.28)	0.02	(22.37)	(20.88)	(1.49)	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 30 June 2023

Emerging Markets Equity Fund

This quarter's 'topic du jour' was artificial intelligence, with enthusiasm about the potential applications of said technology driving markets, most notably US technology stocks, higher. Unfortunately, this optimism did not reach emerging markets, which lagged over the period.

Of the major emerging markets, China was again the laggard. The 'big bang' reopening that many expected for China has not yet materialised. In particular, manufacturing and export activity has been weaker than expected. Whilst consumers have the ability to spend (high savings levels), confidence has not yet returned, and therefore willingness is low. When there are outflows from China, they tend to head to India, and this was the case in Q2 2023, with the Indian market (which outperformed) further supported by earnings and economic confidence. Another outperformer was Brazil, where decisive policy in 2021/2022 means interest rate cuts are expected in the near future, buoying equity markets.

Against this backdrop, the Fund outperformed the benchmark by 0.3%. On a since inception to date basis, however, the Fund remains behind benchmark (underperforming by 1.6% per annum).

Looking through to the underlying mandates, the internally managed emerging markets ex. China portfolio had another strong quarter, outperforming its benchmark by 0.7%. Key contributors were stock selection in Consumer Staples (ITC), being overweight Health Care (and in particular Richter Gedeon), as well as being overweight Brazil and underweight Malaysia.

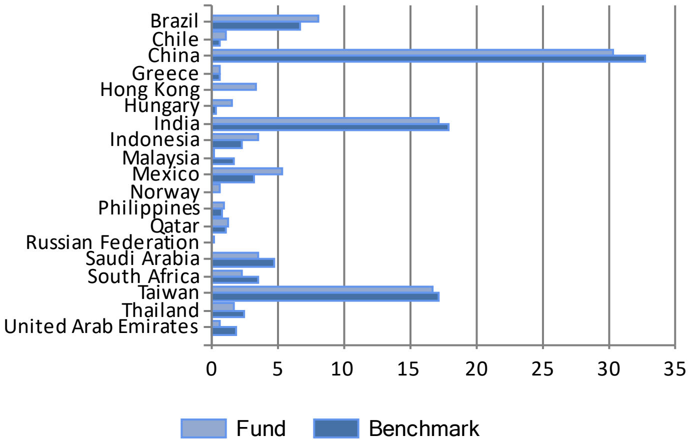
As mentioned, it was another weak quarter for the Chinese equity market, with the Fund's China specialists broadly tracking the market as it fell. The aggregate allocation finished the quarter very marginally behind benchmark (which was down ~12%). UBS were ever so slightly ahead of benchmark with Fountain Cap ~0.2% behind. UBS' overweights to NetEase, Ping An Insurance and Midea were key contributors, but these were offset by UBS having no exposure to auto-makers Li Auto and BYD and many of the state-owned banks. With Fountain Cap, key active positions in the energy sector PetroChina (traditional energy) and Sungrow Power (renewables) performed well, as did large underweights to Alibaba and Tencent. The largest detractor was Anta Sports, which fell some 30% (in GBP terms) on the back of consumer spending slowdown fears.

Looking forward, we expect the next year to look much like the last few, with large regional dispersions as economies continue to solve growth and inflation puzzles. Overall, 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.

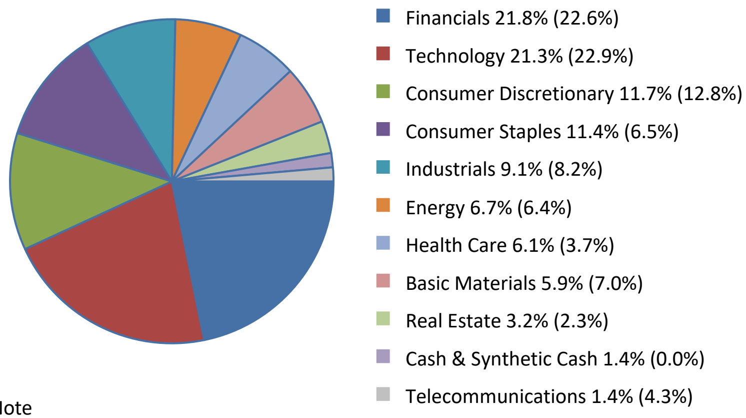
Note
1) Source: Border to Coast

Border to Coast Emerging Markets Equity Fund
at 30 June 2023

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 in 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 in 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, which should benefit from continued urbanisation in emerging markets, and the manufacturer of electric cables with key relationships with global renewables businesses – i.e. a beneficiary of the green energy transition.

Technology (u/w) – the Fund is exposed to a range of businesses that fall under the Technology sector, for example, semiconductors, electronic cabling and connectors, solar energy products and IT services. The underweight position is driven primarily by an underweight exposure to the Chinese online giants Tencent, Baidu and Pinduoduo.

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.

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 30 June 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
ITC	2.11	17.08	0.26	16.70	0.28	Consumer Staples	India
Alibaba	1.45	(20.84)	2.85	(21.21)	0.27	Consumer Discretionary	China
Gedeon Richter	1.54	19.22	0.05	19.81	0.24	Health Care	Hungary
PRIO	1.49	20.36	0.08	21.52	0.22	Energy	Brazil
Itau Unibanco	1.77	18.04	0.45	18.55	0.18	Financials	Brazil

Positive Issue Level Impacts

ITC (o/w) – an Indian conglomerate focused on fast moving consumer goods. ITC outperformed the Indian market after reporting better than expected earnings results, the product of solid volume growth as well as margin improvement from premiumisation across many of its business lines.

Alibaba (u/w) – shares of the Chinese internet giant retreated once again as markets were once more in risk-off mode with regards to China. The firm's recently announced restructuring plan will take time to enact and could create operational difficulties in the short-term. The Fund is underweight and therefore this share price weakness was a contributor to performance.

Gedeon Richter (o/w) – the pharmaceutical and biotechnology company delivered strong earnings results that showed continued sales momentum for key drugs in the US, solid growth of its women's health portfolio, and stable profitability in its generics business.

PRIO (o/w) – PRIO is a Brazilian oil producer. PRIO's share price rose during the period on steady production progression at its oil fields. The stabilisation in the oil price following supportive measures from OPEC+ was also beneficial.

Itau (o/w) - performed well on the back of resilient Q1 results with no unexpected surprises regarding loan delinquency, whilst loan and fee income growth was better than expected, resulting in an improvement in ROE to 20.7%.

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 30 June 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Kweichow Moutai	3.06	(13.56)	0.33	(13.52)	(0.34)	Consumer Staples	China
ANTA Sports Products	0.95	(30.97)	0.20	(31.04)	(0.30)	Consumer Discretionary	China
Petrobas	0.00	0.00	0.40	48.95	(0.15)	Energy	Brazil
Hong Kong Exchanges & Clearing	0.64	(17.38)	0.00	0.00	(0.12)	Financials	Hong Kong
China Merchants Bank	1.16	(13.65)	0.27	(13.51)	(0.12)	Financials	China

Negative Issue Level Impacts

Kweichow Moutai (o/w) – a leading Chinese baijiu (liquor) producer and the Fund's largest active weight. It was a difficult quarter for the stock which fell more than 10% (in GBP terms, less in local terms) on the back of a less optimistic outlook and more competition with the listing of competitor baijiu manufacturer and KKR backed ZJLD.

Anta Sports (o/w) – produces and distributes sportswear, leisurewear, and footwear throughout China. Anta shares dropped sharply in mid-April following a $1.5bn top-up share placement (priced at a discount to the prevailing market price) and continued to fall on overall consumption fears and increased competition in China from international brands like Nike.

Petrobras (u/w) – a state-owned Brazilian oil and gas multinational. Early quarter volatility was followed by a strong rally as the continued payment of dividends (the business is highly cash generative) and greater comfort regarding the risk of political interference buoyed investors. The Fund no longer has exposure to Petrobras.

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 and from China and despite strong operating results in the first quarter, fears that slowing economic activity would restrict volumes for the rest of the year resulted in poor share price performance.

China Merchants Bank (o/w) – a leading Chinese banking group. Weaker than expected operating results (narrower net interest margin and lower fee income) and a rising property related non-performing loan ratio saw investor sentiment weaken leading to underperformance versus other Chinese banks.

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 30 June 2023

Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.73
ITC	+1.85
Netease	+1.81
Gedeon Richter	+1.49
PRIO	+1.40
Alibaba	-1.39
Tencent	-0.97
China Construction Bank	-0.96
ICBC	-0.67
Baidu	-0.60

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.

ITC – ITC's portfolio of consumer staples brands and powerful distribution capability provides broad exposure to the consumer in India. The cigarette business is benefiting from more rational excise duties, thus taking back market share from the informal market, and the foods business has a positive outlook given operational leverage opportunities.

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.

GedeonRichter – a diversified and growing pharmaceutical business that trades materially cheaper than peers. Richter boasts a growing women's health platform and is a leader in proprietary CNS (central nervous system) drug discovery. The firm is well positioned to benefit from increased global medical spending with mature cash generative drugs and an innovative pipeline.

PRIO – PRIO is a Brazilian oil producer with an impressive track record of acquiring aged offshore oil fields and then driving productivity and cost efficiencies, while improving reserve replacement. These operational improvements reduce the carbon emissions footprint of production and drive cash generation. The business is appealing in the context of Brazil as it exports its oil internationally.

Bottom 5 Holdings Relative to Benchmark:

Baidu – operates a Chinese internet search engine (think Google in China). The Chinese internet sector continues to remain under pressure (from regulation) and, for Baidu in particular, a slow recovery in advertising revenue could constrain any upside from other business units (e.g. autonomous driving).

Industrial and Commercial Bank of China – 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 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. 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 – Chinese multinational technology company, 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:

Ayala Land (Addition, £8m) – The Fund's position in Ayala Land (property developer located in the Philippines) was increased over the quarter in response to a much-improved outlook for its residential sales volumes and commercial rental income, alongside management's reinvigorated focus on cash flow generation and dividend growth.

Varun Beverages (New Position, £7m) – A position in Varun Beverages (Indian beverages and snacks distributor) was initiated in the period given the Company's attractive growth fundamentals, particularly regarding geographical expansion of its distribution platform as well as volume throughput, which has been aided by the introduction of new products.

APPENDICES

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
NVIDIA Corporation	1.57	1.13	0.18
Alphabet A	1.87	0.77	0.10
Eli Lilly	0.71	0.40	0.08
Oracle	0.62	0.20	0.08
Broadcom	0.73	0.39	0.08

NVIDIA Corp (o/w) – the company provided short-term revenue guidance that was significantly ahead of market expectations driven by AI related demand for the latest versions of its industry-leading data centre microprocessors.

Alphabet Inc Class A (o/w) – the quarter saw increasing investor confidence that Google internet search can defend its position against new entrants in digital advertising, and against an AI augmented platform being introduced by its principal rival in search, Microsoft.

Eli Lilly & Co (o/w) – growth continues to exceed that of its pharmaceutical peers driven by its diabetes franchise. The period saw encouraging news for the associated treatment of obesity and certain related co-morbidities. Obesity represents a significant opportunity, as does the market for Lilly's promising late-stage pipeline drug for the treatment of Alzheimer's disease, which also generated positive headlines in the quarter.

Oracle Corp (o/w) – the company saw strong results from its nascent but fast-growing cloud service business. The share price also benefitted from reporting that Oracle has beneficial access to Nvidia's leading data centre chips, giving it an early start in securing generative AI revenues.

Broadcom Inc (o/w) – investor expectations grew over the quarter around the scale of the company's opportunity in niche semiconductors and data centre networking solutions that will be key to running augmented AI workloads across data centres.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Tesla	0.00	0.76	(0.13)
Alphabet C	0.00	0.67	(0.07)
Dollar General	0.26	0.04	(0.06)
Meta Platforms	0.49	0.68	(0.05)
Thermo Fisher Scientific	0.46	0.22	(0.04)

Tesla Inc (u/w) – the period saw ongoing investor enthusiasm for the leader in US electric car production, driven by comments from the company that they are seeing a strong demand response following a series of vehicle price cuts.

Alphabet Inc Class C (u/w) – the quarter saw increasing investor confidence that Google internet search can defend its position against new entrants in digital advertising, and against the AI augmented platform being introduced by its principal rival in search.

Dollar General Corp (o/w) – experienced subdued same store sales after consecutive quarters of gross margin pressure, with this starting to challenge management's credibility. The company has reasoned that their core low-income customer base is showing increasing signs of shopping basket inflation fatigue.

Meta Platforms (u/w) – the quarter saw an improvement in social media advertising revenues. Combined with a reaffirmation from the company that they will continue to bear down on cost, this gave rise to expectations for profit improvement resulting in an uplift for Meta's valuation and share price.

Thermo Fisher Scientific (o/w) – the demand environment for life science tools is moderating post the windfall from elevated COVID-19 diagnostic, therapeutic, and vaccine expenditures. Tighter financial conditions are also leading startup biotechnology firms to conserve cash at the expense of pharmaceutical research.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - United States at 30 June 2023

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.09
Alphabet A	+1.10
Visa Inc	+0.58
Microsoft	+0.53
NVIDIA Corporation	+0.44
Tesla	-0.76
Alphabet C	-0.67
Exxon Mobil	-0.47
Mastercard	-0.35
PepsiCo	-0.27

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

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

Alphabet Inc Class A – parent company of Google: zero weight in the C shares nets out to a moderate overweight position. Google enjoys strong and profitable internet advertising market positions whilst also benefitting from a fast-growing cloud computing infrastructure business.

Visa Inc Class A – Visa's revenues are positively correlated with consumer price inflation. Ongoing spend conversion from cash to card and contactless payments is a secular growth opportunity.

Microsoft Corp – the company enjoys the benefit of structural growth from its Azure cloud hosting business as well as upselling opportunities from the migration of Office license sales to online subscription sales.

NVIDIA Corp – the company has leadership in advanced data centre chips that customers use for the most intense compute workloads including generative AI.

Bottom 5 Holdings Relative to Benchmark:

Tesla Inc – there is a concern that the Company may need to cut vehicle prices further to stimulate demand at a time of increasing competition.

Alphabet Inc Class C – the large holding in the alternative A share class results in a moderate overweight exposure to Alphabet overall.

Exxon Mobil Corp – We hold a preference for Chevron and ConocoPhillips due to their better track records of ESG engagement.

Mastercard Inc Class A – the fund holds a preference for Visa, the other global payment network company due to Visa's more favourable valuation.

PepsiCo Inc – the fund's exposure to the soft drink segment is gained through The Coca-Cola Company. Coca Cola has a well-developed strategy across the broad beverage space and is trading on a discount to PepsiCo.

Major transactions during the Quarter

Purchases:
Vanguard Mid-Cap ETF (£16.5m) – the outperformance of the largest companies in the market has led to an increasing underweight exposure to the smaller companies of the index. Purchases of the ETF have helped to moderate the relative underweight.

Sales:
Vanguard Small-Cap Value ETF (£14.6m) – exited holding. The smallest companies of the market tend to rely on bank financing over corporate bond issuance. After the collapse of Silicon Valley Bank there is increasing concern that corporate bank loans might become more difficult and expensive to obtain.

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
ING	0.51	0.18	0.04
Kering	0.00	0.15	0.03
Engie	0.37	0.10	0.03
BNP Paribas	0.57	0.26	0.03
Prosus	0.00	0.20	0.02

ING (o/w) – Despite the Dutch bank reporting below expectations during the quarter the share's shares outperformed on the announcement of a €1.5bn share buyback. The bank is over capitalised and has announced capital reduction plans for 2025 which increase the chances of more buybacks going forward.

Kering (u/w) – The French luxury good company performed poorly as the economic backdrop suggested potentially weakening consumer spending. The impact from the Chinese reopening proved weaker than anticipated. Kering is more exposed to China through Gucci which accounts for around a third of sales.

Engie (o/w) – The French utility company saw the operating lives of their two Belgium nuclear reactors extended beyond 2025.They were also provided with clarity on the payment for the transfer of the atomic waste liability to the Belgium government. Full year guidance was also raised.

BNP Paribas (o/w) – The French bank which has a strong franchise and is seen as systemically important released stronger than expected results. This was supported by the sale of BancWest, its US subsidiary.

Prosus (u/w) – affected by the poor performance of its main asset Tencent, the Chinese Internet company. The company has been reducing their ownership of Tencent to lower their overall reliance on a single dominant investment and fund their capital return to shareholders. The Tencent share price has been pressured by Prosus's sell down and the poor performance of the Chinese equity market.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Teleperformance	0.13	0.04	(0.04)
BB Biotech	0.13	0.00	(0.04)
UniCredit	0.00	0.16	(0.03)
DSM-Firmenich	0.16	0.07	(0.02)
TotalEnergies	0.88	0.49	(0.02)

Teleperformance (o/w) – The French IT services company operates global call centres and tends to work higher up the value chain by offering a higher service. The management announced a major acquisition of Majorel Group for €3bn that surprised the market and was not consistent with the company's state strategy.

BB Biotech (o/w) – The Swiss biotechnology investment company underperformed during the quarter. Portfolio investment into biotech has been low as concerns over the macro environment with higher interest rates affecting the small and midcap part of the sector.

Unicredit (u/w) – The Italian bank performed strongly as its profitability improved on higher interest rates. This gave management confidence to suggest they could return further capital to shareholder.

DSM Firmenich (o/w) – The Dutch flavour and fragrance company is the result of the completion of the merger of DSM and Firmenich. A weakening economic outlook was unhelpful at a time when investors are unsure about the direction of the new company and its ability to meet its synergy targets.

TotalEnergies (o/w) – the French integrated oil and gas company underperformed as profits for the quarter eased due to oil prices falling during the quarter. The surprise OPEC cuts announced at the beginning of the quarter did little to stop oil prices from falling as concerns that demand would weaken going into the second half of the year.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Europe (ex UK) at 30 June 2023

Largest Relative Over/Underweight Stock Positions (%)

Novo Nordisk	+0.59
Siemens	+0.40
TotalEnergies	+0.39
Air Liquide	+0.37
AXA	+0.36
Hermes	-0.28
Zurich Insurance Group	-0.27
Mercedes-Benz	-0.26
Banco Santander	-0.22
EssilorLuxottica	-0.21

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Novo Nordisk – strong market position in type 2 diabetes treatment and extension of product line into obesity treatment.

Siemens – high-quality engineering company well positioned in markets with above-average long-term structural growth.

TotalEnergies – shifting from core oil business, now the second largest player in LNG; diversifying further into green energy.

Air Liquide – The French gas distributor is seen as defensive play in the chemicals sector with the potential to benefit with the shift to hydrogen.

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

Bottom 5 Holdings Relative to Benchmark:

Hermes – higher valuation and less diversified than some peers. The portfolio has an o/w position in LVMH, which trades at a lower valuation despite best-in-class characteristics.

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

Mercedes-Benz – concerns that margins are peaking, high relative valuation leaves little room for disappointment.

Banco Santander – one of the weaker operators in the banking sector with concern over future direction.

EssilorLuxottica – The French eyewear company initially struggled following its creation through the merger of Essilor and Luxottica.

Major transactions during the Quarter

Purchases: No major purchases during this quarter.

Sales:

Fresenius SE (£4.2m) – Total holding sold. Fresenius was a small part of the portfolio and there are concerns that the company will not be able to meet their target of €1bn of cost savings.

Givaudan (£6.9m) – Total holding sold. Looking to reduce the portfolio's exposure to the Flavour and Fragrances sector. Givaudan was seen to be the laggard as the alternatives had drivers that could push their revenue higher and quicker.

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 30 June 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Renesas Electronics	0.26	0.06	0.05
DISCO Corporation	0.22	0.03	0.04
Panasonic	0.21	0.06	0.03
Daiichi Sankyo	0.00	0.15	0.03
KEPCO	0.17	0.02	0.03

Renesas Electronics (o/w) – A beneficiary of the market focus on Tech/AI, which would have also highlighted the low relative valuation of this stock.

Disco (o/w) – A beneficiary of the market focus on Tech/AI, as the company's products are used in the chip manufacturing process.

Panasonic (o/w) – The company announced a battery partnership with Mazda and plans to expand EV battery production. These announcements, combined with anticipated tax credits for the US Inflation Reduction Act, have all contributed positively this quarter.

Daiichi Sankyo (u/w) – A weak quarter for the pharmaceutical and biotech sector as the market moved to a "risk-on" stance with a particular focus on Tech/AI.

Kansai Electric Power (o/w) – Positive results, issue of storing spent nuclear fuel appears resolved, and dates given for restart of 2 nuclear reactors have all contributed to strong outperformance. Some caution is needed regarding the reactor restarts as they have been idle for 12 years and are over 40 years old, so some unforeseen issues may be found when the reactors are powered up.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 30 June 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Ballie Gifford Shin Nippon	0.24	0.00	(0.03)
Mitsui & Co	0.00	0.14	(0.02)
Shionogi	0.18	0.03	(0.02)
Advantest	0.00	0.06	(0.02)
Takeda Pharmaceutical	0.27	0.12	(0.02)

Baillie Gifford Shin Nippon (o/w) – The focus of the market has been on large cap foreign held stocks, and this small cap fund has therefore underperformed.

Mitsui & Co (u/w) – The company has benefitted from a strong quarter for the Japanese Trading companies as Warren Buffett increased his stakes in them and they benefitted from strong commodity prices.

Shionogi (o/w) – A weak quarter for the pharmaceutical and biotech sector as the market moved to a "risk-on" stance with a particular focus on Tech/AI.

Advantest (u/w) – This chip manufacturer was seen as a major beneficiary of AI, and there is now a lot of AI expectation in the price.

Takeda Pharmaceutical (o/w) – A weak quarter for the pharmaceutical and biotech sector as the market moved to a "risk-on" stance with a particular focus on Tech/AI.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Japan
at 30 June 2023

Largest Relative Over/Underweight Stock Positions (%)

Ballie Gifford Shin Nippon	+0.24
Renesas Electronics	+0.21
Tokyo Electron	+0.20
Hitachi	+0.20
Shin-Etsu Chemical	+0.19
Daiichi Sankyo	-0.15
Mitsui & Co	-0.14
Honda Motor	-0.12
HOYA	-0.10
Fast Retailing	-0.10

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.

Renesas Electronics – manufacturer of electronic components including semi-conductors and integrated devices. Core portfolio holding that is resistant to cycle downturns and delivers excellent results.

Tokyo Electron – Manufactures and sells industrial electronics products such as semiconductor manufacturing machines and flat panel display manufacturing machines.

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.

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

Bottom 5 Holdings Relative to Benchmark:

Daiichi Sankyo – preference for other names in the health care sector due to the high valuation of this stock.

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

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.

HOYA – exited this manufacturer of electro-optical products on competition concerns and expected continuing weakness of EUV mask blanks this year.

Fast Retailing – We prefer other names in the retail space that are less highly valued. Fast Retailing has had a good run this year and is now trading above the average analyst target price.

Major transactions during the Quarter

Purchases:
Secom (£2.0m) – Topping up holding of this security services company as a defensive name with reliable cash flows and the potential for increased shareholder returns.
Keisei Electric Railway (£1.6m) – Topping up holding to partially balance disposal of East Japan Railway. Keisei is undervalued due to its holding in Oriental Land which is held at a large discount to market value.

Sales:
Kubota (£6.9m) – Full disposal of holding on rising costs and the risk of falling sales as homeowners and small farmers repair rather than replace their machinery.
East Japan Railway (£6.3m) – Full disposal of holding on limited prospects for growth.

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
SK Hynix	0.60	0.33	0.05
Samsung Electronics	2.26	1.83	0.04
James Hardie	0.29	0.08	0.03
Kakao	0.00	0.08	0.02
UOB	0.00	0.18	0.02

Samsung Electronics (o/w) and **SK Hynix (o/w)** – Both companies benefitted from a change in expectations for demand for high bandwidth memory linked to AI applications. Signs of a bottoming out of the memory market in mid-2023 was also encouraging.

James Hardie Industries (o/w) – after a poor performance in 2022 on the back of macro headwinds (increasing costs, rising rates, deteriorating housing market), the stock continued outperforming on expectations of stabilising housing demand and relatively resilient margins.

Kakao Corp (u/w) – the Korean internet platform underperformed on further slowing down of advertising and content-related revenues. The market was also wary of the ongoing losses from its new initiatives on AI, cloud and healthcare management initiatives.

United Overseas Bank (u/w) – the second largest Singaporean banks delivered record quarterly profits. Despite that, expectations that its profitability may have peaked and loan growth may slow due to the tough economic backdrop meant the company performed poorly over the quarter.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
SK Innovation	0.23	0.04	(0.04)
Hong Kong Exchanges & Clearing	0.47	0.34	(0.03)
Samsung SDI	0.35	0.19	(0.03)
NAVER	0.29	0.14	(0.02)
Amcor	0.22	0.10	(0.02)

SK Innovation (o/w) – the largest Korean oil refiner as well as petrochemical and electric vehicle ("EV") battery manufacturer underperformed on the announcement of a rights issue (including a treasury shares cancellation) to invest in green business, fund R&D and repay debt after investing around KRW 1tn (£600bn) supporting the capex of its EV battery subsidiary SK On.

Hong Kong Exchanges and Clearing (o/w) – underperformed on the back of weak market sentiment in Hong Kong in the second quarter. This resulted in falling revenues from its cash equity and derivative businesses and low volumes of initial public offerings despite recent initiatives aimed at boosting the connectivity between China and Hong Kong.

Samsung SDI (o/w) – after a strong outperformance in the first quarter on confirmation of more aggressive expansion plans for leading auto OEMs, the company struggled in the second quarter. This was inline with other EV battery manufacturers and linked to some concerns of slowing EV demand in Europe and weak IT/consumer electronics demand for smaller batteries and electronic materials.

Naver (o/w) – after outperforming in the first quarter, Naver was affected by expectations of slowing growth in its advertising and e-commerce related revenues. Despite this weakness we believe earnings growth is supported by improving e-commerce service offerings and profitability.

Amcor (o/w) – A global leader in flexible and rigid packaging with a strong track record of value creation and high profitability struggled in the second quarter as consumption and de-stocking caused by inflationary pressure undermined confidence.

Note
1) Source: Northern Trust & Border to Coast

Border To Coast Overseas Developed Markets Equity Fund - Asia Pacific (ex Japan) at 30 June 2023

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.43
SK Hynix	+0.27
Techtronic Industries	+0.21
James Hardie	+0.20
Hyundai Motors	+0.20
Samsung Electronics Prefs	-0.26
UOB	-0.18
Kia	-0.12
QBE Insurance	-0.11
LG Energy Solution	-0.10

Top 5 Holdings Relative to Benchmark:

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

SK Hynix – a leader in memory chips with high teens global market share; beneficiary of structural increase in demand and improving penetration of high bandwidth memory applications.

Techtronic Industries – focus on technology-leading cordless power tools should lead to improving margins and market share, as global penetration continues rising from steady launch of innovative products that are increasingly easy to operate as well as a focus on the US professional market.

James Hardie Industries – leading global manufacturer of a wide range of fibre cement and fibre gypsum building products with several internal and external uses across a wide range of applications. The company focuses on the Renovation & Repair housing market in the US but counts with an established market position in APAC and a growing presence in EMEA.

Hyundai Motor – one of the leaders with regards to development of EV models benefitting from still strong pent-up auto demand, rising production volumes on supply chain normalization and improving model / product mix led by SUVs and luxury models.

Bottom 5 Holdings Relative to Benchmark:

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

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

Kia Corp – preference for Hyundai Motor and Hyundai Mobis in the Korean autos sector.

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

LG Energy Solution – leading Korean EV battery maker. The fund holds LG Chem which owns 82% of LG Energy Solutions at a large holding company discount.

Major transactions during the Quarter

Purchases: No major purchases during this quarter.
Sales: No major sales during this quarter.

Note
1) Source: Northern Trust

Market Background
at 30 June 2023

The saying that "markets climb a wall of worry" could not be better suited to the last nine months. Since October 2022 global equity markets have increased in value by more than a fifth in US dollar terms. Each quarter has been a tug of war between economic recessionary fears and corporate resilience, with last quarters positive returns feeling fragile at best.

In the prior quarter we commented that there were some initial signs from global economic data that the rate tightening cycle was starting to have an effect. Certainly, the events at Silicon Valley Bank (SVB), Signature Bank and Credit Suisse during the prior quarter drew investors' attention to some of the more visible and unexpected consequences of tightening monetary policy. The data itself has been far more mixed and heralds a period of potentially diverging policy decisions from global central banks. It is our view that this uncertainty will persist for the coming quarters and could add further volatility to equity markets.

The main focus for central banks has been the ongoing battle to control inflation. Inflation is showing signs of softening in many regions. In the US headline inflation dropped to below 4%, this was from its peak just over a year ago of 9.1%. In Europe, where the peak was higher due in part to the energy mix and the impact from the Ukraine invasion, inflation has dipped close to 6%. The United Kingdom appears the outlier. Though there has been a drop from the 11% peak last year it has been modest and remains above 8%. The persistence of inflationary pressures in the UK, is worrisome and symptomatic of what global central banks wish to avoid. Last year, it was easy to point a finger at the impacts from the Ukraine invasion, the high oil and gas price, and the last remnants of supply chain disruption from covid. Now, these transient factors are less relevant. Stickier components to inflation: wages, housing, and core prices that exclude energy and food, are remaining stubbornly high, with some parts even moving higher. Just as the persistence of inflationary pressures has been most visible in the UK, so has the reaction of the central bank, with the Bank of England raising its base interest rate by a further 0.5% in June to 5%.

Singling out the UK is easy, but that does not mean that the Federal Reserve or the European Central Bank are not walking a similar tightrope. In the US headline inflation may have dropped but the jobs market remains tight and wages are moving higher. In Europe the softening in energy prices has hidden the fact that service price inflation remains higher than where it was at the start of the year. The task facing central bankers is therefore a difficult one. They must stop these inflationary expectations from becoming permanently embedded into the global economy whilst ensuring that their actions do not tip us into a full-blown global recession. Should they wish to remain true to their mandates of returning inflation to a target 2% level, it is likely that global interest rates will remain higher for longer.

It would seem like the markets themselves had no interest in the delicate balancing act taking place at central banks. Overall, global equity markets (based on the MSCI indices) generated a total return, in sterling terms of 3.1% during the quarter with developed markets (3.7%) continuing to outperform emerging markets (-3.3%).

The US was one of the best performing markets over the quarter (+5.6%) and year to date (+11.2%). In May, Nvidia, the computer graphics processing unit (GPU) designer, released its first quarter results. They took the market by surprise, announcing unprecedented demand for their GPUs triggered by the boom in artificial intelligence ("AI"). Nvidia's chips are crucial to the operation of large language models like ChatGPT, making the processing much faster and more cost effective. Despite more than a 25% move higher in their equity price on the day, the change in expectations for the profitability was such that, based on next year's earnings expectations, the headline valuation of the company dropped. With Nvidia gaining over 50% for the quarter, it was part of a very small number of securities that contributed almost all the returns over the period. The rally in US equities has become increasingly narrow with only a handful of technology companies accounting for almost all of the returns. This is reminiscent of the year 2000 when investors chased companies purportedly having business models geared to the rise of the internet. Just like the internet during the dot.com years, it is likely that the long-term impact of AI will be transformational. That being said, in a similar vein, it is unlikely that it will drive an immediate productivity surge for the global economy.

The performance of the US tech companies fed through into sector performance across the globe. It should come as no surprise that the technology sector generated the strongest

Note
1) Source: Border to Coast

Market Background
at 30 June 2023

returns over the quarter (+13.5%). What is more surprising is that all sectors other than consumer discretionary underperformed. Sectors such as Energy (-2.5%) and Materials (-5.2%), which have been beneficiaries of rising commodity prices last year, were some of the worst performing. The disappointing post-covid reopening of China and particularly the weakness in the domestic housing market has been unhelpful for commodities such as iron ore, of which China are a large part of global demand. The ongoing weakness of the global oil price due to the slowing global economy, has also been unhelpful for energy companies, despite OPEC's attempts to cut supply and support the price near the current $80/bl level.

We remain optimistic for the outlook for equities over the long term but our view that the near term could present some challenges remains unchanged. The persistence and embedding of inflationary expectations across developed markets is giving central banks little room to manoeuvre should they wish to avoid a recession, retain credibility and remain true to their 2% inflation target. We therefore believe that on balance interest rates will remain higher for longer. High interest rates are likely to reduce the availability of cheap capital and dampen economic activity. In such an environment we look for low valuations to provide a margin of safety for equities. We find that across European, UK and Japanese equities. The US equity markets do not look as attractive. The recent strength, driven by near term optimism over AI's long term societal benefits, provides opportunities at the company specific level but leaves the broader US market trading above its historic 10 year average valuation.

With a volatile outlook for equities ahead, we take comfort in the consistency of our investment approach. We believe a continued focus on high-quality companies held over the long term will protect against current volatility while also providing exposure to strong investment returns over the longer term.

Note
1) Source: Border to Coast

Border to Coast News

People:

- We are currently recruiting for our latest graduate intake. Now in its fourth year, this has been hugely successful in bringing new talent into the business and wider industry. It is part of our commitment to invest in our people to ensure we can deliver long-term, sustainable success for our Partner Funds.

Investment Funds:

- The launch of 'Series 2B' of our Private Markets programme with £2.3bn of commitments from Partner Funds has been widely covered in the media including IPE, Pensions Age and Room 151. Additionally, the FT covered one of our Climate Opportunities investments - Project Fortress, the UK's largest solar and battery storage plant, near Faversham, Kent. The article notes that it is the UK's first solar farm to be approved as a Nationally Significant Infrastructure Project. It is expected to support over 2,300 jobs and produce renewable energy to power 100,000 homes.

Responsible Investment:

- It has been voting season with the AGMs of several major companies providing the opportunity for us to demonstrate active stewardship of our Partner Funds' assets. As a long term, responsible investor, our collective voice can drive real change on material financial factors in the companies we invest in; for example on climate change by influencing and pushing businesses to take real steps towards settingreduction targets, reducing emissions and the carbon intensity of their operations.
- Along with other large UK pension schemes, we voted against the re-election of the Chair of BP, due to backtracking on climate targets. This received widespread coverage from outlets such as the Times, Financial Times and the BBC. While the Chair was re-appointed, a significant number of shareholders joined us in voting against, continuing an increasing trend in the last few years, sharing our belief that BP's transition plans are not sufficiently aligned with a 1.5C pathway and, as such, pose a key financial risk. We will be following up with BP to continue the discussion.
- We also joined a coalition of investors who are seeking to ensure Glencore, the multi-national commodity trading and mining company, provides greater transparency on how its thermal coal production aligns with the Paris objective of keeping global temperature increase to 1.5°C. As BP, we pre-disclosed our voting intention.
- A growing body of evidence shows that a fulfilled, engaged and motivated workforce is fundamental to long-term sustainable financial performance. That's why we're supporting Railpen's new guidance on Workforce Directors. This incorporates feedback from discussions with companies, investors including Border to Coast, regulators, workforce representatives, and academics as to how larger companies can take a meaningful approach to considering appointing a director from the broader workforce.

  Managing climate-related risks and opportunities is essential in enabling us to deliver sustainable, long- term investments for our Partner Funds. Using the Task Force on Climate-related Financial Disclosures (TCFD) framework has enabled us to adopt a climate change policy, commit to a net zero by 2050 target, and become a signatory to the Net Zero Asset Managers initiative, all of which help us in our role as a responsible investor. Our work in this area has been recognised by Accounting for Sustainability (A4S), who have used our work as a case study.

Other News:

- One of the sessions at the LGPS Pooling Symposium heard from Chris Seir, the CEO of Clearglass Analytics, an independent data company which helps asset owners assess value for money delivered by their asset managers. It has a scheme efficiency 'index' of 1,000 pension schemes, across over 50 asset classes and over 500 asset managers, including a number of large international schemes. As part of their research, it ranked Border to Coast at number one, which is great in starting to evidence the benefits of pooling and gives us a strong base from which we can develop.
- In June, Professional Pensions held their annual awards. We are delighted that Border to Coast won awards in two key categories – 'Equity Manager of the Year', and 'Alternative and Private Markets Investment Manager of the Year'. With firms such as JP Morgan, Mercer, Morgan Stanley and

T.Rowe Price among those on the shortlist, this really demonstrates how we have progressed as a business in just five years. Building a strong internal investment team was one of the partnership's founding principles; these awards are an illustration of this capability.

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

STATE STREET GLOBAL ADVISORS

Quarterly Investment Report - 80237

For the Period 01 Apr 2023 to 30 Jun 2023

Middlesbrough Borough Council

Middlesbrough Borough Council

Report ID: 3699366.1 Published: 12 Jul 2023

Quarterly Investment Report - 80237

As of 30 Jun 2023

Middlesbrough Borough Council

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Accounting Summary (expressed in GBP)

As of 30 Jun 2023

Middlesbrough Borough Council

	Market Value 01 Apr 2023		Contributions	Withdrawals	Change in Market Value	Market Value 30 Jun 2023	
Passive Equity Portfolio							
North America Screened Index Equity Sub-Fund	38,536,562	6.43%	0	0	2,207,032	40,743,594	6.81%
Europe ex UK Screened Index Equity Sub-Fund	132,964,182	22.19%	0	0	512,929	133,477,112	22.30%
Japan Screened Index Equity Sub-Fund	107,694,015	17.97%	0	0	3,255,235	110,949,250	18.53%
Asia Pacific ex Japan Screened Index Equity Sub-Fund	320,025,594	53.41%	0	0	(6,600,138)	313,425,456	52.36%
Total	**599,220,354**	**100.00%**	**0**	**0**	**(624,942)**	**598,595,411**	**100.00%**

Performance Summary (expressed in GBP)

As of 30 Jun 2023

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Passive Equity Portfolio								
North America Screened Index Equity Sub-Fund								21 Sep 2018
Total Returns	3.88%	5.73%	11.26%	14.08%	12.88%	N/A	N/A	11.71%
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	3.84%	5.59%	10.99%	13.51%	12.42%	N/A	N/A	11.39%
Difference	**0.04%**	**0.14%**	**0.27%**	**0.57%**	**0.46%**	**N/A**	**N/A**	**0.32%**
Total Returns (Net)	3.88%	5.72%	11.25%	14.05%	12.87%	N/A	N/A	N/A
FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX	3.84%	5.59%	10.99%	13.51%	12.42%	N/A	N/A	N/A
Difference	**0.04%**	**0.13%**	**0.26%**	**0.54%**	**0.45%**	**N/A**	**N/A**	**N/A**
Europe ex UK Screened Index Equity Sub-Fund								26 Sep 2018
Total Returns	2.39%	0.39%	9.12%	18.86%	9.49%	N/A	N/A	6.73%
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	2.39%	0.04%	8.75%	18.44%	9.05%	N/A	N/A	6.48%
Difference	**0.00%**	**0.35%**	**0.37%**	**0.42%**	**0.44%**	**N/A**	**N/A**	**0.25%**
Total Returns (Net)	2.39%	0.38%	9.10%	18.84%	9.47%	N/A	N/A	N/A
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX	2.39%	0.04%	8.75%	18.44%	9.05%	N/A	N/A	N/A
Difference	**0.00%**	**0.34%**	**0.35%**	**0.40%**	**0.42%**	**N/A**	**N/A**	**N/A**
Japan Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	1.34%	3.02%	6.42%	12.76%	4.85%	3.99%	7.58%	4.15%
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	1.30%	2.94%	6.17%	12.27%	4.48%	3.76%	7.47%	3.98%
Difference	**0.04%**	**0.08%**	**0.25%**	**0.49%**	**0.37%**	**0.23%**	**0.11%**	**0.17%**

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Total Returns (Net)	1.34%	3.02%	6.41%	12.73%	4.83%	N/A	N/A	N/A
FTSE JAPAN EX CONTROVERSIES EX CW INDEX	1.30%	2.94%	6.17%	12.27%	4.48%	N/A	N/A	N/A
Difference	**0.04%**	**0.08%**	**0.24%**	**0.46%**	**0.35%**	**N/A**	**N/A**	**N/A**
Asia Pacific ex Japan Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	-0.01%	-2.06%	-1.87%	2.35%	5.23%	3.20%	6.39%	8.86%
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	0.05%	-2.04%	-1.84%	2.19%	5.14%	3.14%	6.34%	8.80%
Difference	**-0.06%**	**-0.02%**	**-0.03%**	**0.16%**	**0.09%**	**0.06%**	**0.05%**	**0.06%**
Total Returns (Net)	-0.01%	-2.07%	-1.88%	2.33%	5.21%	N/A	N/A	N/A
FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX	0.05%	-2.04%	-1.84%	2.19%	5.14%	N/A	N/A	N/A
Difference	**-0.06%**	**-0.03%**	**-0.04%**	**0.14%**	**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^{TM} Summary

As of 30 Jun 2023

Europe ex UK Screened Index Equity Sub-Fund

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

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	75.51	75.51	0.00
ESG	76.03	76.03	0.00
Corporate Governance	46.51	46.51	0.00

Source: SSGA Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

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	431	99.54%	99.75%
Total Number of Securities in Portfolio	433		

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Fund R-Factor Profile	
Not Available	0.25%
Laggard	0.05%
Underperformer	1.08%
Average Performer	6.72%
Outperformer	15.00%
Leader	76.90%

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Nestle S.A.	4.10%	4.09%	0.01%	82.95
ASML Holding NV	3.65%	3.64%	0.01%	83.08
Novo Nordisk A/S Class B	3.22%	3.21%	0.00%	77.02
LVMH Moet Hennessy Louis...	2.97%	2.97%	0.00%	70.33
Roche Holding Ltd Dividend...	2.69%	2.70%	0.00%	69.29
Novartis AG	2.58%	2.58%	0.00%	89.14
SAP SE	1.92%	1.91%	0.01%	84.73
TotalEnergies SE	1.66%	1.65%	0.00%	82.82
Sanofi	1.48%	1.49%	0.00%	88.20
Siemens Aktiengesellschaft	1.48%	1.48%	0.00%	78.90

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Top 5 R-Factor Ratings				
Danone SA	0.47%	0.49%	-0.01%	100
Schneider Electric SE	1.22%	1.24%	-0.01%	98.01
Teleperformance SA	0.12%	0.12%	0.00%	97.24
Aena SME SA	0.14%	0.14%	0.00%	95.50
Capgemini SE	0.38%	0.39%	-0.01%	95.04

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Bottom 5 R-Factor Ratings				
CTS Eventim AG & Co. KGa...	0.05%	0.05%	0.00%	21.22
RATIONAL AG	0.05%	0.04%	0.00%	33.63
BKW AG	0.05%	0.04%	0.01%	33.93
PSP Swiss Property AG	0.06%	0.06%	0.00%	34.02
Lifco AB Class B	0.07%	0.06%	0.00%	34.26

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

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.

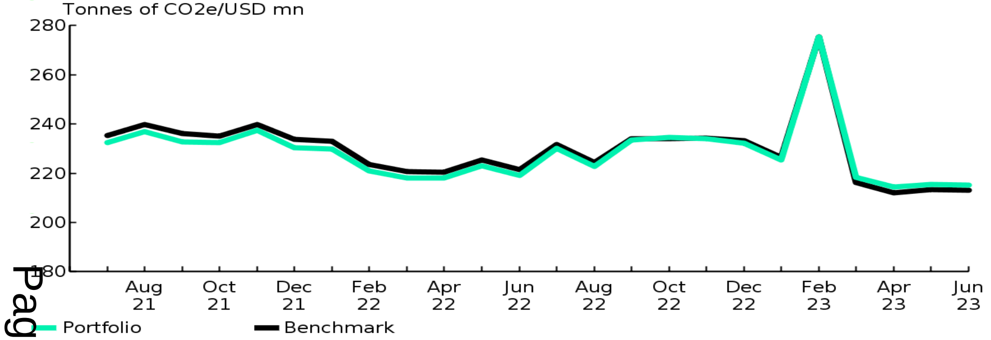
Climate Profile

As of 30 Jun 2023

Europe ex UK Screened Index Equity Sub-Fund

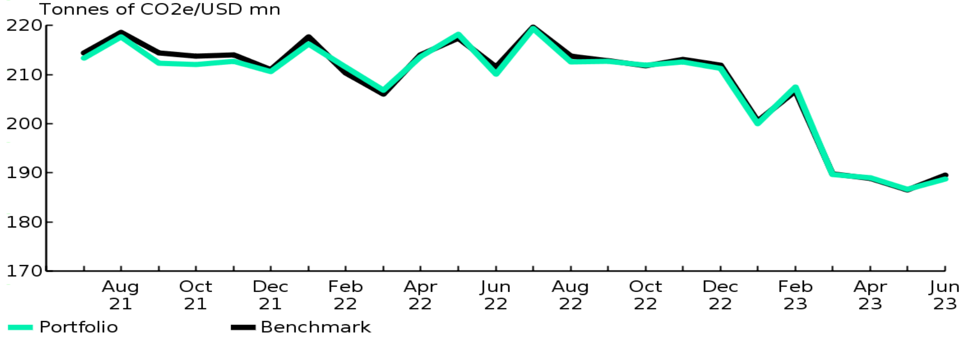
Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW INDEX

Carbon Intensity (Direct + Indirect)



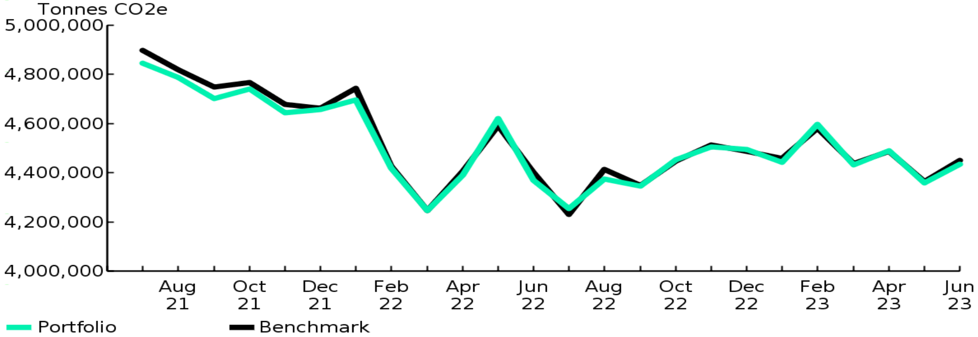
Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Weighted Average Carbon Intensity (Direct + Indirect)



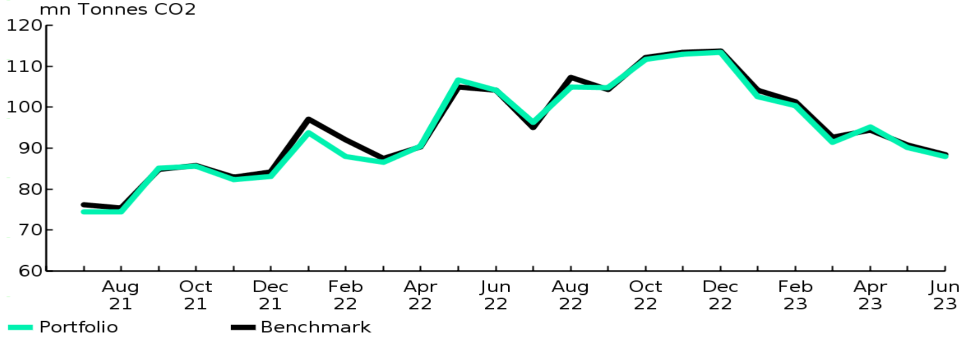
Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Stewardship Profile

As of 30 Jun 2023

Europe ex UK Screened Index Equity Sub-Fund

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

Stewardship Profile	Q1 2023
Number of Meetings Voted	91
Number of Countries	14
Management Proposals	1,761
Votes for	89.72%
Votes Against	10.28%
Shareholder Proposals	23
With Management	91.30%
Against Management	8.70%

Source: SSGA as of 31 Mar 2023

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	3
1	17
2	40
3	83
4	89
5	83
6	67
7	26
8	16
9	2
10	5
10+	0
Not Available	2
Total	**433**

Source: Factset/SSGA. Holdings as of 30 Jun 2023, Factset data as of 31 May 2023.

R-Factor™ Summary

As of 30 Jun 2023

North America Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	68.64	68.59	0.05
ESG	66.87	66.82	0.05
Corporate Governance	66.47	66.47	0.00

Source: SSGA Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

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	622	98.73%	99.25%
Total Number of Securities in Portfolio	630		

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Fund R-Factor Profile

Not Available	0.75%
Laggard	2.11%
Underperformer	1.64%
Average Performer	12.10%
Outperformer	29.98%
Leader	53.42%

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Apple Inc.	7.47%	7.39%	0.08%	91.98
Microsoft Corporation	6.54%	6.51%	0.03%	78.42
Amazon.com Inc.	3.03%	3.01%	0.02%	61.76
NVIDIA Corporation	2.60%	2.53%	0.06%	78.21
Tesla Inc.	1.87%	1.86%	0.01%	63.17
Alphabet Inc. Class A	1.84%	1.85%	-0.01%	71.91
Meta Platforms Inc. Class A	1.64%	1.63%	0.01%	72.65
Alphabet Inc. Class C	1.61%	1.61%	-0.01%	71.91
UnitedHealth Group Incorpo...	1.15%	1.16%	-0.01%	53.02
Berkshire Hathaway Inc. Cla...	1.13%	1.14%	-0.01%	18.19

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Top 5 R-Factor Ratings

HP Inc.	0.08%	0.07%	0.01%	100
Cisco Systems Inc.	0.55%	0.55%	0.00%	98.97
Apple Inc.	7.47%	7.39%	0.08%	91.98
Colgate-Palmolive Company	0.16%	0.16%	0.00%	88.09
Canadian National Railway...	0.19%	0.19%	0.00%	87.59

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Bottom 5 R-Factor Ratings

Constellation Software Inc.	0.10%	0.10%	0.00%	15.03
Berkshire Hathaway Inc. Cla...	0.48%	0.48%	0.00%	18.19
Berkshire Hathaway Inc. Cla...	1.13%	1.14%	-0.01%	18.19
Live Nation Entertainment In...	0.03%	0.04%	0.00%	19.12
D.R. Horton Inc.	0.10%	0.10%	0.00%	21.17

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

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.

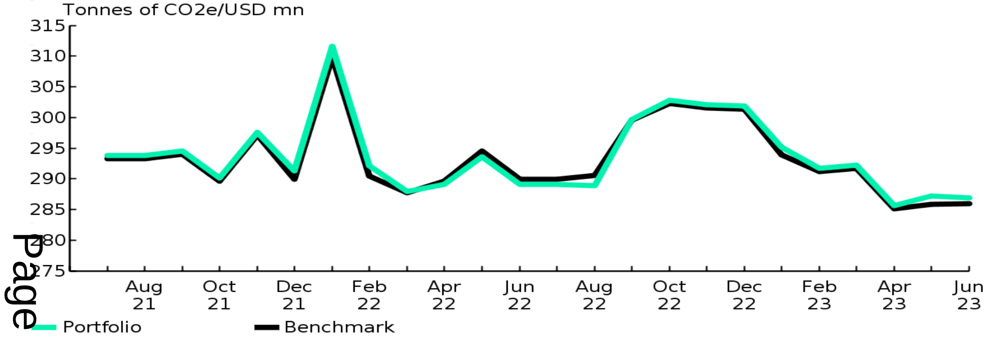
Climate Profile

As of 30 Jun 2023

North America Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Carbon Intensity (Direct + Indirect)



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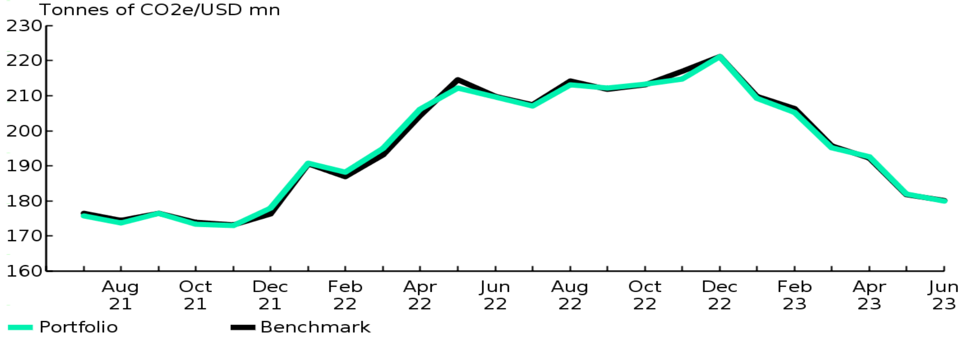
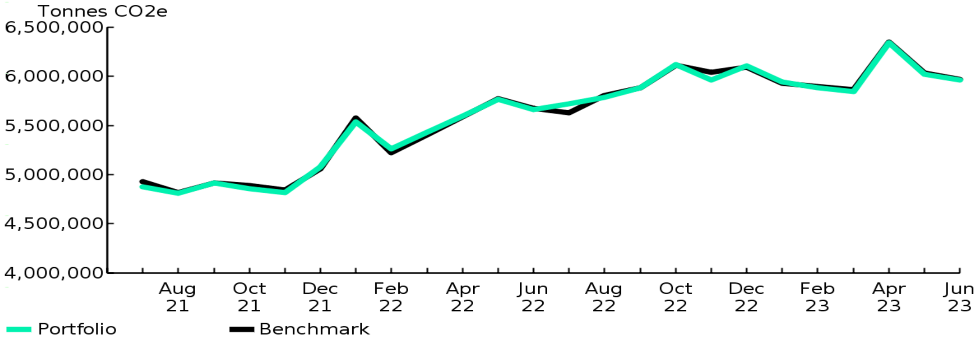
Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Weighted Average Carbon Intensity (Direct + Indirect)



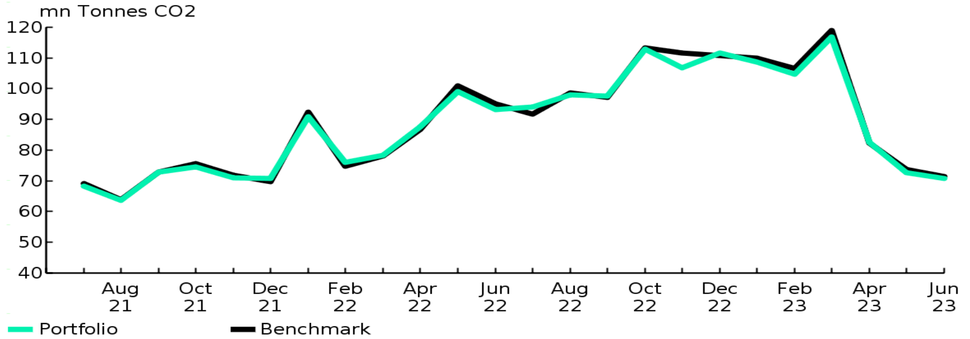
Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Stewardship Profile

As of 30 Jun 2023

North America Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q1 2023
Number of Meetings Voted	48
Number of Countries	7
Management Proposals	565
Votes for	94.16%
Votes Against	5.84%
Shareholder Proposals	27
With Management	92.59%
Against Management	7.41%

Source: SSGA as of 31 Mar 2023

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	3
1	11
2	89
3	232
4	171
5	74
6	31
7	14
8	1
9	0
10	0
10+	0
Not Available	4
Total	**630**

Source: Factset/SSGA. Holdings as of 30 Jun 2023, Factset data as of 31 May 2023.

R-Factor™ Summary

As of 30 Jun 2023

Japan Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	63.66	63.65	0.01
ESG	61.99	61.98	0.01
Corporate Governance	65.72	65.75	-0.03

Source: SSGA Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

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	498	96.89%	99.46%
Total Number of Securities in Portfolio	514		

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Fund R-Factor Profile

Not Available	0.54%
Laggard	2.03%
Underperformer	4.41%
Average Performer	22.29%
Outperformer	30.97%
Leader	39.77%

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Toyota Motor Corp.	4.74%	4.75%	0.00%	79.92
Sony Group Corporation	2.75%	2.75%	0.00%	83.21
Keyence Corporation	2.27%	2.27%	0.00%	49.57
Mitsubishi UFJ Financial Gr...	2.13%	2.13%	0.00%	62.93
Shin-Etsu Chemical Co Ltd	1.58%	1.58%	0.00%	64.58
Tokyo Electron Ltd.	1.56%	1.57%	-0.01%	75.15
Daiichi Sankyo Company Li...	1.46%	1.47%	-0.01%	71.20
Mitsui & Co.Ltd	1.38%	1.38%	0.00%	57.03
Mitsubishi Corporation	1.38%	1.38%	0.00%	60.65
HitachiLtd.	1.37%	1.37%	0.00%	73.90

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Top 5 R-Factor Ratings

Daido Steel Co. Ltd.	0.04%	0.04%	0.00%	84.45
Kao Corp.	0.41%	0.41%	0.00%	83.87
Sony Group Corporation	2.75%	2.75%	0.00%	83.21
Panasonic Holdings Corpor...	0.64%	0.64%	0.00%	81.95
TOTO Ltd	0.11%	0.11%	0.00%	81.56

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Bottom 5 R-Factor Ratings

SMS Co. Ltd.	0.02%	0.02%	0.00%	13.21
Relo Group Inc.	0.04%	0.04%	0.00%	13.29
COSMOS Pharmaceutical C...	0.05%	0.04%	0.00%	14.13
Gungho Online Entertainme...	0.02%	0.02%	0.00%	14.33
TSURUHA Holdings Inc.	0.07%	0.07%	0.00%	15.72

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

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.

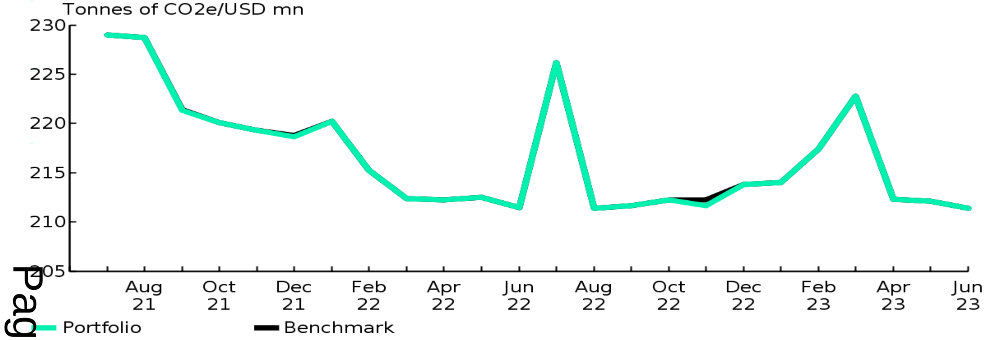
Climate Profile

As of 30 Jun 2023

Japan Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

Carbon Intensity (Direct + Indirect)



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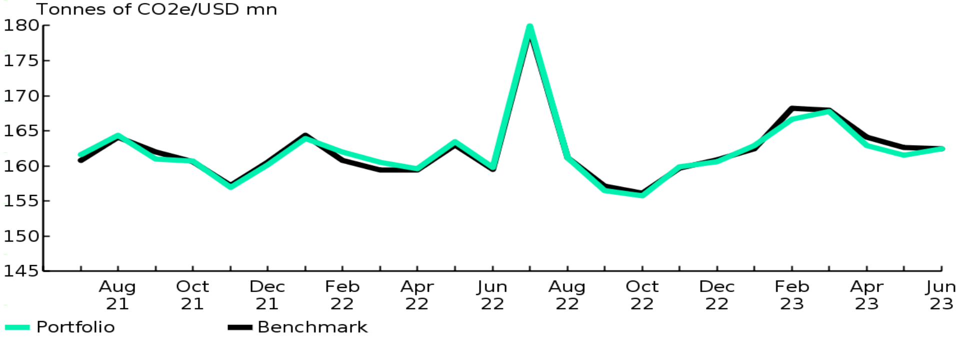
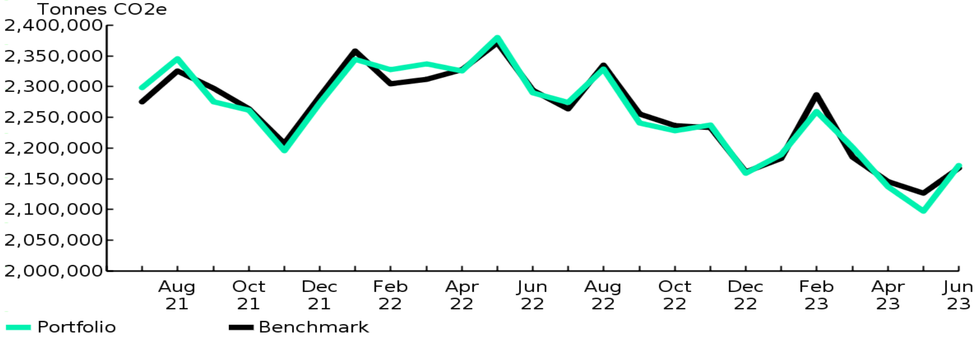
Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Weighted Average Carbon Intensity (Direct + Indirect)



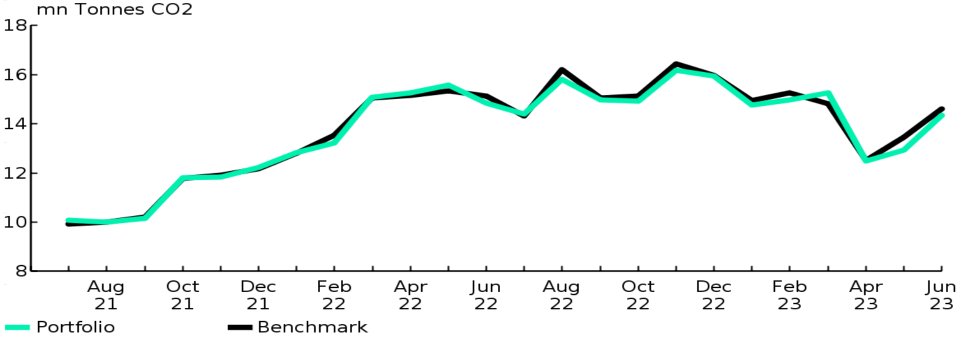
Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Stewardship Profile

As of 30 Jun 2023

Japan Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW INDEX

Stewardship Profile	Q1 2023
Number of Meetings Voted	77
Number of Countries	1
Management Proposals	856
Votes for	93.93%
Votes Against	6.07%
Shareholder Proposals	4
With Management	100%
Against Management	0%

Source: SSGA as of 31 Mar 2023

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	129
1	220
2	120
3	33
4	11
5	1
6	0
7	0
8	0
9	0
10	0
10+	0
Not Available	0
Total	**514**

Source: Factset/SSGA. Holdings as of 30 Jun 2023, Factset data as of 31 May 2023.

R-Factor™ Summary

As of 30 Jun 2023

Asia Pacific ex Japan 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	65.44	65.45	-0.01
ESG	65.29	65.30	-0.01
Corporate Governance	52.36	52.38	-0.02

Source: SSGA Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

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	382	97.45%	99.23%
Total Number of Securities in Portfolio	392		

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Fund R-Factor Profile

Not Available	0.77%
Laggard	2.39%
Underperformer	2.33%
Average Performer	16.67%
Outperformer	36.57%
Leader	41.26%

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Samsung Electronics Co. Lt...	9.77%	9.78%	-0.01%	80.42
AIA Group Limited	4.43%	4.43%	0.00%	73.77
Commonwealth Bank of Aus...	4.24%	4.23%	0.01%	79.66
CSL Limited	3.35%	3.34%	0.01%	68.09
National Australia Bank Limi...	2.07%	2.07%	0.00%	81.70
Westpac Banking Corporati...	1.87%	1.86%	0.00%	73.78
Hong Kong Exchanges & Cl...	1.81%	1.80%	0.00%	65.15
ANZ Group Holdings Limite...	1.79%	1.78%	0.00%	82.41
SK hynix Inc.	1.78%	1.77%	0.00%	70.23
Woodside Energy Group Ltd	1.63%	1.63%	0.00%	67.70

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Top 5 R-Factor Ratings

City Developments Limited	0.09%	0.09%	0.00%	90.61
GPT Group	0.20%	0.20%	0.00%	88.31
Dexus	0.21%	0.21%	0.00%	84.07
ANZ Group Holdings Limite...	1.79%	1.78%	0.00%	82.41
National Australia Bank Limi...	2.07%	2.07%	0.00%	81.70

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

Bottom 5 R-Factor Ratings

SSANGYONGC&E.CO.LTD.	0.02%	0.02%	0.00%	2.76
Paradise Co. Ltd	0.02%	0.02%	0.00%	10.32
JS Global Lifestyle Compan...	0.01%	0.01%	0.00%	12.21
HLB Co. Ltd.	0.09%	0.09%	0.00%	12.41
Shinpoong Pharmaceutical...	0.01%	0.02%	0.00%	13.13

Source: Factset/SSGA. Holdings as of 30 Jun 2023, R-Factor data as of 31 May 2023.

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.

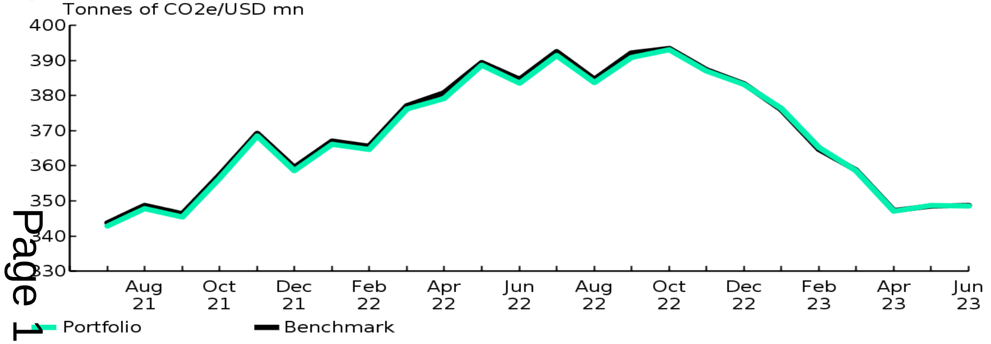
Climate Profile

As of 30 Jun 2023

Asia Pacific ex Japan Screened Index Equity Sub-Fund

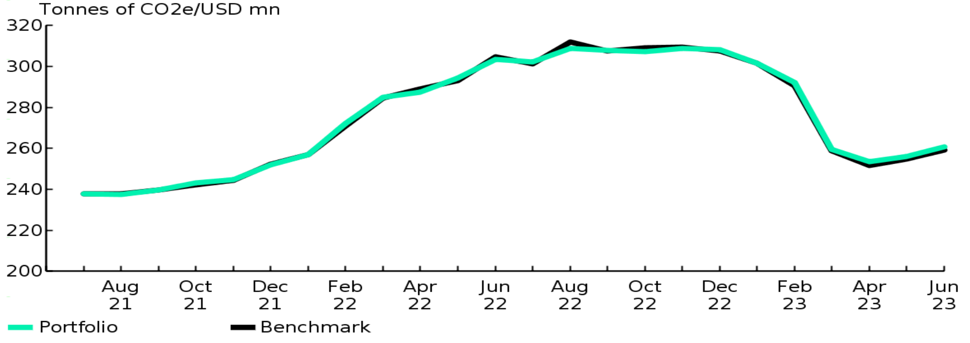
Benchmark: FTSE DEVELOPED ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW INDEX

Carbon Intensity (Direct + Indirect)



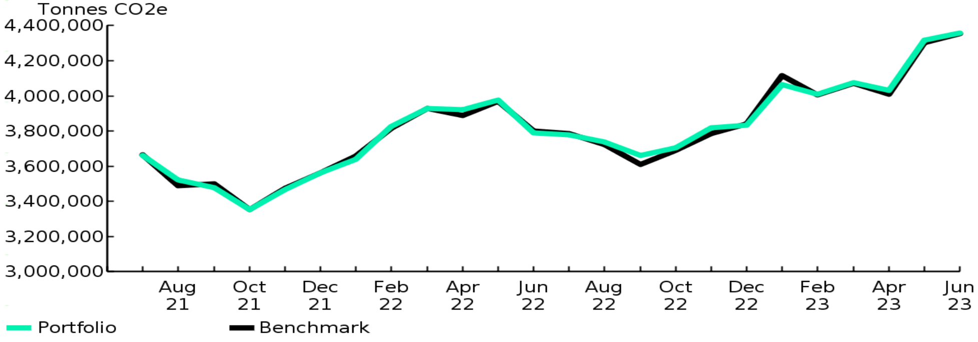
Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Weighted Average Carbon Intensity (Direct + Indirect)



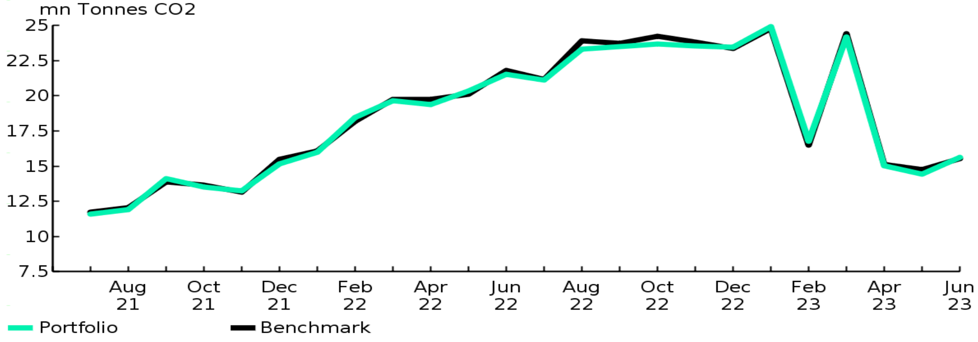
Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 30 Jun 2023. Trucost data as of 31 May 2023.

Stewardship Profile

As of 30 Jun 2023

Asia Pacific ex Japan Screened Index Equity Sub-Fund

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

Stewardship Profile	Q1 2023
Number of Meetings Voted	171
Number of Countries	6
Management Proposals	1,100
Votes for	81.73%
Votes Against	18.27%
Shareholder Proposals	28
With Management	85.71%
Against Management	14.29%

Source: SSGA as of 31 Mar 2023

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	89
1	89
2	72
3	72
4	48
5	17
6	3
7	1
8	0
9	0
10	0
10+	0
Not Available	1
Total	**392**

Source: Factset/SSGA. Holdings as of 30 Jun 2023, Factset data as of 31 May 2023.

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

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

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

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

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

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

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- 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

Q2 2023

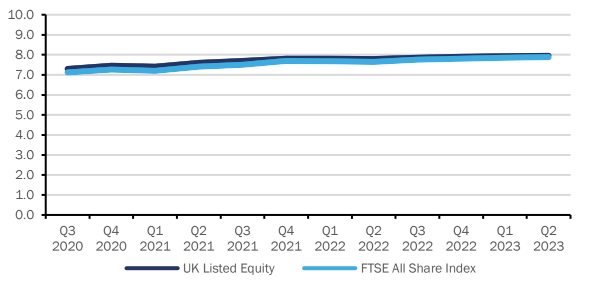
MSCI ESG RATING

AA

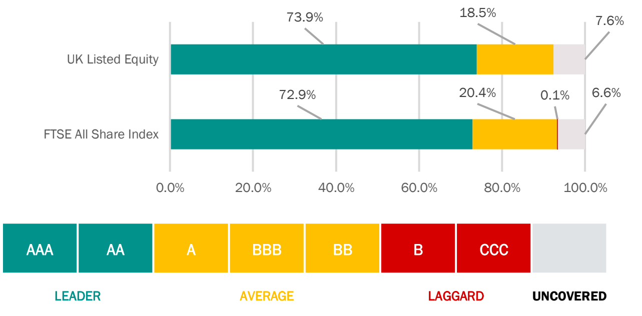
BORDER TO COAST PENSIONS PARTNERSHIP

	End of Quarter Position [1]			Key	
	MSCI ESG Rating	**Weighted ESG Score**	**vs. Benchmark**		Fund has an equal or better *Weighted ESG Score* than the benchmark.
UK Listed Equity	AA [1]	8.0 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE All Share Index	AA [1]	7.9 [1]			Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]				Lowest ESG Rated Issuers [1]			
	% Portfolio Weight	**% Relative Weight**	**MSCI Rating**		**% Portfolio Weight**	**% Relative Weight**	**MSCI Rating**
Unilever	4.9%	+0.4%	AAA [1]	Haleon	1.1%	+0.3%	BB [1]
Diageo	3.6%	+0.4%	AAA [1]	British American Tobacco	2.3%	-0.2%	BBB [1]
Relx	2.5%	+0.3%	AAA [1]	Glencore	1.9%	-0.5%	BBB [1]
National Grid	2.0%	+0.3%	AAA [1]	Beazley	0.4%	+0.2%	BBB [1]
CRH	1.4%	0.0%	AAA [1]	Fresnillo	0.2%	+0.2%	BBB [1]

Quarterly ESG Commentary

- The weighted ESG score remained consistent over the quarter and remains above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be ‘Leaders’.
- The Fund’s overall ESG rating fell during the period from AAA to AA. This is due to a change in methodology at MSCI, whereby the weighted ESG score was adjusted based on several factors including momentum of recent ratings changes and exposure to laggards. This adjustment has now been abolished; therefore, Funds with a high proportion of recent upgrades and/or low exposure to laggards no longer see an upward adjustment resulting in the rating being adjusted downward.

Feature Stock: Beazley PLC

Beazley is a global specialist risk insurance and reinsurance company, operating across cyber insurance, professional indemnity, executive risk, property, marine, aviation, reinsurance and speciality insurance lines. Primarily operating out of Lloyds of London, Beazley has established itself as a global leader in professional liability and, more recently, cyber insurance, with both markets experiencing strong structural growth. Whilst insurance claims are often difficult to predict and premium rates cyclical in nature, Beazley is regarded as a quality operator within the sector due to its pricing discipline, underwriting track record and sound balance sheet and solvency measures.

Beazley’s MSCI ESG rating is BBB and has remained stable since being upgraded from a BB rating in October 2020. MSCI scores the Company above peers on governance and recognises its industry leading data security practices. Detractors for Beazley primarily relate to its Climate Change Vulnerability score, a function of the property and casualty reinsurance operations. However, Beazley have one of the best risk models in the industry with much of their property and casualty underwriting quite specialist and less incumbered by climate risk than the peer group. A less material issue is Human Capital Development, where despite acknowledging employee retention practices, MSCI deemed that grievance policies lagged peers.

[1]Source: MSCI ESG Research 30/06/2023

BORDER TO COAST
UK LISTED EQUITY FUND

ESG & CARBON REPORT

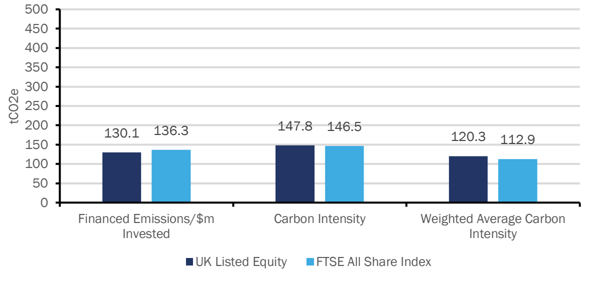
Q2 2023

MSCI ESG RATING

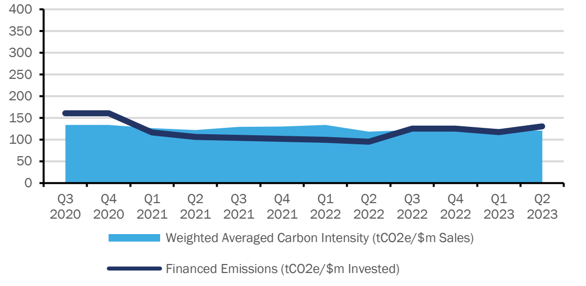
AA

PENSIONS PARTNERSHIP

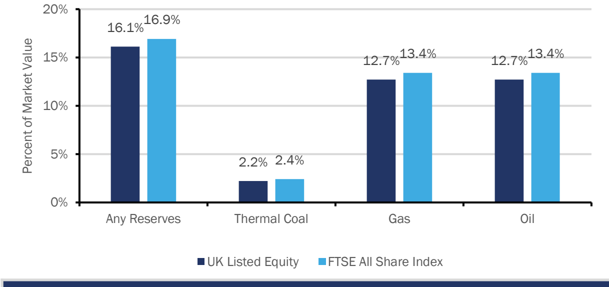
Carbon Emissions and Intensity[1]



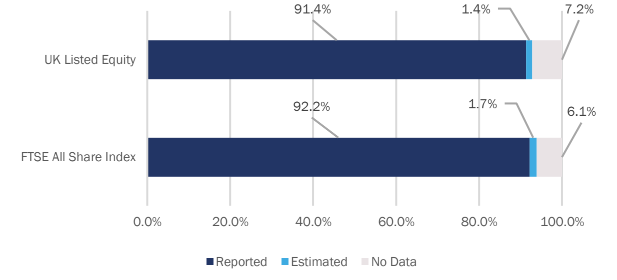
Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



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



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Shell	7.5%	+0.5%	41.9% [1]	Yes	4
BP	3.4%	-0.1%	12.5% [1]	Yes	4*
CRH	1.4%	+0.0%	12.8% [1]	Yes	4
Rio Tinto	2.1%	-0.3%	8.4% [1]	Yes	4
Glencore	1.9%	-0.5%	7.7% [1]	Yes	4

Quarterly Carbon Commentary

- The Fund is currently below, or in-line with, the benchmark for financed emissions and carbon intensity. Weighted average carbon intensity (WACI) remains slightly above the benchmark, however, the Fund's WACI decreased in the quarter.
- Financed emissions increased slightly in the quarter but remains below the benchmark.

Feature Stock: Glencore PLC

Glencore is an international mining and commodity marketing company headquartered in Switzerland. Commodities mined include copper, zinc, coal, cobalt and nickel, which in total will account for 81% of EBITDA this year. The balance is accounted for by the marketing division. The exposure to cobalt, copper and nickel in particular face favourable demand characteristics through the energy transition as product is utilised in batteries and electricity transmission products and infrastructure. The Company is also reasonably well placed on the cost curve enabling good profitability in periods of strong demand and protection against demand weakness. The Company has a particularly strong market share of cobalt production. Glencore has very strong cashflows and a balance sheet from which it can expand the reserve base organically and through acquisition. It has exposure to coal albeit demerger plans are underway, and it has proposed a value creative merger with Teck Resources to scale the metals business and improve the coal division prior to demerger.

Having transformed the management of the business by replacing many executives and changing the business culture Glencore has made significant improvements to its ESG credentials. The MSCI BBB rating notes the material improvements in governance, health and safety and carbon emissions. However, it recognises that given the sizeable workforce there is the potential for labour management issues. Tensions in this area can periodically escalate into industrial action for Glencore, and also for the sector as a whole.

The Company was rated Level 4 by the Transition Pathway Initiative (TPI) in its last assessment in April 2022, which indicates it is making a "Strategic Assessment of the management of its greenhouse gas emissions and of risks and opportunities related to the low-carbon transition". Since then, the Company has provided additional disclosure and made changes that are likely to improve the Company against the TPI assessment criteria.

[1]Source: MSCI ESG Research 30/06/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	0.4%	0.0%
Investment Trust/ Funds	7.2%	7.2%

Important Information

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* In accordance with the licence agreement between Border to Coast and MSCI

[1]Source: MSCI ESG Research 30/06/2023

BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

ESG & CARBON REPORT

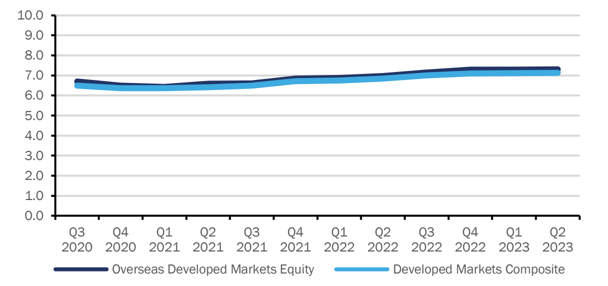
Q2 2023

MSCI ESG RATING

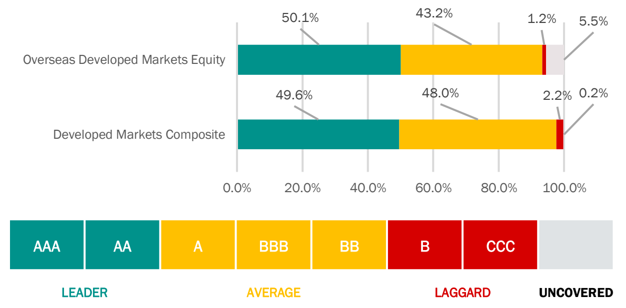
AA

	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	A [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	Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
Microsoft	3.2%	+0.5%	AAA [1]	META Platforms	0.5%	-0.2%	CCC [1]
Novo Nordisk	1.5%	+0.6%	AAA [1]	Jardine Matheson	0.1%	+0.0%	CCC [1]
ASML Holding	1.4%	+0.3%	AAA [1]	Hyundai Motor	0.4%	+0.2%	B [1]
Nvidia	1.6%	+0.5%	AAA [1]	Bandai Namco	0.1%	+0.1%	B [1]
Schneider Electric	0.7%	+0.4%	AAA [1]	Hyundai Mobis	0.1%	+0.0%	B [1]

Quarterly ESG Commentary

- The Fund's weighted ESG score was stable over the period and remains above the benchmark.

Feature Stock: Jardine Matheson

Jardine Matheson Holdings ('JM') is a diversified holding company operating in China, Southeast Asia, and the UK. Through listed and unlisted subsidiaries and affiliates the Company has interests in property, hotels, strategic investments, dairy, construction, transport services, and sales and service of motor vehicles. JM gives investors a well-diversified asset portfolio which is seeing a recovery in earnings which should continue through H2 2023. For the longer-term it has exposure to economic growth, urbanisation trends and rising middle classes in Southeast Asia and China.

MSCI raise several concerns relating to JM in terms of ESG, rating the Company as "CCC". These are primarily linked to historical governance risks associated with board practices, the presence of a controlling shareholder, and cross-shareholding ties. JM began to address the corporate ownership structure / cross-shareholding concerns with a simplified structure through the privatisation of Jardine Strategic Holdings in April 2021. As of July 2023, MSCI have recognised these improvements and significantly increased the Governance Pillar score related to "Ownership & Control".

JM has made several commitments; to invest in renewable energy, to diversify into non-coal mineral mining, and to make no investments in new coal mines and new thermal coal-fired power plants. The Company is also looking at opportunities in clean technology given its exposure to the auto industry and the transition towards electric vehicles. In 2022, JM published its inaugural Sustainability Report formulating a strategy for Net Zero aligned with the TCFD Framework and committed to the Science Based Targets Initiative (SBTi), aligned to a 1.5ºC scenario.

[1]Source: MSCI ESG Research 30/06/2023

BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

ESG & CARBON REPORT

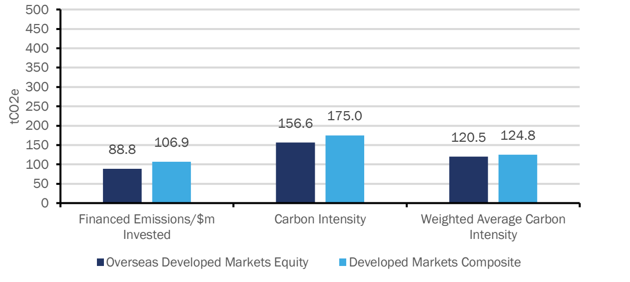
Q2 2023

MSCI ESG RATING

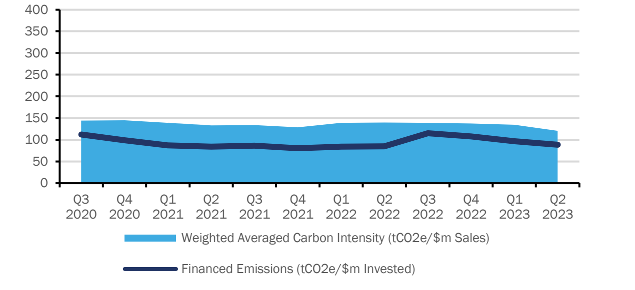
AA

PENSIONS PARTNERSHIP

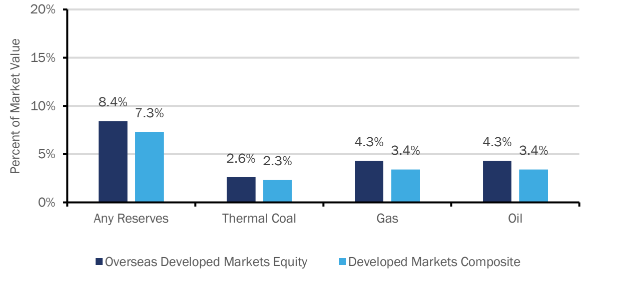
Carbon Emissions and Intensity[1]



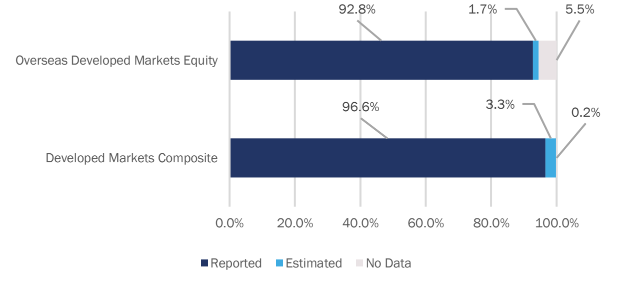
Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



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



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
RWE	0.3%	+0.2%	10.2% [1]	Yes	3
ArcelorMittal	0.1%	+0.1%	9.5% [1]	Yes	4
Posco	0.2%	+0.1%	8.3% [1]	Yes	4
Holcim	0.3%	+0.2%	7.1% [1]	Yes	4
Kansai Electric Power Company	0.2%	+0.2%	4.0% [1]	No	3

Quarterly Carbon Commentary

- The Fund remains below the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity (WACI).
- All carbon metrics reduced in the quarter, largely driven by lower emissions reported by Holcim.

Feature Stock: Kansai Electric Power Company (KEPCO)

The Kansai Electric Power Company (KEPCO) is one of ten major electricity utility companies in Japan generating and distributing electricity. Its service area is located in the central part of the main island of Japan, Honshu, serving around 20 million inhabitants or 16% of the Japanese population, making it Japan's third largest power supplier.

KEPCO has a higher exposure to Nuclear (operational and near-term restarts) than competitors. It is held as a tactical play on the projected restarts of 2 mothballed reactors this summer, as Japan focuses on Nuclear as part of its short to medium term energy solution. As Utilities are currently less than 1.4% of the Fund's benchmark (FTSE Japan), we may hold them from time to time as investment opportunities present or to position the portfolio more defensively. KEPCO is not seen as a core long-term holding.

KEPCO has a net-zero target of 2050 with an interim target of reducing CO2 emissions by 50% by 2026 (vs 2014 baseline). Targets are absolute and cover Scope 1-3 emissions, and they are on track with all metrics. MSCI reports strong management practices to address carbon emissions relative to peers, including evidence of investments in carbon capture and storage projects.

Rated as Level 3 ("integrated into Operational Decision Making") by TPI, it is short-term and long-term aligned to below two degrees.

[1]Source: MSCI ESG Research 30/06/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	0.3%	0.3%
Investment Trust/ Funds	5.2%	5.2%

[1]Source: MSCI ESG Research 30/06/2023

BORDER TO COAST EMERGING MARKETS EQUITY FUND

ESG & CARBON REPORT

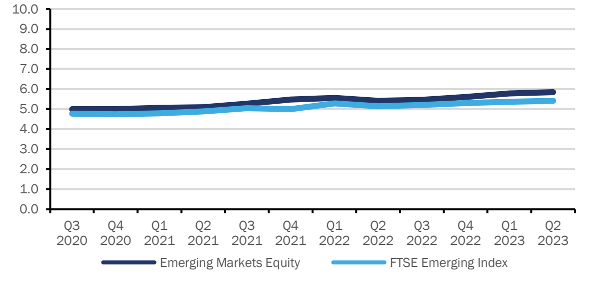
Q2 2023

MSCI ESG RATING

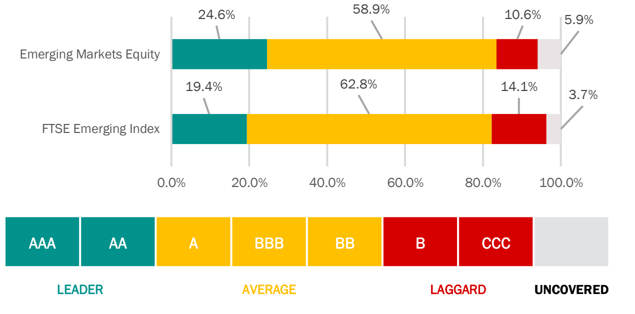
A

	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	A [1]	5.8 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE Emerging Index	BBB [1]	5.4 [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	7.1%	+1.1%	AAA [1]	Jiangsu Hengli Hydraulic	0.7%	+0.7%	CCC [1]
ITC Limited	2.0%	+1.8%	AA [1]	Gree Electric Appliances	0.2%	+0.2%	CCC [1]
Grupo Financiero Banorte	1.6%	+1.2%	AA [1]	TAL Education	0.2%	+0.1%	CCC [1]
Naspers	1.3%	+0.8%	AA [1]	Shenzhen YUTO Packaging	0.1%	+0.1%	CCC [1]
HDFC Bank	1.1%	+0.9%	AA [1]	Kweichow Moutai	3.0%	+2.7%	B [1]

Quarterly ESG Commentary

- The ESG weighted score remained flat over the quarter and above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be ‘Leaders’.
- During the quarter Gree Electric Appliances (CCC) was added to the Fund. An overview of the company is provided below.

Feature Stock: Gree Electric Appliances

Gree Electric is a leading manufacturer of air conditioners in China, holding approximately 30% share of the market at the end of 2022. Its other products include water heat pumps, home appliances and industrial products.

Chinese residential real estate has faced significant challenges recently, however with the potential of an economic recovery, demand for home appliances should also increase. This cyclical uplift would benefit the Company given it is trading at depressed valuations.

It is acknowledged that the ESG quality of the Company is suboptimal, which is partially reflected in the lower valuation compared to peers. A key issue relevant to the investment case is capital allocation going forward, particularly with respect to acquisitions and related party transactions. In 2021, the Company acquired a majority stake in electric vehicle battery maker Yinglong motors, in which the Company’s Chair held a stake. There is therefore some minority shareholder apprehension regarding capital allocation or related party transactions. The Company is rolling out an employee share ownership scheme mandating a 50% dividend payout which should see it more aligned with minority shareholders’ interests.

[1]Source: MSCI ESG Research 30/06/2023

BORDER TO COAST EMERGING MARKETS EQUITY FUND

ESG & CARBON REPORT

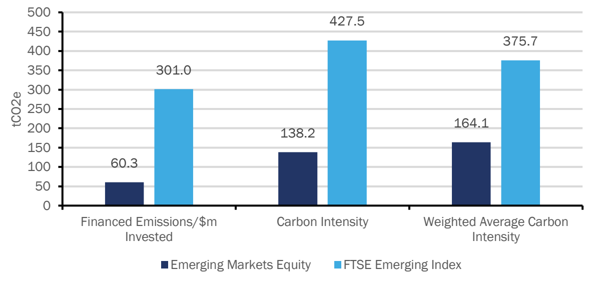
Q2 2023

MSCI ESG RATING

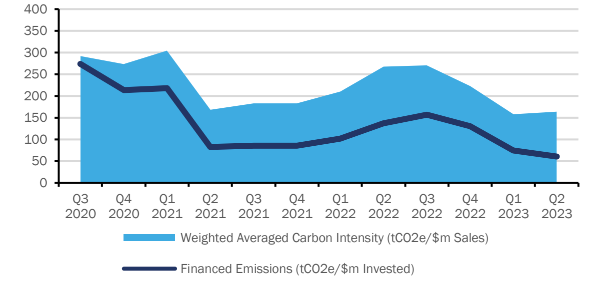
A

PENSIONS PARTNERSHIP

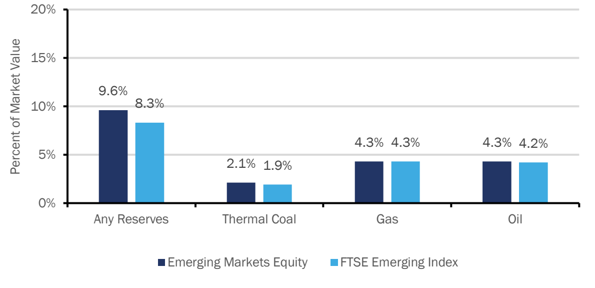
Carbon Emissions and Intensity[1]



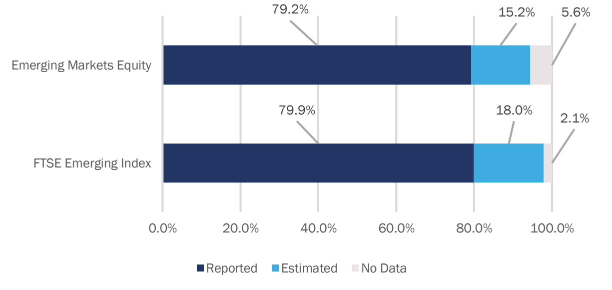
Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



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



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Qatar Gas Transport Company	0.7%	+0.7%	10.2% [1]	No	N/A
Reliance Industries	2.4%	+0.7%	8.3% [1]	Yes	1
PetroChina	0.6%	+0.3%	8.1% [1]	Yes	3
United Tractors	0.6%	+0.6%	5.9% [1]	Yes	2
Petrobras	0.4%	-0.5%	5.4% [1]	Yes	4

Quarterly Carbon Commentary

- The Fund is currently significantly below the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity (WACI).
- Carbon emissions decreased in the quarter due, in part, to exiting the position in Tenaga Nasional.

Feature Stock: Reliance Industries

Reliance Industries is the largest private sector conglomerate in India with businesses spanning refining, oil and gas exploration & production, retail, and telecoms. The Company is controlled by Mukesh Ambani, who is India's wealthiest individual. Each of Reliance's primary business units are sector leaders and the group has a reputation for investing with a long-term vision and strategy. The board of Reliance has an exciting roadmap to unlock shareholder value by spinning off its major underlying business units to improve reporting transparency and so that each can be ascribed a fair valuation by the market. Refining is the largest business unit, contributing 55% of group revenues and 41% of group EBITDA.

Reliance intends to be Net Zero carbon by 2035, which places it among the more proactive of emerging market companies, especially so for a group with large scale operations in refining. The group's ~8% reduction in GHG emissions between 2020 and 2022 shows good progress in reducing its carbon footprint. This decrease in emissions was an outcome of several initiatives which included investments in energy conservation and fuel mix optimisation, as well as adoption of digital technologies to monitor emissions and find efficiencies more accurately. Future investments will focus on transitioning from the production of transportation fuels to chemical building blocks that are integrated with sustainable downstream derivatives, and the production of more renewable fuels. The group also monitors its water and waste management with targets to reduce its overall environmental footprint.

[1]Source: MSCI ESG Research 30/06/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	4.5%	4.2%
Investment Trust/ Funds	1.4%	1.4%

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[1]Source: MSCI ESG Research 30/06/2023

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Future Funding Model – OOG Briefing Paper

Introduction

The current funding model, as shaped by the Partner Funds prior to inception of Border to Coast, was designed to support funding both regulatory capital (as required by the FCA) and revenue and liquidity requirements throughout the initial start-up period (expected to be c. five years). It aimed to address the following requirements over this initial build period:

- Provide the required resources to support the build of a long-term resilient and sustainable operating model, that was sufficiently flexible so as to be able to adapt to meet Partner Funds' changing needs.
- Provide an initial degree of detailed oversight of the organisation as a corporate entity by Partner Funds whilst trust and operational requirements could be refined on the basis of experience.
- Build a financing model that was based on the principal of supporting a "not for profit" operating model.
- Ensure the firm did not experience liquidity or capital issues during the build period.
- Charge Partner Funds based on their long term strategic asset allocation (i.e. not their actual AUM) to ensure a fairer allocation of costs during the initial asset transition period, given that not all assets could transition at the same time.

Border to Coast understands that Partner Funds always anticipated that the model would need to adapt and move to something more commonly seen in the wider industry, where charges are based on actual assets under management. With this in mind, discussions have been ongoing for the last couple of years on when and what needs to change to implement a new model. The intention was for this change to be implemented from April 2025 but at the request of Partner Funds, Border to Coast has looked to accelerate this to be ready from April 2024. Although this is a challenging delivery date, with many matters still to conclude, with Board and Partner Funds support and agreement we expect to be on track to meet this date.

A joint project group has been established and Border to Coast has worked with Partner Funds officers to propose a new approach and outline model for review and approval by both the Board and Partner Funds, which we hope to attain during the coming quarter. This briefing note is intended to provide an outline of the key changes proposed and the approvals required to implement.

Why Change?

Basing Partner Funds' costs on actual AUM would make benchmarking easier.

Greater transparency, if we can provide easier monitoring of the total costs of investing in each sub-fund rather than on only Border to Coast's corporate element of the costs, will support a focus on value rather than cost.

A change could support longer-term planning and flexibility to deal with in-year events than is currently the case. However, Partner Funds have requested that the Company continues to prepare an annual budget, to enable oversight and management of any potential cost creep through this change.

The change could enable the build-up of reserves, whilst continuing to aim to curtail any additional tax drag.

What is proposed to change?

The costs will not change in total but rather the way they are allocated between the Partner Funds.

At a basic level, it is proposed that Border to Coast will stop invoicing Partner Funds a share of the annual budget based on their long-term strategic asset allocation. Instead, an Annual Management Charge (AMC) will be applied to the investment funds which will be allocated in proportion to each Partner Fund's share of the total AUM of the fund. The AMC will reflect the actual costs incurred by Border to Coast.

Without putting other protections in place, switching to this funding methodology reduces certainty of cost recovery for Border to Coast (e.g. if the AUM significantly falls), which could result in Border to Coast requiring a shareholder capital injection to meet its regulatory capital requirements. In order to mitigate this risk, we are proposing to make the AMC variable (an 'up to' rate) coupled with amending the shareholder agreement such that excess costs above the maximum AMC rate would be split equitably amongst all shareholders current thinking is that this is probably 1/11th but work is still on going on this. This mechanism also supports future optionality and shareholder none compliance with the pooling guiding principles, as currently being discussed by Partner Funds. This avoids the need to hold extra capital and provides a means of managing liquidity requirements.

What is not proposed to change.

- Whilst we are reviewing and streamlining the current sign off process the Strategic Plan, including the Annual Budget will continue to be approved by shareholders.
- Governance and Project costs will continue to be charged to Shareholders on a 1/11th basis
- The charging structure for Private Markets (including Global Real Estate), which already charge on an committed assets basis.

Changes required to make this effective

Fund documentation (the Prospectus):

For each sub-fund, the ability to charge an Annual Management Charge (reflecting Border to Coast's actual costs) but subject to a capped %.

Border to Coast are currently taking advice on the appropriate governance route for these changes (either an EGM vote or via investor notice). Either way Partner Funds invested will have ample opportunity to comment.

Shareholder Agreement:

We will need to make a few minor changes to the Shareholders' Agreement to enable this change to be effected. The current wording under Section 4.1 states "Each Shareholder shall pay an annual operating charge to BCPP in the amount specified in the Annual Budget in relation to services provided by BCPP as specified in the Annual Budget".

However, because the AMC will be charged to the funds, it will be the investors in each fund who will now be paying these costs i.e. not the shareholders and therefore the above wording needs to be changed to remove these costs from the Annual Operator Charge.

In addition, to protect Border to Coast from the risk of not being able to fully recover its costs (i.e. if the actual costs are greater than the AMC capped amount), the agreement will be amended to make each shareholder liable to make an equal contribution towards the shortfall.

We also are looking to discuss with Shareholders proposals to address two other associated issues relating to the company financing where current drafting is either not reflective of actual process or where changes could lead toa more efficient process - Clause 4.2.1 suggests that a Regulatory Capital Statement is issued annually and approved by all shareholders', which we do not do in practice and doesn't align with the 75% shareholder requirement for the Strategic Plan and Clause 5.1.3 to remove the requirement to get shareholder written approval not to make distributions by way of cash dividends, so as to remove the administration of this process each year.

Pension Cost Charge Agreement

We propose to remove the cost sharing principles from this Agreement – no other changes required. The Cost Sharing Principles to be included as part of the Annual Budget process to give clarity on how Partner Funds pay for their investment related activities and their future liabilities on pensions shortfall – as is the case now.

Partner Fund Timeline

September 23 Partner Fund socialisation of proposed changes to Shareholder Agreement, Prospectus and Pension Cost Recharge Agreement

November 23 Following Border to Coast Board approval, Partner Fund approval of revisions to Shareholder Agreement, Pension Cost Recharge Agreement.

January 24 ACS EGM and vote / Notification of Changes to Prospectus

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Agenda Item 7

TEESSIDE PENSION FUND

Border to Coast

Teesside Pensions Committee - September 2023

Agenda Item 7

YOUR INVESTMENTS WITH BORDER TO COAST

LISTED INVESTMENTS AS AT 30TH JUNE 2023

Listed Investments	Value (as at 30/06/2023)	Value % of Total Assets
UK Listed Equity	£644m	25.28
Overseas Developed Markets	£1,703m	66.88
Emerging Markets Equity	£200m	7.84

COMMITMENT TO BORDER TO COAST'S PRIVATE MARKET STRATEGIES

Sleeve	Series 1	1A	1B	1C	Series 2	2A	2B
Private Equity	£200m	£100m	£50m	£50m	£200m	£100m	£100m
Infrastructure	£200m	£100m	£50m	£50m	£300m	£150m	£150m
Climate Opportunities	N/a	N/a	N/a	N/a	£80m	£80m	N/a

Source: Northern Trust/Border to Coast

MARKET OVERVIEW– Q2 2023

MIXED PERFORMANCE IN MAJOR MARKETS

Following a positive start to the year, the second quarter saw a more challenging macro environment emerge. Among the major equity market indices, the US and Japan delivered relatively strong performance, whilst the UK and emerging markets lagged as the pace of global economic growth slowed and central banks around the world continued their interest rate hikes.

Economic data and company earnings continued to be more resilient than markets anticipated, though increasing stress in pockets of the economy challenge the notion that this can persist indefinitely.

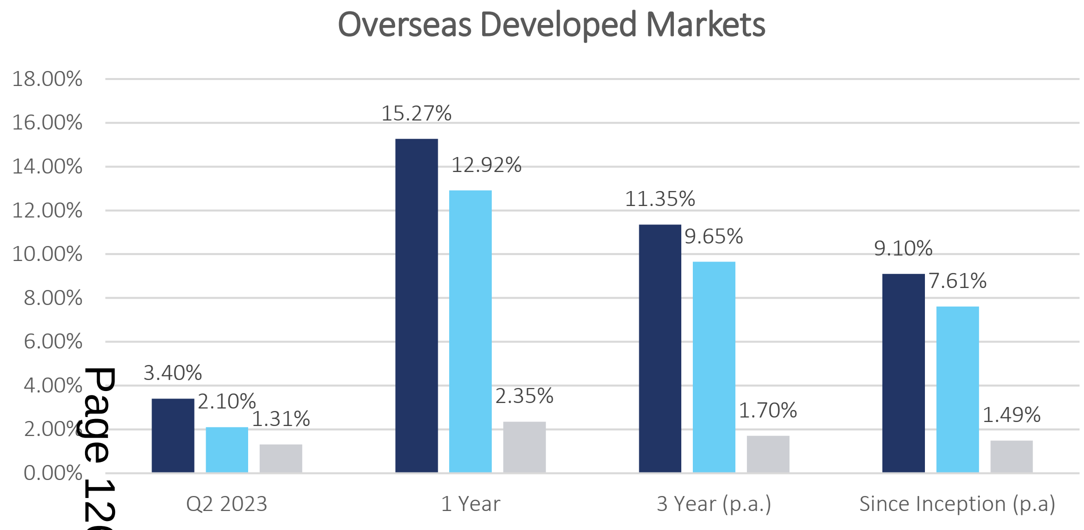
RISING YIELDS

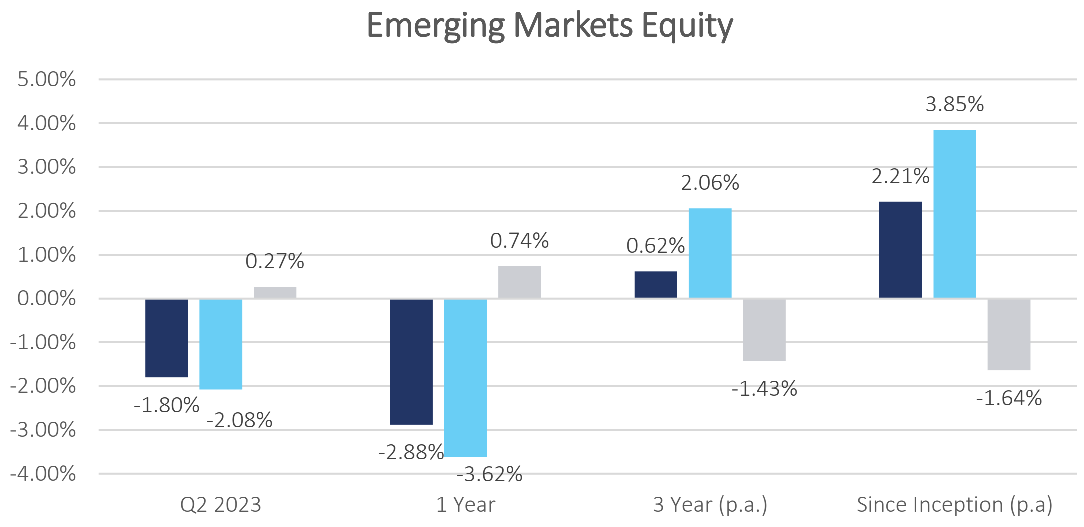
Within fixed income, yields climbed considerably as expectations shifted in favour of higher terminal rates and delayed pivots by central banks.

A GLOBAL ECONOMIC RECOVERY?

The reopening of China, expected to drive a global economic recovery, has yet to materialize, whilst economic resilience, apparent progress on inflation in the US and the explosion of hype surrounding the use case for artificial intelligence has provided some counteracting optimism for investors.

LISTED INVESTMENTS – PERFORMANCE TO Q2 2023





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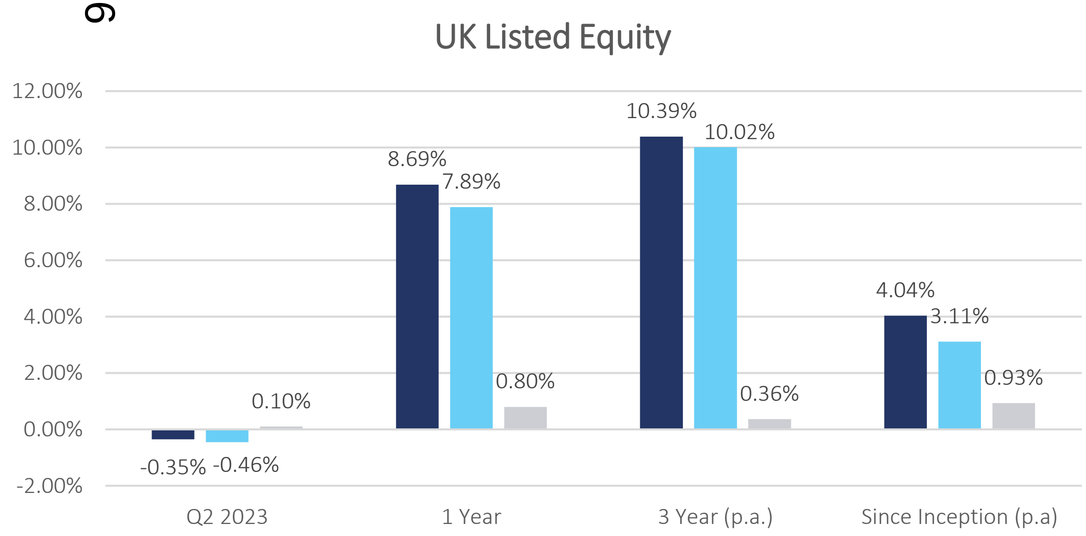

Overseas Developed Markets Benchmark: 40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Ex Japan, 10% FTSE Japan

UK Listed Equity Market Benchmark: FTSE All Share GBP

Emerging Market Equity Benchmark[1]: FTSE Emerging Markets

[1]S&P Emerging Markets BMI (Net) between 22nd October 2018 to 9th April 2021. Benchmark equal to fund return between 10th April to 28th April 2021 (Performance holiday for fund restructure)

Source: Northern Trust, Border to Coast 30th June 2023

Note: Figures refer to the past. Past performance is not an indicator of future performance and is not guaranteed.

PRIVATE MARKETS UPDATE: CAPITAL DEPLOYMENT (FUND LEVEL)

Private Equity	Key Metrics - 31 March 2023
Target IRR	10%
Series 1 IRR	18.1%
Series 1 TVPI	1.23x

Series 1A	30 June 2023	31 March 2023
Capital Committed	99.7%	99.7%
Capital Drawn	73.8%	67.4%
Capital Distributed[1]	13.0%	12.6%

Series 1B	30 June 2023	31 March 2023
Capital Committed	99.1%	99.1%
Capital Drawn	60.4%	54.6%
Capital Distributed[1]	0.7%	0.5%

Series 1C	30 June 2023	31 March 2023
Capital Committed	100.0%	100.0%
Capital Drawn	39.2%	31.6%
Capital Distributed[1]	0.1%	0.1%

Infrastructure	Key Metrics - 31 March 2023
Target IRR	8%
Series 1 IRR	12.5%
Series 1 TVPI	1.16x

Series 1A	30 June 2023	31 March 2023
Capital Committed	87.4%	98.7%
Capital Drawn	69.8%	66.9%
Capital Distributed[1]	13.9%	11.4%

Series 1B	30 June 2023	31 March 2023
Capital Committed	98.7%	98.7%
Capital Drawn	51.9%	44.9%
Capital Distributed[1]	2.5%	2.2%

Series 1C	30 June 2023	31 March 2023
Capital Committed	100.0%	100.0%
Capital Drawn	76.3%	68.6%
Capital Distributed[1]	8.5%	8.0%

Source: Allbourne / Private Monitor
1 Including Recallable Distributions.

PRIVATE MARKETS UPDATE: CAPITAL DEPLOYMENT (FUND LEVEL)

PRIVATE EQUITY

Series 2A	30 June 2023	31 March 2023
Capital Committed	99.9%	91.2%
Capital Drawn	5.0%	3.6%
Capital Distributed[1]	0.0%	0.1%

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Series 2B	30 June 2023
Capital Committed	26.2%
Detailed Due Diligence In Progress	19.9%
Capital Uncommitted	53.9%

INFRASTRUCTURE

Series 2A	30 June 2023	31 March 2023
Capital Committed	100.0%	100.0%
Capital Drawn	22.4%	10.8%
Capital Distributed[1]	0.0%	0.0%

Series 2B	30 June 2023
Capital Committed	21.0%
Detailed Due Diligence In Progress	0.0%
Capital Uncommitted	79.0%

Source: Allbourne
1 Including Recallable Distributions

PRIVATE MARKETS: NEW COMMITMENTS FOR Q2 2023

PRIVATE EQUITY – SERIES 2B
CVC CAPITAL PARTNERS IX

€100m commitment (June 2023)

CVC Capital Partners is the flagship private equity offering of CVC, a large, multi-strategy private markets manager. Since 1996, CVC has raised eight pan- European private equity funds. It also has dedicated private equity funds in Asia, Strategic Opportunities (long hold PE), Growth and, following the acquisition of Glendower in 2021, Secondaries.

The investment strategy for Fund IX remains consistent with previous CVC Europe funds. The manager will target fundamentally sound, well-managed and cash-generative businesses with sustainable, long-term value creation opportunities.

The Fund will aim to provide diversification of exposure by investment size, sector, geography, and vintage year, with 30 – 40 companies expected. CVC will generally seek to target companies in the upper middle market (EVs between $1bn-$5bn) although retains the flexibility to invest in businesses above or below this range.

Border to Coast themes: Operational Value Add, Buy and Build

INFRASTRUCTURE – SERIES 2B
STONE PEAK OPPORTUNITIES FUND

$100m commitment (April 2023)

Stonepeak is a well-established manager focusing on private real assets investing. Despite being founded in 2011, Stonepeak has grown to be the sixth largest infrastructure manager in the world.

The Fund will seek to invest in middle market equity investments within the digital infrastructure, transportation & logistics, energy transition and social infrastructure sectors, and can be underwritten at a valuation and with a structure such that the investment is expected to deliver target returns of 15-20%.

Specifically, SOF will focus on opportunities that are less competed in today's infrastructure market. Like most leading infrastructure managers, Stonepeak's flagship strategy has grown significantly, increasing the size of underlying target deal. SOF allows Stonepeak to refocus on lower and middle market infrastructure transactions.

Border to Coast themes: Digital Revolution, Energy Transition, Operational Value Add

BORDER TO COAST UPDATE

SUMMARY TO DATE

83% of Partner Fund assets are pooled, £40.3bn of which Border to Coast are directly responsible for. £8.3bn of this is now invested in assets supporting the transition to Net Zero.

JUST TRANSITION

We have announced a new programme of engagement on Just Transition, which enables investors to address systemic threats to long-term stability and support the transition to Net Zero.

GOVERNMENT CONSULTATION ON POOLING

The government has now published its consultation on the future of pooling, and we have been working with Officers to assess the consultation to develop a joint response which will be shared ahead of the October 2nd deadline.

OTHER CONSULTATIONS

We are also working with other important consultations, including the Economic Activity of Public Bodies (Overseas Matters) Bill, which seeks to ban public bodies from imposing their own boycott, which has obvious impact on Pension Committees.

Source: CEO Newsletter July 2023


APPENDIX
Border to Coast – Teesside Pensions Committee

PRIVATE EQUITY / INFRASTRUCTURE – IRR AND TVPI DEFINITIONS

IRR and TVPI (Pages 5)

- **Internal Rate of Return (IRR):** Most common measure of Private Equity performance. IRR is technically a discount rate: the rate at which the present value of a series of investments is equal to the present value of the returns on those investments.

- **Total Value to Paid-in Capital (TVPI):** TVPI is the sum of the DPI and RVPI. TVPI is net of fees. TVPI is expressed as a ratio.

- **Distributions to Paid-in-Capital (DPI):** The amount a partnership has distributed to its investors relative to the total capital contribution to the fund. DPI is expressed as a ratio. Also known as realization ratio.

- **Residual Value to Paid-in Capital (RVPI):** The measure of value of the limited partner's interest held within the fund, relative to the cumulative paid-in capital. RVPI is net of fees and carried interest. This is a measure of the fund's "unrealized" return on investment. RVPI is expressed as a ratio.

Source: Private Monitoring Report

PENSIONS PARTNERSHIP

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

PENSION FUND COMMITTEE REPORT

27 SEPTEMBER 2023

INTERIM DIRECTOR OF FINANCE – DEBBIE MIDDLETON

INVESTMENT ADVISORS' REPORTS

1. PURPOSE OF THE REPORT

1.1 To provide Members with an update on current capital market conditions to inform decision-making on short-term and longer-term asset allocation.

2. **RECOMMENDATION**

2.1 That Members note the report.

3. **FINANCIAL IMPLICATIONS**

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

4. **BACKGROUND**

4.1 The Fund has appointed Peter Moon and William Bourne to act as its independent investment advisors. The advisors will provide written and verbal updates to the Committee on a range of investment issues, including investment market conditions, the appropriateness of current and proposed asset allocation and the suitability of current and future asset classes.

4.2 Brief written summaries of current market conditions from William Bourne and Peter Moon are enclosed as Appendices A and B. Further comments and updates will be provided at the meeting.

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

TEL NO.: 01642 729040

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Independent Adviser's Report for Teesside Pension Fund Committee

William Bourne **15th September 2023**

Market Commentary

1. When I wrote in June I said the outlook had changed from an expectation of recession to a more benign outlook. My principal reason was the response of the U.S. Federal Reserve to the regional bank collapses such as Silicon Valley Bank in March. Central banks substantially loosened monetary policy by expanding their balance sheets at the same time as they continued to raise interest rates to combat inflation.

2. Three months later that broadly seems to have been the case. The U.S. has so far avoided recession, with GDP growth around 2%, while the U.K. and Eurozone are showing almost zero growth. Chinese growth has underwhelmed but is still positive. Japanese growth exceeded expectations but is still relatively modest at about 1% over the last 12 months.

3. More importantly, inflation is clearly coming down in most countries. The U.S. inflation rate in August ticked up but still stood at 3.7% compared to 8% ten months ago. There are some notable exceptions, however. China's consumer index is close to deflation as producer prices fall and the economy falters. In contrast, inflation in Japan, where the central bank's primary objective is to eradicate any deflationary psychology, has risen to around 3%. Finally, labour and supply side constrictions mean that U.K. inflation remains higher at around 7%.

4. Central banks have continued to raise rates, albeit at a much slower pace than previously. The bond yield curve in most of the West is as a result steeply inverted (i.e., you get paid more for lending money to the Government short term rather than long term). This is often seen as a predictor of recession, but this time round I suspect it has more to do with financial repression - i.e. regulators forcing pension funds and insurance companies to buy long-dated government bonds.

5. Although inflation expectations are subsiding, bond yields may have further to rise from the current 4 to 4.5% range. Governments (U.S., and the U.K. in particular) have to issue a lot of debt; if the economy starts to recover, we can expect money to move back to the real economy and away from

safe havens such as gilts; and the term premium[1] is at an all-time low.

6. The rise in bond yields has already impacted the pricing of a range of assets. As two examples, U.K. house prices, where variable (i.e., short term) mortgage rates are a major input, are around 5% lower than they were 12 months ago; and the valuations of infrastructure assets, which are priced off long term gilts, have seen 10 to 15% declines. Further rises would likely exacerbate these trends.

7. In this context we should note two important signals. Fitch, a major credit rating agency, downgraded U.S. Treasuries from AAA to AA+ on account of the rising public debt. As U.S. Treasuries are used as the risk-free asset in all financial theory, this may have secondary effects on all financial asset pricing. Secondly, after a considerable tussle with market speculators, the Bank of Japan is now allowing 10-year yields to rise from 0.5% to 1% (compared to the U.K. and U.S. above 4%). This may seem trivial, but my take-away is that even large central banks recognize they cannot completely buck the market.

8. Equities have remained fairly resilient through this cycle of rising rates. One explanation is that investors are looking towards the next cyclical earnings upswing. An alternative one is that the indices in 2023 have been dominated by the 'Magnificent Seven', seven large U.S. tech. stocks such as Amazon and Google. A third is that markets think interest rates are close to a peak and will start to come down.

9. The U.K. remains in its own rather uncomfortable place with inflation expected to stay stubbornly higher. The Bank of England will have to issue around £240bn of gilts in this financial year, £100bn more than last year. U.K. equities are relatively cheap, reflecting the higher risk premium which investors require on U.K. assets following the events of the last few years.

10. If global inflation falls towards target levels, which is probably the consensus now, this environment is relatively benign for risk assets such as equities. However, there is scope for negative surprises: bond yields are likely to rise further; central banks may err by over-tightening to ensure they bring inflation down; Chinese deflation is worrying; geo-politics are unstable, especially with a U.S. presidential election only 15 months away; and the war in Ukraine is seemingly moving into a new phase.

11. I therefore expect markets to be volatile in the shorter term, which from experience often begins with currency markets. The big question for the Fund will be when and how to start de-risking by allocating to government bonds, and in particular index-linked, which remain the best match for future liabilities.

[1] The term premium is the extra return investors receive for being willing to lock in today's return for the long-term. It should theoretically be arbitraged away to zero, but currently stands at an extreme level of -1.5%. While there are some good fundamental reasons behind this, at some point it will revert to a more neutral level.

Appendix B

Investment report for Teesside Pension Fund September 2023

Political and economic outlook

The political environment continues to fail to inspire in most democratic nations and this is continuing to have consequences in the world order. Communist regimes and dictatorships have taken advantage of this weakness to increase their sphere of influence and expand their Neo Colonial ambitions. There has been a total disregard in some cases of international law as the situations in Ukraine and to a lesser extent Hong Kong testify. The potential for China to make a move against Taiwan is no longer a distant possibility, it is becoming more and more probable. It doesn't take a genius to conclude that this erosion of democratic and western power will continue until the quality of government in the West improves.

I had anticipated that the arrival of Rishi Sunak would lead to a happier period in UK politics where the country might once again become a trusted liberal democracy. But it's clearly not been that easy as the government makes error upon error in housing immigrants and on climate change amongst other things. These seemingly populist approaches do not appear to have improved the Conservatives standing amongst the British people and certainly not abroad.

The situation on the economic front is hardly more cheering. It is good news that inflation is subsiding following the supply side shocks of covid and the war in Ukraine. The reduction has certainly not come about by the actions of Central Banks. The current decision-making process of the Federal Reserve, the European Central Bank and the Bank of England has to be called into question. Until recently these Banks had been forward looking and determining policy on the basis of what they forecast was likely to be happening in the economies under their jurisdiction and what needed to be done. The banks are now making decisions based on historical data, they have become data dependent on lagging indicators which is no way to set interest rates and determine monetary policy. The quality of Central Bank management has consequently taken a serious dip. This is worrying especially at a time when economies will be onshoring, expanding domestic production, as a result of heightened tensions globally.

The recent fall of 0.5% in GDP in July should really have come as no surprise as the UK economy continues to struggle following its exit from the EU. As I mentioned in my last report, growth in the UK economy prior to our entry into the EU back in the 1970s was anaemic at best. Maybe this is a return to the “good old days”.

The inflation rate in the United States appears to be stabilising at around the three and a half percent level. In the UK we can expect further declines in inflation but it is likely to settle at around 4 or 5%. There are persistent inflationary pressures within Western economies which are being offset by significant productivity increases due to continuing rapid technological innovation.

Markets

Bond yields in the US and UK are similar at about four and a half percent Inflation in the UK is 6.8% versus 3.7% in the US. Therefore US real rates are a positive 0.7% and UK rates a negative 2% leaving the US bond market a tad on the expensive side and the UK very poor value. This anomaly will eventually correct itself with rates potentially rising in the US and rising substantially in the UK given my inflation assumptions. It is probably wise to continue to avoid fixed interest markets at the moment. Given the level of uncertainty yields on index linked securities are likely to rise which will have an adverse effect on capital values. Higher inflation rates will tend to increase the value of index linked but the rising yield profile is likely to nullify the positive inflation impact.

Other forms of fixed interest Investment will find it difficult to give positive returns while government bond values decline.
The golden period for equities is now in the past as central banks have effectively turned off the excess liquidity tap which fueled their rise for so long. Continuing modest growth and stable inflation along with significant productivity improvements should lead to modest increases in equity values and therefore rising markets. However as the profit share in GDP declines the advance in markets will be limited to near inflation rate returns, maybe one or two percent above inflation.
The property market should respond to the same forces as the equity markets. I would expect it to stabilise initially and then modestly advance towards the end of the year.
Private equity markets and infrastructure are also likely to respond positively to the improved environment.
Cash returns have improved modestly but remain inadequate with inflation running at the level it is.

Portfolio recommendation

I have become a little more positive on real assets such as property and public and private equity and infrastructure. Fixed interest markets are unlikely to provide rewarding investment returns and our current stance should be maintained.
The current holding in public and private equities should be retained.
The imperfect nature of the property market makes it a prospective area for investment if the correct assets can be found.
Cash should be utilised to facilitate the changes in asset allocation.

Peter Moon

18 September 2023

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Agenda Item 9

Agenda Item 9

TEESSIDE PENSION FUND
Q2 2023

CBRE

Quarterly Report
Prepared: 13th September 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 30th June 2023, the portfolio comprised 32 mixed-use properties located throughout the UK, with a combined value of £412.4m. This reflects an overall Net Initial Yield of 5.33%, and an Equivalent Yield of 5.49%.

The portfolio comprises principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprise 93% of the Portfolio by capital value. There are 90 demises and a total net lettable area of 2,325,239 sq ft.

The portfolio has a current gross passing rent of £23,453,959 per annum against a gross market rent of £23,801,512 per annum, making the portfolio reversionary in nature.

The weighted average unexpired term is 7.5 years to the earlier of the first break or expiry, and 8.1 years to expiry, ignoring break dates.

Fund Summary

Total Pension Fund Value (March 2023)	**£5,060m**
Real Estate Weighting (long term target allocation)	8.2% (10%)
Direct Portfolio Value (June 2023)	£412.4m

Direct Portfolio

Direct Portfolio Value (June 2023)	**£412.4m**
Number of Holdings	32
Average Lot Size	£12.9m
Number of Demises	90
Void rate (% of ERV) (Estimated UK Benchmark)	0.7% (7.0% – 9.0%)
WAULT to Expiry (break)	8.1 years (7.5 years)
Current Gross Passing Rent (Per Annum)	£23,453,959
Current Gross Market Rent (Per Annum)	£23,801,512
Net Initial Yield	5.33%
Reversionary Yield	5.61%
Equivalent Yield	5.49%

Portfolio Highlight (Q2 2023) – St Albans

The Fund has completed the purchase of a Retail Park located in St Albans, an affluent south-east commuter town, let to B&Q, Aldi and Costa. The property totals 67,757 sq ft and is let for an average unexpired term of 15.8 years. Acquired for £30.5m reflecting 5.27% NIY.

UK Economic Commentary

- In June monthly GDP grew 0.5%, following a fall of 0.1% in May. The additional bank holiday in May is cited as a key reason for increased output in June.

- Headline inflation fell to 6.8% in July, down from 7.9% in June. Falling gas and electricity prices provided the largest downward contributions to the monthly change.

- We anticipate inflation will continue its downward trajectory, after previous upside surprises, reaching 4.3% by the end of 2023, and returning to the 2% target in mid-2025.

- Unemployment increased to 4.3% from May to July. Vacancies have also been falling for twelve consecutive months. Unemployment is forecast to peak in late 2024 before coming down.

- A slowing UK economy in 2023 will see retail sales decline but are projected to bounce back in 2024 and 2025 as consumers regain purchasing power due to inflation declining.

- A culmination of high inflation and monetary tightening means growth is forecast to be flat in 2023 but will not contract. When inflation subsides and the Bank can loosen monetary policy, we forecast GDP will rebound with projected growth of 0.8% and 1.7% in 2024 and 2025 respectively.

- The Bank of England raised the base rate to 5.25% in August. The Chancellor has announced some support for mortgage holders giving the option to switch to interest only or extend the term for six months with no credit score impact and introduce a minimum 12-month delay on repossession proceedings. However, while this will provide short term respite, households refinancing in 2024 will encounter similarly challenging conditions.

- The main risk to this outlook, is the trajectory of inflation. Core inflation remained unchanged in July at 6.9% but has increased 70bps since March, primarily due to high nominal wage growth this year. Left unaddressed, we could witness the current levels of inflation embedded into the economy. Other risks include a prolonged global economic slowdown and a steeper than anticipated fall in house prices which could collectively prolong the economic slowdown and hinder recovery in 2024 and 2025.

UK Real Estate Market Commentary

- Transaction activity remained at a low level in Q2 2023. Our estimate of the volume traded in Q2, at £9.8bn, is similar to our revised total for Q1 of £10.6bn. Meanwhile, our estimate for H1 2023 of £20.4bn is below the £24.1bn traded in H2 2022 and well below the £38.1bn traded in H1 2022.

- There has been a recovery in foreign investment in Q2. Whereas domestic purchasers dominated in Q1, they only accounted for a 41% share of acquisitions by value in Q2, with North American investors accounting for 33% and European investors for a further 19%.

- Industrial & logistics saw an improvement in transaction activity in Q2 and was the sector commanding the largest share of investment volumes at £2.9bn (29%), followed by residential at £2.4bn (24%) and office at £2.1bn (22%).

- While we anticipate a gradual improvement in volumes through H2 of this year, it is clear that high costs of debt and an uncertain economic outlook continue to weigh upon market activity.

- The quarterly total return for All UK Property in Q2 2023 was 1.4%** This was entirely driven by income return, as capital values remained flat. Industrial total returns were 2.5% (1.2%* capital return, 1.2%* income return), retail total returns were 2.5% (0.7% capital return, 1.8% income return) and office total returns were -1.1% (-2.3% capital return, 1.3% income return).

- Rental values for All UK Property increased by 0.5% in Q2. The industrial sector posted the highest rental growth for the quarter with 1.3%, while office rental values increased by 0.5%. Retail rental value growth was 0.1% for the quarter.

- All property yields increased by 3bps throughout Q2 2023, meaning yields have increased by 10bps through the first half of 2023. While overall, yields appear to have stabilised, movements have been uneven across sectors as office yields have increased by 26bps in H1 2023.

* 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 June 2023

Investments

Sales

No sales this period.

Acquisitions

The Fund has completed the purchase of a Retail Park located in St Albans, an affluent south-east commuter town, let to B&Q, Aldi and Costa. The property totals 67,757 sq ft and is let for an average unexpired term of 15.8 years. Acquired for £30.5m reflecting 5.27% NIY.

The Fund also agreed terms to purchase a 346,465 sq ft industrial unit in north-east England.

Direct Portfolio Analysis

Top Ten Holdings (by Capital Value)

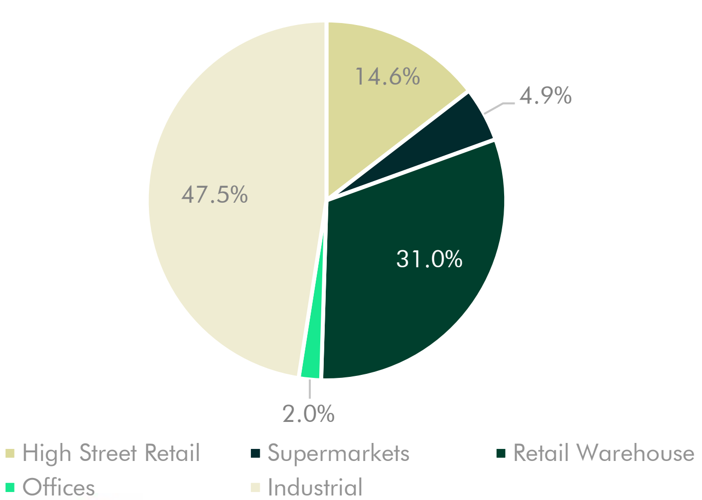
No.	Asset	Sector	Value	% of Direct Portfolio
1	THORNE - Capitol Park	Industrial	£31,300,000	7.6%
2	SWINDON - Symmetry Park	Industrial	£31,150,000	7.6%
3	LONDON - Long Acre	High Street Retail	£31,000,000	7.5%
4	ST ALBANS - Griffiths Retail Park	Retail Warehouse	£30,500,000	7.4%
5	BIRMINGHAM - Bromford Central	Industrial	£21,050,000	5.1%
6	TONBRIDGE - Tonbridge Retail Park	Retail Warehouse	£20,200,000	4.9%
7	GATESHEAD - Team Valley	Industrial	£20,100,000	4.9%
8	PARK ROYAL - Minerva Road	Industrial	£19,500,000	4.7%
9	RUGBY - Valley Park	Industrial	£18,300,000	4.4%
10	PARK ROYAL - Coronation Road	Industrial	£16,300,000	4.0%
		Total	**£239,400,000**	**58.1%**

We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio, as well as diversifying the lease expiry profile.

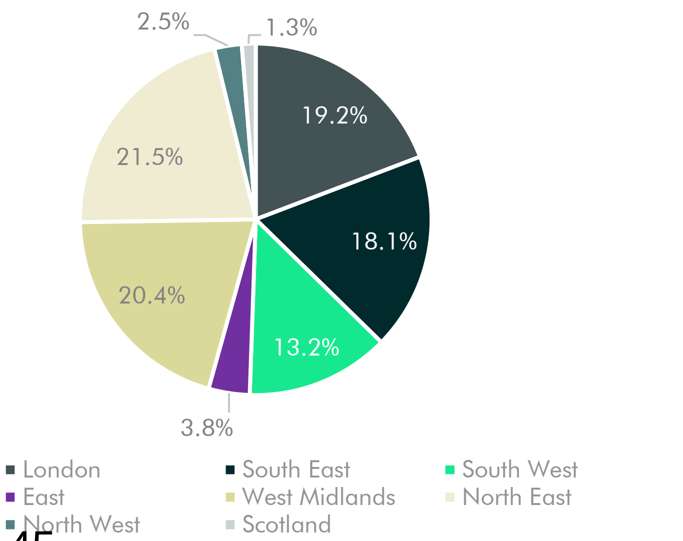
In addition to recommendations on industrial purchases, we may also recommend alternative and long-let investments that offer good covenants, attractive yields and long unexpired terms; these may include hotels, car showrooms, healthcare, leisure, supermarkets and student housing.

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 90 different demises let to 67 tenants. The largest tenant is B&Q Limited which accounts for 8.9% of the annual contracted income. Experian currently lists B&Q as representing a "Very Low Risk" of business failure.

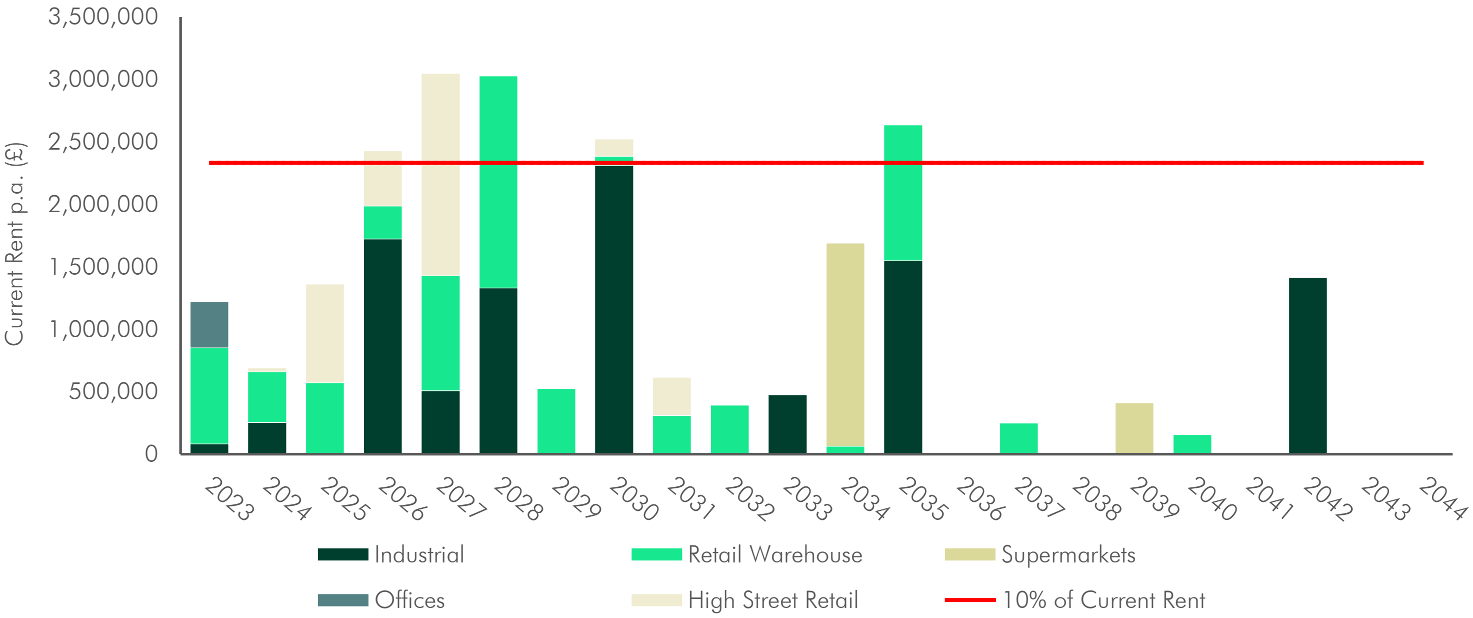
As a significant portion of the portfolio income will be from the top ten tenants, we will monitor their covenant strength and flag any potential issues. Our most recent assessment shows all of these tenants are classed as having a "Very Low Risk" of business failure.

Top Ten Tenants (by Contracted Rent)

#	Tenant	Sector	Number of Leases	Contracted Rent p.a.	% of Portfolio Rent	Risk Rating (Experian)
1	B&Q Limited	Retail	3	£2,084,211	8.9%	Very Low Risk
2	Iceland Food Limited	Industrial / Retail	2	£1,798,211	7.7%	Very Low Risk
3	Zara UK Limited	Retail	2	£1,580,000	6.7%	Very Low Risk
4	Omega Plc	Industrial	1	£1,413,689	6.0%	Very Low Risk
5	Brunel Healthcare	Industrial	1	£1,105,901	4.7%	Very Low Risk
6	Unipart Logistics Limited	Industrial	1	£1,077,000	4.6%	Very Low Risk
7	Royal Mail Group Limited	Industrial	1	£1,074,000	4.6%	Very Low Risk
8	Libra Textiles	Retail	1	£850,000	3.6%	Very Low Risk
9	Tesco Stores Limited	Retail	1	£774,714	3.3%	Very Low Risk
10	ASDA Stores Limited	Industrial	1	£755,000	3.2%	Very Low Risk
			Total	£12,512,726	53.3%	

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 Jun 22 - Jun 23			3 Year (p.a.) Jun 20 – Jun 23			5 Year (p.a.) Jun 18 – Jun 23		
	TPF	Index	Variance	TPF	Index	Variance	TPF	Index	Variance
Income Return	5.1%	5.3%	-0.2%	5.3%	5.3%	0.0%	5.5%	5.4%	+0.1%
Capital Return	-11.7%	-19.2%	+7.5%	4.6%	-0.8%	+5.4%	0.6%	-2.6%	+3.2%
Total Return	-6.9%	-14.9%	+8.0%	10.3%	4.5%	+5.8%	6.1%	2.6%	+3.5%

* 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

Bromford, UK Plumbing Supplies – June 2023

The Fund has completed a Lease renewal with UK Plumbing Supplies for a term of 10-years reflecting an average of £8.00 psf, a 24% increase on the passing rent of the unit. The tenant will benefit from a break on the 5th anniversary of the Lease commencement date.

Exeter, H&M – June 2023

The Fund has removed the tenant's June 2024 break option, increasing the term certain to 8 years, in return for a reduction in the tenant's rent to £22.75 psf, a 19% decrease on the passing rent of the unit.

Ipswich, Costa – June 2023

The Fund has completed a Lease renewal with Costa for a term of 5-years reflecting an average of £30.96 psf, a 4% increase on the passing rent of the unit. The tenant will benefit from a break on the 3rd anniversary of the Lease commencement date, albeit subject to payment of a 3 months' rent penalty to the Fund.

Congleton, B&M – May 2023

The Fund has completed a Lease renewal with B&M for a term certain of 10-years reflecting an average of £11.00 psf, a 30% decrease on the passing rent of the unit. The tenant benefits from 12 months rent free on the Lease commencement date.

Swadlincote, Brunel Healthcare – May 2023

The Fund has completed the April 2023 inflation-linked rent review with Brunel Healthcare, increasing the passing rent by 31%, in line with the RPI provision within the Lease.

Portfolio Arrears Update – 8th September 2023

The below table details the collection statistics for Q2 2023. Rent due for the quarter totalled £5,685,948 of which £5,655,948 has been collected, reflecting a difference of £30,000.

Collection Milestones	Rent Due 24/06/2023	Quarter Date 24/06/2023	Week 1 01/07/2023	Week 2 08/07/2023	Week 3 15/07/2023	Week 4 22/07/2023	After 22/07/2023	Difference
Total (£)	5,685,948	3,589,064	453,306	528,192	0	83,700	1,004,685	30,000
Collection Target (%)			92.0%	96.0%	98.0%	99.0%		
Total Collections (%)		63.1%	71.0%	80.3%	80.3%	81.8%	99.5%	

The rent collection across the entire portfolio in the previous three quarters has reflected the following.
March 2023 – 99.7%
December 2022 – 100.0%
September 2022 – 100.0%

The total Collectable Arrears on the entire portfolio is £229,492 as at 8th September 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 £5,000. These eight tenants account for 85.3% (£195,854) of the total collectable arrears:

Iceland Foods Limited (Swindon) – Total arrears of £72,274 (31.5% of the collectable arrears). The tenant has queried an increase to the annual Insurance Premium (compared to the premium charged by the previous ownership), which is mainly due to an increase in the Reinstatement Cost Assessment. We are working with the tenant to resolve their queries.

Shoe Zone Retail Limited (Congleton) – Total arrears of £37,910 (16.5% of the collectable arrears). This relates to discrepancies with the Completion Statement following the completion of the lease renewal.

B&Q plc (Arbroath) – Total arrears of £26,553 (11.6% of the collectable arrears). This relates solely to service charge arrears. A Measured Survey is being instructed to resolve issues relating to different floor areas, used to calculate the SC.

Pizza Hut (UK) Limited (Ipswich) – Total arrears of £21,117 (9.2% of the collectable arrears). This is an historic issue relating to the period of insolvency. We are requesting Pizza Hut justify these arrears in line with their CVA and Deed of Variation to the Lease, agreed with the Fund.

American Dry Cleaning Company Limited (17/23 Gloucester Road) – Total arrears of £11,073 (4.8% of the collectable arrears). These arrears relate to charges including part of the December 2022 and March & June 2023 quarter's insurance and superior landlord's service charges. We are working with the tenant to get these cleared and considering further action.

Boots UK Limited (Congleton) – Total arrears of £9,933 (4.3% of collectable arrears). This relates to the previous Lease. We are working with Boots to resolve this.

River Island Fashion Limited (Lincoln) – Total arrears of £8,969 (3.9% of collectable arrears). This relates mainly to historic arrears that has been misallocated. The tenant has paid this sum and the allocation is being corrected.

Royal Mail Group Limited (Gateshead) – Total arrears of £8,025 (3.5% of collectable arrears). This relates mainly to two charges that are being chased; firstly, an insurance point and second, relating to the recent rent review arbitration award.

The remaining £33,638 (14.7% of the collectable arrears) of arrears is spread across thirty tenants, sums are £3,464 to 12p.

Lending Update

Debt Investment Portfolio	Sector	Loan Limit	Drawn Balance	Interest Rate	Fully Drawn Income p.a.	Maturity	LTV	ICR
Chester Greyhound	Retail	£19.7m	£19.7m	3.70%	£0.73m	Nov-2025	60.6%	3.33x
St Arthur Homes	Affordable Housing	£16.0m	£11.3m	4.50%	£0.72m	Nov-2026	55.0%	1.38x
TOTAL CURRENT		**£35.7m**	**£31.0m**	**4.06%**	**£1.45m**		**58.0%**[1]	**2.36x**[1]

[1] Portfolio LTV and ICR assume the St Arthur Loan is fully drawn at 55.0% LTV (maximum permissible gearing)

As at 30 June 2023, the Fund had two committed loans, of which £31.0m of £35.7m combined limits was 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 the opportunity to target loans at the lowest risk end of the market. This has been evidenced by the completion of the £16.1m Preston East loan in July, secured at a 5.21% rate and 56% LTV against a new build best in class industrial asset with long leases to high quality tenants.

Further rates growth since the Preston East terms were agreed has led us to now target returns at or above 6.0%, although we continue to react to market movements and our primary focus is on asset quality over opportunistic returns.

In light of the favourable conditions and the tendency of the highest quality opportunities to be at larger ticket sizes, we are seeking loans of between £10m - £45m, but maintaining Loan to Value ratios of 45-60% and adjusting return targets as set out above.

Existing Loan Portfolio

- All existing loans are performing in line with their loan agreements. All are covenant compliant and all interest and amortisation payments have been made on time.
- Chester Greyhound: A £20.0m senior loan to fund Aprirose's acquisition of Greyhound Retail Park, Chester. Ongoing scheduled amortisation has de-levered the loan to £19.7m since completion. In the period, Unit 2B has been regeared with ScS taking a new 10 year term (previously holding over) at £203,965 p.a.
- St Arthur Homes: A £16.0m loan to support the refinance of a 178-unit shared ownership portfolio. As at 30 June, three drawdowns totalling £11.3m had taken place. The fourth took place in August and the final drawdown is anticipated in November / December. An updated valuation to size the final drawdown will be instructed shortly.

Greyhound Retail Park, Chester

St Arthur Homes - Chapel Riverside, Southampton (24 units)

Responsible Investment Initiatives

Environmental, Social and Governance (ESG) criteria are having an increasingly prominent role in investment decision making and will influence the attractiveness of investments going forward. CBRE will ensure that responsible investment is put at the forefront of the strategy and that ESG factors are considered within each investment and asset management initiative. This will help ensure that the investment portfolio remains resilient over the long term.

We have summarised the relevant of each of the ESG factors below. These will be expanded upon with portfolio level principles and asset specific initiatives as the importance of ESG grows.

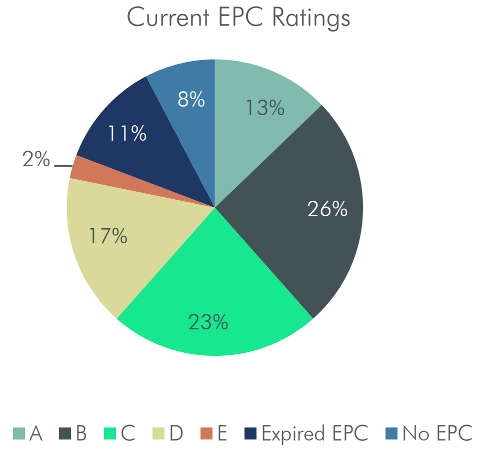
Environmental – sustainable factors will continue to play a part in the definition of 'prime' real estate, and buildings that don't meet the increasingly competitive standards are likely to become obsolete faster. Occupiers will demand their buildings adhere to the highest environmental standards.

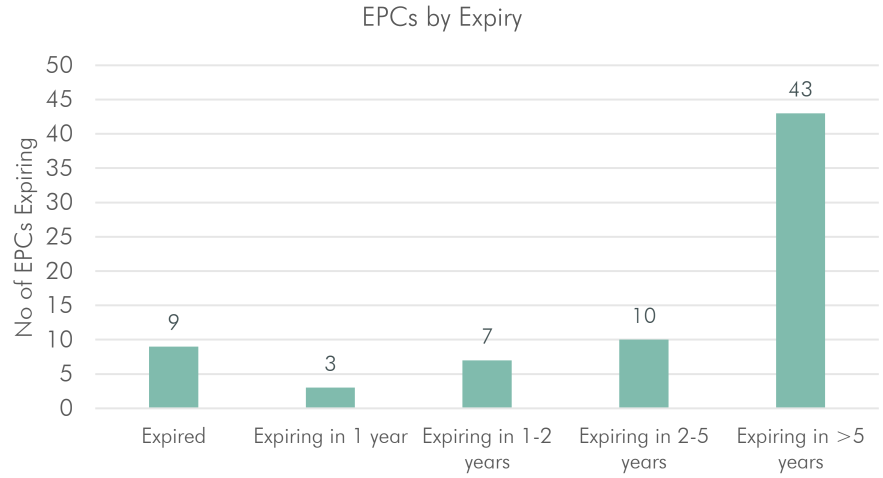
Social - real estate's impact on the local community and on a company's workforce are becoming equally important. Buildings that contribute positively to the world are therefore likely to be more resilient than those that do not, and as such are likely to benefit from increased occupier demand, leading to future rental and capital growth.

Governance - market participants will increasingly question the governance and management practices of their partners and supply chain. Rigorous standards will mean businesses will need to become more transparent and engage with their stakeholders to ensure access to the best opportunities.

Minimum Energy Efficiency Standards (MEES)

Teesside Pension Fund's property Portfolio currently complies with MEES regulation. The Fund has undertaken a strategic review of the Portfolio to ensure continued compliance with incoming regulation in 2025. Energy Performance Certificates (EPCs) are used to measure compliance. A breakdown of the current ratings and expiry profile across the Portfolio is detailed below:





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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

PENSION FUND COMMITTEE REPORT

27 SEPTEMBER 2023

INTERIM DIRECTOR OF FINANCE – DEBBIE MIDDLETON

LGPS 'Next Steps on Investment' Consultation

1. PURPOSE OF THE REPORT

1.1 The purpose of the report is to:

- Advise the Members of the Pension Fund Committee (the Committee) of an ongoing government consultation: "Local Government Pension Scheme (England and Wales): Next steps on investments" which sets out a proposed direction of travel in relation to investment pooling on the Local Government Pension Scheme (LGPS).
- Explain the process being followed in relation to the Pension Fund and Border to Coast Pensions Partnership ('Border to Coast') responding to the consultation.
- Ask the Committee to agree and provide any comments on a draft response to the consultation on behalf of the Fund.

2. RECOMMENDATION

2.1 That the Committee notes the content of the consultation document and this report and agrees to the Fund's draft response to the consultation, subject to any comment and changes agreed at this meeting.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications resulting from this report.

4. BACKGROUND

4.1 In 2015 the Government published criteria and guidance on the pooling of LGPS assets. This guidance set out four criteria:

A. Asset pool(s) that achieve the benefits of scale (pools of at least £25 billion)
B. Strong governance and decision making (for example: appropriate resources, governance structures, reporting, collective policies on how environmental, social and governance issues are taken into account when investing)

C. Reduced costs and excellent value for money (reporting on fees, transition costs and savings, appropriate justification for using active management)
D. An improved capacity to invest in infrastructure

4.2 Once this guidance was published, LGPS administering authorities went through a process which eventually resulted in eight asset pools being set up across England and Wales (Scotland was not covered by the pooling guidance). None of these pools are identical in structure or approach and the level of asset pooling that has actually taken place has varied between pools and between the constituent Pension Funds within those pools.

4.3. As the Board will be aware, the Pension Fund was one of twelve (now eleven following a fund merger) founder members of the Border to Coast Pensions Partnership ('Border to Coast'). Border to Coast is acknowledged as one of the most successful of the eight pools, both in terms of the amount of assets that have been pooled and the strong positive relationships that exist between the pool members and with the pool company. Border to Coast and its Partner Funds has also largely delivered the original pooling objectives the government set out in 2015.

4.4 The government has issued a consultation on next steps for LGPS investments in England and Wales which looks to build and accelerate progress towards greater LGPS pooling. The stated objective is to achieve pools in the £50-75 billion and possible £100 billion range and to do this by initially encouraging / requiring all LGPS funds to complete the pooling process with their current pool and then reducing the number of pools from eight to an unspecified lower number. The full text of the consultation document is enclosed at Appendix A, the consultation can also be found at the following link: LGPS (England and Wales): Next steps on investments

4.5 Other aspects, as well as accelerating the pace and scale of pooling are also covered in the consultation which addresses the following five areas:

- "First, the government sets out proposals to accelerate and expand pooling, with administering authorities confirming how they are investing their funds and why. While pooling has delivered substantial benefits so far, we believe that the pace of transition should accelerate to deliver further benefits which include improved net returns, more effective governance, increased savings and access to more asset classes. We propose a deadline for asset transition by March 2025, noting we will consider action if progress is not seen, including making use of existing powers to direct funds. Going forward, we want to see a transition towards fewer pools to maximise benefits of scale.
- Second, the government proposes to require funds to have a plan to invest up to 5% of assets to support levelling up in the UK, as announced in the Levelling Up White Paper (LUWP). This consultation sets out in more detail how the Government proposes to implement this requirement and seeks views on its plans.

- Third, the government is proposing an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity. The government believes there are real opportunities in this area for institutional investors with a long-term outlook, such as the LGPS.
- Fourth, the government is seeking views about proposed amendments to the LGPS's regulations to implement requirements on pension funds that use investment consultants. These amendments are needed to implement the requirements of an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.
- Finally, the government is proposing to make a technical change to the definition of investments within LGPS regulations."

5. CONSULTATION RESPONSE

5.1 Border to Coast, together with its Partner Funds, has been working to develop a joint response to the consultation. The is due to be approved by Border to Coast's Joint Committee on 28th September. Alongside this joint response, which all Partner Funds will be signing up to, each Partner Fund will also be submitting a response to government. These individual responses may emphasise particular aspects or cover areas of special concern to each Fund but are not expected to contradict the general collective approach being developed by all the pool participants. A draft response from our Fund is enclosed at Appendix B for the Committee's comments and approval.

5.2 Much of what the Government is proposing is in line with the approach to pooling that has already been adopted by Border to Coast and its Partner Funds. For example, on the requirement to pool all listed assets by 31 March 2025, the Fund has to a large degree already achieved this – all the Fund's actively managed equities are invested by Border to Coast (over £2.5 billion as at 30 June 2023) with only the Fund's passive equities managed elsewhere (by State Street Global Advisors – around £0.6 billion as at 30 June 2023).

5.3 The following table sets out the questions from the consultation together with some summary comments on collective response that will be given from Border to Coast and its Partner Funds, also consistent with the draft response from our Fund:

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?
Support the broad thrust of the consultation. No fundamental barriers. Key issue to delivering this is good governance, along with a common vision and culture within the Pool and between Partner Funds
Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

Support the principle of transferring, or having a clear path to transition, assets to pools. Seek clarity on definitions – particularly on passive investments – these are currently being delivered outside the Pool but at low fee rates negotiated through pooling. Hard to see what savings could be achieved through transferring ownership of these assets. Should still be acceptable to retain up to 5% of assets outside pool if it meets other policy intent (e.g. local investment).
Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?
Although Border to Coast and its Partner Funds support the pooling model outlined in the consultation, being overly prescriptive about approaches all Funds must take could stifle innovation.
Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?
Yes, although this should be dealt with through the Government adopting and implementing the recommendations of the LGPS Scheme Advisory Board's Good Governance Report.
Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?
We support clear, consistent proportionate reporting. However, applying the same benchmark against all Funds is problematic – different Funds will have varying funding levels, liability mixes and risk appetites – all of which will influence the returns they are targeting. Applying a single benchmark could be unhelpful unless these nuances are considered.
Question 6: Do you agree with the proposals for the Scheme Annual Report?
We support clear and consistent reporting. Highlight concern on cost of additional reporting requirements – any reporting should be focused on simplicity (to aid understanding and support oversight).
Question 7: Do you agree with the proposed definition of levelling up investments?
Agree with proposed definition. Request 5% of assets can be invested outside pool to support local investments.
Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?
Support in principle but raise several challenges to doing this – some strategies are capacity-constrained (for example Border to Coast's initial Climate Opportunities offering was oversubscribed) so it would not always be possible to accommodate 'external' investors. Also, Border to Coast's propositions are developed by the Partner Funds so may not always suit other investors. There would also be governance and risk issues associated with taking on investors who would be clients but not owners/shareholders like the Partner Funds.
Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?
Support in principle but would highlight the issues that arise when pension fund assets are used to deliver 'additional' benefits not just the best risk-adjusted returns. LGPS assets are invested to deliver appropriate risk adjusted returns and should not be used to implement any Central Government policy objective – no matter how laudable it may be.

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?
Agree with the proposal but note the additional burden imposed by further reporting requirements.
Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?
Agree that LGPS Funds should have an appropriately diverse investment approach and this can include private markets investment. The reference to private equity and in particular the emphasis on growth equity / venture capital in the consultation document seems unnecessarily narrow. Private markets investments in general can often include assets that provide the right risk return mix for LGPS Funds and over a timescale that suits long-term investors. It should be noted that private markets investments are typically significantly more expensive (in terms of manager fees), much less liquid and significantly more opaque than listed investments. Our Fund response further emphasises that it is inappropriate for central government to be determining asset allocation strategy for LGPS funds.
Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?
Agree that there are several potential partners that could assist LGPS Funds and Pools, including the British Business Bank and the UK Infrastructure Bank Note the principle of pooling was to remove costs and highlight the risk of using the British Business Bank introducing a new layer of fees.
Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?
Yes – this would aid a consistent approach
Question 14: Do you have any comments on the proposed amendment to the definition of investments?
Agree with the proposed amendment (which is technical and uncontroversial)
Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.
No

5.4 As you will see from Appendix B, the areas the Fund is emphasising in its response to the consultation include the following:

- Re-iterating resistance to the Government's continuing attempts to direct Funds as to how to allocate their assets. The 2015 consultation started with a drive to use LGPS Funds to pay for UK infrastructure projects, the latest iteration looks to leverage LGPS assets to help pay for the Government's 'levelling-up' agenda.
- Caution around the drive to invest in private assets – although private market performance has been very good over recent years, past performance is no guarantee of future outcomes, and with an era of 'cheap money' seemingly

coming to an end there is a risk Funds could be directed inappropriately into illiquid investments that may not deliver expected outcomes.

- The consultation blithely suggests the 'deadline' for the transfer of non-listed assets into Funds could easily be 31 March 2025 as well. In fact, there are significant barriers associated with transferring these assets. One in particular the Government could alleviate would be to allow the transfer of property assets from a Fund to a Pool without incurring stamp duty.

6 NEXT STEPS

6.1 The consultation period ends on 2 October 2023. The Fund's response will be finalised following this meeting and submitted by the deadline. The expectation is that the Government may either announce the outcome of the consultation or give a strong steer as to its likely announcement in the Autumn Statement (expected to be in November). The Committee will be kept up to date with future developments on the guidance and/or regulations relating to LGPS investment pooling.

CONTACT OFFICER: Nick Orton – Head of Pensions Governance and Investments
TEL NO.: 01642 729040

Open consultation

Local Government Pension Scheme (England and Wales): Next steps on investments

Published 11 July 2023

Applies to England and Wales

Contents

Topic of this consultation:

This consultation seeks views on proposals relating to the investments of the Local Government Pension Scheme (LGPS). It covers the areas of asset pooling, levelling up, opportunities in private equity, investment consultancy services and the definition of investments.

Scope of this consultation:

DLUHC is consulting on proposals for new requirements on LGPS administering authorities.

Geographical scope:

This consultation applies to England and Wales.

Impact assessment:

The proposed interventions affect the investment of assets by local government pension scheme administering authorities. These authorities are all public sector organisations, so no impact assessment is required.

Basic Information

Body/bodies responsible for the consultation:

Department for Levelling Up, Housing and Communities (DLUHC)

Duration:

This consultation will last for 12 weeks from 11 July 2023 to 2 October 2023.

Enquiries:

For any enquiries about the consultation please contact: LGPensions@levellingup.gov.uk

How to respond:

Please respond by completing an online survey.

Alternatively, please email your response to the consultation to LGPensions@levellingup.gov.uk.

Alternatively, please send postal responses to:

LGF Pensions Team
Department for Levelling Up, Housing and Communities
2nd Floor
Fry Building
2 Marsham Street
London
SW1P 4DF

When you reply, it would be very useful if you could make it clear which questions you are responding to. Additionally, please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:

- your name
- your position (if applicable)
- the name of organisation (if applicable)
- an email address

Chapter 1: Introduction

1. The Local Government Pension Scheme England and Wales (LGPS) is one of the world's largest funded pension schemes and a key player in global markets, investing around £364 billion (excluding Environment Agency funds) worldwide. Its scale enables it to have a significant impact through its investments and gives it the potential to lead the market in innovation and transparency. While long term stable returns in order to pay pensions for its members are the primary purpose of the investments, the government believes that there is scope to deliver substantial benefits to the UK as a whole at the same time. Good management of the LGPS is

important for the financial stability of local councils, and ultimately is in the interests of local taxpayers.

2. The government also recognises that pension funds are under substantial pressure on a number of fronts. There is growing scrutiny of institutional investors on environmental issues and in the light of geo-political risks such as Russia's aggressive and illegal invasion of Ukraine. In addition, recent volatility in gilt and bond markets has underlined the need for the highest standards in managing financial risk. The LGPS as a public sector scheme is rightly subject to particularly high expectations and must keep pace with the best in managing these demands.

3. This consultation seeks views on proposals in 5 areas:

- First, the government sets out proposals to accelerate and expand pooling, with administering authorities confirming how they are investing their funds and why. While pooling has delivered substantial benefits so far, we believe that the pace of transition should accelerate to deliver further benefits which include improved net returns, more effective governance, increased savings and access to more asset classes. We propose a deadline for asset transition by March 2025, noting we will consider action if progress is not seen, including making use of existing powers to direct funds. Going forward, we want to see a transition towards fewer pools to maximise benefits of scale.
- Second, the government proposes to require funds to have a plan to invest up to 5% of assets to support levelling up in the UK, as announced in the Levelling Up White Paper (LUWP). This consultation sets out in more detail how the Government proposes to implement this requirement and seeks views on its plans.
- Third, the government is proposing an ambition to increase investment into high growth companies via unlisted equity, including venture capital and growth equity. The government believes there are real opportunities in this area for institutional investors with a long-term outlook, such as the LGPS.
- Fourth, the government is seeking views about proposed amendments to the LGPS's regulations to implement requirements on pension funds that use investment consultants. These amendments are needed to implement the requirements of an order made by the Competition and Markets Authority (CMA) in respect of the LGPS.
- Finally, the government is proposing to make a technical change to the definition of investments within LGPS regulations.

4. The following chapters set out the government's proposals in more detail and provide the rationale for its proposals. Chapter 2 addresses the proposals regarding LGPS pooling, Chapter 3 outlines the plans for implementing the LUWP commitment, and Chapter 4 sets out a proposal to encourage the LGPS to contribute growth equity to the development of the UK. Chapter 5 explains the government's proposals in relation to the use of external investment consultants by LGPS funds and Chapter 6 sets out its proposal to update the definition of investments. Finally, Chapter 7 sets out our initial assessment of potential equalities impacts and invites views.

5. To assist those wishing to respond to the consultation, Annex A lists the proposals and Annex B lists the consultation questions.

Chapter 2: Asset pooling in the LGPS

6. The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. The aims were to deliver the benefits of scale, improved governance and decision making, reduced costs and excellent value for money, and capacity and capability to invest in infrastructure to help drive growth. LGPS administering authorities responded by coming together in groups of their own choosing to form 8 asset pools.

7. Those 8 pools are now operational, in most cases for over 4 years. Their scale makes them significant players at European and global level. Set up and running costs of around £400 million to 2022 have been fully covered by savings. Net savings of over £380 million have already been delivered, with annual savings of £180 million, and total net savings are forecast to be over £1 billion by 2025 (based on data provided by pools and administering authorities). Significant expertise and capacity have been developed in private markets and infrastructure investment, giving funds access to the higher returns in these markets. In particular, UK and global infrastructure investment has grown from below £1 billion to around £27 billion (based on data collected by the pools).

8. While pooling has delivered substantial benefits so far, progress has varied across the scheme. Accelerating consolidation of assets in the LGPS is crucial for ensuring the scheme is delivering value for money in the interests of scheme members, employers and local taxpayers. Stronger pools can also ensure the LGPS punches its weight on responsible investment, management of climate risks, investment in levelling up, and investment in unlisted equities in support of UK growth. To meet these challenging ambitions, the LGPS pools and their partner funds will need to strengthen their existing partnerships and work together to deliver outstanding net performance, risk management and transparency. This will enable the LGPS to provide long term finance for pensions for millions of low paid workers, and deliver for the UK through investment in the UK, while retaining local control and accountability. Government proposals, set out below, cover increased scale, governance and decision making, as well as transparency and accountability.

Delivering increased scale

Background

9. Across the scheme as at March 2022 £145 billion or 39% of assets have been transferred to the pools with the percentage varying by pool from under 30% (LGPS Central) to over 80% (LPP). A further £114 billion, or 31%, is under pool management and £34bn or 9% is covered by plans to transition into the pools. We make a distinction throughout this document between pooled assets and assets which are under pool management. Pooled assets are owned by the pool in their

capacity as asset manager while assets under pool management are assets where the pool has some management or oversight arrangement without ownership.

10. The current scale of the individual pools (based on AUM pooled and assets under pool management) is in the range £16 billion to £60 billion. This covers a variety of arrangements including passively managed assets held by external managers under insurance contracts, and the pool's oversight and monitoring of these may be limited. However, excluding assets under pool management, the pools range in size from £2 billion to £30 billion. The pools therefore remain significantly below the scale which they could achieve with all assets transferred from their partner funds, rather than remaining under pool management.

11. A further substantial increase in effective scale is a key priority to enable delivery of the benefits of pooling. Increased scale would allow the pools to deliver further savings and efficiencies, including through negotiating lower fees from external investment managers and service providers, and developing internal capacity for investment management. Increased scale would also enable the pools to invest in larger projects which would help the LGPS to take advantage of attractive opportunities in alternative assets.

12. The government therefore wishes to see the existing pools build scale as quickly as possible by accelerating the pace of transition of liquid assets from the funds into the pools, building on and expanding on successes so far. The approach to date has been to encourage funds through guidance to transition their assets into the pools, and substantial progress has been made over the last 4 to 7 years. However, progress is not consistent across the scheme and some pools have secured a much higher proportion of assets of their partner funds than others. We consider that the time is right for action to accelerate the delivery of savings and other benefits of pooling, and our proposals are set out in paragraphs 17 to 21.

Driving greater scale through fewer pools

13. In due course all assets including less liquid assets should be fully transferred to the pools. We recognise that this may need to take place over a longer period to minimise the costs including the costs of breaking existing arrangements. This would include passively managed insurance contracts which may be under some form of pool management. There may be some exceptions such as some types of local property investments. Once this was complete, 5 of the 8 pools would be around £50 billion or higher at current values and the remaining 3 pools would occupy the £25 billion - £40 billion range.

14. Completing the transition of assets would be a major step forward. However, we do not believe that this alone will deliver the full benefits of pooling in the long term. Our view is that the benefits of scale are present in the £50-75 billion range and may improve as far as £100 billion. As such, we should in future look towards a smaller number of pools in the region of or in excess of £50 billion in directly invested assets through merger. The benefits of scale were a key finding of 2021 research (PDF, 5.7 MB) based on interviews with large international comparators. Respondents confirmed that scale had improved bargaining power with asset managers, enabled

access to a wider set of opportunities such as private markets, and had allowed them to build internal capacity.

15. As well as making better use of expertise in managing external managers, there is potential to grow in-house investment management within the pools to reduce or replace the use of external private sector investment managers. This should offer substantial reductions in cost. A small number of larger funds have existing in house capacity and expertise in some areas of investment, and we would like to see this expertise fully shared within their pools. In due course there should be scope for all pools to access in house capacity and expertise in specific areas of investment within other pools.

16. In the short to medium term, we believe there are benefits which could be secured through joint working without incurring the costs of merger. Some joint vehicles such as the London Fund (London CIV and LPP) and GLIL (LPP and Northern) already exist. We would like to see the pools move towards greater collaboration where this makes sense, and to consider specialisation, building on existing strengths in particular areas of investment, in order to deliver further benefits of scale and limit unnecessary duplication. Areas where specialisation or collaboration may be particularly attractive include infrastructure and other alternative investments including private equity, private debt and venture capital, as well as investments in levelling up projects and social investments.

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

A timetable for transition

17. Current statutory guidance relating to regulations on the management and investment of LGPS assets currently requires each fund to set out the proportion of its assets which it intends to pool in its Investment Strategy Statement (ISS). Funds are also required to provide in their ISS a summary of the assets which they do not intend to pool, with a rationale including value for money, and to review this at least every 3 years, including consideration of continuing value for money. This should be greatly assisted by the development of the LGPS Code of Transparency by the Scheme Advisory Board. This has enabled funds to access transparent cost data from 150 asset managers as of November 2022. However, current guidance sets no timetable for change and provides funds with limited assistance in considering rationale and value for money.

18. The government now seeks views on the setting a deadline for funds to transition all listed assets, as a minimum, to their pool within a reasonable timeframe. We consider a reasonable timeframe for liquid assets to be by 31 March 2025, which is the end of the current local fund valuation period. Transition of all assets should be considered in this timeframe, especially as pooling of illiquid investments may offer the greatest opportunities for reducing savings combined with higher returns.

19. If this is taken forward, funds would need to work with their pool to ensure that they have fully considered all the opportunities available through the pool for their assets. A detailed rationale for each asset remaining outside the pool including value for money considerations would need to be provided in the ISS in line with existing guidance if the asset is not intended to be pooled by 2025.

20. The government seeks views on setting out the transition timetable in statutory guidance on ISS, and requiring funds to review and revise their ISS in line with this expectation. Where funds have concluded that the asset should not be transitioned, the government will expect a rationale to explain why this is the case. We also propose to provide fuller guidance on the existing requirements for ISS in relation to pooling, including guidance on rationale, value for money and review for assets which it is not intended to pool.

21. For further proposals on annual reporting of progress against the plan set out in the ISS see paragraph 41.

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

Governance and decision making

Background

22. Administering authorities are responsible for setting the investment strategy of their funds, having taken proper advice. This includes setting the asset allocation to achieve a diversified portfolio of investments which overall is suitable to meet liabilities, as well as describing the approach to pooling and responsible investment, in line with statutory guidance.

23. Once the investment strategy has been chosen, the expectation set when the funds were invited to form pools in 2016 was that as a minimum, the selection of external fund managers and the implementation of the investment strategy would take place at the pool level, in order to streamline decision making, reduce the number of external managers and deliver reduced fees.

24. In practice, funds have adopted a range of approaches. A small number of funds have transferred most of their assets to the pool and delegated strategy decisions below a very broad asset allocation as well as all implementation decisions to their pool, including for assets remaining outside the pool. Some funds have delegated manager selection and other implementation decisions to the pool for their pooled assets only, as well as agreeing broad mandates for some pool vehicles. The pool partnerships which have a higher degree of delegation, closer alignment of strategy and larger proportion of assets pooled have the conditions in place to deliver significantly higher savings compared to pools less advanced in their pooling journey.

25. Some funds have transferred some assets to the pool but only where the pool provides their preferred external manager or mix of assets within a pool vehicle. In

these circumstances pools may respond by creating different products for each partner fund or for small groups of funds, leading to a high number of pool sub-funds or vehicles, which limits the savings which can be achieved.

26. A very small number of funds have joined a pool but pooled no or very few assets. They may have benefited from a wider reduction in fees in the market, in part driven by pooling, but have chosen not to take up the other potential opportunities to date.

27. More effective and consistent governance and decision making is therefore the second key priority for the future of LGPS pooling. Research (PDF, 5.7 MB) suggests that asset pools internationally are more effective with modern governance structures which enable delegation with accountability and allow decisions to be taken quickly on behalf of partner funds. This will include in particular effective delegation of strategy implementation to the pools by administering authorities.

28. It is the government 's view that the experience of the last 4 years has demonstrated that funds participating in a strong partnership with their pool and with other partner funds, in which they delegate effectively to their pool and align their strategies where possible, are likely to see the most gains, as these approaches allow the pool to deliver the benefits of scale. Others have moved more slowly but in order to maximise the benefits the full participation of all is essential. We want to see all funds moving in this direction in order to deliver the benefits of pooling for all.

Improving governance

29. Setting the investment strategy and asset allocation is a central responsibility for administering authorities, which gives them the most significant degree of influence on returns. It is generally accepted that the strategy accounts for most of the difference in net returns between portfolios, with implementation decisions such as manager selection having a relatively small impact. We do not propose any change to the responsibility of funds for setting investment strategies.

30. We therefore propose revised guidance on pooling to confirm and strengthen the existing guidance on delegation of manager selection and strategy implementation. It would also provide revised guidance on governance, including member representation, transition of assets and new investments outside the pool. We also propose to include guidance on investments in levelling up. This is discussed in Chapter 3.

31. Government recognises that each model has its own benefits. In order to move forward more quickly with the benefits of pooling, we regard the following aspects as being key to progress.

- Pools should operate as a single entity which acts on behalf of and in the sole interests of the partner funds. For this reason, we do not see inter-pool competition as a desirable progression. This does not preclude the potential for inter-pool collaboration, which is encouraged by government.
- Pools should be actively advising funds regarding investment decisions, including investment strategies.

- Pools should be equipped to implement an investment strategy as instructed by their partner fund. An investment strategy should be interpreted to mean a broad instruction regarding asset classes and level of risk. It should not include an excessive number of classes, or choice of specific assets.
- Pools should expect funds to invest via their existing sub-funds where possible. This avoids an unfavourable scenario whereby an excessive number of similar sub-funds undermine the purposes and benefits of pooling.
- Pool governance structures should be equipped to take quick decisions as opportunities present themselves, within the delegated remit of the fund.

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

32. Pensions expertise is an important criterion for decision making, and there are some factors which may make it harder to acquire that expertise under current structures. Firstly, pensions committees generally have high levels of turnover. Second, members of such committees are not required to complete training and may have no specific expertise in pensions. The outcome of these factors is that expertise may be lower than an equivalent panel of trustees for a private sector scheme, with higher reliance on advisors. Some targeted requirements, specifically on training, would help administering authorities to manage these issues.

33. We propose that each administering authority sets a training policy for committee members. We propose that the administering authority should report regularly on the training undertaken by committee members and whether this is in line with their training policy.

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Transparency and accountability

Background

34. Current reporting relevant to the assets of the LGPS comprises the following:

- **Official statistics** - The annual LGPS statistics collected on the SF3 form by the Department and published in September contain only the overall asset value for the scheme and each fund, with no data on asset classes or other information.
- **Annual reports.** Annual reports are required by CIPFA guidance to include the value and percentage of pooled and non-pooled assets, the costs and performance of pooled and non- pooled assets, the progress of transition during the reporting year and the plans for transition of non-pooled assets. Annual reports are required to be published by 1 December for the preceding financial year. Funds are also required by guidance on ISS to report annually to the SAB on the progress of asset transition to the pool

against implementation plans (PDF, 150 KB). Pool annual reports provide some additional information but vary considerably in level of detail.

- **Scheme Advisory Board (SAB) annual report.** The SAB produces a report which summarises data from published fund annual reports on governance, funding, membership, financial position, investments and stewardship. It does not currently include data on the progress of asset transition or other data or commentary on pooling. With respect to investments, the Scheme Annual Report reports the proportion of the scheme which is invested in pooled investment vehicles, public markets, bonds, direct property, derivatives, cash and other asset classes. This is based on data in the Net Asset Statement in the annual accounts of administering authorities. Authorities do not report their asset breakdown in a consistent way, and a degree of judgement is exercised by the SAB in interpreting their reports. The commentary on investment performance is based on data provided by PIRC which covers around two thirds of funds. The Annual Report is published in the spring following the end of the financial year to which it relates.

35. In addition, the government recently consulted on new requirements for funds to report on climate-related risks to their assets. We will publish the government's response in due course.

36. The current reporting regime provides a substantial quantity of data but does not provide transparency on progress of pooling by fund, by pool or across the scheme. It also does not provide an overall view of asset allocation across the scheme.

37. It is the long-standing view of government, whatever the subject, that transparency should be welcomed. The government seeks views on increasing transparency of asset allocation, pooling, return and savings.

Annual Reports and LGPS statistics

38. We therefore propose to require a single standard set of data on investments across annual reports and LGPS statistics. This would consist of:

- data on the broad asset classes into which LGPS investments fall in a consistent way, for example equities, bonds, private equity, private debt, property. We would work with the SAB to define the asset classes to be chosen and seek the agreement of the Central-Local Information Partnership (Finance) in the normal way for the necessary changes to the data collected from funds for LGPS official statistics. In designing this table, we will take account of requirements for defined contribution schemes and the reporting requirements which apply to private defined benefit schemes via the scheme return (an annual return required by The Pensions Regulator).
- for each asset class, data on the assets which are pooled, under pool management and not pooled and that the definitions are clarified. This will include the allocation to infrastructure and levelling up.
- net savings achieved as a result of investing via the pool.

39. We also propose to define the categories as set out in paragraph 9. Pooled assets would mean that the assets are directly owned and managed by the pool.

Assets under pool management would cover assets which are managed or overseen but not owned by the pool. Neither category would include any assets which are held by collective investment vehicles other than those managed by the 8 LGPS pools.

40. We propose that the requirements to report on asset allocation and pooling data would be set out in revised guidance on pooling and in revised guidance on annual reports which is under consideration by the SAB.

41. We also propose to introduce a requirement to include commentary in the annual report on the progress of asset transfer against implementation plans and the approach to pooling set out in the ISS, in order to ensure funds are transparent and accountable on the progress of asset transition.

42. We also view it as desirable that each fund report the returns achieved by assets invested in each asset class against an appropriate benchmark, in a way that is consistent across funds, and easily comparable between pooled and non-pooled assets. We welcome views on how such a regime may work in practice.

43. We believe that these measures would ensure that data and commentary on the progress of pooling and on asset allocation is available earlier, is consistent across the scheme and between LGPS statistics and annual reports. We recognise there may be increased costs arising from a change to the asset classes reported, but these can be met from the fund, and costs should be reduced by having a single standard set of data. We consider some additional costs can be justified to ensure better public accountability.

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

Scheme Annual Report

44. The SAB produces a Scheme Annual Report which aggregates information from fund annual reports. The purpose of the Annual Report is to provide a single source of information for members, employers and other stakeholders. Continual improvement of this report is a key priority of the SAB and is supported by the government. We intend the proposals in this consultation to assist the SAB in this goal.

45. We believe that the single standard set of data discussed above will make it easier to provide a clear overview of the scheme’s asset allocation and of the progress of pooling. We have agreed with the SAB that they will incorporate this change into the Scheme Annual Report in future years by including a table which divides assets by category (equity, bonds, property etc) as well as by pooled status (pooled, not-pooled or under pool management).

Question 6: Do you agree with the proposals for the Scheme Annual Report?

Directions by the Secretary of State

46. Under Regulation 8 the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "2016 regulations") the Secretary of State has power, after consultation, to make directions to a fund where that fund is in breach of statutory guidance. Directions can cover the fund's investment strategy statement, its assets, the running of the fund's investment function, or any other instruction in relation to its investment function.

47. No such directions have been issued by the Secretary of State under Regulation 8.

48. Government will expect administering authorities to act in accordance with statutory guidance once issued. Where funds do not comply with guidance, government will consider whether a direction is appropriate. Examples of activities which could result in this include: withdrawing pool membership, failing to transition assets in line with the timetable or failing to provide adequate justification for non-pooled assets.

49. The Secretary of State also has power under section 3(2)(a) and Schedule 3 of the Public Service Pensions Act 2013 to make regulations on the administration, management and winding-up of LGPS pension funds, subject to consultation and the consent of HM Treasury.

Summary of proposals

50. The proposals are:

- To revise ISS guidance to include requirements to transfer listed assets to the pool by 31 March 2025, and to set out in the ISS:
- assets which are pooled, under pool management and not pooled, and
- to provide a rationale, value for money and date for review for assets which are under pool management or not pooled
- To revise pooling guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above including on delegation of manager selection, strategy implementation, advice, governance, transition of assets, new investments outside the pool and reporting.
- To implement a requirement in guidance for administering authorities to have a training policy for pensions committee members and to report against the policy
- To revise guidance on annual reports to require greater clarity on progress of pooling including a summary asset allocation (including investment in infrastructure and levelling up), a comparison between actual and strategic asset allocation and a report of the net savings from pooling. We also seek views on whether there should be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how this requirement should operate.
- For the Scheme Advisory Board to expand their Scheme Annual Report to provide a report on the progress on pooling and on asset allocation across the LGPS.

- To make changes to LGPS official statistics to provide greater transparency on asset allocation and the proportion of assets which have been pooled.

51. Should this be taken forward, we intend to monitor progress over the current valuation period (to 31 March 2025), based on fund annual reports, LGPS statistics, the Scheme Annual Report and other evidence. This monitoring will include progress on transition, governance and reporting and how effective these are in delivering improvements in efficiency, cost and performance.

52. Whilst reserving our ultimate position, the government's strong preference is to see progress continue on a voluntary basis within a strengthened framework. This will maintain local management and accountability in the LGPS, while delivering significant savings and better risk management, and avoiding waste and duplication. But we will consider action to ensure progress if necessary, including making use of existing powers to direct funds.

Chapter 3: LGPS investments and levelling up

Background

53. In the Levelling Up White Paper (LUWP) the government set out its mission to tackle the uneven distribution of opportunity in the United Kingdom (UK). The aim is to level up the UK by spreading opportunity more equally across the country and bring left behind communities up to the level of more prosperous areas. To do so will mean that the whole country succeeds by growing the economy and realising the potential of places and people across the UK.

54. One of the key ambitions in the levelling up programme is to boost productivity, grow the economy, and raise living standards across the UK. One way in which this mission can be achieved is by ensuring that some of the funds managed by institutional investors flow into projects that help deliver levelling up while also offering attractive returns.

55. The Local Government Pension Scheme (LGPS) with assets of £364 billion, projected to increase to £500 billion by 2030, is a major institutional investor. The government wishes to encourage the LGPS to continue to meet its core fiduciary duty of funding pensions for members while also supporting levelling up by investing in infrastructure, housing, regeneration, and small and medium enterprise (SME) finance across the whole UK, not only in the local area of an authority. Overall, £27 billion of LGPS funds had already been invested in infrastructure in the UK and overseas by March 2022.

56. The government has set an ambition in the LUWP for LGPS funds to invest up to 5% of their assets under management (AUM) in projects which support local areas. To implement this ambition, the Government is asking LGPS funds to work with LGPS asset pools to publish plans for increasing their local investment.

Defining investment in levelling up

57. In developing their plans, LGPS funds will need to consider what types of investments will contribute to levelling up. This section therefore sets out a proposed approach to assessing whether an investment supports levelling up, drawing on the LUWP and its discussion of different forms of capital and levelling up missions. The definition is intended to help LGPS funds and pools in considering how they could invest a share of their AUM in a way that promotes growth, supports levelling up, and meets their fiduciary duty to ensure members' pensions.

58. The ambition of the levelling up agenda is to reduce geographical disparities. While some areas of the UK already benefit from all the conditions for growth, the government is keen to improve productivity, boost economic growth, encourage innovation, create good jobs, and enhance educational attainment in those parts of the UK that have so far had an unequal share of the country's economic success. In pursuing this ambition, the government believes that a boost to productivity, pay, jobs, and living standards can be achieved through targeted interventions that extend opportunities more equally across the UK.

59. Current causes of the UK's spatial disparities include changes in the global economy and their uneven impact on the country's regions, but the key drivers lie in the 6 forms of capital identified in the LUWP (human, intangible, financial, physical, social and institutional). While each capital is important in its own right, it is their interaction that creates a virtuous cycle that encourages economic growth and the associated societal benefits.

60. To address the imbalances in how the 6 capitals are distributed across the UK, the government has identified 12 medium-term levelling up missions (living standards, research and development, transport, digital connectivity, education, skills, health, well-being, pride in place, housing, crime and local leadership). Institutional investors such as pension funds can contribute to the levelling up missions while also benefitting from such investments. Global investors, including pension funds from Canada and Australia, are already active investors in such projects, but UK institutional investors are under-represented.

61. The government believes that the LGPS should secure the benefits of such investment and can play a key role in building a pipeline of investable UK opportunities without costly deal by deal auctions. With assets of around £364 billion the LGPS has large investable assets, investment expertise in the pools, and local networks. It is well placed to identify investment opportunities and ensure these meet the risk/return profiles demanded by LGPS funds.

62. To help LGPS funds make their plans, the government proposes that an investment would meet the levelling up requirement if

- it makes a measurable contribution to one of the levelling up missions set out in the LUWP; and
- it supports any local area within the United Kingdom.

63. We consider the following existing LGPS investments as examples of investments which would fall within the proposed definition:

- Nottinghamshire Pension Fund invested £1.5 million in Nottinghamshire Community Energy in 2016 to help construct and manage a solar farm to produce clean energy. The profits help support projects in Nottinghamshire to address climate change mitigation, wildlife conservation, and reducing fuel poverty while delivering a good return on investment.
- Durham County Council Pension fund has committed £18 million to enable the launch of a new private equity investment fund that supports SMEs across the North East. The fund's purpose is to support economic growth and create high-quality local jobs in the region, while targeting an appropriate rate of return for its investors.
- Greater Manchester Pension Fund has a £50 million Invest 4 Growth portfolio which makes investments that provide a commercial return and have beneficial economic, social, or environmental impacts.The fund also uses its £401 million Impact Portfolio to invest regionally in supported living accommodation, renewable energy, and loans to SMEs.
- South Yorkshire Pension invests around £80 million in local development projects and aims to generate commercial return whilst delivering a positive local impact.

64. Funds should ensure that any levelling up investment plan they produce is consistent with their existing overall investment strategy statement and funding strategy statement. We intend to develop guidance working with the Scheme Advisory Board on levelling up investments which meet the requirement announced in the Levelling Up White Paper.

Question 7: Do you agree with the proposed definition of levelling up investments?

Fiduciary duty and investing in levelling up

65. This new requirement would not alter the established fiduciary duty of LGPS funds to make investment decisions in order to pay pensions. Investments that support levelling up may form part of a well-diversified portfolio with a range of risk/return characteristics. As current investment activity across the LGPS underscores, such investments may create attractive risk adjusted returns for pension funds and help deliver economic growth and societal benefits.

66. Under existing environment, social, and governance (ESG) criteria, set out in Guidance on Preparing and Maintaining an Investment Strategy Statement, funds may also take non-financial considerations into account when making investments, provided that they have good reasons to think the scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund.

Enabling investment to support levelling up

67. Under these proposals, administering authorities would be expected to evaluate possible levelling up investments and assess their suitability for their fund's investment strategy. There is scope for projects of different scales, risk/return profiles, and geographical concentrations to be considered.

68. Private markets are a principal way through which investments that support levelling up can be made. These markets are particularly important in infrastructure, clean energy and regeneration investing and they are therefore likely to play a role in delivering funds' levelling up investments. This route to investment, however, presents challenges, especially for smaller LGPS funds. The minimum investment may be quite high, and at higher cost than public market investments. Specialist expertise is needed to assess risk and return profiles and source and negotiate opportunities.

69. The LGPS asset pools can offer a route to investing in levelling up through private markets. They can put together an investment of sufficient size with the participation of their partner funds. Those which are wholly owned companies can also provide investment at lower cost as they are established on a not for profit basis and have developed the expertise and capacity to invest in private markets through intermediaries and in some cases are able to invest directly or to co-invest, which reduces costs.

70. There may also be concerns about local investments. Perceived or potential conflicts of interests may arise between the fund and the administering authority in its wider role as the local authority, if funds invest in inappropriately high-risk projects in the area in which they are located. The LGPS asset pools can assist by ensuring that decisions to invest in a local area can be taken at pool level to avoid any perceived or potential conflict of interest and take advantage of the pool's expertise.

71. Some LGPS asset pools have already created investment vehicles to enable funds to invest in levelling up projects more easily:

- GLIL was established in 2015 by the Greater Manchester Pension Fund and the London Pensions Fund Authority with £500 million in capital commitments. It was expanded in 2016 with the admission of 3 further LGPS funds. GLIL invests in core infrastructure assets predominantly in the UK and focuses on investment opportunities that are backed by physical assets, offer a reliable cash flow, and are isolated from business cycles. It currently has £3.6 billion of committed capital and has deployed £2.1 billion across 13 assets that include offshore windfarms, electric train fleets, and solar farms.
- The London Fund is a collaboration between the Local Pensions Partnership Investments (LPPI) and the London Collective Investment Vehicle (LCIV). The Fund's aim is to invest in the capital, with a focus on developing housing and infrastructure. In making investment decisions, the London Fund is seeking positive contributions to social and environmental issues too. For the fund's partners the London Fund also represents an opportunity to access a greater range of investment opportunities than if they acted alone.
- Brunel Pension Partnership has designed and implemented a portfolio for one of its partner funds, Cornwall Pension Fund, to facilitate local investment in affordable housing and renewable energy in Cornwall. Cornwall Pension Fund made an initial investment of £115 million despite being one of the smaller LGPS funds.

72. The government wishes to see specialist expertise in local investments within pools and their private sector partners continue to evolve, to ensure that funds and

the UK as a whole can benefit from investment in levelling up. The scale of the LGPS and a new requirement for the LGPS to set a plan to invest in levelling up should provide an important spur to this development.

73. The government looks to the pools to develop further such solutions in collaboration with their partner funds. This approach will maximise the opportunities to capitalise on administering authorities' local knowledge and asset pools' scale and private market access. Pools may choose to leverage their local networks to work with local partners to develop opportunities and avoid the deal by deal auctions which can add cost to infrastructure investment. In due course they may also develop the capacity and knowledge to invest in smaller scale local projects which may be too small for private sector intermediaries, and help tackle the capital gap for smaller projects.

74. However, some pools do not currently have internal asset management capacity, or the range of investment vehicles required to meet the needs of their partner funds. To increase the range of options available to funds to deliver investment in levelling up, it may be helpful for funds to invest through their own pool in investment vehicles provided by other pools. The government therefore proposes to set out in guidance that LGPS funds may invest through their pool in another pool's investment vehicle.

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Implementing the requirement to publish plans for increasing local investment

75. The government proposes to amend regulations to require funds to publish a plan on how they will invest up to 5% of their assets under management (AUM) in projects that support levelling up across the UK. The plan may form part of the investment strategy statement. It should take account of the fund's investment and funding strategy statements and be reviewed at least every 3 years in line with the local valuation cycle.

76. It is proposed that the plan should include:

- The fund's current level of investment in levelling up investments
- A plan to increase levelling up investments to deliver an allocation of up to 5% of AUM including the timeline to delivery
- The fund's approach to working with their pool to reach their chosen allocation.

77. Many funds will already have some investments which contribute to levelling up, and in some cases this may exceed 5%. Some funds may wish to increase their investment above 5%. It will be for funds to decide the appropriate level of investment and types of investment.

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

78. The government also proposes to require funds to report annually on their progress against their plan in their annual report. This requirement is proposed to provide transparency and accountability on the progress and investments made by funds. The section of the annual report on levelling up would be expected to include:

- The percentage of AUM invested in levelling up projects compared to the fund's plan for that year, the percentage in the previous year, and the ambition set by the fund
- The amount and type of levelling up investments that have been made through the fund's LGPS pool, and outside the pool.
- A narrative account explaining the changes in AUM allocated and the progress against the fund's plan, and the rationale for investing through the pool or outside the pool.

79. The government intends to include guidance on the new requirement and on reporting progress in revised guidance on investment strategy statements and on pooling.

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

Divestment

80. Many administering authorities are under pressure to divest assets from certain countries or geographical regions, even though the UK government has no sanctions in place against those countries or regions. The government strongly believes that local authority pension funds do not, and should not, have their own foreign policies. The government intends to implement the manifesto commitment to prevent public bodies pursuing boycotts, divestments and sanctions campaigns (BDS) against foreign countries or territories, unless in line with the UK's official foreign policy, through the Foreign Affairs (Economic Activity of Public Bodies) Bill, introduced in June .

Chapter 4: Investment opportunities in private equity

Background

81. The government is launching a package of measures to reform the pensions landscape as part of the government's capital markets strategy, making more capital available to support UK companies and seeking to boost the retirement incomes of UK pension savers. These measures sit alongside legislative and regulatory changes that strengthen the UK's position as a destination for listings, and cement the UK's standing as a global trading hub, attracting world leading companies including tech firms to incorporate, list and grow here. This initiative seeks to support the high-growth, innovative technology companies that often struggle to obtain the scale-up capital they need to reach their potential. British Business Bank (BBB) research suggests that the UK's venture capital financing gap relative to the US is over £5 billion per annum, despite UK funds making similar returns to their US counterparts.

82. The LGPS is largely well funded and has a very long-term time horizon, unlike most private sector defined benefit funds, which are typically closed and much more mature. Investing a higher percentage of LGPS capital into high-growth companies via private equity (particularly venture capital and growth equity), could generate improved returns to pay pensions. This includes but is not limited to innovative UK companies operating in fintech, life sciences, biotech, and green technology sectors.

83. The Scheme Annual Report for 2021-22 indicates the LGPS has a strong investment allocation into private equity of 4.3%, recognising the exact figure will vary across funds and will cover late-stage private equity in addition to venture capital and growth equity. Private reports indicate this is the highest performing asset class across the LGPS.

Ambition of 10% investment allocation in private equity

84. The government wishes to see LGPS funds and pools doubling their current allocation into private equity, with a total ambition of 10% investment allocation, as part of a diversified but ambitious portfolio. This ambition will help drive business investment throughout the country, in a way that allows everyone in the UK to benefit from the growth of our economy, by boosting LGPS investment returns, incentivising companies to grow and list in the UK, and grasping productive opportunities of the future.

85. Each fund will be different and will need to make its own investment decisions based on potential risk and reward appetite. As with any other asset class, it is important for administering authorities to exercise judgement on their exposure to private equity, as with any other asset class, and any investment in these asset classes should be part of a diverse and balanced portfolio.

86. We propose that LGPS funds should complete this consideration of private equity opportunities, including growth equity and venture capital, as part of the regular review of their investment strategy statement, and that the new requirement would be set out in revised guidance on investment strategy statements.

87. As with investments in levelling up, we expect that funds will work with their pool in considering such investments to ensure that they make use of the scale, capacity and expertise of the pool and take advantage of the full range of opportunities in size and type. We welcome views on further opportunities for government to remove any barriers to investment in UK growth equity and venture capital by the LGPS.

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

British Business Bank

88. The British Business Bank (BBB) is a government-owned economic development bank that makes finance markets for smaller businesses work more effectively, allowing those businesses to prosper, grow and build UK economic activity.

89. One of the BBB's strategic objectives is to back UK innovation by improving the way that equity finance markets work to support the UK's most promising businesses. The BBB has a range of programmes to deliver this objective, including British Patient Capital (the BBB's commercial subsidiary with resources of £2.5 billion, which has delivered an internal rate of return of 32.9% since inception and Enterprise Capital Funds programme, which supports earlier stage businesses.

90. In delivering these programmes, the BBB has become the largest domestic investor in UK venture capital with deep expertise to support due diligence and the ability to invest at scale. This could be of benefit to the LGPS in finding attractive opportunities in this space. We support the LGPS, in particular the pools, to explore opportunities to collaborate and capitalise on the Bank's expertise and capabilities in venture capital and growth equity, and will bring forward any changes to secondary legislation which currently inhibit this.

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

Chapter 5: Improving the provision of investment consultancy services to the LGPS

Background

91. In 2017 the Financial Conduct Authority (FCA) published its final Asset Management Market Study Report (PDF, 317 KB). At the same time, the FCA made a reference to the Competition and Markets Authority (CMA) for a market investigation into the supply and acquisition of investment consultancy services and fiduciary management services to and by institutional investors and employers in the UK.

92. The CMA focussed its investigation on pension funds as the core clients for investment consultancy and fiduciary management services, and published its final report (PDF, 3.1 MB) in December 2018.This found that for both investment consultancy and fiduciary management services there was a low level of engagement by trustees, a lack of clear and comparable information to assess value for money, and an incumbency advantage for investment consultants in steering clients to their own fiduciary management services.

93. Based on its findings, the CMA made The Investment Consultancy and Fiduciary Management Market Investigation Order 2019 (the Order) (PDF, 230 KB) in June 2019 to tackle the adverse effects on competition identified. The Order applies to all registrable pension schemes including the LGPS and came into force on 10 December 2019.

94. The Order was intended as an interim measure to make changes quickly while statutory authorities take steps to implement the remedies in the relevant legislation. DWP has implemented the Order's requirements for private pension scheme trustees through The Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022.

95. However, LGPS administering authorities fall within the exemption in the Order at Article 3.6 that exempts any pension scheme trustees that are contracting authorities for the purposes of the Public Contracts Regulations 2015. These regulations cover local authorities including administering authorities, which means that administering authorities are exempt from the requirement of the Order to put fiduciary management services out to competitive tender.

96. Further, LGPS pool companies owned by LGPS funds are exempt from the Order under Article 1.7(b) which excludes in house or wholly owned investment consultancy providers and fiduciary management service providers. The exclusion under Article 1.7 of the Order applies to the Order as a whole (see para 15 of the Explanatory Note to the Order). This also puts LGPS pool companies outside the scope of the Order regarding any investment consultancy services they provide.

97. As a result, the only requirement in the Order which requires implementation in the LGPS is the requirement to set strategic objectives for investment consultancy they receive outside the LGPS pool companies. The Order prohibits funds from receiving any investment consultancy services unless they have set strategic objectives for their investment consultancy provider (Art 12). These strategic objectives should also closely relate to the fund's investment strategy and be reviewed at least every 3 years or whenever the investment strategy changes significantly. Further, there is an expectation of regular performance reporting by the investment consultancy provider that measures performance against these strategic objectives (see paragraph 91 of the Explanatory Note to the Order).

Implementing the CMA Order for the LGPS

98. As the responsible authority for the Local Government Pension Scheme, the Department for Levelling Up Housing and Communities (DLUHC) proposes to amend LGPS regulations and statutory guidance to implement the Order's requirements for the provision of investment consultancy services for the LGPS.

99. Setting strategic objectives for investment consultants is in line with wider ambitions to improve governance and transparency in the LGPS and should encourage administering authorities to better monitor performance and improve the quality and value for money of such services over time.

100. We therefore propose that:

- Where the administering authority uses investment consultancy services in relation to its Investment Strategy Statement or for other matters, it must set strategic objectives for the investment consultancy provider, unless the provider is exempt (such as the LGPS pools);
- Administering authorities must not enter investment consultancy services contracts or continue to receive such services from any provider unless the authority has set strategic objectives for that provider
- Administering authorities must review strategic objectives at least every 3 years or every time the ISS changes substantially

- Strategic objectives must have regard to guidance on setting objectives for providers of investment consultancy services issued by the Pension Regulator in November 2019.

101. Investment consultancy services would include services where the provider advises the administering authority in relation to one or more of the following:

- investments that may be made or retained by or on behalf of the administering authority
- any matters in respect of which the administering authority is required by law to seek advice in relation to the preparation or revision of the investment strategy statement
- strategic asset allocation
- manager selection

102. In line with the definition of investment consultancy services in Article 2.1 of the Order, advice would mean advice on the merits of the administering authority taking or not taking a specific course of action and includes any recommendation or guidance to that effect. It is not intended that the term would cover the high-level commentary provided by actuaries in or in respect of triennial valuation reports and with regard to the link between investment approach and the administering authority's funding objectives.

103. The government proposes to implement these requirements by amending The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations) and associated guidance.

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Chapter 6: Updating the LGPS definition of investments

104. In making the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (S.I. 2016/946) (the 2016 Regulations), the Government intended to ensure that the definition of investments which were or could be made by LGPS administering authorities included passive insurance contracts, private equity and derivatives.

105. After laying the 2016 Regulations, the Joint Committee on Statutory Instruments (JCSI) identified an issue relating to the drafting of regulation 3(1)(b) and regulation (4) of the 2016 Regulations. Regulation 3(1)(b) was intended to include contributions in an unquoted securities investment partnership within the definition of investment but reads as follows:

Reg 3(1)(b) a contribution to a limited partnership in an unquoted securities investment

106. Regulation 3(4) defines unquoted securities investment partnerships as a partnership for investing in securities which are normally not quoted on a recognised stock exchange when the partnership buys them.

107. The Department undertook to amend regulation 3(1)(b) of the 2016 Regulations to align it with regulation 3(4) at the earliest available opportunity. We therefore propose to add the word ‘partnership’ to regulation 3(1)b as follows:

Reg 3(1)(b) a contribution to a limited partnership in an unquoted securities investment partnership

108. The proposed amendment to regulation 3(1)b would ensure consistency with the language used in regulation 4, where unquoted securities investment partnerships are defined. The proposed amendment should also eliminate any ambiguity in regard to regulation 3(1)b.

Question 14: Do you agree with the proposed amendment to the definition of investments?

Chapter 7: Public sector equality duty

109. The Department’s policies, guidance and procedures aim to ensure that the equalities impact of any decisions, new policies or policy changes upon groups with protected characteristics is properly considered, and that in formulating them the Department has had due regard to its obligations under the Public Sector Equality Duty at s.149(1) of the Equality Act 2010.

110. We have made an initial assessment and we believe our proposals on reforms to pooling, investment in levelling up, investment in venture capital, requirements on the use of investment consultants and changes to the definition of investment in chapters 2 to 6 do not affect any particular groups with protected characteristics adversely, as there will be no change to member contributions or benefits as a result. There may be an indirect benefit to protected groups who live in deprived areas which benefit from levelling up investments.

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

Annex A: List of consultation proposals

Pooling

To revise ISS guidance to include requirements to transfer listed assets to the pool by 31 March 2025, and to set out in the ISS:

- assets which are pooled, under pool management and not pooled, and
- to provide a rationale, value for money and date for review for assets which are under pool management or not pooled

To revise pooling guidance so as to set out fully how funds and pools should interact and promote a model of pooling which includes the characteristics described above including on delegation of manager selection, strategy implementation, advice, governance, transition of assets, new investments outside the pool and reporting.

To implement a requirement in guidance for administering authorities to have a training policy for pensions committee members and to report against the policy

To revise guidance on annual reports to require greater clarity on progress of pooling including a summary asset allocation (including investment in infrastructure and levelling up), a comparison between actual and strategic asset allocation, and a report of the net savings from pooling. We also seek views on whether there should be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how this requirement should operate

For the Scheme Advisory Board to expand their Scheme Annual Report to provide a report on the progress on pooling and on asset allocation across the LGPS.

To make changes to LGPS official statistics to provide greater transparency on asset allocation and the proportion of assets which have been pooled.

Investment in levelling up

To amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.

Investment in private equity

To revise ISS guidance to require funds to consider such investments to meet the government's ambition of a 10% allocation to private equity in the LGPS.

Investment consultancy services

To amend regulations to set requirements funds with respect to investment consultants in line with the CMA order.

Definition of investment

To amend investment regulations to correct an inconsistency in the definition of investment.

Annex B List of consultation questions

Chapter 2: Asset pooling in the LGPS

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

Question 2: Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

Question 4: Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Question 5: Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

Question 6: Do you agree with the proposals for the Scheme Annual Report?

Chapter 3: LGPS investments and levelling up

Question 7: Do you agree with the proposed definition of levelling up investments?

Question 8: Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Question 9: Do you agree with the proposed requirements for the levelling up plan to be published by funds?

Question 10: Do you agree with the proposed reporting requirements on levelling up investments?

Chapter 4: Investment opportunities in private equity

Question 11: Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

Question 12: Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

Chapter 5: Improving the provision of investment consultancy services to the LGPS

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

Chapter 6: Updating the LGPS definition of investments

Question 14: Do you have any comments on the proposed amendment to the definition of investments?

Chapter 7: Public sector equality duty

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

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Middlesbrough
moving forward

Pensions Governance and Investments

29 September 2023

LGF Pensions Team
Department for Levelling Up, Housing and Communities
By email to LGPensions@levellingup.gov.uk

Dear Sir or Madam,

Local Government Pension Scheme: Next steps on investments

Middlesbrough Council welcomes the opportunity to comment on the proposals in the consultation "Local Government Pension Scheme (LGPS): Next steps on investments".

Middlesbrough Council is the Administering Authority for the Teesside Pension Fund (the Fund) which is part of the LGPS. The Fund has assets of around £5 billion and has over 170 employers.

In 2018, Middlesbrough Council's jointly owned pooling company, Border to Coast Pensions Partnership Limited (Border to Coast) began managing investments on behalf of its eleven Partner Funds. The Partner Funds came together with an agreed set of principles that continue to guide how we work together. Together we are delivering against Government's original pooling policy objectives:

- over £40 billion pooled through Border to Coast, with clear plans to increase this in the years ahead;
- £65 million of cost savings delivered to 31 March 2023, with expectations to increase this to £340 million by 2030;
- facilitating investments in wider range of assets at scale, in asset classes such as private equity and infrastructure, part of which is delivering growth capital across the UK.

Border to Coast adds significant value to the Fund above and beyond the original pooling objectives, particularly in relation to responsible investment. They have built a centre of expertise, taking the lead on behalf of Partner Funds on active stewardship on climate change and other issues, and working collaboratively with groups such as Climate Action 100+ to deliver real world change.

Over 80% of the Fund's listed assets, and a significant proportion of the Fund's unlisted investments are also managed by Border to Coast. Plans are in place for the transfer of assets to continue in the coming years, as investment funds are launched following approval by the FCA.

Any evolution of the arrangements for pooling investments should be consistent with our fiduciary responsibility to set an investment strategy which will deliver the pension promise for our scheme members and ensure that contributions for scheme employers remain stable and affordable.

Given the importance of governance to the successful delivery of the Government's policy objectives in this consultation, it is regrettable that there has not been a response to the Scheme Advisory Board's (SAB) recommendations in relation to the Good Governance Project. Concluding this work would have addressed some of these objectives.

Finance
Middlesbrough Council , Fountain Court , 119 Grange Road , Middlesbrough , TS1 2DT , middlesbrough.gov.uk

Question 1: Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?

The ecosystem in which the LGPS operates is changing and it is important to acknowledge and adjust to this, to ensure we can continue to collectively deliver for LGPS members. This includes dealing with the increasing regulatory and governance complexity and the burden on individual Funds.

This challenge can be addressed through:

- engaged and informed Pension Committees and Local Pension Boards, exhibiting an appropriate level of knowledge, understanding and professionalism. They should be supported by experienced officers, exclusively dedicated to the Pension Fund, with the right resources to develop oversight arrangements of the investments
- appropriately resourced pools, which can support the development and implementation of the investment strategies of their Partner Funds. As centres of expertise these pools can provide wider support for Partner Funds

In operating any system, good governance is fundamental. This can cover a wide range of issues, but includes the establishment of clear divisions of responsibilities, robust oversight and simplified, flexible decision-making, including effective delegations to specialists trusted to exercise sound judgement over the long-term. The importance of this is often underestimated.

The "governance premium" is thought to be around 0.6% per annum additional return and has been estimated as high as 1-2% per annum. This is evidenced[1] via asset owners with "good governance". This relates primarily to the delegation of operational investment decision-making with strong oversight and scrutiny by the asset owning body. It is based on research over the last 20 years. We recognise that standards are variable, with smaller funds less likely to rate themselves as highly on important measures of quality. While each fund and pool should consider their own governance frameworks, progress on the 'Good Governance' review will support the LGPS and progress would therefore be welcomed by all[2].

Scale can deliver significant benefits. A 2022 publication[3] by CEM looked at the case for scale for pension schemes. Its findings were that asset pooling led to lower staff costs per assets invested due to the ability to internalise certain investment capabilities, and to lower external management fees due to the negotiating strength that comes from the value of mandates being placed, negotiated by professional investors whose interests are fully aligned with the ultimate asset owners.

However, scale doesn't always deliver additional benefits; seeking scale without addressing issues such as good governance, management of conflicts of interest, a common vision and culture (within the Pool and among Partner Funds), complexity of investment strategies, and client needs, can either inhibit, or damage, a pools ability to deliver.

Delivering the benefits of pooling can be challenging and requires an understanding at officer and elected member level of both the benefits and costs of compromise, and an ability to assess where such compromise does not have a material impact on the risk/return profile that the Partner Fund wishes to achieve.

Given the potential benefits of scale, it's important to consider the entire LGPS ecosystem. A key point for Funds is the need for appropriate capacity and capabilities to deliver their objectives. In this context, further consolidation could be considered.

In considering the LGPS ecosystem and ensuring that good outcomes are delivered it is important to recognise and manage the potential conflict of interests that both investment consultants and pools may have in providing investment advice to Funds.

We have seen greatest success when there is a positive presumption towards pooling. In this situation the benefits that come from pooling, in both investment outcomes and reduced ongoing governance and advisory costs are considered.

2. Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

We support the principle of transferring assets to pools, including having a clear path to transition. Each funds' Investment Strategy Statement (ISS) should include a transition plan for listed assets to be transferred to the pools, as well as the composition and justification of any assets remaining outside the pool.

Partner Funds have already transferred most of their assets to Border to Coast. Further transfers are planned over the next few years. Each transfer event typically requires the launch of an investment fund, the development of which takes six to twelve months including receiving approval by the FCA. Resources to develop new funds are limited and imposing an arbitrary timescale could lead to hasty fund launches of sub-optimal investment funds.

Many Funds (including ours) hold some listed assets that are invested passively outside of the pool. It is important that Funds should retain the ability to choose whether to invest actively or passively in certain markets. Over recent years, mainly due to the joint working and collaboration achieved through pooling, the cost of investing passively has reduced significantly and the actual investment is carried out very efficiently and cost-effectively through a number of large private sector investors. It is not clear what cost savings (if any) would result in requiring 'standard' passive equity investment to be carried out by LGPS pools, instead it could incur transition costs and introduce execution risk.

We would welcome clarity on the position of legacy illiquid assets such as private equity and infrastructure. Fees were negotiated at the commencement of each investment and there is no ability to subsequently adjust them. Transferring these assets to the pool would incur unnecessary significant legal and tax costs. Specific barriers are in place in relation to the transfer of property assets from a Fund to a pool. At present, there is only a narrow time-window in which such assets can be transferred without incurring punitive tax charges – it would encourage asset transfer if this window of opportunity could be extended.

Question 3: Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above?

Through Border to Coast we have developed a model of pooling which has successfully allowed us to meet the government's objectives for pooling. We support the approach set out in the consultation, which reflects how we have sought to pool. Nevertheless, we would urge caution on being overly prescriptive in describing any model in guidance as this may stifle innovation and the ability of Partner Funds and pools to respond to changing circumstances.

Administering Authorities are responsible and accountable for their investment strategies. A pool such as Border to Coast can play a significant role in supporting their development. However, robust governance arrangements need to be in place to manage potential conflicts, and to ensure proper oversight and scrutiny by Partner Funds can take place.

Question 4. Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

The key to a successful approach is ensuring decisions are made by the right people, with the right level of knowledge, at the right time.

It is important that there is local accountability for target returns, risk appetite, and investment beliefs that underpin the investment strategy to deliver cost effective and sustainable pensions.

As outlined in the consultation, and something we support, the role of a Pension Committee is to review and approve the investment strategy, and to provide oversight and scrutiny on how it is being executed. To be effective in this role, Committees will need to have in place appropriate support and delegate functions to officers who have sufficient experience and knowledge to support the Committees. In turn, Pension Committees and their officers can be supported by the centre of investment expertise that resides in the pool that they own, which is also responsible for the implementation of Funds' investment strategies.

The knowledge and understanding of Pensions Committees may be supported by independent advisors who can act in a role similar to Non-Executive Directors. With clear objectives, they may play a key role in supporting Committees in their responsibilities for oversight and scrutiny of the implementation of the investment strategy by the pool.

For Pension Committees, a key component to this is an effective training policy, reported against as part of clear delegation of functions between Committees and officers. This is something the Fund manages in a structured way.

We recognise the difference in the current training requirements between Pension Committees and Local Pension Boards. We believe it is appropriate that the requirements for sitting on a Pension Committee should at least match that for membership of a Local Pension Board.

We believe Government proposals in relation to the interaction of pools and funds, and the training of pension committee members, should be addressed as part of a holistic response to the Good Governance Project report completed by the SAB to ensure changes take place within a framework focused on delivering the best outcomes for LGPS members.

Question 5. Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?

We support the proposal to have standard reporting requirements with clear and consistent definitions. We would welcome this being progressed as part of the Good Governance Project. We would also welcome a complete review of the regulations to simplify and streamline processes.

While supporting reporting net savings, this needs greater consideration, specifically "against what?". In calculating our savings, we are comparing our current position with data from 2015/16 which does not reflect the market pricing we see today. This information has become dated and is arguably irrelevant. Equally, a focus on cost may also drive unintended consequences, particularly given the desire from Government to increase investment in more expensive asset classes, such as private equity. As the pooling journey continues, it may be appropriate to use other reporting mechanisms.

We have significant concerns on the proposals to produce standard reporting on investment returns. Each individual fund has its own investment strategy and risk appetite. Even within a single pool, two funds may superficially have similar investment strategies, but they may be seeking to deliver significantly different outcomes. There is a danger that returns reported against an inappropriate benchmark are taken out of context and could lead to poor investment decisions being made.

Question 6. Do you agree with the proposals for the Scheme Annual Report?

We support clear and consistent reporting by the SAB, provided the Board is sufficiently resourced to undertake the work and it is undertaken in such a way as to minimise the data collection burden on funds.

We also note the broader issue of increased reporting for the LGPS. The research in "LGPS: Views from inside the scheme" found that over half (54%) of respondents feel that the legislation/regulatory requirements are too complex to execute, while two in five (43%) continue to feel legislation/ regulatory requirements hinder them from doing their job effectively.

This is not to diminish the fundamental role of transparency and reporting. This is essential to ensure accountability, and to drive best practice across the LGPS. However, simplicity is key. Partly driven by the scale and complexity in current reporting requirements, we understand a recent review by SAB suggested that nearly a third of LGPS funds were not meeting their annual report disclosure requirements.

Simply adding additional reporting requirements not only adds cost, but there is a significant negative impact for the intended audience of the scheme members due to the volume and complexity of information being published. We believe that the impact assessment of changes in guidance, in terms of cost, transparency, and in the ability of readers to interpret what is shared, should be taken in the context of the ongoing review of LGPS reporting requirements being undertaken by the SAB.

Question 7. Do you agree with the proposed definition of levelling up investments?

Yes, however levelling up investments should only be made where they are consistent with the investment strategies of LGPS funds. Through Border to Coast a new private markets strategy, 'UK Opportunities'[4] is being developed. Set to launch in April 2024, we believe this will provide the Partner Funds with opportunities to invest in the regions across the UK, including venture and growth capital, and will ultimately support the policy intent outlined in the Levelling Up white paper.

Under current guidance, individual funds have the flexibility to invest up to 5% outside the pool. The local and specific nature of these investments mean they may be of a small scale and unsuitable to be effectively managed through the pool. However, pools are well placed to advise and support individual funds in this regard. Issues including resourcing and managing conflicts of interest will need to be carefully addressed. We believe the exemption to making these investments outside of the pool should be maintained.

Question 8. Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Collaboration has been, and should continue to be, a hallmark of strength in the LGPS. If a pool is unable to effectively develop and manage an investment proposition, there may be merit in sourcing this capability through another LGPS pool. However, there are implications that need to be recognised. These include issues such as:

- Border to Coast investment funds are designed with, and for, 11 Partner Funds who are both shareholders and customers. Care will be required should external pool customers wish to invest in them. The existing governance structures and processes will need to be reviewed to overcome this challenge.
- Certain investments may have capacity issues. For example, the first Climate Opportunities fund launched by Border to Coast was capped at £1.35bn, which reflected the availability of suitable market opportunities. The demand from Partner Funds was significantly above this

figure. Care will be required in balancing the needs of shareholder customers against those of external pool customers for capacity constrained investments.

- As shareholders, existing Partner Funds principally manage risk through Border to Coast's regulatory capital. Different arrangements would need to be developed for non-shareholder external pool customers.
- In owning and building Border to Coast, there has been a structured approach to its growth, building capacity and capability to reflect Partner Funds long term needs. This is likely to be absent with non-shareholder customers, where there is the added risk of managing inflows and outflows of capital. This could destabilise the ability to plan the required capacity in various parts of the business.

Management of additional customers would require careful consideration, particularly noting the potential additional layer of due diligence costs that would be required as a regulated asset manager investing into another regulated asset manager's vehicle.

Nonetheless, if these issues are overcome, it could be easier to manage this on a pool-to-pool basis, than an individual fund-to pool basis.

Question 9. Do you agree with the proposed requirements for the levelling up plan to be published by funds?

The objective of all LGPS Funds is to generate the appropriate risk adjusted returns to ensure they can operate the LGPS in an affordable and sustainable manner.

Where ancillary objectives (such as those outlined in the Levelling Up White Paper) can be co-delivered without impacting these returns or increasing risk, this is to be welcomed. Levelling Up, effectively delivered, has the potential to create growth; including creation of jobs, drive productivity, improve people's quality of life and better health and wellbeing outcomes.

Nonetheless, LGPS assets are invested to deliver appropriate risk adjusted returns and should not be used to implement any Central Government policy objective – no matter how laudable it may be. We welcome the recognition in the consultation that each Partner Fund is responsible for setting their investment strategy, designed to deliver the appropriate risk adjusted returns they require.

Any investment strategy and associated reporting on Levelling Up needs to be through the principal asset classes (e.g. Real Estate, Private Equity, Infrastructure, Private Credit, etc). This ensures that the risk adjusted returns are considered on the same basis. This can be reported via a Fund's Investment Strategy Statement. Investments which support the policy intent of the Levelling Up White Paper should be reported as a memorandum item.

Border to Coast has announced plans to launch a 'UK Opportunities' strategy as part of its private markets programme, designed to provide attractive risk adjusted investment returns to Border to Coast's 11 Partner Funds. It will be a multi-asset UK strategy investing in areas such as Corporate Financing, Housing, Property, Infrastructure, Renewables, and Social Bonds.

The nature of underlying investments should result in a range of positive impacts, which could include jobs created, new housing units delivered (residential, affordable, social, assisted), new commercial floor space, delivery of local infrastructure, renewable energy capacity, the provision of training including apprenticeships.

Subject to ongoing engagement with Partner Funds, 'UK Opportunities' will be launched in April 2024.

Question 10. Do you agree with the proposed reporting requirements on levelling up investments?

We are comfortable with the proposals, albeit we note that this again expands the reporting and regulatory requirements on Funds, which will have resource implications.

Question 11. Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?

Administering Authorities remain responsible for their investment strategies. As open defined benefit pension schemes, it is essential that we adopt appropriate diverse investment strategies designed to balance risk and return, to ensure the LGPS remains affordable. It is not appropriate for government to determine the asset allocation approach LGPS funds should take by, for example, directing 10% should be invested in private equity, 5% in levelling up, x% in infrastructure etc. Government can encourage, facilitate and (perhaps) support investment in the asset classes it believes will help achieve its goals, but ultimately Administering Authorities should be making asset allocation decisions, taking into account their overarching fiduciary duty to their stakeholders.

As part of this approach, private markets can play an important role. Our Fund's investment includes an allocation to private markets of 20% excluding property, which has a separate weighting of 10%. Asset pooling in general, and Border to Coast in particular has improved the Fund's ability to access this asset class effectively and efficiently. It is important to note that private markets investments come with risks as well as opportunities – by their nature they are often less transparent, less liquid, more expensive than public markets and are slower to be repriced. They do not necessarily perform well under all market conditions, and there is a risk the benevolent market conditions of the previous decade may have flattered outcomes in some private funds.

We note the reference to private equity, growth equity and venture capital. This is a narrow part of the market. Early-stage growth, especially that focused on technology, is relatively high risk. For investors who have not made any previous or meaningful commitments to private capital more broadly, this is a challenging entry point and risks volatile returns or losses which would be likely to discourage future investment in private markets.

A broader definition, covering 'private capital' allows investors to build private market risk appetites which suit their own circumstances, rather than pushing everyone to a more narrowly defined and therefore potentially crowded part of the market with volatile returns.

Using this broader definition, our Fund already exceeds the aspiration to invest 10% of our assets in this area. Recognising our current extensive UK investment exposure, in seeking appropriate and diverse investment opportunities, exposure to this type of investment should be global in nature.

The most effective way to encourage any investment in the UK is the provision of a stable investing environment through policy certainty. If the LGPS and private capital is being asked to make large, long-term, capital investments the Government needs to offer corresponding long-term guarantees and the necessary policy certainty to protect these potential investors. Examples include policy certainty on renewable energy, transport and climate transition considerations; improvements to the planning regime to accelerate development opportunities, and to enable clearer partnership opportunities with Local Authorities; and the development of structures with the support of organisations such as the British Business Bank (BBB) and the UK Infrastructure Bank (UKIB) to enable risk sharing and return visibility.

While there is understandably a continued focus on costs, we recognise that private markets are more complex and expensive asset classes. Through Border to Coast, the Fund has access to the capability and capacity to access these markets in an effective and efficient manner.

Question 12. Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?

There is a range of potential partners that can support the LGPS pools to deliver growth capital in the UK. The BBB and the UKIB are two examples.

Given their state ownership and strategic focus to 'crowd in' other investors, these institutions may be well placed to support the LGPS pools to source and commit to ventures that meet their normal investment criteria.

We note that one of the key objectives of LGPS pooling was to reduce the fee burden paid by pension funds. In a private market context this included reducing the reliance on fund of fund structures which introduce an additional layer of fees. As such, any vehicle should be offered on a cost only basis if the intention is to encourage greater participation in this part of the market. An extra layer of fees will deter potential investors. BBB will be investing balance sheet capital into all investments, so a successful investment policy would deliver profitability for them without this fee income.

Question 13: Do you agree with the proposed implementation of the Order through amendments to the 2016 Regulations and guidance?

The Fund already sets strategic objectives for investment consultants, and we welcome its consistent application across the LGPS.

Question 14: Do you agree with the proposed amendment to the definition of investments?

Yes.

Question 15: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

No.

Yours faithfully,

Councillor Julia Rostron
Chair of the Teesside Pension Fund administered by
Middlesbrough Council

References

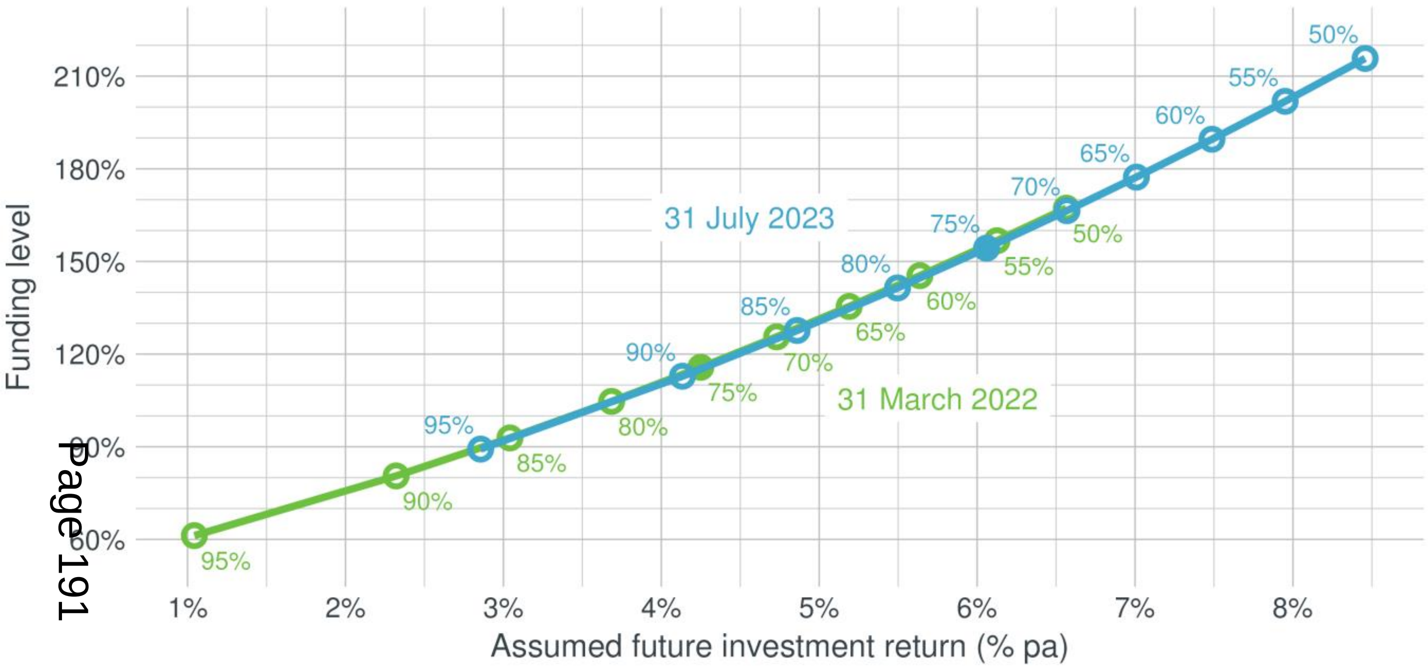
[1] Pension Policy Institute: "Defined Benefits: the role of governance"
[2] The PLSA research, "LGPS: Views from inside the scheme" states that three-quarters of respondents believe government and regulators should focus on good governance (74%).
[3] A case for scale, February 2022
[4] https://www.bordertocoast.org.uk/news-insights/border-to-coast-marks-five-years-of-delivery/

Teesside Pension Fund

Summary of funding objectives

The Fund's funding objectives are to keep employer contributions as low and stable as possible, for as long as possible with a comfortable level of prudence. To achieve these objectives, the Fund takes a long-term view (20 years) when setting contribution rates for tax-payer backed employers but requires at least a 75% likelihood they will be at least fully funded at the end of this period. It should be noted that the Fund invests in assets that can change in value considerably day-to-day. As a result, the funding level and any surplus or deficit can change significantly one day to the next. Taking a long-term view on risk is core to fulfilling the Fund's objective of keeping rates as stable as possible.

Progress of funding objectives since 2022



- The green line and dots represent the likelihood of achieving the returns on the horizontal axis and the corresponding funding level to that level of return on the vertical axis. There was a 75% likelihood the Fund would return at least 4.2% pa. resulting in a funding level of 116% (the filled green dot).
- The required return to remain at least fully funded (a 100% funding level) in 20 years' time was 3.4% pa as at 31 March 2022. There was an 82% likelihood of the Fund's investments return this over the next 20 years.
- Since the 2022 valuation, investment returns have been around 3-4%, however, this has lagged the discount rate of 4.2% pa which puts downward pressure on funding levels. However, expected future returns have been rising on the back of increasing interest rates which puts upwards pressure on funding levels.
- The blue line and dots represent the likelihoods, returns and funding levels as at 31 July 2023. Based on a 75% likelihood, the Fund would now be expected to return 6.1% pa (significantly more than the 4.2% pa identified in 2022). The resulting funding level would be 154% on this measure (the filled blue dot).
- However, the required return to remain at least fully funded in 20 years' time has reduced from 3.4% to 3.2%. The likelihood of achieving 3.2% pa is 94%.

Comments on recent changes to funding level

Over the period from 2016 to 2022, the observed improvements in funding levels have been driven by higher than anticipated investment returns. Over this period, the Fund's investments returned nearly 80%, however, this was damped by low interest rates which depressed market expectations for future returns. Since the 2022 valuation, returns on the Fund's investments have been slightly less than anticipated. In essence, the Fund is holding approximately the same amount of assets today as it did on 31 March 2022 for every £ of pension it expects to pay out. However, increasing interest rates have increased market expectations for long term future returns which has reduced the estimated value placed on the benefits (liabilities). Therefore, a shift has occurred where increases in funding level were previously being driven by actual returns, whereas recent increases are being driven by the promise of greater future returns.

Main risks and their impact at 31 July 2023 (likelihoods measured over 20 years)

Inflation

CPI expectations over 20 years	Likelihood CPI greater than expectation	Impact on funding level
2.2% p.a.	50%	154% - none
3.2% p.a.	27%	130%
4.2% p.a.	11%	110%

Anticipated investment returns

Investment returns expected over 20 years	Likelihood returns less than expectation	Impact on funding level
6.1% p.a.	25%	154% - none
5.1% p.a.	17%	129%
4.1% p.a.	10%	108%

Other risks

Risk	Potential impact
Benefit increase of c5-6% in April 2024	Immediate decrease in funding level of c3%
Model risk	Unquantifiable
Regulatory risk	Unquantifiable at the current time

Agenda Item 11

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 12

PENSION FUND COMMITTEE REPORT

27 SEPTEMBER 2023

INTERIM DIRECTOR OF FINANCE – DEBBIE MIDDLETON

Draft Annual Pension Fund Report and Accounts 2022/23

1. PURPOSE OF THE REPORT

1.1 To present Members with the 2022/23 draft Annual Report and Accounts for the Teesside Pension Fund.

2. RECOMMENDATION

2.1 That Members note the 2022/23 draft Annual Report and Accounts (Appendix A).

3. FINANCIAL IMPLICATIONS

3.1 There are no specific financial implications arising from this report.

4. BACKGROUND

4.1 The terms of reference for the Teesside Pension Fund Committee require the Annual Report and Accounts to be considered by Members. Attached to this report is the draft unaudited Report and Accounts for the year ended 31 March 2023.

5. PERFORMANCE SUMMARY

5.1 The overall financial performance of the Fund for the year to 31 March 2022 was broadly neutral. The Fund's value rose slightly to £5.064 billion, an increase over the year of approximately £27 million. Performance was muted but positive overall across equities, but property assets were negative, showing a -9% return over the year, largely because of revaluations following challenging economic conditions in some sectors.

5.3 The membership of the Fund continues to increase, with total membership at the year-end now standing at 80,338 an increase of 2,443 over last year. The number of active members has increased by 764 or 3.0% over the year and increased by 15.3% over the past four years. The number of pensioners increased by 703 or 2.7% over the year and increased by 12.2% over the past four years. The number of deferred members has increased by 976 or 3.7% over the year and increased by 16.5% over the past four years.

5.4 Every three years the Fund actuary, carries out a full actuarial valuation of the Fund. The purpose is to calculate how much employers in the scheme need to contribute going forward to ensure that the Fund's liabilities, the pensions due to current and future pensioners, will be covered. Unlike all the other major public sector schemes the Local Government Scheme is a funded scheme. That means there is a pool of investments producing income which meet a significant part of the liabilities.

5.5 The actuary carried out the Fund's latest triennial valuation, which looked at the Fund's assets and liabilities as at 31 March 2022, during the year and the final report was published at the end of March 2023. Headlines from the valuation were an increase of around £1 billion in assets from around £4 billion at the 31 March 2019 valuation to around £5 billion. However, this was accompanied by an increase in the value of the Fund's liabilities – the estimated cost of meeting the pension promises it has made – primarily because the actuary increased their long-term inflation assumption and also became more pessimistic about the outlook for future investment returns. Overall, the Fund's funding level increased slightly from 115% to 116% but the estimated cost of providing future benefits increased as well, leading to contribution rate increases for some employers taking effect during the three year period starting 1 April 2023.

6. FRS / IAS REPORTS

6.1 Financial Reporting Standards (FRS) and International Accounting Standards (IAS) require employers to disclose in their accounts their share of the assets and liabilities in the Pension scheme. The Fund's actuary, Hymans Robertson, offers to produce reports for the employers in the Teesside Pension Fund containing the figures which each needs to disclose in order to comply with the requirements of these standards.

6.2 Although the Fund is "actuarially" fully funded the employers will have different outcomes to their valuations on an FRS / IAS accountancy basis because of the way the figures in the reports are calculated and the different assumptions that are used. It should be noted that the FRS / IAS calculations have no impact on the actual Funding Level of the Fund or the Employers within it.

7. INTERNATIONAL FINANCE REPORTING STANDARDS (IFRS)

7.1 The Council adopted International Finance Reporting Standards (IFRS) from 1 April 2010. The Pension Fund, accounts comply with the reporting standards.

8. NEXT STEPS

8.1 The Annual Report and Accounts presented here are in draft form and, whilst the main numbers and outcomes are not expected to change in any significant way, changes may be needed as further review takes place. Some highlighted text from the previous year exist in this draft where further input is required. In addition, the audit process for the Council's accounts (which include the Pension Fund accounts this Report is based on) is not complete and further changes may be required because of this. When complete the Annual Report and Accounts will be published on the Pension Fund's website.

AUTHOR: Nick Orton (Head of Pensions Governance and Investments)

TEL NO: 01642 729024

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Teesside Pension Fund

Annual Report and Accounts for the year ended

31 March 2023

Contents

Report of those charged with Governance.

Chairman's Introduction

Welcome to the 2022/23 Annual Report and Accounts of the Teesside Pension Fund. During the year most of the Fund's assets continued to be managed externally and around 61% of those assets were invested in publicly-quoted equities – shares in companies listed on stock markets across the world. All the Fund's UK equities and, by the end of the year, approximately 76% of its overseas equities were managed by Border to Coast Pensions Partnership ('Border to Coast'). The other 24% of its overseas equities at the end of the year were invested passively through State Street Global Advisors. The funds allocation to publicly quoted equities is broadly similar to its allocation at the start of the year and is higher than its long-term strategic allocation of 55%, mainly as a medium-term tactical approach recommended by the Fund's investment advisors.

During the year significant additional commitments were made to private equity and infrastructure investments with Border to Coast. However, the nature of the investment process for those types of assets mean it will take several years for those commitments to be fully invested.

Border to Coast was set up by and is wholly owned by eleven Local Government Pension Schemes (LGPS) administering authorities each responsible for an LGPS fund. It was established to meet central government's requirement that local government pension schemes pool their investment assets to deliver savings and improve governance. Middlesbrough Council (as administering authority for the Teesside Pension Fund) is one of the owners and customers of Border to Coast. By the end of the year around 55% of the Fund's assets were invested through Border to Coast (up from 52% at start of the year), with this percentage expected to increase over the coming years.

Global equity markets were flat over the year as a whole but this does not tell the story of a tumultuous year politically and financially. Domestically the political turmoil was demonstrated by the UK having three prime ministers and four chancellors within the year, albeit all from the same party. Financial markets, and particularly bond markets, in the UK were also very volatile during and after the short-lived Liz Truss premiership. Internationally Russia's war in Ukraine continued without an obvious end in sight. This was a factor in commodity prices (including oil and gas) remaining high which, together with insipid global growth, labour market pressures and increasing food prices has resulted in inflation being more persistent than many commentators and central banks had anticipated.

During the year central banks took significant steps to combat inflation, with the US Federal Reserve Bank increasing rates eight times during period, ending the year with a target rate of 4.75% to 5.00% significantly higher than the 0.25% to 0.50% rate at the start of the year, and the highest rate since the 2007/2008 Global Financial Crisis. The Bank of England also increased interest rates eight times during the year, from 0.75% to 4.00%. Both banks have increased rates further after the year-end. A recession is one possible consequence of these rate increases, and although this is not inevitable it does seem likely that growth will remain stagnant. So far, financial markets have been relatively robust.

The overall financial performance of the Fund for the year to 31 March 2023 was broadly neutral. The Fund's value rose to £5.064 billion, an increase over the year of approximately £27 million. Performance across most of the Fund's asset classes was positive across the year, albeit volatile during the year. Overseas equities, UK equities, alternatives and cash all produced above zero returns over the year. However, property returns were negative, showing performance of around -9% over the year. This was largely a consequence of a revaluation of the Fund's property assets as a consequence of challenging economic conditions in some sectors. Nevertheless, the Fund's property assets still outperformed their benchmark during the year.

At the end of the year the actuary published the latest triennial valuation of the Pension Fund (as at 31 March 2022) this showed a slight improvement in funding level from 115% to 116% although the assessed cost of providing future benefits increased, leading to some increases in contribution rates for many of the Fund's employers. The valuation also set the actuary's expectation for the Fund's long-term investment returns at 4.25% a year (down from 4.45% a year at the previous valuation). The Fund has failed to achieve a 4.25% return in the year ending 31 March 2023 but, as the Fund is a long-term investor it is able to take a long-term view and, provided its assets are appropriately managed and suitably diversified, does not need to react to short-term poor or flat performance.

The membership of the Fund has increased, with total membership at the year-end now standing at 80,338 an increase of 2,443 over last year. The number of active members has increased by 764 or 3.0% over the year and increased by 15.3% over the past four years. The number of pensioners increased by 703 or 2.7% over the year and increased by 12.2% over the past four years. The number of deferred members has increased by 976 or 3.7% over the year and increased by 16.5% over the past four years.

Where a member retires early on the grounds of redundancy or business efficiency there is a cost to the Fund arising from the fact that a pension is drawn earlier than the Actuary had assumed and for these types of retirement the normal early retirement reductions do not apply. It is the policy of the Fund to recharge the actuarial cost of these retirements to the employers. This policy has the advantage that the Fund recovers the cost of an early retirement at the outset. For the employer the advantages are twofold;

1 the impact of retirement decisions is transparent; and
2 the cost is invoiced separately rather than being recovered in the employer's contribution rate, which was once the case.

In this financial year the Fund received around £1.58 million from these early retirement recharges, a 43% reduction on last year's figure of around £2.75 million.

Every three years the Fund actuary, carries out a full actuarial valuation of the Fund. The purpose is to calculate how much employers in the scheme need to contribute going forward to ensure that the Fund's liabilities, the pensions due to current and future pensioners, will be covered. Unlike all the other major public sector schemes the Local Government Scheme is a funded scheme. That means there is a pool of investments producing income which meet a significant part of the liabilities.

The latest actuarial valuation of the Fund was as at 31 March 2022, with the final report published at the end of March 2023. The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level. The aim of the Fund is to be 100% funded, and at the latest valuation the actuary was able to declare a funding level of 116%, a slight improvement on the 115% funding level reported at the previous valuation. This is particularly pleasing since it is the fourth time in succession that the Fund is able to declare it is fully funded.

However, although the Fund was judged to have more than sufficient assets to meet the cost of paying for the pension promises it has made to date, the assessed cost of providing future benefits increased at this valuation, leading to some increases in contribution rates for many of the Fund's employers. The valuation also set the actuary's expectation for the Fund's long-term investment returns at 4.25% a year (down from 4.45% a year at the previous valuation). The Fund has failed to achieve a 4.25% return in the year ending 31 March 2023 but, as the Fund is a long-term investor it is able to take a long-term view and, provided its assets are appropriately managed and suitably diversified, does not need to react to short-term poor or flat performance.

The next valuation is due to be carried out as at 31 March 2025 with the final report due to be published in March 2026 and any changes required to employer contribution rates due to come into force from April 2026.

Nature of the Scheme

The Teesside Pension Fund (the Fund) is part of the Local Government Pension Scheme is governed by Public Service Pensions Act 2013 and the following 'secondary' legislation (all as amended):

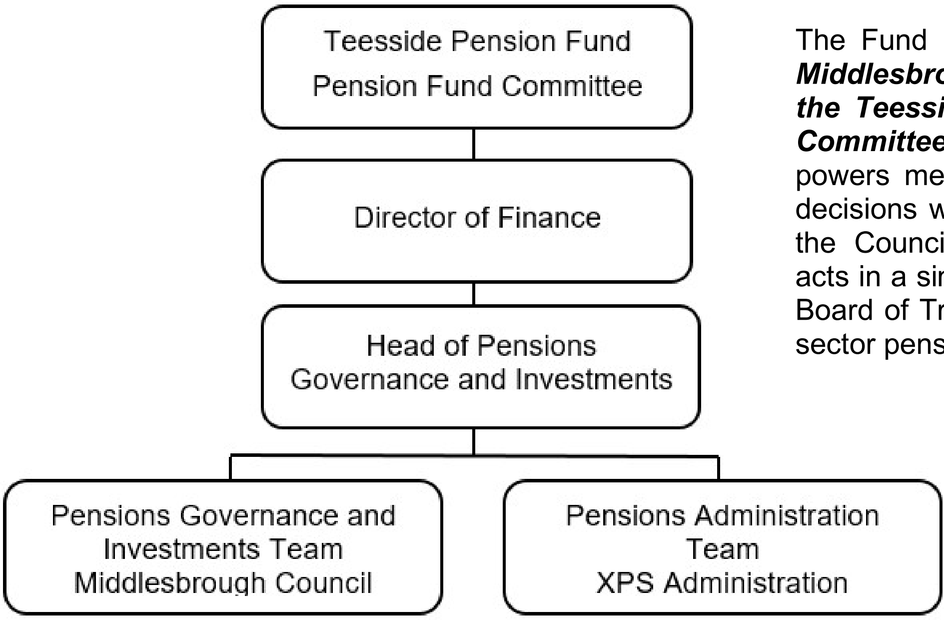
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016;
- The Local Government Pension Scheme Regulations 2013; and
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

The regulations have changed over the years as the nature of the scheme has changed – the most significant recent change applied from April 2014 when the scheme moved (for future benefits) to a career average revalued earnings scheme from a final salary scheme. More information about the scheme, including updated scheme guides and details of scheme member benefits and contributions can be found on the national scheme member website www.lgpsmember.org and on our website at: www.teespen.org.uk.

The Regulations specify the pensions and other benefits payable and fix the rates of member contributions. Employer contributions are set every three years by the Fund Actuary. The purpose of the Fund is to provide retirement benefits for local authority employees in the Teesside area and other bodies admitted by agreement. The Fund is administered by Middlesbrough Council on behalf of all participating employers. A full list of participating organisations is given in the Membership section below.

The Fund 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 Fund's assets, after payment of benefits, are invested as directed by the Pension Fund Committee. The Committee comprises elected members of Middlesbrough Council, representatives of the other unitary authorities, a representative of the other employers in the Fund and two scheme member representatives provided by the Trade Unions. The Committee is advised by relevant Council officers supported by external experts including the Fund's Investment Advisors.

Management of the Fund



The Fund is administered by ***Middlesbrough Council*** via ***the Teesside Pension Fund Committee*** which has plenary powers meaning it can make decisions without reference to the Council. This Committee acts in a similar manner to the Board of Trustees of a private sector pension fund.

The day to day running of the Teesside Pension Fund 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 Fund. This function is currently outsourced and is delivered by XPS Administration. The Pensions Governance and Investments Team manages the investment of the Fund in conjunction with the advice of the Fund's external Investment Advisors, as well as providing support to the Pension Fund Committee and Teesside Pension Board.

The Teesside Pension Fund Committee

Committee membership and meeting attendance during the year 2022/23

	Members (all have voting rights)	**29 June 2022**	**21 October 2022**	**14 December 2022**	**15 March 2023**
Middlesbrough Council	Councillor David Coupe (Chair)	✓	✓	✓	✓
	Councillor Eric Polano (Vice Chair)	✓	✓	✓	✓
	Councillor Julia Rostron	✓	✓		✓
	Councillor Allan Bell	✓	✓	✓	✓
	Councillor John Hobson	✓	✓	✓	✓
	Councillor Theo Furness		✓		✓
	Councillor Stephen Hill		✓	✓	✓
	Councillor Dennis McCabe	✓	✓		
	Councillor Graham Wilson	✓	✓	✓	

	Members (all have voting rights)	29 June 2022	21 October 2022	14 December 2022	15 March 2023
Redcar & Cleveland BC	Councillor Glyn Nightingale				
Stockton BC	Councillor Jim Beall				✓
Hartlepool BC	Councillor Rachel Creevy	✓	✓	✓(virtual)	✓
	Julie Flaws	✓	✓	✓	✓
Trades Unions	Tony Watson (UNISON)	✓	✓	✓	✓
	Brian Foulger (GMB)	✓			✓

Declaration of Interest

Councillor J Beall, R Creevy, J Rostron

The committee comprises representatives from all the district councils in the former Cleveland County area as well as a representative from the other employers in the Fund and representatives from the Trade Unions. The committee held four quarterly meetings during the year.

The size and political make-up of the committee is determined annually by Middlesbrough Council, and the Councillors are then nominated by each political party. Representatives of the other district Councils are nominated by them. The 'Other Employers' representative, is chosen by election by the other employers with active members in the Fund.

Terms of Reference – Teesside Pension Fund Committee

Terms of Reference:

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 has the following specific roles and functions, taking account of advice from the Chief Finance Officer (the Strategic Director of Finance Governance and Support) and the Fund's professional advisors:

a) Ensuring the Teesside Pension Fund is managed and pension payments are made in compliance with the Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs 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 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; the asset pooling collaboration arrangements:

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

   ii) Undertake the role of Authority in relation to the 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 advisors, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, independent professional advisors and AVC provider.

i) Liaison with internal and external audit, including providing 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.

Teesside Pension Board

The Public Service Pensions Act 2013 introduced a requirement for public service pension schemes to have pension boards. The pension board for the Teesside Pension Fund is the Teesside Pension Board. The Teesside Pension Fund Committee is still the sole decision-making body for the Fund, whereas the Teesside Pension Board assists Middlesbrough Borough 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 Scheme.

The Teesside Pension Board is made up of six voting members as follows:-

3 employer representatives; and 3 scheme member representatives.

Fund Administrators and Advisors

Administration

Chief Finance Officer	Ian Wright / Helen Seachurn (interim)
Head of Pensions Governance and Investments	Nick Orton
Pensions Administration Manager	Graeme Hall, XPS Administration
Solicitor to the Fund	Charlotte Benjamin

Advisors to the Fund

Actuary	Hymans Robertson
Solicitors	Nabarro LLP & Freeth Cartwright LLP
Auditors	Ernst & Young LLP
Investment Advisors	William Bourne and Peter Moon
Property Managers	CBRE
Custodian	The Northern Trust Company
AVC Providers	Prudential Assurance, Phoenix Life
Bankers	The NatWest Bank Plc

The Pensions Landscape

All of the major public sector schemes changed radically from April 2015, with new public sector schemes established and operated in accordance with the Public Service Pensions Act 2013. However, due in part to its unique ‘funded’ status amongst these schemes, the LGPS changed a year earlier from April 2014, meaning the career-average revalued earnings LGPS has now been in place for five years. More detail on how the current LGPS compares to previous versions of the scheme is contained in the “Summary of LGPS benefits” section.

Government changes to the wider pensions landscape were also introduced from April 2015, promoting “Freedom and choice” granting greater flexibility in how and when they access their pension savings. These changes largely impact upon defined contribution schemes and, due to the nature of the LGPS, do not have major impact upon the scheme or its operation. However, members making Additional Voluntary Contributions can now potentially access monies from these funds from age 55, whilst still contributing to the LGPS, on transfer to another provider.

Significant changes to the limits on tax relief available for pension saving were announced during the year although these did not come into effect until 6 April 2023. The standard annual allowance figure increased from £40,000 to £60,000, but with a lower figure applied for high earners. The lifetime allowance of £1.0731m was effectively removed altogether for retirement events from 6 April 2023. The lifetime allowance limit was only breached by a very small proportion of the LGPS membership, but the increase to the annual allowance means that fewer members will face a potential tax charge in the future.

On 30 March 2023 the Government published its 2023 review of the State Pension age. The Government is required to undertake a regular review of the State Pension age in accordance with the Pensions Act 2014. State Pension Age (SPA) is currently age 66 and will rise to age 67 between 2026 and 2028 before rising again to age 68 between 2044 and 2046.

At the first review in 2017, the Government accepted the recommendation that the State Pension age should rise to age 68 over the period 2037 to 2039; however, it outlined this would be subject to further review. The 2023 review confirms the rise to age 67 between 2026 and 2028 is still appropriate. However, the Government does not intend to change existing legislation to implement the recommendation of the 2017 review at the current time.
It plans to have a further review within two years of the next Parliament to consider whether the rise to age 68 should occur earlier. The Government must publish the report no later than 29 March 2029.

The State Pension Age is particularly important to members of the LGPS as it is the age at which post-2014 ‘career average’ benefits can be paid from the scheme without early reductions applying.

Scheme specific changes

On 1 April 2014 the new look LGPS came into force, reflecting the changes required to public sector schemes derived from the Public Service Pension Commission recommendations.

From 1 April 2014:

- The LGPS became a Career Average Revalued Earnings (CARE) scheme using price inflation – the Consumer Prices Index (CPI) as the revaluation factor (the previous scheme was a final salary scheme).
- The rate pension builds up 1/49th of pensionable pay each year where the previous scheme rate was 1/60th.
- There is no fixed scheme pension age, instead each member's Normal Pension Age (NPA) is their State Pension Age, with a minimum of 65 (the former scheme had a fixed pension age of 65).
- Member contributions to the scheme are set at one of nine different contribution bands, between 5.5% and 12.5% of pensionable pay, set based on the level of actual pensionable pay the scheme member receives.
- There is a facility for members to choose to pay half contributions for half the pension. This is known as the 50/50 option (earlier schemes had no such option). The intention was to provide a lower cost option for members who were perhaps considering opting-out of the scheme.
- Members' benefits for service prior to 1 April 2014 are protected, including protecting the earliest age a scheme member could receive a pension without early retirement reductions applying. Protected past service continues to be based on final salary and age 65 NPA.

All members of the previous scheme (the 2008 scheme) automatically became members of the 2014 scheme where their employment continued beyond 31 March 2014. A summary of the 2014 scheme provisions and a comparison to the 2008 scheme is highlighted later in this report in the section entitled "Summary of LGPS benefits and comparison to previous versions of the scheme".

Towards the end of the year the government changed the revaluation date used for career average benefits in the LGPS to 6 April each year instead of 1 April. This slight technical change had no impact on the value of scheme members' benefits but prevented significant numbers of LGPS members from exceeding their 'annual allowance' and having to potentially make a tax payment purely because under the old rules, the growth in the value of their pension as assessed for tax purposes would have included the April inflation increase. This was a significant issue in 2023 as the pension increase percentage (and the revaluation applied to career average pensions) was the highest in the LGPS for many years.

Promoting Scheme Membership

The Fund continues to promote Scheme membership and much of this work over the past twelve months has been directed at our newer employers and employees.

Employers have a very important role to play in the operation of the pension scheme, and in giving reassurance to their employees with regards to the scheme's short and long term benefits.

A variety of methods are used here such as workplace posters, presentations and staff briefings and also employer awareness courses that assist the employer to understand and impart general knowledge of the scheme to their staff.

With more people looking towards technology these days, we have continued to promote our Member Self Service (MSS) throughout the year. This facility allows scheme members to view their pension record(s) on-line as well as being able to run their own pension calculations.

Risk management

The Investment Strategy Statement sets out the approach of the Fund in identifying, mitigating and managing risk. The Fund's primary long-term risk is that the Fund's assets do not meet its liabilities, that is, the benefits payable to its members. The aim of the Fund's investment management is to achieve the long-term target rate of return with an acceptable level of risk.

There are three key forms of risk specific to the investment of assets:
a) That associated with security of the Fund's assets.
b) That associated with loss of value relating to those assets.
c) That associated with the ability of those assets to provide required rates of return.

a) Security of the Fund's Assets

The Fund's Custodian, Northern Trust, holds the majority of the Fund's Assets. An agreement is in place protecting the Fund against fraudulent loss and regular checks are made by independent auditors regarding the integrity of the Custodian's systems. In addition, the Fund's Direct Property assets are registered in the name of Middlesbrough Council and the Title Deeds and documents held by the Fund's solicitors, Freeth's. Cash balances belonging to the Fund are invested in accordance with agreed criteria, which consider an appreciation of risk.

b) Asset Risk

The value of all investments can go down as well as up. Even investments in Gilts, securities issued by HM Government, are not without risk. Individual companies can cease to trade, with shareholders well down the list of creditors.

The best way to protect the Fund against asset risk is through diversification into a number of asset classes, a range of countries and a range of companies. The Teesside Pension Fund Committee ensures the Fund has sufficient diversification at their committee meetings.

c) Investment Risk

One of the Pension Fund Committee's most important duties is to make sure that the Fund has enough Assets to pay the benefits already earned by scheme members. On top of that they are looking to achieve sufficient return on those Assets to keep down the cost of building up future benefits. In order to meet these responsibilities, the Pension Fund Committee sets a performance benchmark against which they can measure the progress of the Fund's investments. Funds which outperform their benchmark can reduce costs compared with those which underperform.

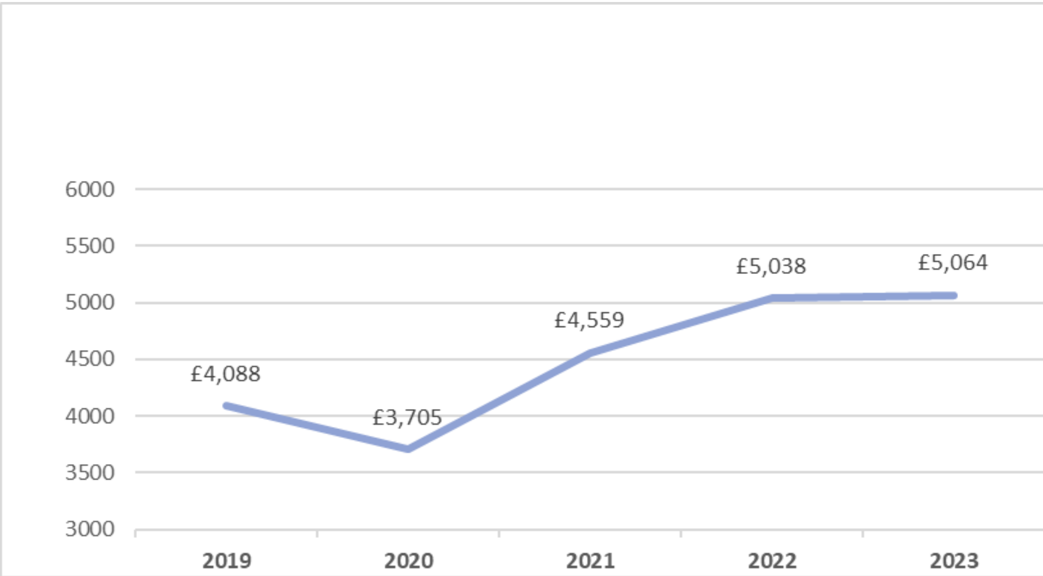
For the Fund to significantly outperform its benchmark it needs to have an asset mix which is different from that of its benchmark. The more outperformance is required the greater the differences will need to be. In other words, outperformance cannot be achieved without taking risks. Measurement of risk can identify whether the risk profile is, on one hand, large enough to deliver the required relative returns or alternatively so great as to lead to the possibility of serious underperformance.

The Asset/Liability Study, carried out every three years by the Fund Actuary in conjunction with the Fund's Investment Advisors, assesses the degree of risk which the Fund needs to incorporate into its investment strategy, mainly expressed as the split between bonds and equities, in order to meets its liabilities and in particular to achieve the goal of employer contribution rates which are both low and stable.

Financial Performance Report

Income, Expenditure and Fund value

The Fund's Financial Statements show that the Net Asset Value has increased by 0.5% compared to the previous year. Over the last 5 years, from the 2019 value of £4,088 million, the value of Net Assets has increased by 24%.



Finance Performance Report

	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	**£000**	**£000**	**£000**	**£000**
Fund Value at the start of the year	3,896,452	4,088,095	3,705,473	4,559,485	5.037,574
Income	159,468	152,932	117,772	153,596	164,640
Expenditure	(162,057)	(167,397)	(165,427)	(167,860)	(192,875)
Change in Market Value of Investments	194,232	(368,157)	901,667	492,353	54,947
Increase/(Decrease) in Fund during the year	191,643	(382,622)	854,012	478,089	26,712
Fund Value at the end of the year	**4,088,095**	**3,705,473**	**4,559,485**	**5,037,574**	**5,064,286**
Change in Fund Value %	**5%**	**(9%)**	**23%**	**10%**	**1%**

Financial Highlights

	£000	**£000**	**£000**	**£000**	**£000**
Pensions Paid	113,219	119,302	123,640	127,421	134,781
Administration Costs	1,692	2,185	1,938	2,238	2,087

Investment Management Costs	5,314	1,480	4,955	5,474	7,335
Oversight and Governance Costs	1,238	3,768	553	397	634

Membership

	2019	2020	2021	2022	2023
	No	**No**	**No**	**No**	**No**
Active	22,274	23,438	24,238	25,434	26,198
Deferred	23,361	23,488	23,322	26,249	27,225
Pensioner	23,983	24,651	25,366	26,212	26,915
Total	**70,068**	**71,577**	**72,926**	**77,895**	**80,338**

Fund Averages

	£	£	£	£	£
Fund value per member	58,345	51,769	62,522	64,761	63,037
Average Pension Paid	4,721	4,840	4,874	4,861	5,008
Total expenses cost per member	118	104	102	104	125
Administration Cost per member	24	31	27	29	6
Investment Management cost per member	76	21	68	70	91
Oversight and Governance costs per member	18	53	8	5	8

Analytical review of the financial year

The financial performance of pension funds can vary significantly year on year - the total fund value can undergo large movements resulting from the change in the market value of investments, and within the fund account the 'net additions (withdrawals) from dealings with members' can vary due to external factors affecting the fund itself or the principal employers within it.

The significant impact of, unforeseeable and unquantifiable, external factors have resulted in the policy of the administering authority not to set a budget for future periods for Teesside Pension Fund. It was felt that any budget would contain too many unknowable variables to be of any practical use and analysis of budget variances would contain inaccurate assumptions.

For this reason, it was felt that a much more meaningful analysis of the financial performance of the Fund could be gained from comparison with the performance in the previous year and the principal variances and movements in the financial performance of the fund in comparison with the previous year were as follows;

Summary of Analytical Review 2022/23

Fund Account	**Notes**	**2021/22 £ ' 000**	**2022/23 £ ' 000**	**Change**
Contributions and Other Income				
Employers Normal & Deficit	1	67,720	73,720	9%

Employers Additional	2	12	12	0%
Employees Normal	3	29,934	33,221	11%
Transfers in	4	2,371	4,896	106%
Capital Costs of Early Retirements	5	2,748	1,578	(43%
Other Income		878	983	12%
Total Income		**103,663**	**114,410**	**10%**
Benefits and Other Expenditure				
Benefits	6	127,421	134,792	6%
Benefits - Basic Lump Sum	7	22,750	24,684	9%
Benefits - Lump Sums on Death		3,587	2,879	(20%)
Individual Transfers to other Schemes	8	5,292	8,463	60%
Administrative Expenses	11	2,238	2,087	(7%)
Investment Management Expenses	11	5,474	7,331	34%
Oversight and Governance Costs	11	397	637	60%
Other Expenditure	12	701	12,002	1612%
Total Expenditure		**167,860**	**192,875**	**15%**
Return on Investments				
Dividends	13	33,525	24,838	(26%)
Rents	14	15,554	16,627	7%
Interest	15	854	8,765	926%
Profit on Sale of Investments		228,315	(1,129	(100%)
Unrealised gain / (loss) on Revaluation		264,038	56,076	(79%)
Total Return on Investments		**542,286**	**105,177**	**(81%)**
Net Increase in the Fund in the Year		**478,089**	**26,712**	**(94%)**

Explanation of variances

		2021/22	2022/23	
1	**Employers Normal Contributions & Deficit contributions - £000**	**67,720**	**73,720**	**increase of 9%**

Employers normal contributions have increased by £6.3m, and deficit contributions have decreased by £0.3m, which has given an overall increase of £6m in the year.

		2021/22	2022/23	
2	**Employers Additional Contributions - £000**	**12**	**12**	

No change to payments of additional contributions for authorised leave and maternity from 2021/22 to 2022/23.

		2021/22	2022/23	
3	**Employees Normal Contributions - £000**	**29,934**	**33,221**	**increase of (11%)**

Auto enrolment continues to make contributions to the scheme, and the ability for employees to pay 50% contributions continues to have a positive effect for the year.

		2021/22	2022/23		
4	**Transfers In - £000**	2,371	4,896	increase of	(106%)

In 2022/23 150 transfers were received into the scheme at an average value of £32.6k, compared to 93 transfers at an average value of £25.5k in 2021/22.

		2021/22	2022/23		
5	**Capital Cost of Early Retirements - £000**	2,748	1,578	decrease of	(43%0

The number of early retirements has decreased compared to the previous year, but the average cost per retirement has increased. The retirements from the Councils processed in the year were as follows;

	Number	Total Cost	Average
Hartlepool Borough Council	3	£183,989	£61,330
Middlesbrough Council	8	£135,042	£16,880
Stockton Borough Council	17	£744,577	£43,799
Redcar & Cleveland Borough Council	2	£36,622	£18,311
Total	**30**	**£1,100,230**	**£36,674**

		2021/22	2022/23		
6	**Benefits - £000**	127,421	134,792	increase of	6%

At the year-end there were 26,915 Pensioner Members / Dependants receiving pension benefits, at an average of £5,008 per annum. (2021/22 26,212 receiving benefits at an average of £4,861 per annum)

		2021/22	2022/23		
7	**Benefits - Basic Lump Sum - £000**	22,750	24,684	increase of	9%

There has been an increase of 9% in the value of Lump Sums paid by the Fund during the year.

		2021/22	2022/23		
8	**Individual Transfers to Other Schemes - £000**	5,292	8,463	increase of	60%

Transfers out can vary quite markedly year on year depending on both numbers and the type of people transferring. For 2022/23, the individual transfers out was £8,463k (2021/22 £5,292k), an increase from the previous year. In term of numbers, the transfers out for 2022/23 were 148 (2021/22 150).

	Number	Total Cost	Average
2022/23	148	£8,463,285	£57,184
2021/22	150	£5,292,018	£35,280

		2021/22	2022/23		
9	**Administrative Expenses - £000**	**2,238**	**2,087**	**decrease of**	**(7%)**

There has been a decrease of 7% in Administration costs in 2022/23.

		2021/22	2022/23		
10	**Investment Management Expenses - £000**	**5,474**	**7,331**	**increase of**	**34%**

Border to Coast management fees of £2.501 million. Includes management fees for investments in Private Equity, Infrastructure and Other Alternative investment funds of £2.311 million. £639k for Property management fees 22/23.

11 Oversight and Governance Costs - £000

	2021/22	2022/23		
	397	637	increase of	60%

Border to Coast Governance costs £304k and Actuary Fees at £302k

12 Other Expenditure - £000

	2020/21	2021/22		
	701	12,002	increase of	1,612%

An increase in Other Expenditure reflects a large exit payment of an employer of £11.129 millions.

13 Investment Income - £000

	2021/22	2022/23		
	33,525	24,838	decrease of	(26%)

New investment income of £24.8 million received from investments in Private Equity, Infrastructure, Other Debt and Other Alternatives.

14 Rent - £000

	2021/22	2022/23		
	15,554	16,627	increase of	7%

Following the end of the Covid-19, rental income has returned to normal rates, any rent-free periods have been removed. New properties have also been purchased throughout the year which are now providing the fund with additional rental income.

15 Interest - £000

	2021/22	2022/23		
	854	8,765	increase of	(926%)

The base rate has increased dramatically over the year from 0.75% in April 22 to 4.25% in March 23. This has increased the amount of interest received on cash deposits throughout the year.

16 Investments - £000

	2021/22	2022/23		
	4,217,188	4,723,162	increase of	12%

Investment values for the portfolio showed a 12% increase in value, up by £506 million for the year.

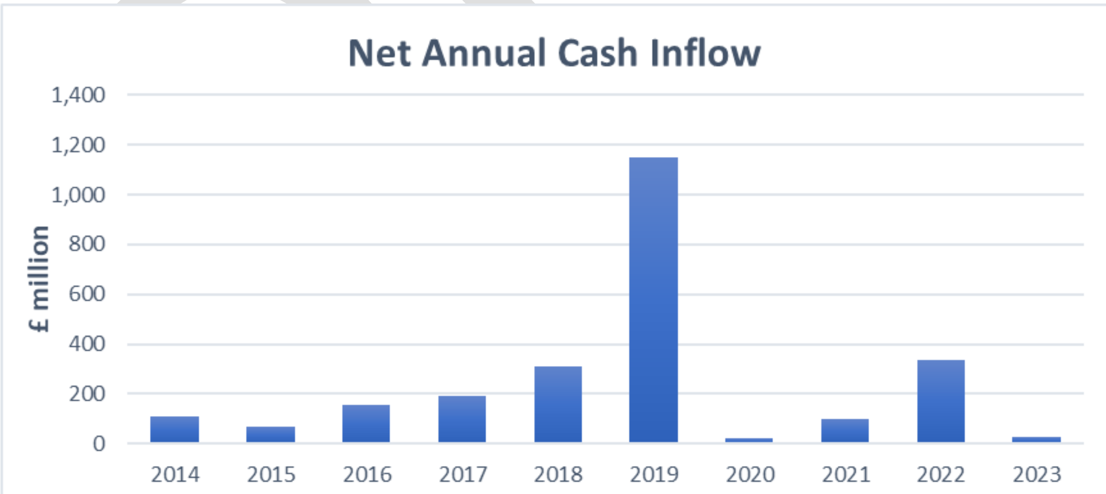
17 Cash - £000

	2021/22	2022/23		
	817,250	334,350	decrease of	(59%)

Cash levels have decreased over the year and are now back to normal levels. This is due to several large Property purchases and continued investment into new funds for example Other Debt. Also continued investments in Private Equity, Infrastructure and Other Alternatives.

Cashflow Statement

	£000 2021/22	£000 2022/23
Cashflow from Operating Activities		
Cash received for Contributions	96,287	107,363
Cash received for Early Retirements	2,765	272
Cash Received from Transfers In	2,371	4,896
Cash Received from Investments	177,091	50,538
Cash Received from Sales of Investments	228,315	55,659
Cash from Other Income	878	983
Total Cash Received	**507,707**	**219,711**
Cash paid for Benefits	153,758	162,355
Cash paid for Transfers Out	5,974	20,435
Cash paid for Management Expenses	12,092	11,290
Total Cash Paid	**171,824**	**194,080**
Net Cash Inflow from Operating Activities	**335,883**	**25,631**
Application of Cash		
Net Sales / Purchases of Investments	(131,075)	508,632
Increase in Cash with Custodian	0	0
Increase in Cash on Deposit	476,600	(482,900)
Decrease in Cash at Bank	(8,958)	(130)
Increase in Other Debtor Balances	(568)	530
Increase in Other Creditor Balances	(116)	(501)
	335,883	**25,631**



The net annual cash flow of the Fund has, to date, always been positive and the realised profit and losses on the sale of investments can have a very significant impact in any one year.

Asset Allocation Strategy

The Investment Strategy Statement sets out how the Fund plans to invest its assets. This strategy is set for the long term and is reviewed every 3 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. As of 31 March 2023, the actual assets compared to the benchmark as follows.

	Pension Fund at 31/03/2023	Pension Fund Target Strategic Allocation	Investment Strategy Statement Max	Investment Strategy Statement Min
UK Equities	12.8%	10%	80%	40%
Overseas Equities	48.4%	45%		
Property	9.3%	10%	15%	5%
Private Equity	9.4%	5%	10%	0%
Other Alternatives	3.6%	5%	10%	0%
Bonds / Other Debt / Cash	8.5%	15%	45%	5%
Infrastructure	8.0%	10%		
	100%	100%		

The Fund asset mix % varies slightly from the statutory accounts due to internal classification differences.

Amounts due to the Fund from Employers

	2021/22 £ ' 000	2022/23 £ ' 000
Current Assets		
Contributions in Respect of Employers	5,965	5,698
Contributions in Respect of Members	2,755	2,612
	8,720	**8,310**

The Contributions due are in respect of March 2023 and were received in April 2023.

Payment of Contributions to the Fund

Employers are required to pay employers and employees contributions to the Fund within 19 days of the end of the month to which they relate. The payment of contributions is monitored for timeliness and accuracy of payment.

Analysis of Contributions received

Total number of Contribution payments received	1,695
Number received late	57

The following table shows the late payment history for 2022/23 :-

Number of days payment was late	Number of late payments	Percentage of late payments
Less than 10	24	42.1%
Between 10 and 19	4	7.0%
Between 20 and 29	13	22.8%
Between 30 and 39	6	10.5%
More than 40	10	17.6%
Total	**57**	**100.0%**

Analysis of Contribution rates and amounts received 2022/23

Employer	Body	Employers Rate %	Employees £000	Employers £000
Ad Astra Academy Trust	S	17.5%	-259	-779
All Saints Academy	S	17.5%	-41	-116
Ash Trees Academy	S	17.5%	-53	-161
Badger Hill Academy	S	17.5%	-13	-39
Beamish Museum Ltd	A	15.7%	-140	-579
Beyond Housing	A	23.4%	-424	-1,508
Billingham Town Council	A	17.7%	-8	-24
Bulloughs Cleaning Services	A	17.9%	-4	-12
Business and Enterprise North East Ltd	A	24.5%	-3	-103
Caldicotes Primary Academy	S	17.5%	-11	-35
Care and Custody Health Ltd	A	17.5%	-5	-12
Care Quality Commission	A	17.9%	-886	-2,036
Carmel Education Trust	S	17.7%	-418	-1,268
Catcote Academy	S	17.5%	-123	-370
Caterlink - RCBC	A	21.5%	-6	-23
Caterlink - St Oswald's	A	22.3%	-3	-13
Churchill's (Collaborative Trust)	S	17.5%	-1	-1
Churchill's (Outwood Grange)	S	17.5%	-4	-13
Churchill's Hardwick Green	S	17.5%	-2	-7
Churchill's Harewood	S	17.5%	0	-1
Churchill's Yarm Primary	S	17.5%	-1	-4
Cleveland College of Art and Design	S	15.2%	-137	-326
Cleveland Fire Brigade	S	14.8%	-251	-572
Conyers School	S	17.5%	-167	-501

Employer	Body	Employers Rate %	Employees £000	Employers £000
Creative Management Services (Galileo)	A	20.6%	-3	-12
Creative Management Services Ltd	A	17.5%	-1	-8
Dyke House Academy	S	17.5%	-90	-263
Easterside Academy	S	17.5%	-33	-100
Eden Academy Trust Limited	S	17.5%	-76	-224
Egglescliffe Primary School	S	17.5%	-9	-29
Emmanuel Schools Foundation	S	17.5%	-82	-244
Endeavour Academies Trust	S	17.5%	-139	-403
Enquire Learning Trust (Central)	S	17.5%	-102	-205
Extol Academy Trust (Eldon Grove)	S	17.5%	-115	-342
Fabrick Housing Group	A	20.1%	-924	-2,655
Falcon Education Academies Trust	S	17.5%	-33	-99
Frederick Nattrass Primary Academy	S	17.5%	-24	-69
Freebrough Academy	S	17.5%	-49	-143
Future Regeneration of Grangetown	A	30.9%	-2	-10
Galileo Multi Academy Trust	S	17.5%	-229	-675
Grangefield Academy	S	17.5%	-56	-168
Green Lane Primary Academy	S	17.5%	-38	-117
Guisborough Town Council	S	17.7%	-7	-20
Hardwick Green Primary Academy	S	17.5%	-26	-78
Harrow Gate Primary Academy	S	17.5%	-32	-93
Hartlepool Borough Council	S	12.4%	-3,483	-6,693
Hartlepool Care Services Ltd	A	27.9%	0	-2
Hartlepool College of Further Education	S	15.2%	-183	-463
Hartlepool Sixth Form College	S	15.2%	-21	-55
Holy Trinity Primary School	S	17.5%	-15	-45
Horizons Specialist Academy Trust	S	17.5%	-276	-817
Hutchinson's Catering	A	17.9%	-2	-8
Hutchison Catering - AET	A	17.9%	-23	-71
Hutchison Catering - Extol	A	17.9%	-1	-5
Ian Ramsey Church of England Academy	S	17.5%	-49	-140
Ingleby Barwick Town Council	A	17.7%	-1	-8
Ingleby Manor Free School & Sixth Form	S	17.5%	-42	-122
Ironstone Academy Trust - Ormesby Primary School	S	17.5%	-15	-46
Ironstone Academy Trust - Zetland Primary School	S	17.5%	-20	-62
James Cook Learning Trust	S	17.5%	-69	-207
Kader Academy	S	17.5%	-24	-71
KGB Cleaning Ltd – LJS	A	14.8%	0	-1
KTS Academy	S	17.5%	-88	-272
Legacy Learning Trust	S	17.5%	-205	-438
Liberata UK Ltd	A	0.0%	-38	0

Employer	Body	Employers Rate %	Employees £000	Employers £000
Lingfield Academy Trust	S	17.5%	-64	-199
Lockwood Parish Council	S	17.7%	-1	-4
Loftus Town Council	S	17.7%	-4	-12
Manor Community Academy	S	17.5%	-63	-187
Mbro and Stockton Mind	A	17.9%	-2	-8
Mellors Catering Ltd - Dormanstown	A	17.5%	0	-2
Mellors Catering Services Ltd (Central)	A	17.5%	-1	-5
Mellors Catering Services Ltd (Normanby)	A	17.9%	-3	-9
Mellors Ironstone	S	17.9%	-2	-5
Mellors NPCAT	S	17.9%	-3	0
Mellors Riverdale	A	18.9%	0	-1
Mellors Skelton	A	18.9%	-1	-4
Melrose Learning Trust	S	17.5%	-36	-106
Middlesbrough College	S	15.2%	-418	-976
Middlesbrough Council	AA	11.5%	-5,314	-9,474
Mitie Cleveland Fire	S	17.5%	-1	-3
NEAT Academy Trust	S	17.5%	-53	-148
Nicholas Postgate Catholic Academy Trust	S	17.5%	-361	-2,080
NMRN Trading	A	15.8%	-3	-7
Normanby Primary School	S	17.5%	-45	-97
North East Learning Trust	A	17.5%	-58	-172
North Ormesby Primary Academy	S	17.5%	-14	-41
North Shore Academy	S	17.5%	-51	-148
Northern Lights Learning Trust	S	17.5%	-25	-76
Norton Primary Academy	S	17.5%	-28	-80
Nunthorpe Academy	S	17.5%	-118	-262
Nunthorpe Primary Academy	S	17.5%	-16	-50
Oak Tree Primary Academy	S	17.5%	-30	-91
Oakdene Primary School	S	17.5%	-20	-62
One Awards Limited	A	22.2%	-9	-37
One IT Services and Solutions Ltd	A	15.6%	-58	-111
One IT Services Ltd - Porter	A	15.9%	-2	-5
ONsite Building Trust	A	19.3%	-3	-9
Our Children 1st Academy Trust	S	17.5%	-45	-137
Outwood Academy Acklam	S	17.5%	-76	-228
Outwood Academy Bishopsgarth	S	17.5%	-49	-144
Outwood Academy Bydales	S	17.5%	-31	-89
Outwood Academy Normanby	S	17.5%	-64	-187
Outwood Academy Ormesby	S	17.5%	-56	-162
Outwood Academy Redcar	S	17.5%	-36	-106
Outwood Riverside	S	17.5%	-68	-80
Overfields Primary School	S	17.5%	-14	-44

Employer	Body	Employers Rate %	Employees £000	Employers £000
Pentland Academy	S	17.5%	-33	-101
Police & Crime Commissioner for Cleveland	S	14.5%	-76	-150
Prince Regent Street Trust	S	17.5%	-64	-193
Redcar & Eston CIC	A	17.9%	-10	-26
Redcar and Cleveland Borough Council	S	10.2%	-3,770	-5,936
River Tees Multi Academy Trust	S	17.5%	-44	-235
Riverdale Primary School	S	17.5%	-10	-31
RM Education	S	18.9%	-1	-2
Rose Wood Academy	S	17.5%	-27	-82
Saltburn, Marske & New Marske Parish Council	S	17.7%	-3	-9
Skelton and Brotton Parish Council	A	17.7%	-4	-11
Skelton Primary School	S	17.5%	-31	-88
SLM Charitable Trust (MBC)	A	11.5%	-53	-93
SLM Community Leisure Charitable Trust	A	19.2%	-28	-88
SLM Fitness & Health Ltd (MBC)	A	11.5%	-5	-10
SLM Fitness and Health Ltd	A	19.2%	-3	-9
SLM Food & Beverage Ltd (MBC)	A	11.5%	-2	-4
SLM Food and Beverage Ltd	A	19.2%	-2	-5
South Tees Development Corporation	S	17.5%	-140	-324
St Aidan's Primary School	S	17.5%	-20	-60
St Francis of Assisi	S	17.5%	-23	-69
St Mark's Academy	S	17.5%	-39	-119
St Mary's CE Primary School	S	17.5%	-8	-23
Steel River Academy Trust	S	17.5%	-90	-274
Stockton Borough Council	S	13.1%	-5,751	-11,825
Stockton Riverside College	A	15.2%	-470	-1,141
Sunnyside Academy	S	17.5%	0	0
Tascor Services Ltd - PFI	A	N/A	0	-2
Tees Active Limited	A	18.2%	-95	-255
Tees Valley Collaborative Trust	S	17.5%	-139	-398
Tees Valley Combined Authority	S	15.3%	-407	-838
Tees Valley Community Asset Preservation Trust	A	17.0%	0	-1
Tees Valley Education Trust	S	17.5%	-140	-407
Teesside University	S	15.8%	-2,573	-5,824
Teesville Primary School	S	17.5%	-19	-50
The Chief Constable for Cleveland	S	14.5%	-1,805	-3,956
Thornaby C of E Primary	S	17.5%	-22	-67
Thornaby Town council	S	17.5%	-2	-4
Unity City Academy	S	17.5%	-68	-197
Veritau Tees Valley	A	10.2%	-9	-13
Viewley Hill Academy Trust	S	17.5%	-20	-62

Employer	Body	Employers Rate %	Employees £000	Employers £000
Vision Academy Learning Trust	S	17.5%	-333	-980
Whitecliffe Academy	S	17.5%	-10	-32
XPS Administration Ltd	A	17.5%	-26	-58
Yarm Primary School	S	17.5%	-18	-54
			-33,221	-73,732

Note: net rate of contribution payable by each employing Organisation for the period 1 April 2022 to 31 March 2023 under the LGPS Regulations.

Performance Monitoring

As part of our commitment to continued service improvements we operate a system of performance monitoring. The Pensions Administration system monitors the key procedures that are performed by the administration unit. Each procedure is measured against its target and monitored on a monthly basis.

Performance

The pension administration unit aim to perform 99.94% of the procedures within each target timescale. The table below highlights the performance of the administration unit against the key procedure targets.

Procedure	Target 2022/23	Achieved within timescale
Processing New Starters	**20 days** from receipt	**100%**
Processing Transfer Values (TV's)	**10 working days** from the date of notification	**100%**
Refund of Contributions	**10 working days** from the request date	**100%**
Estimates of Benefit Entitlements	**10 working days** from date of request	**99.88%**
Pension benefits	**10 working days** from the receipt of all relevant information	**92.26%**
Deferred Benefits	**10 working days** from notification of leaving	**97.22%**

Key procedure volumes

The volumes of the key procedures performed by the Pensions administration unit have increased, compared to the previous year.

Procedure	2020/21	2021/22	2022/23
Processing New Starters	4,065	**2,235**	**2,310**
Processing Transfer Values	333	**563**	**321**
Refund of Contributions	440	**508**	**279**
Estimates of Benefit Entitlements	2,297	**4,702**	**3,406**
Pension benefits	1,480	**1,807**	**646**
Deferred Benefits	1,759	**3,808**	**1,546**

Procedure	2020/21	2021/22	2022/23
Deaths	499	**514**	**880**
Divorces	141	**133**	**192**
General Enquiries	1,348	**1,420**	**961**
Total	**12,362**	**15,690**	**10,541**

Actuarial Valuation of the Fund

Every three years the Fund is required to appoint a suitably qualified actuary to assess solvency and to measure the level of assets compared to liabilities. This process is known as a valuation and the most recent one, carried out by the actuarial firm Hymans Robertson valued the Fund as at 31 March 2022. The principal conclusions of this valuation were:

- The ongoing funding level of the Fund on 31 March 2022 was 116% (2019 – 115%).
- The surplus of assets compared to the past service liabilities was £684 million (2019 – surplus of assets compared to past service liabilities £527 m).
- The average cost of accruing benefits payable by the employers, including administration expenses and lump sum death in service benefits, is 9.7% of pensionable pay (2019 – 17.2%).
- Employers will pay revised levels of contributions that will take in to account their specific circumstances and having regard to the principles set out in the funding strategy statement. Some employers will continue to pay lower contributions to take into account distribution of some of the surplus in the Fund identified at the previous valuation. The total aggregate Employer contribution rates to the Fund are anticipated to be 14.4% of Pay (2023/2024), 14.7% of Pay (2024/2025) and 5.3% of Pay (2025/2026).

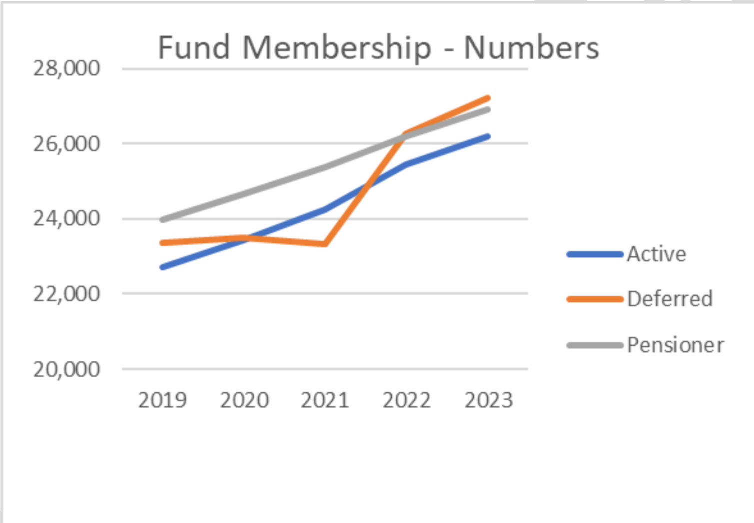
Membership

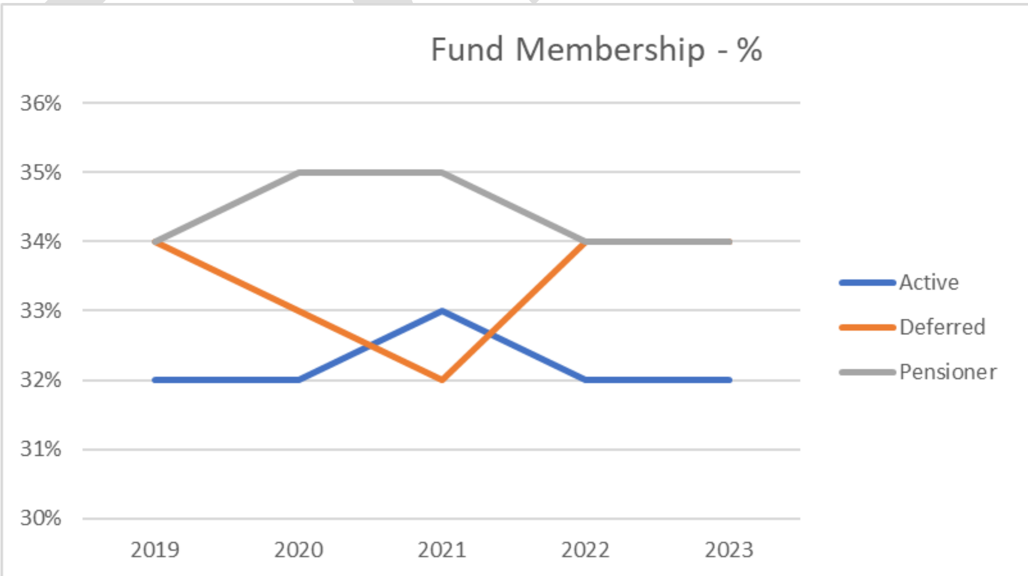
In 2022/23 financial year the total membership of the Fund increased by 2,443 to the current total of 80,338.

The number of pensioners continues to increase but proportionately the Fund membership remains broadly split between the three categories of member.

Membership Numbers

	2019	2020	2021	2022	2023
Active	22,724	23,438	24,238	25,434	26,198
Deferred	23,361	23,488	23,322	26,249	27,225
Pensioner	23,983	24,651	25,366	26,212	26,915
Total	70,068	71,577	72,926	77,895	80,338





Summary of Membership Changes

	Active Members	Deferred Members	Pensioners		Total
			Members	Dependants	
At 1 April 2022	**25,434**	**26,249**	**22,907**	**3,305**	**77,895**
Adjustments	(945)	26	(640)	8	(1,551)
New Members	4,873	1,986	1,460	272	8,591
Change in Status	(1,399)	(47)	(181)	0	(1,627)
Leavers	(1,765)	(989)	(6)	(210)	(2,970)
At 31 March 2023	**26,198**	**27,225**	**23,540**	**3,375**	**80,338**
% of Total at 31 March 2023	**32.6%**	**33.9%**	**29.3%**	**4.2%**	**100.0%**

During the year we had 4 new employers and 8 left the fund which means as at year end there were 143 employers in the Fund. The new employers were as follows: 1 was scheduled employers and 3 were admitted bodies. Details of the employers and their contribution rates are set out in the Actuary's Statement at the end of this Section.

A full list of participating employers and their membership numbers is as follows:

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Ad Astra Academy Trust	251	62	14	0	327
All Saints Academy	33	29	3	1	66
Ash Trees Academy	59	58	18	0	135
Badger Hill Academy	13	10	6	0	29
Beamish Museum Ltd	83	84	32	3	202
Beyond Housing	221	237	263	27	748
Billingham Town Council	5	8	0	0	13
Bulloughs Cleaning Services	11	0	0	0	11
UMi Commercial Ltd	1	22	22	4	49
Caldicotes Primary Academy	16	12	2	0	30
Care and Custody Health Ltd	2	2	0	0	4
Care Quality Commission	261	139	417	12	829
Carmel Education Trust	688	38	20	0	746
Catcote Academy	121	64	20	0	205
Caterlink - RCBC - 00353	12	3	2	0	17
Caterlink - St Oswalds	6	0	0	0	6
Churchill's Collaborative Trust	7	0	1	0	8
Churchill's Outwood Grange	13	5	0	0	18
The Northern School of Art	106	115	59	11	291
Cleveland Fire Brigade	139	104	94	7	344
Compass Badger Freebrough Whitecliffe	1	0	1	0	2
Compass Contract Services Ltd	4	5	1	2	12

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Compass Group Manor	0	1	2	0	3
The 1590 Trust	248	76	29	2	355
Creative Management Services Ltd	5	10	8	0	23
Creative Management Services (Galileo)	0	0	0	0	0
Dyke House Academy	92	64	14	0	170
Easterside Academy	57	15	4	0	76
Eden Academy Trust Limited	97	40	5	2	144
Egglescliffe Primary School	16	8	0	2	26
Emmanuel School Foundation	97	72	40	0	209
Endeavour Academies Trust	141	34	11	1	187
Enquire Learning Trust (Central)	20	3	1	0	24
Extol Academy Trust (Eldon Grove)	56	27	3	0	86
Thirteen Housing Group	61	30	57	5	153
Falcon Education Academies Trust	40	11	5	0	56
Frederick Nattrass Primary Academy	26	22	5	0	53
Freebrough Academy	52	41	16	0	109
Future Regeneration of Grangetown	1	2	3	0	6
Galileo Multi Academy Trust	393	75	26	1	495
Grangefield Academy	62	50	11	0	123
Green Lane Primary Academy	61	21	11	0	93
Guisborough Town Council	6	2	4	0	12
Hardwick	31	23	3	0	57
Harrow Gate Primary Academy	41	38	5	0	84
Hartlepool Borough Council	2,744	3170	0	0	5914
Hartlepool Care Services Ltd	1	3	1	0	5
Hartlepool College of Further Education	219	296	125	18	658
Hartlepool Sixth Form College	19	59	17	4	99
Holy Trinity Primary School	23	5	1	0	29
Horizons Specialist Academy Trust	276	87	21	6	390
Hutchinson's Catering	6	0	0	0	6
Hutchison Catering AET	15	1	0	0	16
Hutchison Catering Extol	4	0	0	0	4
Ian Ramsey Church of England Academy	63	25	17	0	105
Ingleby Barwick Town Council	2	1	0	0	3
Ingleby Manor Free School & Sixth Form	39	20	0	0	59
James Cook Learning Trust	81	17	7	0	105
Kader Academy	27	8	3	0	38
KGB Cleaning Ltd - LJS	3	1	0	0	4
KTS Academy	129	74	12	1	216
Legacy Learning Trust	204	28	5	0	237

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Liberata UK Ltd	19	33	68	9	129
Lingfield Academy Trust	80	19	5	0	104
Lockwood Parish Council	0	2	0	0	2
Loftus Town Council	5	0	2	0	7
Manor Community Academy	79	58	25	1	163
Mellors Catering Services Ltd (Central)	3	8	6	1	18
Mellors Catering Ltd - Dormanstown	2	0	0	0	2
Mellors Catering Services Ltd (Normanby)	3	0	0	0	3
Mellors Ironstone	4	4	1	0	9
Mellors Riverdale	2	1	1	0	4
Mellors Skelton	1	0	0	0	1
Middlesbrough and Stockton Mind	2	1	0	0	3
Middlesbrough College	589	470	194	13	1266
Middlesbrough Council	3,839	4732	3324	335	12230
Mitie Cleveland Fire	1	1	0	0	2
NEAT Academy Trust	41	1	2	0	44
Nicholas Postgate Catholic Academy Trust	980	182	57	1	1220
NMRN Operations	5	1	1	0	7
Normanby Primary School	59	27	3	2	91
North East Learning Trust	63	3	1	0	67
Northern Lights Learning Trust	13	10	1	0	24
North Ormesby Primary Academy	16	5	3	0	24
North Shore Academy	65	73	14	2	154
Norton Primary Academy	31	38	8	1	78
Nunthorpe Academy	108	64	16	0	188
Nunthorpe Primary Academy	40	26	1	0	67
Oakdene Primary	0	0	0	0	0
Oak Tree Academy	50	27	12	6	95
One Awards Limited	13	18	16	2	49
One IT Services and Solutions Ltd	14	4	2	0	20
One IT Services Ltd - Porter	1	0	0	0	1
ONsite Building Trust	2	2	1	0	5
Ormesby Primary School	33	13	2	0	48
Our Children 1st Academy Trust	61	18	5	0	84
Outwood Academy Acklam	77	65	14	1	157
Outwood Academy Bishopsgarth	59	36	3	0	98
Outwood Academy Bydales	29	34	8	0	71
Outwood Academy Normanby	37	10	3	0	50
Outwood Academy Ormesby	61	50	5	0	116
Outwood Academy Redcar	38	21	3	0	62

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Outwood Academy Riverside	18	9	0	0	27
Overfields Primary School	28	3	3	0	34
Park Homes UK Ltd	3	0	0	0	3
Pentland Academy	57	17	8	0	82
Police & Crime Commissioner for Cleveland	23	37	29	3	92
Prince Regent Street trust	92	10	6	0	108
Redcar and Cleveland Borough Council	2664	3893	2,985	300	9842
Redcar & Eston CIC	7	3	0	0	10
Riverdale Primary School	25	8	4	0	37
River Tees Multi Academy Trust	45	15	3	0	63
RM Education	1	0	0	0	1
Rose Wood Academy	50	26	5	0	81
Saltburn Marske and New Marske Parish Council	4	2	1	0	7
Skelton and Brotton Parish Council	3	0	1	0	4
Skelton Primary School	43	31	6	0	80
SLM Community Leisure Charitable Trust	29	24	21	0	74
SLM Fitness and Health Ltd	7	6	0	0	13
SLM Food and Beverage Ltd	1	1	0	0	2
SLM Charitable Trust MBC	56	23	6	0	85
SLM Food & Beverage Ltd (MBC)	3	7	1	0	11
SLM Fitness & Health Ltd (MBC)	2	4	3	0	9
South Tees Development Corporation	29	7	1	0	37
St Aidans Primary School	22	5	1	0	28
St Francis of Assisi	31	5	3	0	39
St Mark's Academy	48	17	7	0	72
St Mary's CE Primary School	10	7	0	0	17
Steel River Academy Trust	145	20	5	0	170
Stockton Borough Council	4,453	5,454	4,075	417	14399
Stockton Riverside College	402	306	138	7	853
Sunnyside Academy	51	44	9	2	106
Tascor Services Ltd - PFI	1	1	1	0	3
Tees Active Limited	72	100	54	3	229
Tees Valley Collaborative Trust	154	43	9	0	206
Tees Valley Combined Authority	145	44	12	0	201
Tees Valley Community Asset Preservation Trust	1	1	0	0	2
Tees Valley Education Trust	148	40	10	0	198
Teesville Primary School	29	9	5	0	43
Teesside University	1471	1,231	624	81	3407
The Chief Constable for Cleveland	993	149	96	5	1243
Thornaby C of E Primary	40	9	3	0	52

Current Employers	Active Members	Deferred Members	Pensioners (Members)	Pensioners (Dependants)	Total
Thornaby Town Council	1	0	0	0	1
Unity City Academy	62	100	27	3	192
Veritau Tees Valley	4	0	0	0	4
Vision Academy Learning Trust	517	107	26	0	650
Viewley Hill Academy Trust	24	14	2	1	41
Whitecliffe Academy	19	3	3	0	25
Wynyard Church of England Primary School	38	2	0	0	40
XPS Administration Ltd	1	0	2	0	3
Yarm Primary School	52	34	4	0	90
Zetland Primary School	38	4	2	0	44
Employers with no active members		3836	10085	2070	15991
Total	**26198**	**27225**	**23540**	**3375**	**80338**

Internal Dispute Resolution Procedure

In the first instance the member should contact the Teesside Pension Fund at the address shown at the end of the Annual Report. We will send a detailed guide explaining the Internal Dispute Resolution Procedure (IDRP) and how the appeal process will be handled. Any appeal must, ordinarily, be made within six months of receipt of the notification of the decision which is being disputed.

The initial review (stage 1) of each case is conducted by a person nominated by the body who made the decision (the 'adjudicator'). Where an appeal concerns the employer's decision, the adjudicator is an individual nominated by that employer, if the appeal is about the calculation of benefits, it will be reviewed by the adjudicator for the Teesside Pension Fund.

If, after the initial review, the member is still dissatisfied with the decision, they can apply via the second stage of the process to have decision reconsidered. This application must be made within six months of the receiving the decision of the initial review. At the second stage, if the appeal concerns an employer decision, it is reviewed by the Teesside Pension Fund. If the appeal concerns the administrator, then an independent third party pension specialist is appointed.

If the member is still not satisfied following the second stage decision, an appeal can be made to the Pensions Ombudsman.

Details of IDRP cases processed in the year

The majority of cases that reach the appeal stage continue to be where members have approached employers and former employers for the early release of benefits – often on grounds of ill health.

Cases started in year	6
Cases resolved in year	3 Ongoing/Ombudsmen
Cases resolved in year	1 Cases Upheld

Head of Pensions Governance and Investments' Report

During the year there was considerable volatility in investment markets which were impacted in particular by interest rate rises across global markets in response to high inflation. However, over the year as a whole the Fund's equities slightly increased in value, partly as result of Border to Coast's equity funds continuing to deliver consistent, above benchmark performance, although (in line with its targets) at a steady rather that spectacular rate.

A more significant change for the Fund was the marked reduction in its cash holdings over the year, dropping from £817m to £334m – a reduction of £483m. This was a planned reduction and was mainly a result of the Fund meeting the commitments it has made in 'alternative' investments such as infrastructure, private equity and other alternatives. As the Fund looks to meet its allocation to these assets this will require significant outlay of cash to investment managers over the initial years of the investments. Over time money will be returned from those investments, but when an organisation in the earlier stages of building up a portfolio of 'alternative' investments this will typically involve drawing down on its cash reserves. Cash was also spent on three direct property investments during the year, with the Fund's property manager CBRE being able to identify and acquire quality properties with secure tenants that improved the over quality of the Fund's direct property portfolio.

Currently the Fund classifies cash, bonds, other debt and infrastructure as 'protection' assets, with its other assets (such as equities, private equity and property) classed as return-seeking assets. The Funds long term investment strategy is to have 25% of its assets as protection assets and 75% as return seeking. Although the Fund's infrastructure investments increased by over £150m and its allocation to other debt increased by around £40m during the year, this was not enough to offset the reduction in cash. Consequently, the Fund's allocation to protection assets reduced from around 22% to just over 16% during the year. Although this is within the broad range set out in the Fund's Investment Strategy Statement and the Fund's investment advisors are comfortable with the level of risk the Fund is taking, this position will remain under review.

During the year, the political and economic backdrop continued to be challenging. Russia's ongoing war in Ukraine; continuing tension involving the US, China and Taiwan; and significant instability in energy costs across the globe increased political risks. In the UK, the short Truss premiership and the similarly short-lived September 2022 mini-Budget proposals caused financial shock waves. The reaction to the unfunded tax cuts proposed in the mini-Budget included dramatic impacts on gilt market and related derivatives strategies which required Bank of England intervention and led to a fall in the value of the pound and rises in the cost of UK government borrowing and mortgage rates.

Inflation rose across many economies, a partly as a result of higher commodity prices, supply chain pressures, a rebound in demand as economies recovered from Covid-induced disruption, and tighter labour markets resulting in higher wages. This led to monetary tightening as central banks increased interest rates in some cases also stopped or reversed asset purchases. Central banks had to navigate a difficult path - not raising interest rates enough could mean inflation would not be tackled and would become embedded in the economy, raising interest rates too much or too quickly could turn a slow-down into a recession. By the end of the financial year the expectation was the interest rates would begin to fall again later in the year. Equity markets in particular remain volatile and are closely interested in whether central banks are able to steer the global economy through this difficult patch.

Global equities dipped sharply in the first half of the year with investor concerns focusing on rising interest rates and the risk that over-reaction from central banks would trigger recession. As inflation looked to be dipping in many economies and the expectation of peak interest rates diminished markets strengthened in the second half of the year. There were significant sector concerns, and the collapse of two US regional banks (Silicon Valley Bank and Signature Bank) which were made worse by the rescue of Credit Suisse (which had idiosyncratic weaknesses) negatively impacted the recovery in financial markets. Market volatility remains high.

The current macroeconomic environment is weak. Government debt levels are high and continue to rise. Options to control this are limited – one is to tighten fiscal policy, another is to accept a higher level of inflation than the 2% previously targeted and to (over time) inflate away the value of the debt. Whether these options are practical or palatable in different countries will be more a political than an economic calculation.

High interest rates mean governments and consumers will both have higher debt servicing costs. Corporate investment, which has been relatively weak in the last few years, is unlikely to rebound in the current uncertain environment, although in the US the fiscal stimulus from the Inflation Reduction Act and the CHIPS and Science Act is likely to be helpful, even though these measures could impact on trade relations between the US and other regions. Inflation is starting to diminish in some areas as should by falling non-energy commodity prices and an easing of supply chain pressures. Despite the weak economic backdrop, there has not been a sharp fall in corporate earnings although earnings expectations have recently been reduced downwards. If central banks can manage to bring inflation under control without triggering recession, financial markets should continue to deliver reasonable returns.

During the year the Fund's UK equities, along with a proportion of its overseas equities, continued to be managed by Border to Coast. Border to Coast's overseas equities fund is hitting its long-term objective of outperforming its benchmark by 1% a year. Its UK equites fund was fractionally behind this objective but is still comfortably outperforming the benchmark. Border to Coast's emerging markets equity fund has underperformed during the shorter period the Fund has been investing in it – this will continue to be monitored by the investment team and the Fund's advisors.

The Fund retains some passive equities (managed by State Street Global Advisors), mainly to allow the Fund to choose a different geographic allocation to that applied by Border to Coast's overseas equity fund. As expected, the value of the passively invested equities closely tracked the value of global markets.

During the year the Fund carried out a number of transactions including:

- Transactions relating to private markets investments including.
- Net investments in infrastructure funds totalling around £136m.
- Net investments in private equity funds totalling around £95m.
- Net investments in 'other' alternatives funds totalling around £71m.
- Four separate property transactions were completed during the year with totalling around £102m.
- Three property debt transactions took place during the year totalling around £50m.

The actuary calculates to what extent the Fund's assets meet its liabilities. This is presented as a Funding Level with the aim of the Fund to be 100% funded. The results of the latest valuation of the Fund, as of 31 March 2022, were published in March 2023 and these showed the funding level at 116%. This is a significant increase in the previous funding level of 100% and was largely due to increases in the value of the assets since the last valuation offset to some degree by increases in the assessed value of the Fund's liabilities, mainly due to an increase in long term inflation assumptions. Revised contribution rates were put in place for the scheme employers that took effect from April 2023 and some employers saw an increase to their contribution rate primarily to increased inflation assumptions and a reduction in projected future investment returns.

The next valuation is due on 31 March 2023 with results affecting employer contribution rates from April 2026.

The value of the Teesside Fund at 31 March 2023 was £5.064 billion, an increase of approximately £26 million on the year. The Fund is invested in a wide range of assets. This meets the requirement to have diversification of investments in a fund, so that too great a concentration of investments in one asset class does not expose the Fund to risk of underperformance should that particular asset class perform badly.

The percentage amount invested in each asset class is shown below:

	Teesside Pension Fund at 31/03/2022	**Teesside Pension Fund at 31/03/2023**	**Teesside Pension Fund Benchmark**	**Investment Strategy Statement Max**	**Investment Strategy Statement Min**
UK Equities	12.14%	12.81%	10%	80%	40%
Overseas Equities	47.77%	48.42%	45%		
Alternatives	16.10%	22.84%	25%	20%	10%
Property	7.86%	9.27%	10%	20%	10%
Bonds	0.00%	0.00%	0%	40%	2%
Cash	16.13%	6.66%	10%		
	100.00%	100.00%	100%		

The largest 10 holdings (excluding direct property and cash), which make up 66.25% of the value of the portfolio as at 31 March 2023 are:

Security Description	**% of Total Investments**	**Market value £'000**
BORDER TO COAST OS DEV M-AA GBP	32.56%	1,647,397
BORDER TO COAST UK L E-AAGBP	12.77%	646,205
SSGA MPF PAC BASIN EX-JAPAN INDEX	6.32%	320,026
BORDER TO COAST EMERGING MARKET HYBRID FUND	4.02%	203,394
SSGA MPF EUROPE EX UK SUB-FUND	2.63%	132,964
SSGA MPF JAPAN EQUITY INDEX	2.13%	107,694
BORDER TO COAST PRIVATE EQUITY SERIES 1A	1.82%	92,098
JP MORGAN IIF UK LP	1.59%	80,512
BORDER TO COAST INFRASTRUCTURE SERIES 1A	1.44%	72,911
INSIGHT IIFIG SECURED FINANCE II FUND	0.97%	48,966
	66.25%	**3,352,167**

INVESTMENT MANAGERS / INVESTMENTS

As at 31 March 2023 the market value of the fund was allocated to the following investment managers / investments:

Manager / Investment	Asset class	Market Value £'000	% of Fund
State Street Global Advisors	Overseas Equities	599,220	11.84%
Border to Coast Pensions Partnership	UK Equities	646,205	12.77%
	Overseas Equities	1,850,791	36.58%
	Alternatives	296,180	5.85%
Internal Team	Cash	336,783	6.66%
	Overseas Equities	8	0.00%
	UK Equities	2,110	0.04%
CBRE - Direct Property Portfolio	Property and Property Debt	378,890	7.49%
Darwin Leisure	Alternatives	126,128	2.49%
LGT Capital Partners	Alternatives	108,097	2.14%
JP Morgan IIF UK LP	Alternatives	80,512	1.59%
Access Capital Partners	Alternatives	66,371	1.31%
Capital Dynamics	Alternatives	66,350	1.31%
Gresham House	Alternatives	61,236	1.21%
Unigestion	Alternatives	52,765	1.04%
Pantheon Ventures (UK)	Alternatives	50,625	1.00%
Insight Investments	Alternatives	48,966	0.97%
Blackrock Fund Managers Ltd	Alternatives	43,776	0.87%
GB Bank Ltd	Alternatives	40,080	0.79%
Aberdeen Standard Life	Property and Property Debt	34,842	0.69%
Hermes	Property and Property Debt	33,680	0.67%
Graftongate Investments Ltd	Direct Property	24,725	0.49%
Greyhound Retail Park	Alternatives	20,000	0.39%
Hearthstone	Alternatives	19,441	0.38%
Innisfree	Alternatives	18,570	0.37%
Ancala	Alternatives	18,081	0.36%
Foresight Group	Alternatives	8,611	0.17%
La Salle	Alternatives	7,671	0.15%
Legal & General	Property and Property Debt	6,646	0.13%
ST Arthur Homes	Alternatives	4,534	0.09%
CCLA Investment Management Limited	Property and Property Debt	3,944	0.08%
Threadneedle	Property and Property Debt	3,399	0.07%
Bridges Evergreen	Alternatives	708	0.01%
Total		**£5,059,945**	**100.00%**

PERFORMANCE

Fund performance is measured by Portfolio Evaluation Limited, a leading provider of performance measuring services to the public and private sector. The return the Fund achieves is one of the factors which the Fund Actuary takes into account when fixing the employer's contribution rate. Any increase in the contribution rate would mean less money to pay for other services. The benefits of scheme members of the Local Government Pension Scheme are related to their salary and length of service, not the value of the Fund.

As Pension Fund investment is a long-term business, it is appropriate that longer-term measures of performance are viewed as more important than short-term measures. It has become standard practice to report the performance of the Fund over 1, 3, 5 and 10 years and to compare performance with the Fund’s benchmark – the return that would be expected based on the mix of assets the Fund is invested in.

In the year 2022/2023 the Fund achieved a return of 1.4% compared to our benchmark return of (1.4) %.

In the three-year period to 2022/2023 the Fund achieved a return of 12.9% per annum compared to our benchmark return of 9.6%.

In the five-year period to 2022/2023 the Fund achieved a return of 7.4% per annum compared to our benchmark return of 5.2%.

In the ten-year period to 2022/2023 the Fund achieved a return of 7.4% per annum compared to our benchmark of 7.0%.

Further detail of the performance of each asset class the Fund holds is shown below:

	Performance measurement period					
	One Year			Three Years		
Asset class	Fund return	Benchmark return	Excess	Fund return	Benchmark return	Excess
UK Equities	5.0%	2.9%	2.1%	2.3%	13.8%	-11.5%
Overseas Equities	1.6%	1.2%	0.4%	15.3%	15.6%	-0.3%
Property	-9.4%	-14.9%	5.4%	6.9%	2.6%	4.3%
Alternatives	3.9%	4.5%	-0.6%	14.4%	4.5%	9.9%
Cash	2.2%	2.2%	-0.1%	0.8%	0.8%	0.0%
Total Fund	1.4%	-1.4%	2.8%	12.9%	9.6%	3.3%

	Performance measurement period					
	Five Years			Ten Years		
Asset class	Fund return	Benchmark return	Excess	Fund return	Benchmark return	Excess
UK Equities	4.7%	5.0%	-0.3%	5.5%	5.8%	-0.4%
Overseas Equities	9.1%	8.7%	0.4%	11.4%	11.2%	0.2%
Property	4.8%	2.7%	2.1%	7.2%	7.1%	0.0%
Alternatives	10.0%	4.6%	5.4%	5.7%	5.2%	0.5%
Cash	0.6%	0.7%	-0.1%	0.5%	0.5%	0.0%
Total Fund	7.4%	5.2%	2.2%	7.4%	7.0%	0.4%

The benchmarks used for each asset class and for the total Fund are as follows:

Asset Class	**Benchmark**
UK Equities	FTSE All Share Index
Overseas Equities	12% S&P 500 Index 12% FTSE Dev Asia Pacific Ex Japan Index 11% EuroStoxx 600 Ex UK Index 5% Topix 500 Index 5% FTSE Emerging Index
Property	MSCI Property Index (GBP)
Alternatives	Actuary rate of return: +4.45%
Cash	SONIA
Total Fund Benchmark	10% FTSE All Share Index 12% S&P 500 Index 11% EuroStoxx 600 Ex UK Index 12% FTSE Dev Asia Pacific Ex Japan Index 5% Topix 500 Index 5% FTSE Emerging Index 10% MSCI Property Index 10% SONIA 25% Actuary rate of return +4.45%

Ordinarily, the key to good performance is to get the big asset allocation decisions right. The weightings between equities and bonds in particular will go a long way to determining the fund performance. The Teesside Fund continues to be under-represented in bonds when compared to our customised benchmark and other Funds. Central Bank policies and their programmes of quantitative easing have helped bonds performance over past years, continuing a “bull-run” in bond prices lasting over two decades. The significant rises in interest rates and bond yields over the year have impacted bond prices and made them relatively more affordable. The Fund will continue to work with its advisors to assess the situation and determine whether or when to return to investing in bonds.

The Teesside Fund continues to invest for long term returns in order to remain fully funded and continue to meet its future liabilities. The Fund continues to promote the view that the best way for the Fund to achieve the level of returns required to meet the liabilities of the Fund is to invest in growth assets over protection assets.

The Fund's position regarding risk monitoring and risk control is set out in the Investment Strategy Statement, which can be viewed on-line at www.teespen.org.uk. This is principally concerned with the three forms of risk:

- that associated with security of the Fund's assets,
- that associated with loss of value relating to those assets, and
- that associated with the ability of those assets to provide the required rates of return.

As some of the Fund is managed on an in-house basis, appropriate measures are in place to manage investment risk and the Director of Finance determines the limits on delegation to individual managers.

INVESTMENT POOLING

In the July 2015 Budget the Chancellor announced the Government's intention to work with the LGPS administering authorities to ensure that investments were pooled while maintaining overall investment performance. The criteria for developing proposals were set in November 2015:

- Asset pools achieve the benefits of scale (£25 billion as a minimum).
- Strong governance and decision making.
- Reduced cost and excellent value for money, with savings made across the LGPS.
- Improved capacity to invest in infrastructure.

The Teesside Pension Fund made the decision to work with twelve (now eleven) other administering authorities as part of the Border to Coast Pensions Partnership ("Border to Coast"). All of the administering authorities in Border to Coast formally approved arrangements for setting up Border to Coast before the end of the 2016/17 financial year. It represents a major collaboration between the funds with the aim of giving access to new investments and providing resilience. The twelve LGPS funds that initially formed Border to Coast were: Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, Northumberland, South Yorkshire, Surrey, Teesside, Tyne & Wear and Warwickshire. The Northumberland fund is no longer a separate entity following its (long-planned) merger with the Tyne & Wear fund which took effect from April 2020.

During 2017/18 Border to Coast Pension Partnership Limited was established and registered as a company limited by shares, with each of the twelve administering authorities as equal shareholders. Border to Coast formed a new Board, recruited several key management and operational staff, acquired office space in Leeds and developed many of the other arrangements required to operate as an investment management company.

During 2018/19 the transfer of investment assets to Border to Coast began – all the Fund's UK equities were transferred to Border to Coast to manage and further investments during the year were made to Border to Coast's overseas equity fund.

During 2019/20 work was completed to allow Border to Coast to provide access to private markets investments (such as private equity and infrastructure) and the Fund has begun making investments through Border to Coast in these areas and has made significant commitments to make similar investments in coming years. Over time it is expected that investing in private markets via Border to Coast will, through the advantages of economies of scale, be possible at a significant saving to the costs the Fund incurs investing in these areas as an individual entity.

During 2020/21 the Fund started the process of moving most of its overseas equity holdings to be managed by Border to Coast. This process continued during 2021/22 and by the end of that year three quarters of the Fund's overseas equities were actively managed by Border to Coast, with the remainder under passive management with State Street Global Advisers. Within this overseas equity allocation, the Fund chose to invest in Border to Coast's Emerging Markets Equities fund, which is set up as a 'hybrid' arrangement, with the Chinese equity market managed by two external specialist investment managers, and the other emerging market regions managed internally by the team at Border to Coast.

During 2022/23 the Fund committed further investment in Border to Coast's private market funds – private equity and infrastructure, and made an initial investment in the newly launched climate opportunities fund – expected to invest in private markets in a low carbon way.

Although savings are expected over the medium to long term, there are costs associated with setting up and running Border to Coast and transferring assets to be managed by the new company. During 2019/20, the Fund incurred costs of £1.6 million setting up, transferring assets to, and funding the ongoing management of assets by Border to Coast. During 2020/21, the Fund paid £1.642 million in investment management fees to Border to Coast. During 2021/22 the Fund paid £1.775 million in investment management fees to Border to Coast.

Before pooling the Fund was principally internally managed, meaning the Fund's investment team directly traded assets such as equities and bonds instead of appointing external investment managers to do this. Consequently, the Fund had very low costs for investing in public markets, costs which would inevitably increase if the investment was carried out by an external manager, even one as low-cost as Border to Coast. However, pooling brought other potential advantages to the Fund, such as greater operational resilience and an opportunity to benefit from greater resource in areas such as Responsible Investment. From a financial cost / benefit perspective, pooling also offered the opportunity to deliver reduced fees as external fund managers repositioned their pricing for a world where the LGPS would operate more collectively. Border to Coast has also been able to negotiate better pricing from private markets investment managers, and as the Fund changes its asset mix to included more of these types of investments the cost / benefit balance will become more favourable. Information collated by Border to Coast suggest that 2022/23 was the first year that the Fund is showing a small net financial gain in respect of asset pooling and that with another four or five years the Fund will have made a net cumulative financial gain from pooling, purely considering investment costs.

By the end of 2022/22 Border to Coast had 138 employees and was managing 28.2 billion of assets (including £2.5 billion of the Fund's assets) within 9 different sub-funds (the fund is invested in 3 of these sub-funds), and in addition had commitments of £12 billion to its alternative 'private markets' assets programme (the Fund's commitments are around £1 billion of this sum).

As part of the governance arrangements for Border to Coast and its partner funds, a Joint Committee comprising of a representative from each Pension Committee has an oversight role over the arrangements of Border to Coast.

SHAREHOLDER GOVERNANCE

Since the 1980s the policies of the Fund have promoted the view that it is not sufficient to simply hold shares in companies in which it invests. As a responsible shareholder the Fund has sought to influence those companies on a range of issues through dialogue and by voting at AGMs in order to promote shareholder value.

All Local Authority Pension Funds are required to produce an Investment Strategy Statement (ISS) setting out the Fund's position on a range of issues, including the need to state to what extent, if any, environmental, social and governance (ESG) considerations are taken into account in the fund's investment policy and the formulation of a policy on the exercise of voting rights attached to share ownership.

The Fund's ISS can be viewed on the Fund's website www.teespen.org.uk. The ISS has been amended to take into account the recommendations of the Myners Report on Institutional Investment.
The Fund's Investment Strategy Statement states that:

"As a responsible investor, the Teesside Pension Fund wishes to promote corporate social responsibility, good practice and improved company performance amongst all companies in which it invests. The Fund monitors investee companies to ensure they meet standards of best practice in relation to their key stakeholders. The Fund considers that the pursuit of such standards aligns the interests of Fund members and beneficiaries with those of society as a whole. In furtherance of this policy, the Fund will support standards of best practice on disclosure and management of corporate social responsibility issues by companies and will pursue constructive shareholder engagement with companies on these issues, consistent with the Fund's fiduciary responsibilities.

Responsible investment aims to incorporate ESG factors into investment decisions to better manage risks and generate long term returns, as part of the Fund's fiduciary duty. As a result, ESG factors are incorporated into the investment process and the Fund takes non-financial considerations, including climate change risks and opportunities, into account when making investments, and engages with companies in which we invest to ensure that they are minimising the risks and maximising the opportunities presented by non-financial considerations, including climate change and climate policy. The Fund has not excluded any investments on purely non-financial considerations and will continue to invest in accordance with the Regulations in this regard. However, the overriding consideration for any investment is whether it generates an acceptable risk-adjusted return for the Fund, meeting the Fund's fiduciary duty.

It is considered that the Pensions Committee represents the views of the Fund membership and that the views of the Local Pension Board will be taken into account as part of their review of this document.

The Fund has adopted the Institutional Shareholders' Committee Statement of Principles and members will agree and periodically review its implementation.

In accordance with this policy, the Fund will seek where necessary through its own efforts and in alliances with other investors to pursue these goals. To this end the Fund is an active member of the Local Authority Pension Fund Forum."

In order to pursue a policy of positive engagement, the Fund is an active member of the Local Authority Pension Fund Forum, (whose website is www.lapfforum.org) which has 87 Local Authority funds as members. Seven of the eight LGPS asset pools including Border to Coast are also members of the Forum.

The Forum works by concentrating on a number of key long-term campaigns, covering corporate governance and corporate responsibility issues, as well as being able to mobilise support for campaigns relating to individual companies. The Forum produces a quarterly Research and Engagement report which highlights latest engagement news.

Much of this engagement work is carried out on the Fund's behalf by Border to Coast. Border to Coast has worked with its partner funds to develop jointly agreed Corporate Governance &

Voting Guidelines and a Responsible Investment Policy. These can be found on Border to Coast's website: https://www.bordertocoast.org.uk/sustainabilit

Financial Statements

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Statement of Responsibilities for the Financial Statements – Teesside Pension Fund

Statement of Responsibilities

Middlesbrough Council Responsibilities

The Council is required to:

- Make arrangements for the proper administration of the financial affairs of the Teesside Pension Fund (the Fund) through a Pension Fund Committee;
- Secure that one of its officers has the responsibility for the administration of those affairs, namely the Chief Finance Officer of the Council (Director of Finance); and
- Manage the Fund to secure economic, efficient and effective use of resources and to safeguard its assets and approve the Fund's Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Director of Finance is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the Accounts and Audit Regulations (England) 2015.

In preparing the Statement of Accounts, the Director of Finance has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonably prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Confirmation of the Statement of Accounts

I confirm that the Teesside Pension Fund Statement of Accounts gives a true and fair view of the financial position of the Fund at 31 March 2021 and of its income and expenditure for that year.

Director of Finance

Middlesbrough Council

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF MIDDLESBROUGH COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

Fund Accounts and Net Asset Statements

Fund Accounts for the year ended 31st March 2023

2021/22			**2022/23**
£000	**Contributions and Benefits**		**£000**
	Dealings with members, employers and others directly involved in the Fund		
(97,666)	Contributions	**6**	**(106,953)**
(2,371)	Transfers in from other pension funds	**8**	**(4,896)**
(3,626)	Other income	**9**	**(2,561)**
(103,663)	Total Income from Members		**(114,410)**
153,758	Benefits payable	**7**	**162,355**
5,974	Payments to and on account of leavers	**10**	**20,435**
159,732	Total Expenditure to Members		**182,790**
56,069	**Net (additions) / withdrawals from dealings with members**		**68,380**
8,128	Management expenses	**11,19**	**10,085**
64,197	**Net (additions) / withdrawals from dealings with members, employers and others directly involved in the Fund**		**78,465**
	Returns on investment		
(49,933)	Investment income	**12**	**(50,230)**
(492,353)	Profits and losses on disposal of investments and changes in market value of investments	**13**	**(54,947)**
(542,286)	**Net returns on investments**		**(105,177)**
(478,089)	**Net (increase) / decrease in the net assets available for benefits during the year**		**(26,712)**
4,559,485	**Net assets of the scheme as at 1st April**		**5,037,574**
5,037,574	**Net assets of the scheme as at 31st March**		**5,064,286**
2021/22	**Net Assets Statement as at 31st March**		**2022/23**
5,036,271	Investments Assets	**13**	**5,060,738**
12,806	Current Assets	**16**	**14,102**
(11,503)	Current liabilities	**17**	**(10,554)**
5,037,574	**Net assets of the scheme at 31st March**		**5,064,286**

The notes on the following pages form part of the Financial Statements.

Notes to the Pension Fund Accounts

1. Basis of Preparation

The accounts are prepared on a going concern basis; that is, on the assumption that the Council will continue to operate as the administering authority for the Pension Fund and the Pension Fund will continue to meet its financial obligations for the foreseeable future from the date that the audited accounts are issued, this period being at least twelve months from the approval of these financial statements.

The financial statements are prepared in line with the requirements of the CIPFA Code of Practice on Local Authority Accounting, which states that as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. The Council is established under the Local Government Regulations 2013 as an Administering Authority of the Local Government Pensions Scheme and is therefore a statutory body expected to be a going concern until notification is given that the body will be dissolved, and its functions transferred.

The Pension Fund has carried out an assessment on its financial position and performance during 2022/23 and beyond as part of its going concern assessment. This included consideration of the following:

- The Fund had assets of c. £5.06 billion as of 31 March 2023. £4.32 billion (85%) of this is held in assets which are considered to be liquid, and which could be converted to cash if required (including £0.33 billion actually held as cash).
- The Fund has estimated that in 2023/24 it will pay out approximately £195 million in benefits and other outgoings in the coming twelve months and is forecasting contribution income in the region of £125 million. This shortfall in contribution income verses benefits and other expenditure of £70 million will be met partly from other investment income, which is estimated to be £64 million in 2023/24 with the remaining £6 million being taken from the Fund’s cash balance, which was £334 million at 31 March 2023.

On this basis, management believes it is appropriate to continue to prepare the financial statements on a going concern basis, and that there are no material uncertainties in relation to this basis of preparation.

The statement of accounts summarises the Fund's transactions for the 2022/23 financial year and its position as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits, which fall due after the end of the financial year.

2. Summary of Significant Accounting Policies

Accruals
The accounts have been prepared on an accruals basis. The exception to this accruals basis, is individual transfer values which are recognised on a cash transfer basis.

Fund Account – Revenue Recognition

Contributions income
Normal contributions, from both the members and the employers, are accounted for on an accruals basis in the payroll period to which they relate. The employers’ percentage rate is set by the Actuary, whilst the employees’ rate is determined by the Local Government Pension Scheme (LGPS) Regulations.

Employer deficit funding contributions are accounted for on the due dates set by the actuary, or on receipt if earlier.

Employer strain on the fund and any augmentation contributions are accounted for in the period in which the liability arises. Amounts due in the year but still outstanding at the year-end are accrued, according to the accruals threshold.

Transfer values
Transfer values represent the capital sums receivable in respect of members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations.

Individual transfers either in or out have been accounted for in the period in which they were paid or received.

Transfers in from members wishing to use the proceeds from their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis within transfers in. Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Investment income
Investment income has been recognised as due on the ex-dividend date and is credited to the Fund on the date of the dividend, if received. The investment income is not grossed up for tax, as it is reported as net cash received.

Interest Income
Interest income is recognised in the Fund Account on an accruals basis, using the effective interest rate of the financial instrument as at the date of acquisition.

Dividend Income
Dividend income is recognised on the date the shares are quoted as ex-dividend. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

Distributions from Pooled Funds
Distributions from pooled funds are recognised on the date of issue. Any amount not received at the year-end is disclosed in the Net Assets Statement as a current financial asset.

Property Related Income
Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a cash collection basis.

Movement in the Net Market Value of Investments
Changes in the net market value of investments (including property) are recognised as income or expense and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense items

Benefits payable
Pensions and lump sums benefits payable include all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Taxation
The Fund is a registered public service scheme under section 1 (1) of schedule 36 of the Finance Act 2004 and, as such, is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Any withholding tax recovered is credited on receipt. We account for dividends and recoverable tax on a cash basis but do not account for non-recoverable tax.

Management expenses
The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its Pension fund management expenses in accordance with CIPFA's guidance, *"Accounting for Local Government Pension Scheme Management Expenses* (2016)".

Administrative expenses
All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. Expenses for Actuarial, Audit and Legal fees are paid directly by the Fund.

Oversight and Governance Costs
All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment Management Expenses
All investment management expenses are accounted for on an accruals basis.

Fees of external investment managers and the Fund's custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The costs of the council's in-house fund management team are charged direct to the Fund and a proportion of the Council's costs representing management time spent by officers on investment management is also charged to the Fund.

Property expenses
Property expenses have been recorded gross and shown as a deduction from the gross rental income received in determining net rents from properties..

Net Assets Statement

Financial Assets
Financial assets are included in the net assets statement on a fair value basis as at 31 March 2023. A financial asset is recognised in the Net Assets statement on the date the Fund becomes party to the contractual acquisition of an asset. From this date, any gains and losses arising from changes in the fair value of assets are recognised in the Fund account.

The value of investments as shown in the Net Assets Statement have been determined as follows:

Market Quoted Investments
Investments are valued at market value as at 31 March 2023 as provided by the Fund's custodian. Quoted UK securities are valued at the bid price based on quotations in the Stock Exchange Daily Official List. Overseas quoted securities are, similarly, valued at the bid price from overseas stock exchanges, translated at closing rates of exchange.

Pooled Investment Vehicles
Pooled investment vehicles are valued at closing bid prices if both bid and offer prices are published, otherwise at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

Fixed Interest Securities
The value of fixed income investments excludes interest earned but not paid over at the year end. The interest earned has been accrued within investment income receivable.

Unquoted Investments
Unlisted securities, including partnerships, are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers or those controlling the partnerships.

Freehold and Leasehold properties
Properties are shown as valued at 31 March 2023. Properties are valued annually by an independent external valuer on a fair value basis, and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition).

Custody and Security of Investments
Most investments are held in nominee name by the Fund's Global Custodian, the BNP Paribas Securities Services. Exceptions to this are directly owned properties, money markets cash deposits and specified unquoted investments, which would be registered in the name of the administering authority.

Where the Custodian does not provide a custody service in their own right, they utilise third party Sub Custodians, who are appointed by the Custodian.
The agreement between the Fund and the Custodian provides for certain indemnities where there has been loss as a result or action or inaction by the Custodian or its Sub Custodians. This is supported by limited insurance cover procured by the Custodian.

Financial Instruments
A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes financial assets and liabilities such as trade receivables and trade payables.

IFRS 13 Fair value measurement
This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The fund complies currently complies with this standard.

Foreign Currency Transactions
Foreign income and sales and purchases of investments in foreign currencies received during the year have been converted into Sterling at the exchange rate at the date of transaction. Amounts outstanding at the year-end have been valued at the closing exchange rates on 31 March 2023.

Outstanding Commitments
The Fund has made commitments to investments which are not included in the accounts of the Fund until the monies have been drawn down by the relative manager. These are shown in Note 13.

Cash and Cash Equivalents
Cash comprises of cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Disposal of Investments
Profits and losses on the disposal of investments are realised when the transactions are legally complete.

Interest on Cash Balances
All surplus cash balances of the Fund are invested externally, interest being credited to the Fund.

Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As

permitted under the Code, the Fund has adopted to disclose the actuarial present value of promised retirement benefits by way of a note, refer to Note 15.

Additional Voluntary Contributions
The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed the Prudential Assurance Co Ltd as the current provider. AVCs are paid to the AVC providers by the employers and are specifically for providing additional benefits for the individual contributors. Each AVC contributor receives an annual statement showing the value of their account and any movements in the year.

The AVCs are not reflected in the Fund’s accounts in accordance with regulation 4(1) b of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but are disclosed as a Note only (Note 18).

Value Added Tax
Expenses and property purchase costs are charged net to the Pension fund. The VAT is reclaimed via Middlesbrough Council's VAT regime.

3. Accounting standards that have been issued but not yet been adopted.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is no recognition for low-value and short-term leases). CIPFA/LASAAC have however deferred implementation of IFRS16 for local government to 1 April 2022 due to the impact of Covid-19.

4. Critical Judgements, Sensitivities and Accounting Estimates

Unquoted Private Equity, Infrastructure and Other Alternative investments
It is important to recognise the highly subjective nature of determining the fair value of private equity, infrastructure and other alternative investments. They are inherently based on forward-looking estimates and judgements involving many factors. These are valued by the investment managers using the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of conservative value. The value of these investments at 31 March 2023 is £1,155,773,631 (£737,329,876 at 31 March 2022).

Pension Fund Liabilities

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 15. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Assumptions made about the Future and other Major Sources of Estimation Uncertainty

The Statement of the Accounts contains estimated figures that are based on assumptions made by the Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other several factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured for example, a 0.1% per annum decrease in the discount factor assumption could increase liability by around £113 million.
Pooled Investment Vehicles	Infrastructure and global property investments are valued at fair value in accordance with the International Private and Venture Capital Association guidelines or European Venture Capital Association definition of conservative value. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Unobservable market values amount to £4,320 million and are relating to infrastructure, real estate and pooled equity vehicles.
Freehold and leasehold property	Independent external valuers, Cushman & Wakefield use techniques to determine the fair value of directly held freehold and leasehold property in accordance with the relevant parts of the current RICS Red Book.	The effect of variations in the factors supporting the valuation would be an increase or decrease 19.5% in the value of directly held property £73.9 million, on a fair basis of £378.9 million.

6. Contributions Receivable

		2021/22	2022/23
		£'000	**£'000**
Employers	Normal	**(67,214)**	**(73,562)**
	Additional Contributions	**(12)**	**(12)**
	Deficit Recovery Contributions	**(506)**	**(158)**
Members	Normal	**(29,934)**	**(33,221)**
	Total	**(97,666)**	**(106,953)**
	Analysis of Total Contributions	**2021/22**	**2022/23**
		£'000	**£'000**
	Administering Authority – Middlesbrough Council	**(12,629)**	**(14,788)**
	Scheduled Bodies	**(72,217)**	**(79,669)**
	Admission Bodies	**(12,820)**	**(12,496)**
	Total	**(97,666)**	**(106,953)**

7. Benefits Payable

	2021/22	2022/23
	£'000	**£'000**
Pensions	**127,421**	**134,792**
Commutations and lump sum retirement benefits	**22,750**	**24,684**
Lump sum death benefits	**3,587**	**2,879**
Total	**153,758**	**162,355**
Analysis of Total Benefits		
Administering Authority – Middlesbrough Council	**24,119**	**26,174**
Scheduled Bodies	**95,869**	**100,137**
Admission Bodies	**33,770**	**36,044**
Total	**153,758**	**162,355**

8. Transfers in from Other Pension Funds

	2021/22	2022/23
	£'000	**£'000**
Individual transfers in from other schemes	**(2,371)**	**(4,896)**
Total	**(2,371)**	**(4,896)**

9. Other Income

	2021/22	2022/23
	£'000	**£'000**
Capital Costs of Early Retirements	**(2,748)**	**(1,578)**
Other Income	**(878)**	**(983)**
Total	**(3,626)**	**(2,561)**

10. Payment to and on Account of Leavers

	2021/22	2022/23
	£'000	**£'000**
Refunds to members leaving service	**199**	**11,761**
Payments for members joining state scheme	**483**	**211**
Individual transfers to other schemes	**5,292**	**8,463**
Total	**5,974**	**20,435**

11. Management Expenses

	2021/22	2022/23
	£'000	**£'000**
Administrative costs	**2,238**	**2,087**
Investment management expenses	**5,474**	**7,331**
Oversight and governance costs	**397**	**637**
Total	**8,109**	**10,055**

Investment Management Expenses

	2021/22	2022/23
	£'000	**£'000**
Management fees	**3,959**	**6,793**
Custody fees	**25**	**21**
Transaction costs	**939**	**0**
Loans & Investment support service charges	**551**	**517**
Total	**5,474**	**7,331**

12. Investment Income

		2021/22	2022/23
		£'000	£'000
	Income from pooled investment vehicles	**(33,525)**	**(24,838)**
	Net rents from properties (see note below)	**(15,554)**	**(16,627)**
	Interest on cash deposits	**(854)**	**(8,765)**
	Total	**(49,933)**	**(50,230)**
		2021/22	**2021/22**
	Rental Income and Property Expenses	**£'000**	**£'000**
	Gross Rental income	**(16,172)**	**(18,460)**
	Property Expenses / (Income)	**618**	**1,833**
	Net Rents from Properties	**(15,554)**	**(16,627)**

13. Investment Assets

2022/23	Value at 1 April 2022	Reclassified Assets	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	1,710	0	0	1,129	(720)	**2,119**
Pooled Investment Vehicles	3,773,227	0	385,196	(55,828)	84,781	**4,187,376**
Pooled Property Investments	60,230	0	15,000	0	(9,792)	**65,438**
Properties	335,521	0	87,416	0	(19,322)	**403,615**
Loans	20,000	0	4,534	0	0	**24,534**
Directly Held – Private Equity	26,500	0	13,580	0	0	**40,080**
	4,217,188	**0**	**505,726**	**(54,699)**	**54,947**	**4,723,162**
Cash Deposits	817,250					**334,350**
Other Investment Balances	1,833					**3,226**
Net Investment assets	**5,036,271**					**5,060,738**

2021/22	Value at 1 April 2021	Reclassified Assets	Purchases at Cost	Sale Proceeds	Change in Market Value	Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	90	1,621	0	0	1,620	**1,710**
Pooled Investment Vehicles	3,869,990	(21,621)	1,163,001	(1,672,195)	432,431	**3,773,227**
Pooled Property Investments	64,040	0	0	(8,197)	4,387	**60,230**
Properties	277,200	0	4,406	0	53,915	**335,521**
Loans	0	0	20,000	0	0	**20,000**
Directly Held – Private Equity	0	20,000	6,500	0	0	**26,500**
	4,211,320	**0**	**1,193,907**	**(1,680,392)**	**492,353**	**4,217,188**
Cash Deposits	340,650					**817,250**
Other Investment Balances	1,847					**1,833**
Net Investment assets	**4,553,817**					**5,036,271**

Valuation Basis

There are four funds that have been valued at Cost rather than Market Value at 31 March 23 as the investments are at an early stage and an open Market Value is yet to be determined. These include Leonardo (£24.7M), Greyhound Retail Park (£20.0M), ST Arthur Homes (£4.5M) and GB Bank Limited (£40.0M).

Change in Market Value

The change in the market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Realised loss was £1,128,891 and unrealised gain was £56,076,232. Prior year realised profit was £228,314,613 and unrealised gain was £264,038,252.

Transaction Costs

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. There are no transactions costs during the year. (2021/2022 £938,946). In addition to the transaction costs disclosed here, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund. For accounting purposes, the transaction costs have been re-allocated to expenses.

Investments Analysed by Fund Manager

The funds equities are mainly managed externally by Border to Coast. Private equities, infrastructure, other alternatives and other debt are all managed in-house with the only exception being the direct property portfolio managed by CBRE Limited.

- For 2022/2023 the value at 31 March 2023 of the direct property portfolio was: **£403,615,188**
- For 2021/2022 the value at 31 March 2022 of the direct property portfolio was: **£335,520,529**

The following investments represent more than 5% of the net assets of the scheme.

Security	**Market Value 31 March 2022**	**% of net assets of the scheme**	**Market Value 31 March 2023**	**% of net assets of the scheme**
	£'000		**£'000**	
Border to Coast PE Overseas Dev Mkts	1,608,520	31.95%	**1,647,397**	**32.56%**
Border to Coast PE UK Listed Equity	615,588	12.23%	**646,205**	**12.77%**
SSGA MPF Pacific Basin Ex-Japan Index	334,706	6.65%	**320,026**	**6.32%**

In addition, the following investments represent more than 5% of any class or type of security. The asset classes used for this note are not the CIPFA classifications, but those represented in the Fund's valuation by its Custodian and reported to the Teesside Pension Fund Committee.

Asset Class / Security	Market Value 31 March 2022	% of asset class	Market Value 31 March 2023	% of asset class
	£'000		£'000	
UK Equities				
Border to Coast UK Listed Equity	615,588	99.72%	**646,205**	**99.67%**
Overseas Equities				
Border to Coast Overseas Dev Mkts	1,608,520	66.41%	**1,647,397**	**67.24%**
SSGA MPF Pacific Basin Ex-Japan Index	334,706	13.82%	**320,026**	**13.06%**
SSGA MPF Europe Ex-UK Equity Index Sub Fund	122,869	5.07%	**132,964**	**5.43%**
Border to Coast Emerging Market Hybrid Fund	210,824	8.70%	**203,394**	**8.30%**
Private Equity				
Crown Co Investment Opp II PLC	25,331	6.90%	**27,528**	**5.71%**
Unigestion SA	25,421	6.92%	**27,546**	**5.71%**
Pantheon Global Co-Investment Opportunities IV	26,412	7.19%	**32,568**	**6.75%**
Crown Growth Global Opportunities III	34,019	9.26%	**37,392**	**7.75%**
Border to Coast Private Equity Series 1A	72,562	19.76%	**92,098**	**19.09%**
Border to Coast Private Equity Series 1B	0	0.00%	**26,727**	**5.54%**
GB Bank Limited	26,500	7.22%	**40,080**	**8.31%**
Infrastructure				
Border to Coast Infrastructure Series 1A	45,996	18.57%	**72,911**	**18.13%**
Border to Coast Infrastructure Series 1B	12,421	5.01%	**21,321**	**5.30%**
Border to Coast Infrastructure Series 1C	22,408	9.05%	**36,987**	**9.20%**
JP Morgan IIF UK I LP	36,125	14.58%	**80,512**	**20.02%**
Gresham House BSI Infrastructure LP	21,166	8.54%	**22,759**	**5.66%**
Other Alternatives				
Border to Coast Climate Opportunities Series 2A	0	0.00%	**10,244**	**5.70%**
Darwin Leisure Prop Units - Class C	23,488	20.48%	**23,447**	**13.06%**
Darwin Bereavement Services Fund - Class B	17,042	14.86%	**18,087**	**10.07%**
Darwin Bereavement Services Fund - Income Units	10,264	8.95%	**30,309**	**16.88%**
Darwin Leisure Dev Fd – Class D	18,656	16.26%	**19,865**	**11.06%**
Darwin Leisure Property Fund K - Income Units	15,449	13.47%	**34,420**	**19.17%**
Hearthstone Residential Fund 1	9,675	8.43%	**9,605**	**5.35%**
Hearthstone Residential Fund 2	0	0.00%	**9,836**	**5.48%**
Gresham House BSI Housing Fund LP	13,588	11.85%	**15,406**	**8.58%**
Other Debt				
Insight IIFIG Secured Finance II Fund	24,676	47.20%	**48,966**	**53.48%**
Greyhound Retail Park Chester	20,000	38.25%	**20,000**	**21.84%**
Pantheon Senior Debt Secondaries II	7,609	14.55%	**18,057**	**19.72%**

Direct Property				
Doncaster (Omega Boulevard)	37,800	11.27%	**31,200**	**7.73%**
Birmingham (Bromford Central)	23,950	7.14%	**20,200**	**5.00%**
London (51/54 Long Acre)	0	0.00%	**31,000**	**7.68%**
Swindon (Symmetry Park, Unit 1)	21,600	6.44%	**31,150**	**7.72%**
Graftongate Investments Ltd (Leonardo)	0	0.00%	**24,725**	**6.13%**
Property Unit Trusts				
Standard Life Investments European Property Growth Fund	39,036	64.81%	**34,842**	**53.24%**
LAMIT - Local Authorities Property Fund	4,723	7.84%	**3,944**	**6.03%**
Hermes Property	5,064	8.41%	**16,608**	**25.38%**
Threadneedle Property	4,114	6.83%	**3,399**	**5.19%**
Legal and General Managed Property Fund	7,294	12.11%	**6,646**	**10.16%**

Geographical Analysis of Investments

	2021/22		**2022/23**	
	£'000	**%**	**£'000**	**%**
United Kingdom	1,240,930	30%	**1,470,021**	**31%**
United States	1,101,132	26%	**1,284,003**	**27%**
Asia Pacific Ex Japan	817,262	19%	**666,391**	**14%**
Europe	580,568	14%	**823,204**	**17%**
Japan	266,463	6%	**276,140**	**6%**
Others	210,833	5%	**203,403**	**5%**
Total	4,217,188	**100%**	**4,723,162**	**100%**

Equities

		2021/22	**2022/23**
		£'000	**£'000**
UK quoted		1,701	**2,110**
Overseas Quoted		9	**9**
	Total	**1,710**	**2,119**

Pooled Investment Vehicles and Properties

	2021/22	**2022/23**
	£'000	**£'000**
UK Equity	615,588	**648,315**
Pooled Property investment Vehicle	60,230	**65,438**
Private Equity	340,778	**482,511**
Infrastructure	247,734	**402,107**
Other Alternatives	114,709	**179,599**
Other Debt	32,284	**91,557**
UK Unit and Investment Trusts Total	**1,411,323**	**1,869,527**
Overseas Equities	2,422,134	**2,450,020**
Overseas Unit and Investment Trusts Total	**2,422,134**	**2,450,020**
Total	**3,833,457**	**4,319,547**

UK Properties

	2021/22	2022/23
	£'000	£'000
Freehold	268,251	**345,415**
Leasehold	67,000	**58,200**
Total	**335,521**	**403,615**

The properties were valued on the basis of Fair Value at 31 March 2023 by Cushman and Wakefield LLP acting as an External Valuer. The valuer's opinion of the Fair Value of the Fund's interests in the properties has been reported (as per VPS4 item 7 of the RICS Red Book). Under these provisions, the term "Fair Value" mean the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13, namely "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Cash Deposits

	2021/22	2022/23
	£'000	£'000
Sterling Cash deposits	817,250	**334,350**

Other investment balances

	2021/22	2022/23
	£'000	£'000
Cash deposits with custodian	1,470	**1,470**
Interest due on cash deposits	363	**1,756**
Total	**1,833**	**3,226**

Outstanding Commitments

As at 31 March 2023, the Fund had the following outstanding commitments.

	Initial Commitment	Capital Payments made	Outstanding commitments at 31 March 2023
Infrastructure			
	GBP	**GBP**	**GBP**
Border to Coast Infrastructure Series 1A	100,000,000	59,821,475	40,178,525
Border to Coast Infrastructure Series 1B	50,000,000	21,970,573	28,029,427
Border to Coast Infrastructure Series 1C	50,000,000	32,201,193	17,798,807
Border to Coast Infrastructure Series 2A	150,000,000	16,059,102	133,940,898
Capital Dynamics Clean Energy Infrastructure Fund VIII	20,000,000	14,100,754	5,899,246
Capital Dynamics Clean Energy Infrastructure Fund VIII - Co Investment	10,000,000	7,050,377	2,949,623
Gresham House, British Strategic Investment Infrastructure Fund	20,000,000	19,070,660	929,340
Gresham House, British Strategic Investment Infrastructure Fund II	25,000,000	12,383,298	12,616,702
Innisfree PFI Continuation Fund	10,000,000	9,708,498	291,502
Innisfree PFI Secondary Fund 2	10,000,000	8,352,712	1,647,288
Total GBP	**445,000,000**	**200,718,642**	**244,281,358**
	EUR	**EUR**	**EUR**

Access Capital Infrastructure Fund	23,000,000	15,622,040	7,377,960
Access Capital Infrastructure Fund II	20,000,000	14,476,403	5,523,597
Access Capital Infrastructure Fund II (Fund 2)	15,000,000	7,961,781	7,038,219
Ancala Infrastructure Fund II	23,000,000	16,925,167	6,074,833
Foresight Energy Infrastructure	17,000,000	9,931,380	7,068,620
Total EUR	**98,000,000**	**64,916,771**	**33,083,229**
	USD	**USD**	**USD**
Blackrock Global Energy & Power Infrastructure Fund III	25,000,000	20,195,569	4,804,431
Blackrock Global Renewable Power III	25,000,000	12,377,208	12,622,792
Total USD	**50,000,000**	**32,572,777**	**17,427,223**
Other Alternatives			
	GBP	**GBP**	**GBP**
Bridges Evergreen TPF Housing Co-Investment LP	5,000,000	765,180	4,234,820
Gresham House, British Strategic Investment Housing Fund LP	20,000,000	13,944,083	6,055,917
Hearthstone Residential Fund 2 LP	20,000,000	10,453,507	9,546,493
Total GBP	**45,000,000**	**25,162,769**	**19,837,231**
	EUR	**EUR**	**EUR**
La Salle Real Estate Debt Strategies IV	25,000,000	8,782,275	16,217,725
Total EUR	**25,000,000**	**8,782,275**	**16,217,725**
	USD	**USD**	**USD**
Border to Coast Climate Opportunities Series 2A	80,000,000	10,243,486	69,756,514
Total USD	**80,000,000**	**10,243,486**	**69,756,514**
Other Debt			
	GBP	**GBP**	**GBP**
St Arthur Homes	16,000,000	4,534,442	11,465,558
Total GBP	**16,000,000**	**4,534,442**	**11,465,558**
	USD	**USD**	**USD**
Pantheon Senior Debt Secondaries II	25,000,000	16,367,215	8,632,785
Total USD	**25,000,000**	**16,367,215**	**8,632,785**
Private Equity			
	GBP	**GBP**	**GBP**
Border to Coast Private Equity Series 1A	100,000,000	60,369,403	39,630,597
Border to Coast Private Equity Series 1B	50,000,000	25,378,167	24,621,833
Border to Coast Private Equity Series 1C	50,000,000	17,282,757	32,717,243
Border to Coast Private Equity Series 2A	100,000,000	3,126,918	96,873,082
Capital Dynamics LGPS Collective for Pools 18/19	10,000,000	6,429,550	3,570,450
GB Bank Limited	28,000,000	20,080,050	7,919,950
Hermes Innovation Fund	20,000,000	13,019,125	6,980,875
Foresight Regional Investments IV	5,000,000	747,988	4,252,012
Total GBP	**363,000,000**	**146,433,957**	**216,566,043**
	EUR	**EUR**	**EUR**
Access Capital Fund VIII Growth Buy-Out Europe	30,000,000	16,792,109	13,207,891

Access Capital Co-Investment Fund Buy-Out Europe II	22,000,000	9,050,000	12,950,000
Capital Dynamics Mid-Market Direct V	20,000,000	13,803,038	6,196,962
Crown Growth Global Opportunities III	30,000,000	22,950,000	7,050,000
Unigestion Direct II	25,000,000	17,819,008	7,180,992
Unigestion Secondary V	50,000,000	23,000,000	27,000,000
Unigestion Direct III	37,500,000	5,426,563	32,073,437
Total EUR	**214,500,000**	**108,840,718**	**105,659,282**
	USD	**USD**	**USD**
Blackrock Private Opportunities Fund IV	25,000,000	21,171,123	3,828,877
Capital Dynamics Global Secondaries V	22,000,000	14,373,458	7,626,542
Crown Co-Investment Opportunties II	30,000,000	19,785,000	10,215,000
Crown Co-Investment Opportunties III	30,000,000	10,350,000	19,650,000
Crown Global Opportunities VII	40,000,000	18,920,000	21,080,000
Crown Secondaries Special Opportunities II	25,000,000	15,487,500	9,512,500
Pantheon Global Co Investment Opportunities IV	30,000,000	23,268,429	6,731,571
Total USD	**202,000,000**	**123,355,510**	**78,644,490**

14. Financial Instruments

Net Gains and Losses on Financial Instruments

	2021/22	**2022/23**
Financial Assets	**£'000**	**£'000**
Fair Value through profit and loss account	(492,353)	**(54,947)**

Fair Value of Financial Instruments

	Fair Value through profit and loss	**Assets at amortised cost**	**Liabilities at amortised cost**	**Fair Value through profit and loss**	**Assets at amortised cost**	**Liabilities at amortised cost**
	As at 31/3/22			**As at 31/3/23**		
Financial Assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Equities	**1,710**			**2,119**		
Pooled Investments	**3,819,727**			**4,251,990**		
Pooled Property Investments	**60,230**			**65,438**		
Cash		**817,250**			**334,350**	
Other Investment balances		**1,833**			**3,226**	
Sundry debtors and prepayments		**12,806**			**14,102**	
	3,881,667	**831,889**	**0**	**4,319,547**	**351,678**	**0**
Financial Liabilities						
Sundry creditors			**(11,503)**			**(10,340)**
Net Financial Assets of the Fund	**3,881,667**	**831,889**	**(11,503)**	**4,319,547**	**351,678**	**(10,340)**

Valuation of financial instruments carried at fair value.

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1
Financial instruments at Level 1 are those where fair values are derived from unadjusted **quoted prices in active markets** for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on **observable market data**.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Teesside Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken at 31 March annually. Cash flow adjustments can be used where valuations at 31 March could not be obtained.

Teesside Pension Fund has no investments in hedge funds.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Valuation of Financial Instruments Carried at Fair Value

	Level 1	**Level 2**	**Level 3**	**Total**
Value as at 31 March 2023	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets at fair value through profit and loss account	**26,653**	**3,096,216**	**1,196,678**	**4,319,547**
Loans and receivables	**351,828**	**0**	**0**	**351,828**
Financial Liabilities at amortised cost	**(10,340)**	**0**	**0**	**(10,340)**
Total Financial Assets	**368,141**	**3,096,216**	**1,196,678**	**4,661,035**
Value as at 31 March 2022	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets at fair value through profit and loss account	**21,710**	**3,037,721**	**822,236**	**3,881,667**
Loans and receivables	**831,889**	**0**	**0**	**831,889**
Financial Liabilities at amortised cost	**(11,503)**	**0**	**0**	**(11,503)**
Total Financial Assets	**842,096**	**3,037,721**	**822,236**	**4,702,053**

Sensitivity of assets at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation classifications described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held on 31 March 2022.

Valuation of Financial Instrument Carried at Fair Value – 31 March 2023

	Assessed valuation range (+/-)	Value at 31 March 2023	Value on increase	Value on decrease
		£'000	£'000	£'000
Pooled Investments - Private Equity	19.12%	482,511	574,767	390,255
Pooled Investments - Infrastructure	19.12%	402,107	478,990	325,224
Pooled Investments - Other Alternatives	19.12%	179,599	213,939	145,260
Pooled Investments - Other Debt	19.12%	67,023	79,838	54,208
Pooled Investments – Property	14.90%	65,438	75,188	55,688
Total		1,196,678	1,422,722	970,636

Valuation of Financial Instrument Carried at Fair Value – 31 March 2022

	Assessed valuation range (+/-)	Value at 31 March 2022	Value on increase	Value on decrease
		£'000	£'000	£'000
Pooled Investments - Overseas Equity	18.75%	367,278	436,143	298,414
Pooled Investments – Private Equity	18.75%	247,734	294,184	201,284
Pooled Investments - Infrastructure	18.75%	114,710	136,218	93,202
Pooled Investments – Other Alternatives	18.75%	32,284	38,337	26,231
Pooled Investments – Property	7.05%	60,230	64,476	55.984
Total		822,236	969,359	675,114

Reconciliation of Fair Value Measurements within level 3 during 2022/23

Period 2022/23	Market Value 1 April 2022	Transfer between levels	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Investments - Private Equity	367,278	0	112,012	(17,487)	20,708	0	482,511
Pooled Investments - Infrastructure	247,734	0	165,302	(28,866)	17,937	0	402,107
Pooled Investments - Other Alternatives	114,709	0	68,252	(2,424)	(938)	0	179,599
Pooled Investments - Other Debt	32,285	(20,000)	40,737	(5,485)	19,486	0	67,023
Pooled Investments - Property	60,230		15,000	0	(9,792)	0	65,438
Total	822,236	(20,000)	401,303	(54,262)	47,401	0	1,196,678

Reconciliation of Fair Value Measurements within level 3 during 2021/22

Period 2021/22	Market Value 1 April 2021	Transfer between levels	Purchases	Sales	Unrealised Gains/ Losses	Realised Gains/ Losses	Market Value 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Investments - Overseas Equity	1,235,449	(1,235,449)	0	0	0	0	0
Pooled Investments - Private Equity	149,794	0	129,033	(17,569)	106,020	0	367,278
Pooled Investments - Infrastructure	35,473	156,909	81,335	(13,256)	(12,727)	0	247,734
Pooled Investments - Other Alternatives	5,806	100,401	9,931	(641)	(788)	0	114,709
Pooled Investments - Other Debt	0	7,609	27,296	(2,253)	(367)	0	32,285
Pooled Investments - Property	42,340	21,194	0	(8,197)	2,838	2,055	60,230
Total	1,468,862	(949,336)	247,595	(41,916)	94,976	2,055	822,236

Nature and extent of exposure to risk arising from financial instruments.

Risk and risk Management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

Responsibility for the fund's risk management strategy rests with the Teesside Pension Fund Committee. The Funding Strategy Statement and the Investment Strategy Statement identify and analyse the risks faced by the pension's operations. These policies are reviewed regularly to reflect changes in activity and market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The Fund identifies, manages, and controls market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The fund manages these risks in three ways:

1. The actuarial valuation of the Fund which is carried out every three years and resets the employer contribution rates.
2. The asset liability study which is carried out every three years or more frequently if required considers alternative asset allocations for the Fund and the long-term impact on employer contribution rates.
3. Quarterly monitoring of the performance of the Fund against selected benchmarks, and annual performance reports to the Pension Fund Committee.

Other Price risk
Other price risk represents the risk that the value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the Fund Strategy Statement and the Investment Strategy Statement.

Other Price risk - sensitivity analysis
Following analysis of historical data and expected investment return movement during the financial year, in consultation with Portfolio Evaluation Ltd, the Fund has determined that the following movements in market price risk are reasonably possible for the 2021/22 reporting period.

2022/23 Price Risk Asset Type		Value at 31/03/2023	Change	Value on Increase	Value on Decrease
	Region	£'000	%	£'000	£'000
Equities	UK	2,110	12.30%	2,370	1,850
	Non UK	9	12.89%	10	8
	Total	2,119		2,380	1,858
Managed and Unitised Funds	UK	1,064,296	12.30%	1,195,204	933,388
	Non UK	2,253,132	12.89%	3,672,461	2,833,803
	Total	4,317,428		4,867,665	3,767,191
Total		4,319,547		4,870,045	3,769,049

2021/22 Price Risk Asset Type		Value at 31/03/2022	Change	Value on Increase	Value on Decrease
	Region	£'000	%	£'000	£'000
Equities	UK	1,701	14.98%	1,956	1,446
	Non UK	9	12.96%	10	8
	Total	1,710		1,966	1,454
Managed and Unitised Funds	UK	903,699	14.98%	1,039,073	768,325
	Non UK	2,976,258	12.96%	3,361,981	2,590,535
	Total	3,879,957		4,401,054	3,358,860
Total		3,881,667		4,403,020	3,360,314

Interest Rate risk
Interest rate risk is the risk to which the Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2023 is set out below:

Asset Type at 31 March	2022	2023
	£'000	£'000
Cash and cash equivalents	817,250	334,350
Other Investment balances	1,833	3,226
Total	819,083	337,576

Sensitivity Analysis
The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits.
The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 25 basis points (BPS) change in interest rates.

Asset Type		+25 BPS	-25 BPS
Carrying value at 31 March 2023	£'000	£'000	£'000
Cash and cash equivalents	334,350	836	(836)
Other Investment balances	3,226	8	(8)
Total	337,576	844	(844)

Carrying value at 31 March 2022	£'000	£'000	£'000
Cash and cash equivalents	817,250	2,043	(2,043)
Other Investment balances	1,833	5	(5)
Total	819,083	2,048	(2,048)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund's currency rate risk is considered by the Fund's Investment Advisors and Investment Managers. The Pension Fund Investment Committee is informed quarterly of the Fund's currency exposure.

The following tables summarise the fund's currency exposure as at 31 March 2022 and as at 31 March 2023, showing the sensitivity analysis of foreign exchange movements.

Currency Risk 31 March 2023	Value £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Australian Dollar	8	8.54%	9	7
Euro	823,203	5.10%	865,186	781,220
Japanese Yen	276,140	8.40%	299,336	252,944
US Dollar	1,284,003	8.86%	1,397,766	1,170,240
Asia Pacific ex Japan basket	666,391	8.54%	723,301	609,481
Total	3,049,745		3,285,597	2,813,893

Currency Risk 31 March 2022	Value £'000	Change %	Value on Increase £'000	Value on Decrease £'000
Australian Dollar	**9**	**8.10%**	**10**	**8**
Euro	**580,568**	**5.20%**	**610,758**	**550,378**
Japanese Yen	**266,463**	**9.20%**	**290,978**	**241,948**
US Dollar	**1,101,132**	**8.30%**	**1,192,526**	**1,009,738**
Asia Pacific ex Japan basket	**817,262**	**8.10%**	**883,460**	**751,064**
Total	**2,765,434**		**2,977,731**	**2,553,137**

Following analysis of historical data in consultation with Portfolio Evaluation Ltd, the Fund considers the likely volatility associated with foreign exchange rate movements to be as shown above. A strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as highlighted above.

Credit Risk
Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The Fund is exposed to credit risk on its investment portfolio, including its cash deposits, and on the contributions receivable from the Fund's participating employers. The market values on investments usually reflect an assessment of credit risk in their pricing and as a result the risk of the loss is implicitly provided for in the fair value of the Fund's investments. Credit risk on cash deposits is managed by Middlesbrough Council's in-house Treasury Management Team, following the Council's Treasury Management Policy. This policy is described in detail in Middlesbrough Council's Annual Report. Credit risk on contributions receivable from employers is minimised by regular monitoring of monthly receipt of payments from employees. There is no provision for doubtful debts against the amounts due from employers as at 31st March 2022. The LGPS Regulations require that a risk assessment of any new transferee admission body is carried out, and that a bond or guarantee is obtained where necessary. The Teesside Pension Fund and Investment Panel must approve the admission of any new body. Bonds or guarantees have been obtained for the Fund's admission body, where possible. The Fund is potentially exposed to credit risk from certain scheduled employers that have neither tax-raising powers nor a guarantee from central government.

Collateral and other credit enhancement
The pension fund does not use collateral and other credit enhancement.

Liquidity Risk
Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund holds in-house cash resources to meet the day to day needs and to pay pensions. If there is insufficient cash available to meet immediate needs, there are sufficient other assets available which can be realised at short notice and at minimal cost. Except for investments in private equity, infrastructure partnerships, other alternatives and other debt there are no commitments to contribute further capital to any of the existing fund investments. When private equity, infrastructure partnership, other alternatives and other debt capital calls are received, payments are made from cash or, if there are insufficient cash fund available, other assets are realised.

15. Actuarial Valuation
Contributions are paid to the Fund by the employers to provide for the benefits which will become payable to Scheme members when they fall due. The funding objectives are to meet the cost of Scheme members' benefits whilst they are working and to build up assets to provide adequate security for the benefits as they accrue.

In order to check that the funding objectives are being met the Fund is required to carry out an Actuarial Valuation every 3 years, The Triennial Valuation. An Actuarial Valuation was carried out as at 31st March 2022 using the 'Projected Unit Method' which produced the following results;

	31/03/2019	31/03/2022
	£'000	**£'000**
Net Liabilities	**3,561**	**4,351**
Assets	**4,088**	**5,036**
Surplus	**527**	**685**
Funding Level	**115%**	**116%**

The actuarial assumptions used to calculate the promised value of benefits at 31 March 2022 were:

Pension Increase Rate (CPI)	2.7%
Salary Increase Rate	3.7%
Discount Rate	4.3%

Life expectancy from age of 65 (years) assumptions

Mortality Assumptions:	
Longevity at 65 for current pensioners:	**Years**
Men	20.90
Women	23.90
Longevity at 65 for future pensioners :	
Men	21.90
Women	25.50

16. Current Assets

Receivables		**31/03/2022**	**31/03/2023**
		£000	**£000**
Other receivables		2,723	4.029
Sundry debtors		615	1,145
Contributions due in respect of	Employers	5,965	5,698
	Members	2,755	2,612
Cash balances		748	618
Total		**12,806**	**14,102**
Analysed by:			
Other local authorities		4,736	4,379
Other entities and individuals		7,322	9,105
Add cash balances		748	618
Total		**12,806**	**14,102**

17. Current liabilities

Amounts due within one year		**31/03/2022**	**31/03/2023**
		£000	**£000**
Rents received in advance		(2,774)	(2,559)
Accrued expenses		(7,715)	(6,480)
Other payables		(1,014)	(1,515)
Total		**(11,503)**	**(10,554)**
Analysed by:			
Other local authorities		(1,121)	(765)
Public Corp & Trading Funds		(5,499)	(5,451)
Other entities and individuals		(4,883)	(4,338)
Total		**(11,503)**	**(10,554)**

18. Additional Voluntary Contributions (AVC's)

Scheme members may make Additional Voluntary Contributions that are invested with the Fund's nominated AVC providers, the Prudential Assurance Co Ltd. These contributions are not part of the Pension Fund and are not reflected in the Fund's accounts in accordance with regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The value of AVC investments are as follows:

Prudential AVC balances					
				2021/22	**2022/23**
				£000	**£000**
With Profits and Deposit Accounts				4,312	**4,312**
Unit Linked Accounts				4,021	**4,021**
Total				8,333	**8,333**

19. Related Party Transactions

The Fund is administered by Middlesbrough Council. During the reporting period, the council incurred costs of £765,000 (2021/22: £1,147,000) in relation to the administration and management of the fund and was reimbursed by the fund for these expenses. Middlesbrough Council is one of the largest members of the pension fund and made employer contribution payments of £9.5 million over the period (2021/22 - £8.6 million).

20. External Audit Costs

	2021/22	**2022/23**
	£000	**£000**
Payable in respect of external audit	**19**	**30**

21. Senior Employees' Remuneration

	2021/22	**2022/23**
Key Management Personnel	**£000**	**£000**
Short Term Benefits	**66**	**63**
Post Employments Benefits	8	**7**
Total	74	**70**

22. Events after the Balance Sheet Date

There are no events to report in this category at the authorised for issue date (X)

Teesside Pension Fund

Statement of the Actuary for the year ended 31 March 2022

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated June 2021. In summary, the key funding principles are as follows:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due.
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, and scheduled, resolution and admitted bodies, while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk exposure policies of the Administering Authority and employers alike.
- Seek returns on investments within reasonable risk parameters.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £4,088 million, were sufficient to meet 115% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2019 valuation was £527 million.
Individual employers' contribution requirements for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund's assets. The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Pre-retirement discount rate (ongoing funding target)	4.45%
Pre-retirement discount rate (orphan body funding target)	4.45%
Post-retirement discount rate (ongoing funding target)	4.45%
Post-retirement discount rate (orphan body funding target)	3.00%

Pre and Post-retirement discount rate (low risk funding target)	1.30%
Salary increase assumption	3.10%
Benefit increase assumption (CPI)	2.10%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptionsare based on the S2N tables with improvements in line with the CMI 2018 model, with smoothing (Sk) of 7.5, initial adjustment of 0% and a long term rate of 1.5% p.a. for males and females. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	**Females**
Current Pensioners	**21.8 years**	**23.4 years**
Future Pensioners*	**23.1 years**	**25.2 years**

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019

Markets were severely disrupted by COVID 19 in March 2020, but over most of 2020/21 and 2021/22 they recovered strongly. However, due to the war in Ukraine, March 2022 markets were particularly volatile, which affects values as at the accounting date. All other things being equal, the funding level of the Fund as at 31 March 2022 is likely to be marginally better than that reported at the previous formal valuation as at 31 March 2019.

It is important to note that the formal triennial funding valuation as at 31 March 2022 may show a different picture when the finalised position is disclosed in next year's annual report. In particular, changes in Fund membership, changes in anticipated real investment returns, and changes in demographic assumptions will affect the valuation results. The Funding Strategy Statement will also be reviewed as part of the triennial funding valuation.

Steven Law FFA

19 May 2022

For and on behalf of Hymans Robertson LLP

The Compliance Statement

Local Government Pension Scheme Regulations

Middlesbrough Council administers the Teesside Pension Fund in accordance with:

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);

The Local Government Pension Scheme Regulations 2013 (as amended); and

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

Full details of the Governance Policy and Compliance Statement can be seen at

http://www.teespen.org.uk/documents/index.php?name=GOVERNANCE_2

Full details of the changes to the scheme, along with updated scheme guides, are on our website at www.teespen.org.uk

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require that Local Government Pension Scheme's administering authorities prepare, publish and maintain an Investment Strategy Statement (ISS). The current version of the Teesside Pension Fund ISS was approved by the Pension Fund Committee in March 2021 and contains statements on:

• Investment responsibilities, setting out the key responsibilities of the Teesside Pension Fund Committee, key officers of the Fund, the Fund's Custodian and the Independent Investment Advisors.

• The investment strategy and the type of investments held, e.g. equities, bonds, property etc.

• The maximum and minimum amount allowable in each asset class and any discretion by the administering authority to increase the limits on various types of investment.

• Risk, including the ways in which risks are to be measured and managed.

• The existing investment management arrangements, including details of the Fund's commitment to investment pooling through its jointly owned pooling company Border to Coast.

• The Fund's position as a responsible investor and its promotion of ethical, social and corporate governance best practice.

• The exercise of the rights (including voting rights) attaching to investments, and the Fund's statement of commitment to the Stewardship Code.

• The Fund's commitment to measure and report investment performance.

• The level of compliance with the Myners Principles.

The statement is maintained and published by Middlesbrough Council, copies of which are available on application, or it can be seen at the Fund's website:

http://www.teespen.org.uk/documents/index.php?name=ISS

The Funding Strategy Statement

The Local Government Pension Scheme (Amendment) Regulations 2013, require each Administering Authority to produce a Funding Strategy Statement, setting out a long term view on funding liabilities. The main areas covered by the statement are:

• The purpose of the statement:

- Establishes a clear and transparent strategy which identifies how employers' pension liabilities are best met going forward;
- Supports the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- Take a prudent longer term view of funding liabilities.

• The purpose of the Fund, i.e. receive contributions and make pensioner payments.

• The solvency and target funding levels of the Fund, i.e. 100% of the liabilities of the Fund can be met over the long term.

• The identification of key risks to the Fund, and the control mechanisms in place to mitigate these risks.

• Links to the Fund's investment strategy.

• The key responsibilities of the administering authority, scheme employers and the Fund's Actuary are also set out.

The latest Funding Strategy Statement can be seen at

http://www.teespen.org.uk/documents/index.php?name=FSS

Governance Policy

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a Governance Policy which sets out the procedures for the governance of the Fund. In summary, the policy sets out that the administering authority delegates its functions under the above Regulations to the XPS group as administrator and the Pension Fund Committee to act in a similar manner to a Board of Trustees

The Policy also sets out the:

• Terms of reference of the Pension Fund Committee;

• Structure of meetings;

• Membership; and

• Principles of governance.

The latest policy document can be viewed at:

https://www.teespen.org.uk/about-us/pensions-panel/

Communications Policy

Under the Local Government Pension Scheme Regulations 2013 Middlesbrough Council, the Administering Authority to the Teesside Pension Fund, is required to draw up a statement(s) of policy concerning communications with members and Scheme employers.

The Teesside Pension Fund actively communicates with all of its stakeholders, including the members, the employers and other external organisations. For example we have been providing every active member of the scheme with a statement of accrued benefits since 2001, well before it became compulsory to do so. The statement of accrued benefits also includes the member's State Pension Forecast to aid in their financial planning.

We also provide newsletters twice a year to all of our active and pensioner members, this allows us to inform participants of any scheme changes which may be made.

A Communications Policy Statement has been drawn up in order to ensure that the Fund offers clear communication to stakeholders of the Local Government Pension Scheme. The latest policy statement can be seen at:

https://www.teespen.org.uk/about-us/communications-policy/

Summary of LGPS benefits and comparison to previous versions of the scheme

	LGPS 2014	LGPS 2008	LGPS pre-2008
Basis of pension	Career Average Revalued Earnings (CARE)	Final salary	
Accrual rate	1/49th	1/60th	1/80th pension with separate 3/80th lump sum
Revaluation rate (active members)	Consumer Price Index (CPI)	Based on final salary	
Pensionable pay	Pay including non-contractual overtime and additional hours for part time staff	Pay excluding non-contractual overtime and non-pensionable additional hours	
Scheme member contributions	9 bands between 5.5% and 12.5%: rate paid is based on actual pensionable pay	7 bands between 5.5% and 7.5%: rate paid based on whole-time equivalent pensionable pay	6% of pensionable pay 5% pensionable pay for some former manual workers
Contribution flexibility	Members can pay 50% for 50% of the benefits	None	
Normal pension age	Individual member's state pension age (min 65)	65	65 but benefits can be paid without reductions from age 60 with enough service (25 years)
Lump sum option	Yes, £12 for each £1 of pension		
Death benefits	Yes, lump sum of 3 x pensionable pay and survivor pension based on 1/160th accrual		
Indexation of pension in payment	Consumer Prices Index (CP)I	CPI (Retail Prices Index (RPI) for pre 2011 increases)	RPI
Qualifying period for benefits	2 years	3 months	3 months (2 years before 2004)

Pension increases

Public service pensions are increased under the provisions of the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975. With effect from April 2011 increases are based on the Consumer Price Index for September each year and are paid the following year from the first Monday in the new financial year.

Pensions awarded after the date of the last increase receive an apportioned increase related to the date the pension began. Those Pensions payable under age 55 on ill health grounds may have increases applied subject to meeting certain additional criteria. Other pensions are subject to the increase (including backdating) from the member's 55th birthday.

The following table shows the rate of pension increases that have applied during the last 10 years.

From April	Increase %
2014	2.7%
2015	1.2%
2016	0.0%
2017	1.0%
2018	3.0%
2019	2.4%
2020	1.7%
2021	0.5%
2022	3.1%
2023	10.1%

Contacts and further information

Contacts	
Pensions Unit *For General and Benefit Entitlement enquiries*	XPS Pensions Unit Teesside Pension Fund PO Box 340 Middlesbrough TS1 2XP Telephone: (01642) 030696 E Mail: pensionsunit@xpsgroup.com
Pensions Manager	Graeme Hall Telephone: (01642) 030643 E Mail: graeme.hall@xpsgroup.com
Head of Pensions Governance and Investments	Nick Orton Telephone: (01642) 729040 E Mail: Nick_Orton@middlesbrough.gov.uk
Teesside Pension Fund Website	www.teespen.org.uk
Employers Website	www.employers.teespen.org.uk
Border to Coast Website	www.bordertocoast.org.uk
Further Information	
For more information on this report please contact:	Claire Wilson Senior Accounting Officer – Central Services & Pensions Telephone: (01642) 728587 E Mail: Claire_Wilson@Middlesbrough.gov.uk
Further copies of this report can be obtained from:	XPS Pensions Unit Teesside Pension Fund PO Box 340 Middlesbrough TS1 2XP Telephone: (01642) 030693 E Mail: pensionsunit@xpsgroup.com
A copy of this report, and those for previous years, is available on our web site at www.teespen.org.uk	

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 13

PENSION FUND COMMITTEE REPORT

27 SEPTEMBER 2023

INTERIM DIRECTOR OF FINANCE – DEBBIE MIDDLETON

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.

CONTACT OFFICER: Graeme Hall (Head of Public Sector Relations, XPS Administration)

TEL. NO.: (01642) 030643

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XPS Administration

Teesside Pension Fund

Performance Delivery Report

2023-2024

Contents

01 **Overview**

Regulations and Guidance

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 as 10.1%. This increase is applied to pensions in payment, Career Average Pensions accrued to 31/03/2023 (see below) and Deferred pensions.

Employee contribution bandings increased alongside inflation and came into effect from 01/04/2023. In addition, the additional pension limit was also increased by 3.1%.

Annual revaluation date change

On 9 March 2023, the Department for Levelling Up, Housing and Communities (DLUHC) laid the LGPS (Amendment) Regulations 2023 ('the regulations'). The regulations move the annual revaluation date from 1 April to 6 April. The regulations were effective from 31 March 2023. The regulations remove the impact of inflation on the annual allowance calculation. They do so by changing the annual revaluation date from 1 to 6 April 2023, and thereafter on each 6 April, for all members.

Spring Budget

On 15 March 2023, the Chancellor of the Exchequer announced in the 2023 Spring Budget that, from 6 April 2023, the standard lifetime allowance will remain at £1,073,100 but nobody will face a lifetime allowance charge for 2023/24 onwards. From April 2024, the lifetime allowance will be abolished entirely. The tax free lump sum in respect of LGPS benefits will be capped at £268,275.00 with the residual being taxed at the marginal rate of tax applicable.

The annual allowance was increased from £40,000.00 to £60,000.00 with the MPAA increasing from £4,000 to £10,000. The tapered annual allowance adjusted income threshold was also increased

Government responds to McCloud consultation

On 6 April 2023, the Department for Levelling Up, Communities and Housing (DLUHC) published their response to the consultation on amendments to the underpin. The consultation proposed changes to the underpin to address the discrimination found in the McCloud judgment and to ensure that it works effectively and consistently for all qualifying members. The consultation ended on 8 October 2020.

On 30 May 2023, DLUHC published a consultation and draft regulations concerning the McCloud remedy. The consultation closes on 30 June 2023.

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.

Sharia compliance report commissioned

The SAB received legal advice suggesting it should instruct an expert in Islamic finance to provide evidence on a range of issues around sharia compliance in the L G P S. The SAB has commissioned expert advice from Amanah Associates and their report will be due around three months' time.

Changes to the SAB's cost management process

On 11 May 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published its response to the consultation on changes to the SAB's cost management process. Also on 11 May 2023, the Government laid the Local Government Pension Scheme (Amendment) (No.2) Regulations 2023 ('the regulations'). These came into force on the 1 June 2023. The changes better align the SAB's cost management process with H M Treasury's (H M T's) reformed cost control process. They give the SAB greater flexibility in the making of recommendations to the Secretary of State where there is a breach.

SCAPE discount rate and impact to actuarial factors -.

The superannuation contributions adjusted for past experience (SCAPE) discount rate reduced on 30 March 2023 to the consumer price index (CPI) plus 1.7 per cent. This is a change from CPI plus 2.4 per cent. This was announced in a written ministerial statement by the Chief Secretary to the Treasury. New factors have recently been released in respect of non-club transfers and divorce calculations.

On 16 May 2023, Cabinet office advised they plan to issue new Club factors and a revised memorandum. It is intended these will come into force on 1 October 2023. The new factors take account of the change to the superannuation contributions adjusted for past experience (SCAPE) discount rate made in March 2023.

Changes to the SAB's cost management process

On 11 May 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published its response to the consultation on changes to the SAB's cost management process. Also on 11 May 2023, the Government laid the Local Government Pension Scheme (Amendment) (No.2) Regulations 2023 ('the regulations'). These came into force on the 1 June 2023. The changes better align the SAB's cost management process with H M Treasury's (H M T's) reformed cost control process. They give the SAB greater flexibility in the making of recommendations to the Secretary of State where there is a breach.

Guarantee for academy trusts outsourcing arrangements

On 17 May 2023, the Department for Education (DfE) published their policy for guaranteeing the outsourcing arrangements of academy trusts. This applies to England only. Education and Skills Funding Agency (E S F A) approval is no longer required by academy trusts seeking pass-through arrangements with their administering authorities for outsourcing contracts for employees covered by the D f E Guarantee policy.

Economic Activity of Public Bodies (Overseas Matters) Bill

On 19 June 2023, the UK Government introduced into Parliament the Economic Activity of Public Bodies (Overseas Matters) Bill. The Bill aims to prevent public bodies from being influenced by political or moral disapproval of foreign states when taking certain economic decisions, subject to certain exceptions. The Bill will extend to LGPS investment decisions.

On 23 June 2023, the Scheme Advisory Board responded to the Bill and the second reading was held in the House of Commons on 3 July 2023.

The LGA has published a technical brief on the Bill. The technical brief includes a section on the Bill's effect on pensions and the LGA view of the Bill. The brief can be found at https://www.local.gov.uk/parliament/briefings-and-responses/economic-activity-public-bodies-overseas-matters-second-reading

Scheme Annual Report 2022

On 26 June 2023, the Scheme Advisory Board published its tenth Annual Report.

The report provides a single source of information about the status of the LGPS for its members, employers and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. The report combines information supplied in 86 fund annual reports, as at 31st March 2022. Key highlights for 2022 are:

- total membership of the LGPS increased slightly, growing by 161,871 (2.6 per cent) to 6.39 million members in 2022 from 6.23 million in 2021
- total assets of the LGPS increased to £369 billion (a change of 7.8 per cent), invested in
  - pooled investment vehicles – 67%
  - public equities – 12%
  - bonds – 3%
  - direct property – 3%
  - other asset classes – 15%
- local authority return on investment over 2021/22 was 8.1 per cent. This compares to UK CPI year on year inflation of 8.8 per cent (Sept to Sept)
- the Scheme maintained a positive cash-flow position overall, including investment income
- over 1.95 million pensioners were paid over the year
- life expectancy rebounded to pre-covid levels with an increase of 0.8 years for males and 0.6 years for females (2021 figures versus 2022)
- total management charges increased by £385 million (22.5 per cent) from £1,711 million. This was primarily driven by a £381 million (25.6 per cent) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

McCloud remedy consultation

On 28 June 2023, The Local Government Association published their draft response to DLUHC's consultation and draft regulations on the McCloud remedy. This can be found at https://lgpslibrary.org/assets/cons/lgpsew/20230530_LR.pdf

Report on pension scam regulations published

On 21 June 2023, DWP published a review of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. DWP agreed to publish the review within 18 months of the regulations being operational. The report can be found at https://www.gov.uk/government/publications/conditions-for-transfers-regulations-2021-review-report

Consultation on second set of rectification regulations

On 19 June 2023, The Local Government Association published their response to HMRC's consultation on The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023. The response can be found at https://lgpslibrary.org/assets/cons/nonscheme/20230522_McCloud_tax_No2_CR.pdf

Pensions Dashboards Amendment Regulations 2023

The Department for Work and Pensions (DWP) has laid the Pensions Dashboards (Amendment) Regulations 2023 [SI2023/858]. A revised staging timetable will be set out in guidance and all schemes in scope will need to connect by 31 October 2026. The staging timetable will indicate when schemes are scheduled to connect, based on their size and type

McCloud – unions granted right to appeal cost cap mechanism

The Court of Appeal has granted unions permission to appeal against the recent High Court judgment over the government's proposed method of meeting the cost of implementing the McCloud remedy in public sector schemes.

Economic Activity of Public Bodies (Overseas Matters) Bill

The Economic Activity of Public Bodies (Overseas Matters) Bill, also known as the Boycotts, Divestments and Sanctions Bill had its second reading in the House of Commons on 3 July 2023. The Bill seeks to ban LGPS administering authorities from making investment decisions influenced by political and moral disapproval of foreign state conduct, except where this is required by formal Government legal sanctions, embargoes and restrictions. During the debate, significant concerns were raised about the Bill. These centred around its rationale, practicability and whether it constituted a significant over-reach of Ministerial authority. You can read more about the debate on the UK Parliament website. The LGA has published a technical brief on the Bill. The technical brief includes a section on the Bill's effect on pensions and the LGA view of the Bill.

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Gender pensions gap report

The LGPS Gender Pensions Gap report produced in January 2023 identified a substantial difference between the average level of pension benefits built up by male and female scheme members. The difference is 34.7 percent for benefits in the CARE scheme and 46.4 percent for benefits in the final salary scheme. For benefits in payment, the difference is even greater at 49 percent. While this indicates some progress towards equality, the Board asked the Government Actuary's Department (GAD) to explore these gender gaps in more depth.

DLUHC consultation on investment reforms

On 11 July 2023, the Department for Levelling Up, Housing and Communities (DLUHC) launched a consultation on LGPS investment reforms. The consultation was announced by the Chancellor in his Mansion House Speech. The consultation seeks views on proposals in five areas:

- Pooling: a deadline of 31 March 2025 for funds to transition all listed assets to their pool and a move to fewer, larger pools, each with assets in excess of £50 billion, to maximise benefits of scale
- Levelling up: requiring that funds have a plan to invest up to 5 percent of assets to support levelling up in the UK
- Private equity: an ambition to increase investment into high growth companies via unlisted equity
- Investment consultants: regulations to implement the requirements set out in an order made by the Competition and Markets Authority in respect of the LGPS
- Definition of investments: a technical change to the definition in the LGPS Investment Regulations 2016.

Finance (No.2) Act receives Royal Assent

The Finance (No.2) Act 2023 received Royal Assent on 11 July 2023. The Act delivers the tax changes announced in the Spring Budget, including:

- no lifetime allowance tax charges for the 2023/24 year or any future year
- certain lump sums to be taxed at the marginal rate
- changes to lifetime allowance protections
- increase in the annual allowance to £60,000
- changes to the tapered annual allowance and money purchase annual allowance.

Abolishing the lifetime allowance – consultation

On 18 July 2023, HM Revenue and Customs (HMRC) launched a consultation on abolishing the pensions lifetime allowance. The consultation includes draft legislation that aims to:

- abolish the lifetime allowance from pension legislation from 6 April 2024
- limit the amount of tax-free cash an individual can receive to a maximum of £268,275, unless they hold valid lifetime allowance or lump sum protection
- limit the total amount of lump sums an individual can receive before marginal rate taxation applies to £1,073,100 unless they hold a valid lifetime allowance protection, and.
- clarify how lump sums and lump sum death benefits will be taxed in the absence of the LTA.

02 Membership Movement

	Actives		Deferred		Pensioner		Widow/Dependent	
Q1 2023/24	27,074	▲	27,542	▲	23,834	▲	3,392	▲
Q4 2022/23	26,194	▲	27,284	▲	23,581	▲	3,344	▲
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	▲

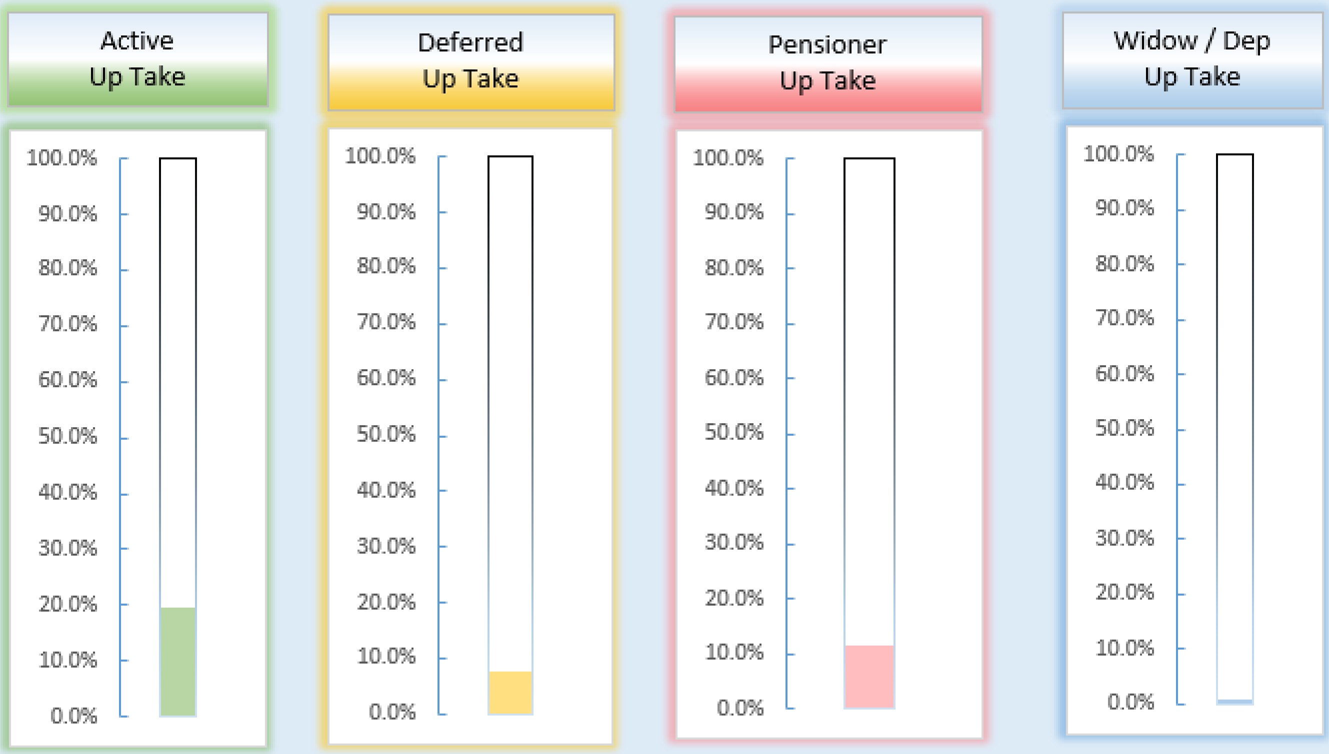
03 Member Self Service

Below is an overview on the activity and registration of the Member Self Service System:

XPS Administration

Member Self Service
User Statistics For:
Teesside Pension Fund

Quarter 1	REGISTERED	ACCOUNT DISABLED	ACTIVATION LINK SENT	NOT REGISTERED	TOTAL	Percentage Uptake
Actives	4,177	57	698	21,711	**21,711**	**19.5%**
Deferred	1,602	17	284	21,536	**21,536**	**7.5%**
Pensioner	2,379	59	259	21,139	**21,139**	**11.5%**
Widow/Dep	26	0	4	3,333	**3,333**	**0.8%**
Total	**8,184**	**133**	**1,245**	**67,719**	**67,719**	**12.3%**



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 2026, so in advance of this, the scheme data must be tested and where necessary, brought up to the requisite standards required

05 **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

A 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
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
Jan-23	3	140	2.00%	0	3
Feb-23	5	140	4.00%	1	4
Mar-23	4	140	3.00%	0	4
Apr-23	10	140	7.00%	6	4
May-23	4	140	3.00%	1	3
Jun-23	7	142	5.00%	5	2

06 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	100.00%
May	346	346	0	100.00%
June	434	434	0	100.00%
Quarter 1	**1,172**	**1,172**	**0**	**100.00%**
July	458	458	0	100.00%
August	590	590	0	100.00%
September	426	426	0	100.00%
Quarter 2	**1,474**	**1,474**	**0**	**100.00%**
October	728	728	0	100.00%
November	701	698	3	99.57%
December	475	475	0	100.00%
Quarter 3	**1,904**	**1,901**	**3**	**99.84%**
January	480	480	0	100.00%
February	715	715	0	100.00%
March	542	541	1	99.82%
Quarter 4	**1,737**	**1,736**	**1**	**99.94%**
Year - Total	**6,287**	**6,283**	**4**	**99.94%**

2023/24

Teesside Pension Fund	Cases completed	Cases completed within target	Cases completed outside target	Cases: % within target
LG Team – Admin Manager Mathew Spurrell				
April	416	416	0	100.00%
May	417	417	0	100.00%
June	450	450	0	100.00%
Quarter 1	**1,283**	**1,283**	**0**	**100.00%**
July	382	382	0	100.00%
August				
September				
Quarter 2	**382**	**382**	**0**	**100.00%**

07 **Completed Cases by Month**

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%	6.34	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%	4.88	26	0	26	26	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	4.90	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			

March 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%	4.57	138	0	138	138	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7.06	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%	4.68	37	0	37	37	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	99.7%	4.88	335	1	335	334	
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			

April 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%	4.60	92	0	92	92	
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	24	0	24	24	
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	20	0	20	20	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	280	0	280	280	
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			
Council.	Monthly		100%	100%	N/A	N/A	N/A			
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

May 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%	4.74	95	0	95	95	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	6	21	0	21	21	
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	4	28	0	28	28	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	273	0	273	273	
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A			
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A			
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A			
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

June 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%	4.82	108	0	108	108	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	8	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%	4	28	0	28	28	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	281	0	281	281	
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	100%	N/A	N/A	N/A			
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A			
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A			
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

July 2023

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANC E LEVEL (A	Average Case Time (day	Number of Cases	Over targ	TOTAL (case	Within Targ	Comments
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100%	4.73	67	0	67	67	
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	25	0	25	25	
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	16	0	16	16	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.00%	5	274	0	274	274	
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			

08 **Annual Benefit Statements**

During the last quarter an annual event occurred with the production and issuance of Annual Benefit Statements to Active and deferred members.

Annual Benefit Statement - Statistics	**Year:**	**2023**
Teesside Pension Fund	**Scheme**	**LGPS**

Total Active membership at 31/03/2023	**27,046**	**100.00%**
Due ABS	25,489	94.24%
Not Due ABS	1,557	5.76%
Due - Produced	22,665	88.92%
Due - Not Produced	2,824	11.08%
Due - Totals	**25,489**	**100.00%**

Not Produced - Detail	**Number**	**% of Not Produced**
Missing Care pay	2,657	94.09%
Status change post ABS Run	48	1.70%
Exclude benefit calculation indicator set	1	0.04%
Other	118	0.52%
Total	**2,824**	**100.00%**

Not Due ABS - Detail	**Number**	**% of Not Due**
Status change pre ABS RUN (1st September)	1,557	100.00%

XPS are reviewing those cases that did not receive an ABS and rectify, where possible, any data issues.

Deferred Benefit Statements are also sent to members and these were produced in early August 2023. Initial analysis suggests that 100% of members entitled to a deferred benefit statement received one.

Pension Saving Statements

As part of the year end process, those members who either breach, or are close to breaching, the Annual Allowance limits (i.e. the maximum amount of pension growth in a financial year before tax may be applicable) are due a Pension Saving Statement informing them on the relevant figures.

Not everyone who breaches will owe tax, previous years unused allowance can be used to offset a tax charge but will still be entitled to a statement.

XPS is in the process of producing the statements for members of the Teesside Pension Fund and will issue them by the 6th October deadline.

09 Complaints

Full Name	Description	Date received	Date completed	Comment

Graeme Hall
Operations Manager
01642 030643

Registration

XPS Pensions Consulting Limited, Registered No. 2459442.

XPS Investment Limited, Registered No. 6242672.

XPS Pensions Limited, Registered No. 3842603.

XPS Administration Limited, Registered No. 9428346.

XPS Pensions (RL) Limited, Registered No. 5817049.

XPS Pensions (Trigon) Limited, Registered No. 12085392.

Penfida Limited, Registered No. 08020393

All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

Authorisation

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).

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