Legal and Governance

TEESSIDE PENSION FUND COMMITTEE

Date: Wednesday 13th March, 2024
Time: 11.00 am
Venue: Mandela Room

AGENDA

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Tuesday 5 March 2024

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, M Fairley, 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 13 December 2023.

PRESENT: Councillors J Rostron, (Chair), D Branson, D Coupe, T Furness, S Hill, J Kabuye, T Livingstone, M Fairley, (Redcar and Cleveland Council)
Ms J Flaws and Mr T Watson

ALSO IN ATTENDANCE: W Bourne (Independent Adviser), P Moon (Independent Adviser),
P Mudd (XPS Administration),
S Law (Hymans Robertson), J Baillie (Hymans Robertson),
W Baxter (CBRE), A Owen (CBRE), G Rutter (CBRE),
M Kerr (Border to Coast)
R Tebbs (Ernst Young)

OFFICERS: S Lightwing and N Orton

APOLOGIES FOR ABSENCE: were submitted on behalf of Councillors J Ewan, D McCabe and J Beall (Stockton On Tees Council)

23/34 **WELCOME AND EVACUATION PROCEDURE**

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

23/35 **DECLARATIONS OF INTEREST**

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

23/36 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 27 SEPTEMBER 2023**

The minutes of the meeting of the Teesside Pension Fund Committee held on 27 September 2023 were taken as read and approved as a correct record.

A request was made for figures in reports to be expressed consistently ie either in millions or billions.

23/37 **SUSPENSION OF COUNCIL PROCEDURE RULE 4.13.2 - ORDER OF BUSINESS**

In accordance with Council Procedure Rule No. 4.57, the Committee agreed to vary the order of business to deal with the agenda items in the following order: Agenda Item 14, Agenda Item 15, Agenda Items 5-13.

23/38 **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.

23/39 **PROPERTY MANAGEMENT**

A report of the Interim Director of Finance was presented in relation to Property Management.

On a vote being taken, it was **ORDERED** that the transfer of the Fund’s directly held property portfolio was not approved.

23/40 **EXCLUSION OF PRESS AND PUBLIC**

ORDERED that the motion to exclude Press and Public was lifted for the remainder of the meeting.

23/41 **INVESTMENT ACTIVITY REPORT**

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

The Fund continued to favour growth assets over protection assets. For the period under discussion, bonds were still not considered value for the Fund and the Fund had no investments in Bonds at this time.

The cash level at the end of September 2023 was 3.74%.

Investment in direct property where the property had a good covenant, yield and lease terms would continue. The Fund had purchased one property in the quarter for £50.25m – an industrial unit let to BAE Systems Limited.

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. An amount of £53m was invested in the quarter.

It was a requirement that all transactions undertaken were reported to the Committee. Appendix A to the submitted report detailed transactions for the period 1 July – 30 September 2023.

There were net purchases of £15m in the period, compared to net purchases of £174m in the previous reporting period.

As at 30 June 2023, the Fund had £189 million invested with approved counterparties. This was a decrease of £29 million over the last quarter. The graph at 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 Fund Valuation detailed all the investments of the Fund as at 30 September 2023, and was prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, was £5,100 million. The detailed valuation was attached at Appendix C to the submitted report and was also available on the Fund's website www.teespen.org.uk. This compared with the last reported valuation, as at 30 June 2023 of £5.051 billion.

A summary analysis of the valuation showed the Fund's percentage weightings in the various asset classes as at 30 September 2023 compared with the Fund's customised benchmark.

As at the 30 September 2023 the Fund's equity weighting was 59.95% compared to 62.27% at the end of June 2023. Redemptions of £100m in total were made from the Border to Coast UK and Overseas Developed Market Equity Funds.

A summary of equity returns for the quarter 1 July 2023-30 September 2023 were shown at paragraph 8.4 of the submitted report.

The Fund had no investments in bonds at this time. Officers were monitoring the situation and further discussion with the advisers would take place when the levels at which investment was felt to be appropriate came into range. Current thinking was that an investment via the Border to Coast Sterling Index Linked Bond Fund would be the most appropriate vehicle.

As at 30 November 2023 total commitments to private equity, infrastructure, other alternatives and other debt were £1.927 billion and details were provided at paragraph 8.8 of the submitted report.

Responding to a query, 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.

23/42 **EXTERNAL MANAGERS' 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 30 September 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 34% 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 30 September 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 Fun's returns were 0.13% below benchmark over the last year, or 1.13% under its overachievement target, whereas the Overseas Developed Markets Equity Fund had achieved returns of 2.39% above benchmark over the last year, comfortably above its 1% overachievement target. Since inception, the UK fund had delivered performance of 0.83% a year above benchmark, slightly below its long-term target, and the overseas fund had delivered performance of 1.49% above benchmark, above its long-term target. The performance of the Emerging Markets Equity Fund had been below benchmark throughout much of the period of the Teesside Pension Fund's investment – including over the quarter and year to 30 September 2023. Since inception the Fund was 1.50% a year behind benchmark, so 3.0% a year behind target.

State Street had a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report (attached at Appendix B to the submitted report) showed the market value of the State Street passive equity portfolio and the proportions invested in each region as at 30 September 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. As the State Street investments are passive and closely track the appropriate regional equity indices, the portfolio's rating in these terms closely matched the benchmark indices ratings.

The Head of Pensions Governance and Investments commented on the reason why State Street outperformed, explaining that it was due to tax rebates. The State Street benchmark assumed that no tax was successfully reclaimed but when it was, this came through as overperformance.

State Street had recently advised that it would be making further changes to its passive equity indices and would be excluding additional sectors. The Fund had been notified that from 18 December 2023 the benchmarks of the State Street Sub-Funds the Fund invested in would apply screens to exclude certain securities related to Tobacco and Thermal Coal. Excluded companies would 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 represented 10% or more of revenues. This was in addition to the current screening for UN

Global Compact Violations and Controversial Weapons which came into effect on 18 November 2020. Initial indications were that across the four State Street Sub-Funds these changes would cover around 0.36% of the current assets (tobacco) and 0.88% of the current assets (thermal coal) that the Fund invested via State Street.

It was highlighted that there was currently a Bill going through Parliament which would prevent Pension Funds from divesting from companies on the grounds of ethical reasons where it contravened UK policy.

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.

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 in some circumstances could make it more expensive for those Partner Funds that were committing a greater proportion of their assets to pooling.

As reported at the September meeting, now that Border to Coast had reached a stage where the majority of the sub-funds originally envisaged had been created, it was appropriate to revisit the way costs were apportioned. Over the next few months Partner Funds (or their administering authorities) would be asked to agree to make some changes to their original agreements to allow cost apportionment from the coming year to be based primarily on an ‘assets under management’ basis. This would not change the costs that Border to Coast charges, it would just apportion them differently – in a way that more fairly represented how Partner Funds were invested.

ORDERED that the report was received and noted.

23/43 **BORDER TO COAST PRESENTATIONS - INVESTMENTS SUMMARY AND ALTERNATIVES UPDATE**

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

The presentation provided information on the following:

- Investments with Border to Coast
- Listed investments as at 30 September 2023.
- Commitment to Border to Coast’s Private Market Strategies.

- Market Overview – Quarter 3 2023
- Equity Headwinds Building – global equity performance had been drive by the AI theme as valuations had expanded, especially in the US.
- Central Bank Rates Close to Peak – Duration increasingly attractive as central bank rates were close to peak; central bank focus could shift from inflation to growth.
- Selective Credit Opportunities Offer High Quality Carry – Higher quality assets within credit (ie EMD Sovereigns and Investment Grade Credit) offered good yields with the potential tailwind of duration.

- Infrastructure Summary.

- Climate Opportunities Summary.

- Private Markets: New Commitments for Quarter 3 2023.

- Border to Coast Update

- The Future of Pooling - following the Government’s published response to the pooling consultation, together with Partner Funds Border to Coast would work constructively with the

Government on the formal Guidance that would give consistency and clarity for the LGPS family.

- Private Markets Update – Border to Coast recently provided a public update on £1.7bn of private market investments made over 2022/23. This scale had enabled significant cost reductions (c. 26% reduction in headline fees), delivering capital into the energy transition and decarbonisation, the digital revolution, and growth opportunities in emerging markets (for example).

- Using Our Collective Voice - The 2023 proxy voting season was the first since Border to Coast updated voting policies in early 2023, strengthening the approach to the oil and gas and banking sectors, as part of engagement escalation, to support global net zero ambitions.

- New Board Member - the Board had been further strengthened with the arrival of Richard Hawkins, as a new non-executive director, who brought in-depth technology and cyber security experience as well as significant experience operating at senior levels within financial services.

• Teesside – Alternatives Update.
- Series 1.
- Series 2.
- UK Opportunities.

ORDERED that the information provided was received and noted.

23/44 **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.

William Bond commented that bond yields were likely to go higher due to US debt. The Fund might need to de-risk and put more money into bonds but not yet. William also stated that equities would do okay over the next twelve months.

Peter Moon commented that there had been a golden period of cost reductions and the economy was now back to average interest rates and price reductions and that inflation would remain high. Bond yields in the US were higher or about the same level. Peter highlighted that lower risk meant lower return and the Fund needed a higher return than most because contributions were lower.

ORDERED that the information provided was received and noted.

23/45 **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.

It was anticipated that interest rates would remain high but that inflation was moving in the right direction. Although property values had been volatile, income return had been consistent and predictable. There was rental growth in some sectors at the moment and some uncertainty in listed markets. Transaction volume levels for 2023 were £40 billing which was the same as in 2020, due to pricing uncertainty and debt. Banks were unwilling to lend on property and there were more sellers than buyers at the moment. Despite this, there had not been much distress selling in the market over the year. Open-ended property funds were under pressure due to defined benefit pension funds looking to sell their assets and de-risk. A number of properties would be coming up for refinancing this year and there should be some attractive opportunities for the Fund. There was limited appetite for the retail and office sectors but industrials and alternatives would remain strong. The future was uncertain but CBRE was confident that property would provide good returns for the Fund.

The Fund had completed the purchase of an Industrial unit located in Washington, Tyne &

Wear, let to BAE Systems Ltd for £50.25 million. The property totalled 346,465 sq ft and was let for an average unexpired term of 12.25 years. This was now the largest asset in the Fund's Direct Property Portfolio.

In Q2 2021 the Fund forward funded the development of a 210,000 sq ft industrial unit in Yeovil. The development of the property was now complete and had been added to the Direct Portfolio. The unit was occupied by Leonardo UK Ltd, for a term of 35 years at a rent of £1.6m p.a., subject to annual reviews at 2.7%.

Details of the top ten holdings by capital value were included in the submitted report and it was noted that the allocation of the Fund's assets in the North East was approximately 28%, which was the largest geographical allocation.

In terms of asset management, the Fund had completed a lease renewal with Currys Group for a term of 10-years at a rent of £312,500 per annum. The tenant would benefit from 21 months rent free from the lease commencement date.

The Fund had completed a strategic review of asset Energy Performance Certificates (EPCs) across its Portfolio. All assets within the Portfolio now had an EPC rating that complied with current, and incoming regulations in 2025.

With regard to portfolio arrears the collection statistics were consistently high. Since the report was issued arrears had reduced by a further £20K and CBRE continued to work with clients to bring accounts up to date.

It was noted that CBRE currently relied on Experian reports to categorise risk but was looking at a new reference system that took a more holistic view of governance, looking at broker reports and trading styles and taking a wider view.

ORDERED that the information provided was received and noted.

23/46 LGPS 'NEXT STEPS ON INVESTMENT' CONSULTATION OUTCOME

A report of the Interim Director of Finance was presented to provide the Members of the Pension Fund Committee with details of the Government's recently published response to a consultation exercise: "Local Government Pension Scheme (England and Wales): Next steps on investments" which indicated the Government's proposed direction of travel in relation to investment pooling on the Local Government Pension Scheme (LGPS).

On 22 November 2023 the Government issued its response to the consultation. The final consultation outcome (attached at Appendix A to the submitted report), confirmed that the Government would produce guidance and/or regulations to enact most of the changes proposed in the consultation document. The Government would progress its reform of the LGPS to accelerate and expand pooling, and to increase investment in levelling up and in private equity.

The consultation response set out a number of expectations for LGPS Funds and Pools. The main outcomes were summarised in paragraph 9 of the document as follows:

"After having considered the responses, the government will now implement the proposals that we set out in the consultation to accelerate and expand pooling, and increase investment in levelling up and in private equity. We will:

- set out in revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their Investment Strategy Statements (ISS) assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled.
- revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation.
- implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy.
- revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark.

- make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling.
- 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.
- revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity."

The Government also confirmed that pools should seek scale and should reduce in number in the medium to long term from the current 8 to probably around 4 or 5. This number of pools is implied in the document, through reference to a Government Actuary's Department (GAD) projection that the LGPS in England and Wales could have assets of around £950 billion, at which point the expected pool size would be around £200 billion. The Government wishes to see greater collaboration between pools in the meantime.

Through Border to Coast, the Fund had already made significant progress towards asset pooling and so to compliance with the requirements set out in the consultation outcome. As at 30 September 2023 55.7% of the Fund's assets were invested through Border to Coast. The approximate split of the remaining 44.3% was detailed at paragraph 6.1 of the submitted report.

The Fund would continue to work with Border to Coast and its Partner Funds to consider whether and how the unpooled assets could be transferred to pool management when it was cost effective, and in the Fund's best interests, to do so.

On the 10% private equity target, as at 30 September 2023 the Fund had already broadly met this, with an allocation of around 10% and an expectation that this allocation would grow in the short to medium term as more commitments already made to private equity managers were drawn.

On the 5% 'levelling up' target – the Fund currently invested around 1% of its assets in local investments which would fit the definition of UK 'levelling up' investments. Border to Coast was currently working with its Partner Funds to develop a private markets UK Opportunities sub-fund. Should the Fund choose to make a commitment to that sub-fund, any investment would be likely to meet the 'levelling up' definition.

On governance, the consultation response set out proposals to ensure pensions committee members were appropriately trained in order to carry out their role, and that this was reported on and monitored. Paragraph 56 stated:

"We will revise guidance on annual reports and on governance to require all funds to publish formal training policies for pension committee members, to report on training undertaken, and to align expectations for pension committee members with those for local pension board members. Given the role and responsibilities of committees, including setting the investment and funding strategies for funds, it is essential that members of committees should have the appropriate training, knowledge and skills to undertake their role."

The Committee would be kept up to date with future developments as and when the expected guidance was produced. In the meantime, the Fund would continue to work with Border to Coast and its other Partner Funds to ensure it could respond appropriately to Government directions whilst continuing to prioritise the fiduciary duty to stakeholders and beneficiaries.

ORDERED that the information provided was received and noted.

23/47 **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 update - The Department for Levelling Up, Housing and Communities (DLUHC) announced the outcome of the consultation on supplementary McCloud issues and draft regulations on 8 September 2023. It also laid The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023, which took effect from 1 October 2023. The regulations implemented the McCloud remedy and amended the underpin rules to make sure they worked correctly. XPS were now in the process of checking all pensions paid from 2014 to 2022 to identify anyone who had been discriminated against.

On 18 October 2023, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2023 as 6.7 per cent. All benefits would increase from April next year.

The introduction of the Pensions Dashboard had been delayed and all data would now have to be viewable to scheme members by October 2026. XPS were checking all the available data to ensure that this deadline was met.

The Committee's attention was drawn to performance where unusually there had been a slight dip in August, September and October. Four cases had been completed outside target in September and one each in August and September.

ORDERED that the information provided was received and noted.

23/48 **BORDER TO COAST RESPONSIBLE INVESTMENT POLICY, CORPORATE GOVERNANCE & VOTING GUIDELINES AND CLIMATE CHANGE POLICY**

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

This year's RI Policy review reflected suggested improvements from Robeco and work undertaken during the year; including on Border to Coast's Net Zero commitment.

Amendments had been made to all the sections for integrating RI into investment decisions. This was due to continuing to develop and embed ESG into investment decision making, the impact Border to Coast's Net Zero commitment and progress made on Real Estate ahead of launch.

The wording on human rights had been expanded to include how Border to Coast would engage.

An area continuing to gain focus from an investment perspective was biodiversity. Border to Coast was currently engaging on biodiversity issues through its support of the Investor Policy Dialogue on Deforestation Initiative (IPDD), through Robeco and as part of a Waste and Water theme and its engagement on climate change. Therefore, a high-level overview had been inserted into the RI Policy which covered Border to Coast's approach to engagement.

As part of the annual review the approach to exclusions had been revisited. When considering any exclusions, Border to Coast considered the associated material financial risk of a company's business operations and whether they had concerns about its long term viability. This included considering key financial risks and the likelihood of success through engagement in influencing company strategy and behaviour. Border to Coast also assessed the impact on the investible universe and the benchmarks its portfolios were measured against.

To support Border to Coast's Net Zero and to send a clear signal on intentions, the recommendation was to reduce the exclusion thresholds to 25% for thermal coal and oil sand production (aligned with illiquid assets).

An exclusion related to thermal coal power generation had been introduced with a revenue threshold of 50% for developed markets. A higher threshold of 70% had been introduced for emerging markets to reflect support of a just transition and recognition that countries had differing transition timelines and dependencies on coal and the potential impact on energy availability and economic development.

The exclusion for controversial weapons had been broadened to cover landmines, biological and chemical weapons. This covered international treaties and conventions relating to controversial weapons that the UK had either ratified or is a state party to.

The exclusions in place took into account material financial factors and were limited to areas where it was important to give explicit indications to the investment decision makers.

The changes to the exclusions approach were not expected to lead to any significant changes to Border to Coast's existing investment portfolios as these risks were already reflected in the investment decision making process. Partner Funds would be able to assess this through performance versus respective benchmarks for the investment funds. This was an area Border to Coast would continue to engage with Partner Funds as to how it developed over time.

The proposed amendments to the RI policy and Border to Coast's rationale for these changes were listed in a table at paragraph 5.11 of the submitted report.

The Voting Guidelines had been reviewed by Robeco considering best practice. Asset owner and asset manager voting policies and the Investment Association Shareholder Priorities for 2023 were also used in the review process. There were several minor amendments and proposed additions covering diversity and climate change.

Border to Coast's voting stance in relation to diversity representation at board level, for both gender and ethnicity, had been strengthened this year. This was to reflect the Financial Conduct Authority's listing rules and also expectations of FTSE 250 companies to be meeting the Parker Review recommendations.

Border to Coast had further strengthened its approach to climate-related voting and would now include a fifth Climate Action 100+ (CA100+) Net Zero Benchmark indicator covering a company's decarbonisation strategy. They were also adding the Urgewald Global Coal Exit List to the industry benchmarks (A100+, Transition Pathway Initiative) used to assess whether companies were making sufficient progress.

Proposed amendments to the Corporate Governance & Voting Guidelines were highlighted in the table at paragraph 6.4 of the submitted report.

The Climate Change Policy had been reviewed by Robeco and against asset managers and asset owners to determine developments across the industry. The climate change approaches of the other seven LGPS pools had also been reviewed.

The main changes reflected the work undertaken to support Border to Coast's Net Zero commitment and were as follows:

Additional wording had been added about why climate change was important to Border to Coast as an investor. This included reference to the role Border to Coast needed to play through engagement and the investment opportunities for investors and how this would support Partner Funds.

Reference to Border to Coast's Net Zero targets had been included in the 'Our ambition – Net Zero section' with detail on the specific targets for carbon reduction alignment and engagement. This had been moved from a later section of the policy.

A paragraph had been included on how Border to Coast has considered the different climate scenarios available, those which they will be using and the limitations and associated risks of climate modelling.

Border to Coast's approach to exclusions had been updated in line with the RI Policy with the lower revenue thresholds for public market companies for thermal coal and oils sands production (now aligned with illiquid assets) and the introduction of an exclusion for thermal coal power generation.

Additional wording had been added on the importance of engagement in meeting Border to Coast's Net Zero goal and the targets they had set. The focus actions for the next and subsequent years had been updated which included their voting approach to 'Say on Climate' resolutions and climate-related shareholder resolutions.

The amendments to the Climate Change Policy were highlighted in the table at paragraph 7.8 of the submitted report.

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

ORDERED as follows that:

1. the information was received and noted.
2. the revised Border to Coast documents that were included as Appendices A, B and C to the submitted report were approved.

23/49 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 5

PENSION FUND COMMITTEE REPORT

13 MARCH 2024

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 OCTOBER - DECEMBER 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 December 2023 was 4.27%</u>

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

There were no purchases or sales in the quarter.

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

An amount of £49m was invested in the quarter.

5. TRANSACTION REPORT

5.1 Unfortunately, owing to temporary resourcing issues and conflicting work pressures the team has not been able to provide the usual transaction report for quarter ending 31 December 2023 in time for this Committee meeting. The June 2024 Committee will be provided with a transaction report covering the six months to 31 March 2024.

6. TREASURY MANAGEMENT

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

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

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

6.4 As at 31 December 2023, the Fund had £221 million invested with approved counterparties. This is an increase of £32 million over the last quarter.

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

6.6 Delegated authority was given to the Director of Finance by the Teesside Pension Fund Committee to authorise/approve any changes made to the Treasury Management Principles (TMPs), with subsequent reporting to this committee.

7. FUND VALUATION

7.1 The Fund Valuation details all the investments of the Fund as at 31 December 2023, and is prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, is **£5,194 million.** The detailed valuation attached as Appendix B is also available on the Fund's website www.teespen.org.uk. This compares with the last reported valuation, as at 30 September 2023 of **£5,100 million**.

7.3 A summary analysis of the valuation (attached with the above), shows the Fund's percentage weightings in the various asset classes as at 31 December 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 31/12/24	Minimum	Maximum
GROWTH ASSETS	**75%**	**84.45%**	**55%**	**95%**
UK Equities	**10%**	**11.42%**	**40%**	**80%**
+Overseas Equities	**45%**	**49.41%**		
Property	**10%**	**10.55%**	**5%**	**15%**
Private Equity	**5%**	**9.57%**	**0%**	**10%**
Other Alternatives	**5%**	**3.50%**	**0%**	**10%**
PROTECTION ASSETS	**25%**	**15.07%**	**5%**	**45%**
Bonds / Other debt / Cash	**15%**	**6.03%**	**5%**	**45%**
Infrastructure	**10%**	**9.04%**		

(Local Investments account for the missing 0.5% in the "current" totals - there is no allocation within the SAA for these assets)

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

8.4 **EQUITIES**

As at the 31 December 2023 the Fund's equity weighting was 60.83% compared to 59.95% at the end of September 2023.

Redemptions of £75m in total, were made from the Border to Coast UK & Overseas Developed Market Equity Funds.

Summary of equity returns for the quarter 1 October 2023 – 31 December 2023:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	2.78%	3.23%	-0.45%
BCPP Overseas	7.29%	6.93%	0.35%
BCPP Emerging Market	1.92%	2.03%	-0.11%
SSGA Pacific	7.67%	7.44%	0.23%
SSGA Japan	3.32%	3.27%	0.05%
SSGA Europe	7.78%	7.85%	-0.07%
SSGA North America	7.48%	7.31%	0.17%

(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 4.27% 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.
A further payment of £4m was agreed at the September Committee and paid to GB Bank in October.

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.

FW Capital – At the September Committee agreement was given for an investment of £20m into the Teesside Flexible Investment Fund.
We are currently working with FW Capital to agree the Legal and subscription documentation.

8.8 **ALTERNATIVES**

As at 30 November 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	£176m
Other Infrastructure Managers	£317m	£252m
Border to Coast Private Equity	£400m	£132m
Other Private Equity Managers	£364m	£232m
Other Alternatives	£226m	£168m
Other Debt	£120m	£103m
Totals	**£1,927m**	**£1,063m**

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

TEL NO.: 01642 729040

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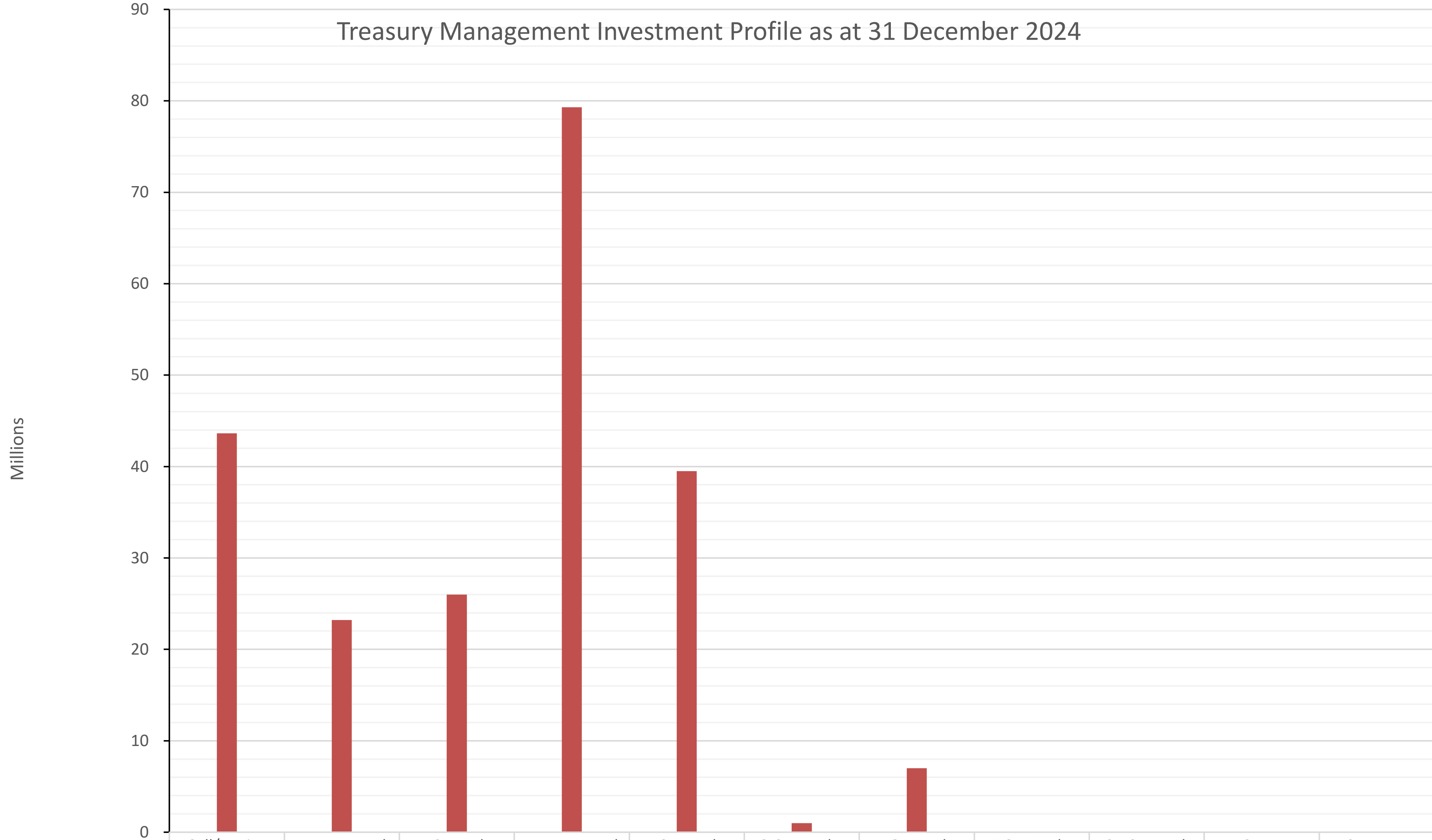
Appendix A



	Call/Notice	up to 1 Week	1-2 Weeks	up to 1 month	1-2 Months	2-3 Months	4-6 Months	7-9 Months	10-12 Months	1-2 Years	2+ Years
Average Rate	4.45%	5.41%	5.14%	5.47%	5.34%	5.60%	4.90%	0.00%	0.00%	0.00%	0.00%
Amount Invested	43,621,105	23,200,000	26,000,000	79,300,000	39,500,000	1,000,000	7,000,000	0	0	0	0
Proportion of Cash	19.86%	10.56%	11.84%	36.11%	17.99%	0.46%	3.19%	0.00%	0.00%	0.00%	0.00%

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Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Equities					
Common stock					
Australia					
Common Stock FINEXIA FINL GROUP NPV SEDOL : BMY4539	0.00 AUD	85.000	0.000	0.28000000	12.740
Common Stock YOUNG AUSTRALIAN MINES LTD SEDOL : 6741626	0.00 AUD	225,391.000	287,505.650	0.06900000	8,324.360
Total Australia	**0.00**	**225,476.000**	**287,505.650**		**8,337.100**
Europe Region					
Common Stock ACIF INFRASTRUCTURE FUND LP CUSIP : 9936FC996	0.00 EUR	24,742,525.310	21,983,319.350	0.76790870	16,464,032.370
Total Europe Region	**0.00**	**24,742,525.310**	**21,983,319.350**		**16,464,032.370**
Guernsey, Channel Islands					
Common Stock AMEDEO AIR FOUR PL ORD NPV SEDOL : BNDVLS5	0.00 GBP	4,666,665.000	3,907,776.010	0.42250000	1,971,665.960
Total Guernsey, Channel Islands	**0.00**	**4,666,665.000**	**3,907,776.010**		**1,971,665.960**
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**	**31,321,066.310**	**28,562,594.830**		**18,524,229.230**
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	1.10760000	16,614,000.000
Total Guernsey, Channel Islands	**0.00**	**15,000,000.000**	**15,000,000.000**		**16,614,000.000**
United Kingdom					
Funds - Common Stock BORDER TO COAST PE UK LISTED EQUITY A GBP ACC SEDOL : BDD86K3	0.00 GBP	462,866,232.590	480,721,221.630	1.28170000	593,255,650.310
Total United Kingdom	**0.00**	**462,866,232.590**	**480,721,221.630**		**593,255,650.310**

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**		**477,866,232.590**	**495,721,221.630**		**609,869,650.310**
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	1.31080000	18,822,515.800
Total Guernsey, Channel Islands	**0.00**		**14,359,563.469**	**15,000,000.000**		**18,822,515.800**
Japan						
Unit Trust Equity JPN SCREENED INX EQY SUB-FND-HKHX SEDOL : 001533W	0.00	GBP	48,440,992.757	89,842,364.060	2.43850000	118,123,360.840
Total Japan	**0.00**		**48,440,992.757**	**89,842,364.060**		**118,123,360.840**
Luxembourg						
Unit Trust Equity ABERDEEN STANDARD EUR PPTY GROWTH FD LP SEDOL : 8A8TB3U	0.00	EUR	324.970	20,636,888.600	111,799.94000000	31,482,371.610
Total Luxembourg	**0.00**		**324.970**	**20,636,888.600**		**31,482,371.610**
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	6.57170000	333,134,624.110
Total Pacific Region	**0.00**		**50,692,305.509**	**242,515,511.220**		**333,134,624.110**
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	9.16540000	141,177,210.710
Unit Trust Equity LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY SEDOL : 0521664	0.00	GBP	1,368,174.000	1,282,865.490	2.78882000	3,815,591.010
Unit Trust Equity NA SCREEN INX EQ SUB-FND-HKHQ SEDOL : 1A8NH9U	0.00	GBP	2,621,178.211	24,012,835.230	16.88000000	44,245,488.200
Total United Kingdom	**0.00**		**19,452,630.923**	**123,460,198.990**		**189,238,289.920**
Total Unit trust equity	**0.00**		**132,945,817.628**	**491,454,962.870**		**690,801,162.280**
Total Equities	**0.00**		**642,133,116.528**	**1,015,738,779.330**		**1,319,195,041.820**

Asset Detail - Customizable

Asset Subcategory

Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Real Estate						
Real estate						
Europe Region						
Real Estate CAPITAL DYNAMICS MID-MARKET DIRECT V CUSIP : 993RBZ993	0.00	EUR	16,593,493.510	14,312,503.570	1.24183130	17,855,952.910
Real Estate La Salle Real Estate Debt Strategies IV CUSIP : 9944J7997	0.00	EUR	9,592,292.910	8,347,240.750	1.19018430	9,892,800.450
Total Europe Region	**0.00**		**26,185,786.420**	**22,659,744.320**		**27,748,753.360**
United Kingdom						
Real Estate HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP CUSIP : 9936FD994	0.00	GBP	10,000,000.010	10,000,000.010	0.97092320	9,709,232.010
Real Estate HEARTHSTONE RESIDENTIAL FUND 2 CUSIP : 9942CJ992	0.00	GBP	17,685,492.720	17,685,492.720	0.92490540	16,357,407.720
Real Estate TEESSIDE PENSION FUND - DIRECT PROPERTY CUSIP : 9936HG995	0.00	GBP	448,746,433.310	448,746,433.310	1.08624820	487,450,005.440
Total United Kingdom	**0.00**		**476,431,926.040**	**476,431,926.040**		**513,516,645.170**
Total Real estate	**0.00**		**502,617,712.460**	**499,091,670.360**		**541,265,398.530**
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	2.54780000	16,543,011.850
Funds - Real Estate DARWIN LEISURE PROPERTY FUND UNITS K GBP INC SEDOL : 4A9TBEU	0.00	GBP	34,527,436.047	35,000,000.000	0.70830000	24,455,782.950
Funds - Real Estate HERMES INVEST MNGM HERMES PROPERTY UNIT TRUST SEDOL : 0426219	0.00	GBP	2,589,184.000	15,720,126.330	6.03600000	15,628,314.620
Funds - Real Estate LEGAL AND GENERAL MANAGED PROPERTY FUND SEDOL : 004079W	0.00	GBP	108,263.760	385,000.000	58.81130000	6,367,132.470
Funds - Real Estate THREADNEEDLE PROP THREADNEEDLE PROP UNITTRST SEDOL : 0508667	48,487.15	GBP	12,750.000	1,527,939.200	255.79000000	3,261,322.500
Total United Kingdom	**48,487.15**		**43,730,691.287**	**63,244,709.580**		**66,255,564.390**
Total Funds - real estate	**48,487.15**		**43,730,691.287**	**63,244,709.580**		**66,255,564.390**
Total Real Estate	**48,487.15**		**546,348,403.747**	**562,336,379.940**		**607,520,962.920**

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense	Curr	Nominal	Book Cost	Market Price	Market Value
Venture Capital and Partnerships						
Partnerships						
Europe Region						
Partnerships ACCESS CAPITAL FUND INFRASTRUCTURE II - EUR CUSIP : 993QEX997	0.00	EUR	15,960,835.400	14,017,167.030	1.13257560	15,664,099.030
Partnerships ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE CUSIP : 993KDB999	0.00	EUR	18,434,300.210	15,909,597.590	1.39948400	22,355,129.690
Partnerships ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2) CUSIP : 993SRL995	0.00	EUR	9,696,000.000	8,390,933.510	1.05776380	8,887,178.570
Partnerships ACCESS CAPITAL, CO-INVESTMENT FUND BUY-OUT EUROPE II CUSIP : 993SRM993	0.00	EUR	10,275,000.000	8,850,186.340	0.95390490	8,493,164.000
Partnerships Darwin Bereavement Services Fund, Incomeunits CUSIP : 993XBG992	0.00	GBP	30,000,000.000	30,000,000.000	1.02119860	30,635,958.000
Partnerships UNIGESTION DIRECT III - EUR CUSIP : 994RLP993	0.00	EUR	11,585,982.890	10,205,187.780	0.93258310	9,362,741.310
Total Europe Region	**0.00**		**95,952,118.500**	**87,373,072.250**		**95,398,270.600**
Global Region						
Partnerships CAPITAL DYNAMICS GLOBAL SECONDARIES V - GBP CUSIP : 993LJT992	0.00	GBP	11,042,925.550	11,042,925.550	1.64392100	18,153,697.210
Partnerships CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD CUSIP : 993BRL992	0.00	USD	15,242,130.030	11,494,664.840	2.16742710	25,914,812.600
Partnerships INSIGHT IIFIG SECURED FINANCE FUND II (GBP) CUSIP : 9946P0990	0.00	GBP	50,000,000.000	50,000,000.000	0.99492360	49,746,180.000
Partnerships LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS2018/19 - GBP CUSIP : 993LRK992	0.00	GBP	7,279,550.000	7,279,550.000	1.36187180	9,913,813.860
Partnerships PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV CUSIP : 993FYQ994	0.00	USD	24,293,336.000	19,086,510.480	1.64328030	31,315,310.120
Partnerships UNIGESTION DIRECT II - EUR CUSIP : 993MTE992	0.00	EUR	16,815,965.760	14,547,379.230	1.32593310	19,320,841.010
Total Global Region	**0.00**		**124,673,907.340**	**113,451,030.100**		**154,364,654.800**
United Kingdom						
Partnerships ANCALA INFRASTRUCTURE FUND II SCSP CUSIP : 993FSE998	0.00	EUR	18,419,345.370	16,217,915.910	1.14353370	18,251,802.430
Partnerships BORDER TO COAST CLIMATE OPPORTUNITIES SERIES 2A CUSIP : 994MVX996	0.00	GBP	13,853,520.240	13,853,520.240	1.14540150	15,867,842.860
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	93,267,129.320	74,074,428.260	1.00249640	73,344,802.360
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1B CUSIP : 993KGJ999	0.00	USD	34,113,631.480	26,728,677.890	1.07854510	28,861,850.640

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	34,569,282.130	34,569,282.130	1.44595480	49,985,619.430
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 2 A (GBP) CUSIP : 994NWK991	0.00	GBP	50,146,938.910	50,146,938.910	0.94722490	47,500,429.190
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	88,022,703.970	68,541,655.390	1.33517870	92,191,740.070
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1B CUSIP : 993U46998	0.00	USD	37,174,854.440	29,593,985.680	1.25214960	36,514,335.950
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1C CUSIP : 993XGK998	0.00	GBP	25,327,288.802	25,327,288.800	1.23407560	31,255,789.120
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 2A- GBP CUSIP : 994JQY997	0.00	GBP	16,426,800.280	16,426,800.280	1.00204680	16,460,422.650
Partnerships CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP CUSIP :	0.00	GBP	8,750,377.050	8,750,377.050	1.04861980	9,175,818.630
Partnerships CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp CUSIP : 993FP0991	0.00	GBP	18,321,654.990	18,321,654.990	1.02384370	18,758,511.040
Partnerships FORESIGHT REGIONAL INVESTMENT LP CUSIP : 994JXS992	0.00	GBP	855,625.470	855,625.470	0.73094040	625,411.220
Partnerships GB Bank Limited CUSIP : 993QJB990	0.00	GBP	40,080,000.000	40,080,000.000	0.50099930	20,080,051.940
Partnerships GRESHAM HOUSE BSI HOUSING FUND LP CUSIP : 993FP6998	0.00	GBP	19,028,828.320	19,028,828.320	1.08797230	20,702,838.110
Partnerships GRESHAM HOUSE BSI INFRASTRUCTURE LP CUSIP : 993FP5990	0.00	GBP	18,133,330.700	18,133,330.700	1.36860880	24,817,435.970
Partnerships GRESHAM HOUSE, BRITISH SUSTAINABLE INFRASTRUCTURE FUND II CUSIP : 994FXD993	0.00	GBP	17,894,643.320	17,894,643.320	1.04492750	18,698,604.910
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	13,822,040.760	13,822,040.760	1.29049380	17,837,257.900
Partnerships INNISFREE PFI CONTINUATION FUND CUSIP : 9936FE992	0.00	GBP	8,672,972.000	8,672,972.000	1.12417890	9,749,972.120
Partnerships INNISFREE PFI SECONDARY FUND 2 CUSIP : 9936FF999	0.00	GBP	7,728,331.000	7,728,331.000	1.16397560	8,995,588.710
Partnerships LEONARDO WAREHOUSE UNIT CUSIP : 9948YW996	0.00	GBP	26,130,271.110	26,130,271.110	0.98994600	25,867,557.360
Partnerships St Arthur Homes CUSIP : 994NJF997	0.00	GBP	9,115,266.000	9,115,266.000	1.00000000	9,115,266.000
Partnerships TPF CO-INVESTMENT BSI LP - WASTE KNOT GBP CUSIP : 994FFL995	0.00	GBP	10,000,000.000	10,000,000.000	1.15761770	11,576,177.000
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**		**2,273,485,379.942**	**2,217,644,378.490**		**2,513,450,486.100**
United States							
Partnerships	BLACKROCK GLOBAL ENERGY AND POWER INFRASTRUCTURE FUND III CUSIP :	0.00	USD	20,357,781.000	16,112,245.530	1.13442920	18,116,143.240
Partnerships	BLACKROCK GLOBAL RENEWABLE POWER FUND III CUSIP : 993QHY992	0.00	USD	17,502,972.900	13,843,424.680	1.10424310	15,161,229.630
Partnerships	BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL CUSIP : 993FYK997	0.00	USD	20,105,273.000	15,211,791.120	1.32616430	20,915,353.940
Partnerships	BRIDGES EVERGREEN TPF HOUSING CO-INVEST LP CUSIP : 993XEU998	0.00	GBP	792,749.280	792,749.280	0.94020650	745,348.030
Partnerships	CROWN CO-INVEST OPPORTUNITIES III CUSIP : 993XBM999	0.00	USD	16,680,000.000	13,064,058.440	1.11073650	14,533,325.520
Partnerships	CROWN GLOBAL OPPORTUNITIES VII CUSIP : 993FYN991	0.00	USD	20,396,323.760	16,199,901.220	1.33267270	21,322,263.670
Partnerships	Crown Growth Opportunities Global III fund CUSIP : 993FYM993	0.00	USD	27,380,724.490	20,496,138.420	1.51297180	32,496,282.370
Partnerships	FORESIGHT ENERGY INFRASTRUCTURE PARTNERS CUSIP : 993FS9999	0.00	USD	11,396,996.870	9,335,143.780	0.97895140	8,752,043.590
Partnerships	LGT CAPITAL CROWN SECONDARIES SPECIAL OPPORTUNITIES II CUSIP : 993QEY995	0.00	USD	17,529,147.100	13,646,323.430	1.37304430	18,880,054.610
Partnerships	PANTHEON SENIOR DEBT SECONDARIES II CUSIP : 993UAP999	0.00	USD	26,731,728.480	21,089,636.660	0.62891830	13,188,007.460
Partnerships	UNIGESTION SA CUSIP : 993FYL995	0.00	USD	29,857,402.300	22,917,577.350	1.35037720	31,627,511.890
Total United States		**0.00**		**208,731,099.180**	**162,708,989.910**		**195,737,563.950**
Total Partnerships		**0.00**		**2,702,842,504.962**	**2,581,177,470.750**		**2,958,950,975.450**
Total Venture Capital and Partnerships		**0.00**		**2,702,842,504.962**	**2,581,177,470.750**		**2,958,950,975.450**

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	1.03359560	78,528,904.470
Total Global Region	**0.00**		**96,854,761.450**	**80,595,460.340**		**78,528,904.470**
Total Hedge equity	**0.00**		**96,854,761.450**	**80,595,460.340**		**78,528,904.470**
Total Hedge Fund	**0.00**		**96,854,761.450**	**80,595,460.340**		**78,528,904.470**

**Generated by Northern Trust from periodic data on 01 Feb 24*

◆ 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	295,030.10	0.000	0.000	0.00000000	0.000
Recoverable taxes EUR - Euro	1,115,795.58	0.000	0.000	0.00000000	0.000
Recoverable taxes CHF - Swiss franc	2,514,610.04	0.000	0.000	0.00000000	0.000
Total	**4,023,151.47**	**0.000**	**0.000**		**0.000**
Total Recoverable taxes	**4,023,151.47**	**0.000**	**0.000**		**0.000**
Total All Other	**4,023,151.47**	**0.000**	**0.000**		**0.000**

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Cash and Cash Equivalents					
Cash					
Cash GBP - British pound sterling	0.00	373.680	373.680	1.00000000	373.680
Cash THB - Thai baht	0.00	4,964.130	4,964.130	1.00000000	4,964.130
Cash USD - United States dollar	160.98	69,447.820	69,447.820	1.00000000	69,447.820
Total	**160.98**	**74,785.630**	**74,785.630**		**74,785.630**
Total Cash	**160.98**	**74,785.630**	**74,785.630**		**74,785.630**
Cash (externally held)					
Cash (externally held) GBP - British pound sterling	0.00	220,088,072.830	220,088,072.830	1.00000000	220,088,072.830
Cash (externally held) EUR - Euro	0.00	0.340	0.340	1.00000000	0.340
Total	**0.00**	**220,088,073.170**	**220,088,073.170**		**220,088,073.170**
Total Cash (externally held)	**0.00**	**220,088,073.170**	**220,088,073.170**		**220,088,073.170**
Funds - short term investment					
Funds - Short Term Investment GBP - British pound sterling	7,714.99	1,736,000.000	1,736,000.000	1.00000000	1,736,000.000
Total	**7,714.99**	**1,736,000.000**	**1,736,000.000**		**1,736,000.000**
Total Funds - short term investment	**7,714.99**	**1,736,000.000**	**1,736,000.000**		**1,736,000.000**
Total Cash and Cash Equivalents	**7,875.97**	**221,898,858.800**	**221,898,858.800**		**221,898,858.800**
Report Total:	**4,079,514.59**	**4,210,077,645.487**	**4,461,746,949.160**		**5,186,094,743.460**

◆ 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	592,735,585.77	1.26	593,255,650.31	11.42%
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			**593,335,844.11**	**11.42%**
OVERSEAS EQUITIES				
YOUNG AUSTRALIAN MINES LTD	225,391.00	0.07	8,324.36	0.00%
FINEXIA FINL GROUP NPV	85.00	0.29	12.74	0.00%
ASIA PACIFIC EX JAPAN SCREEN INDEX EQUITY SUB-FUND	242,515,511.22	6.39	333,134,624.00	6.41%
JAPAN SCREENED INDEX EQUITY SUB-FUND	89,842,364.06	2.34	118,123,361.00	2.27%
EUROPE EX UK SCREENED INDEX EQUITY SUB-FUND	97,842,558.84	8.82	141,177,211.00	2.72%
NORTH AMERICA SCREENED INDEX EQUITY SUB-FUND	24,012,835.23	15.89	44,245,488.00	0.85%
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	1,426,458,423.85	1.18	1,722,763,559.80	33.16%
BORDER TO COAST EMERGING MARKET HYBRID FUND	240,527,251.16	0.97	207,448,653.91	3.99%
TOTAL OVERSEAS EQUITIES			**2,566,901,234.81**	**49.41%**
TOTAL EQUITIES			**3,160,237,078.92**	**60.84%**
PRIVATE EQUITY				
CAPITAL DYNAMICS LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS 18/19	6,979,550.00	1.36	9,913,813.86	0.19%
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	12,309,133.55	2.04	25,914,812.60	0.50%
CROWN CO INVESTMENT OPPORTUNITIES III	10,447,059.01	1.14	14,533,325.52	0.28%
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	13,140,741.71	1.34	18,880,054.61	0.36%
UNIGESTION SA	22,917,577.35	1.35	31,627,511.89	0.61%
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	19,141,292.79	1.63	31,315,310.12	0.60%
CROWN GLOBAL OPPORTUNITIES VII	15,563,768.96	1.31	21,322,263.67	0.41%
CROWN GROWTH OPPORTUNITIES GLOBAL III	20,496,138.42	1.52	32,496,282.37	0.63%
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	15,821,278.95	1.20	20,915,353.94	0.40%
BORDER TO COAST PRIVATE EQUITY SERIES 1A	65,530,115.76	1.09	92,191,740.07	1.77%
BORDER TO COAST PRIVATE EQUITY SERIES 1B	28,741,211.36	0.99	36,514,335.95	0.70%

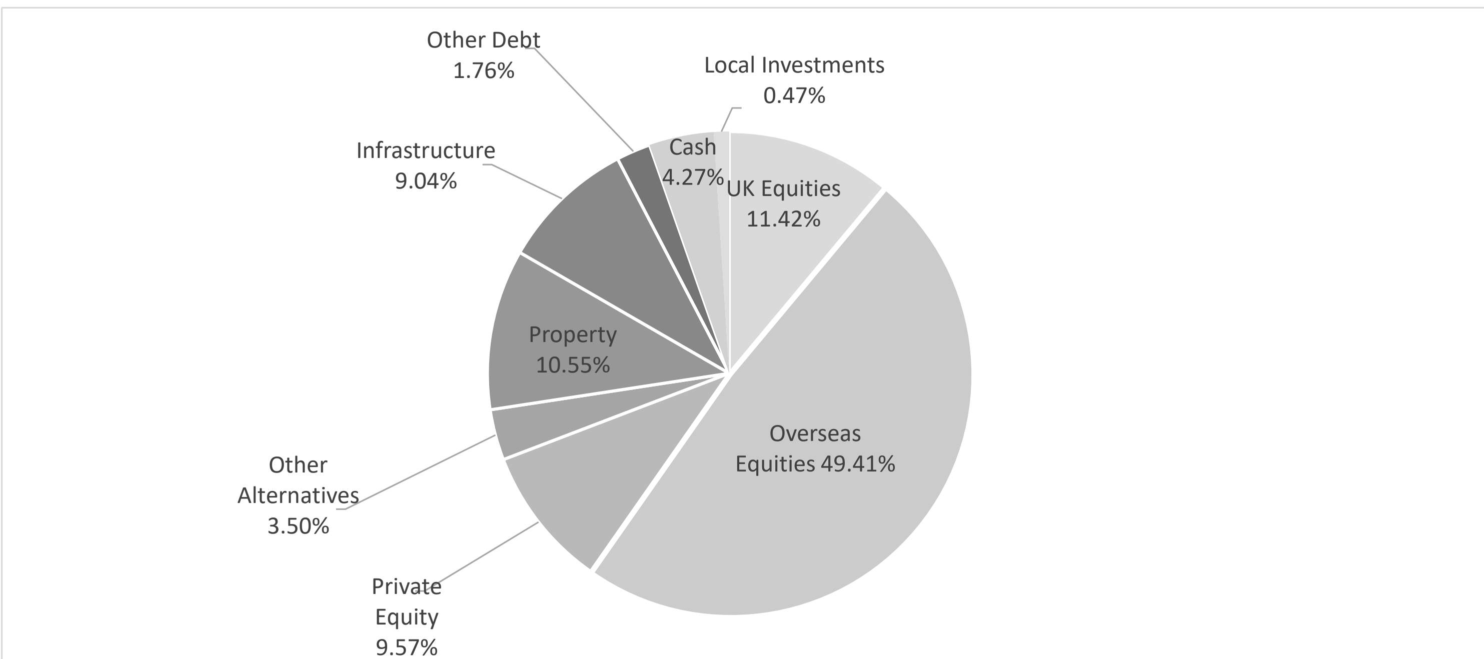
BORDER TO COAST PRIVATE EQUITY SERIES 1C	21,162,341.01	1.04	31,255,789.12	0.60%
BORDER TO COAST PRIVATE EQUITY SERIES 2A	4,957,913.17	0.76	16,460,422.65	0.32%
UNIGESTION DIRECT II	14,547,379.23	1.33	19,320,841.01	0.37%
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE	14,502,844.73	1.43	22,355,129.69	0.43%
ACCESS CAPITAL CO INVESTMENT FUND BUY OUT EUROPE II	7,858,117.11	0.98	8,493,164.00	0.16%
HERMES GPE INNOVATION FUND	13,341,398.86	1.32	17,837,257.90	0.34%
CAPITAL DYNAMICS GLOBAL SECONDARIES V	11,042,925.55	1.66	18,153,697.21	0.35%
CAPITAL MID-MARKET DIRECT V	13,201,080.63	1.25	17,855,952.91	0.34%
FORESIGHT REGIONAL INVESTMENTS LP	777,508.40	0.85	625,411.22	0.01%
UNIGESTION DIRECT III	7,213,426.37	0.90	9,362,741.31	0.18%
PRIVATE EQUITY			**497,345,211.62**	**9.57%**
GB BANK LIMITED	40,080,000.00	1.00	12,000,000.00	0.23%
PRIVATE EQUITY - LOCAL INVESTMENT			**12,000,000.00**	**0.23%**
TOTAL PRIVATE EQUITY			**509,345,211.62**	**9.81%**
OTHER ALTERNATIVES				
AMEDEO AIR FOUR PLUS LTD	3,907,776.01	0.02	1,971,665.96	0.04%
BORDER TO COAST CLIMATE OPPORTUNITIES SERIES 2A	12,551,872.31	1.02	15,867,842.86	0.31%
DARWIN LEISURE PRO UNITS CLS 'C'	10,611,644.05	2.53	16,543,011.85	0.32%
DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION	15,000,000.00	1.27	18,822,515.80	0.36%
DARWIN BEREAVEMENT SERVICES FUND, INCOME UNITS	30,000,000.00	1.01	30,635,958.00	0.59%
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	15,000,000.00	1.10	16,614,000.00	0.32%
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	35,000,000.00	0.70	24,455,782.95	0.47%
HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP	10,000,000.01	0.96	9,709,232.01	0.19%
HEARTHSTONE RESIDENTIAL FUND 2	13,740,773.16	0.91	16,357,407.72	0.31%
GRESHAM HOUSE BSI HOUSING LP	15,638,997.82	1.10	20,702,838.11	0.40%
LA SALLE REAL ESTATE DEBT STRATEGIES IV	7,833,117.70	0.95	9,892,800.45	0.19%
OTHER ALTERNATIVES			**181,573,055.71**	**3.50%**
BRIDGES EVERGREEN TPF HOUSING CO-INVESTMENT LP	765,180.38	0.93	745,348.03	0.01%
OTHER ALTERNATIVES - LOCAL INVESTMENT			**745,348.03**	**0.01%**
TOTAL OTHER ALTERNATIVES			**182,318,403.74**	**3.51%**

PROPERTY				
DIRECT PROPERTY				
TEESSIDE PENSION FUND - DIRECT PROPERTY	399,152,598.72	1.03	487,450,000.00	9.38%
TOTAL DIRECT PROPERTY			**487,450,000.00**	**9.38%**
PROPERTY UNIT TRUSTS				
ABERDEEN STANDARD LIFE EUROPEAN PROPERTY GROWTH FUND	20,636,888.60	120,966.80	31,482,371.61	0.61%
LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY	1,282,865.49	2.87	3,815,591.01	0.07%
HERMES PROPERTY PUT	15,720,126.33	6.37	15,628,314.62	0.30%
THREADNEEDLE PROP PROPERTY GBP DIS	1,527,939.20	265.81	3,261,322.50	0.06%
LEGAL AND GENERAL MANAGED PROPERTY FUND	385,000.00	58.66	6,367,132.47	0.12%
TOTAL PROPERTY UNIT TRUSTS			**60,554,732.21**	**1.17%**
TOTAL PROPERTY			**548,004,732.21**	**10.55%**
PROTECTION ASSETS				
INFRASTRUCTURE				
ACIF INFRASTRUCTURE FUND LP	13,421,191.08	0.74	16,464,032.37	0.32%
ACCESS CAPITAL FUND INFRASTRUCTURE II	13,946,299.76	1.11	15,664,099.03	0.30%
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2)	7,629,082.71	1.02	8,887,178.57	0.17%
INNISFREE PFI CONTINUATION FUND	8,672,972.00	1.20	9,749,972.12	0.19%
INNISFREE PFI SECONDARY FUND 2	7,728,331.00	1.17	8,995,588.71	0.17%
BORDER TO COAST INFRASTRUCTURE SERIES 1A	67,321,263.18	0.87	73,344,802.36	1.41%
BORDER TO COAST INFRASTRUCTURE SERIES 1B	24,942,901.60	0.89	28,861,850.64	0.56%
BORDER TO COAST INFRASTRUCTURE SERIES 1C	33,456,001.70	1.08	49,985,619.43	0.96%
BORDER TO COAST INFRASTRUCTURE SERIES 2A	32,109,979.63	0.98	47,500,429.19	0.91%
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	15,874,716.01	0.98	18,116,143.24	0.35%
BLACKROCK GLOBAL RENEWABLE POWER FUND III	11,308,739.08	1.06	15,161,229.63	0.29%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP	8,750,377.05	1.04	9,175,818.63	0.18%
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp	17,500,754.07	1.01	18,758,511.04	0.36%
IIF UK I LP	80,595,460.34	1.05	78,528,904.47	1.51%
ANCALA INFRASTRUCTURE FUND II SCSP	16,729,179.08	1.12	18,251,802.43	0.35%
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS	8,516,087.18	0.93	8,752,043.59	0.17%
GRESHAM HOUSE BSI INFRASTRUCTURE LP	19,070,660.40	1.21	24,817,435.97	0.48%
GRESHAM HOUSE BRITISH SUSTAINABLE INFRASTRUCTURE FUND II	18,010,845.93	1.07	18,698,604.91	0.36%
INFRASTRUCTURE			**469,714,066.33**	**9.04%**

CO-INVESTMENT BSI LP - WASTE KNOT	10,000,000.00	1.11	11,576,177.00	0.22%
INFRASTRUCTURE - LOCAL INVESTMENT			**11,576,177.00**	**0.22%**
TOTAL INFRASTRUCTURE			**481,290,243.33**	**9.27%**
OTHER DEBT				
INSIGHT IIFIG SECURED FINANCE II FUND	50,000,000.00	0.98	49,746,180.00	0.96%
GREYHOUND RETAIL PARK CHESTER	19,715,863.00	0.98	19,456,847.41	0.37%
ST ARTHUR HOMES	11,274,394.29	1.00	9,115,266.00	0.18%
PANTHEON SENIOR DEBT SECONDARIES II	18,185,235.62	0.60	13,188,007.46	0.25%
TOTAL OTHER DEBT			**91,506,300.87**	**1.76%**
CASH				
	46,569.56	1.00	69,447.82	0.00%
	4,904.58	1.00	5,338.15	0.00%
	466,000.00	1.00	1,736,000.00	0.03%
CUSTODIAN CASH			**1,810,785.97**	**0.03%**
INVESTED CASH	189,975,829.66	1.00	**220,088,072.83**	**4.24%**
TOTAL CASH			**221,898,858.80**	**4.27%**
TOTAL FUND VALUE - 31st December 2023			**5,194,600,829.49**	**100%**

Market Value timing differences included in valuation above	**Market Value**
Overseas Equities	
BORDER TO COAST EMERGING MARKET HYBRID FUND	-20,098,660.86
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	62,552,361.49
	42,453,700.63
Private Equity	
GB BANK LIMITED	-8,080,061.94
	-8,080,061.94
Other Alternatives	
LEONARDO WAREHOUSE UNIT	-25,867,557.36
	-25,867,557.36
Total	**8,506,081.33**

Asset Allocation Summary	Actual	
UK Equities	593,335,844.11	11.42%
Overseas Equities	2,566,901,234.81	49.41%
Private Equity	497,345,211.62	9.57%
Other Alternatives	181,573,055.71	3.50%
Property	548,004,732.21	10.55%
Infrastructure	469,714,066.33	9.04%
Other Debt	91,506,300.87	1.76%
Cash & Bonds	221,898,858.80	4.27%
Local Investments - Private Equity, Other Alternatives & Infrastructure	24,321,525.03	0.47%
	5,194,600,829.49	100.00%



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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 6

PENSION FUND COMMITTEE REPORT

13 MARCH 2024

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')

2. RECOMMENDATION

2.1 That Members note the report.

3. FINANCIAL IMPLICATIONS

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

4. PERFORMANCE

4.1 At 31 December 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 over a third 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 31 December 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's returns were 0.68% below benchmark over the last year, or 1.68% under its overachievement target, whereas the Overseas Developed Markets Equity Fund has achieved returns of 2.07% above benchmark over the last year, comfortably above its 1% overachievement target. Since inception, the UK fund has delivered performance of 0.7% 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 – including over the quarter and three years to 31 December 2023. Since inception the Fund is 1.62% a year behind benchmark, so 3.12% a year behind 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 September 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 just over five 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):

Human Rights

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

Labour

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

Environment

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

Anti-Corruption

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

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

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

5.5 As reported to the 13 December 2023 Committee, State Street has advised that it has made further changes to its passive equity indices and is excluding additional sectors. The Fund was notified that from 18th December 2023 the benchmarks of the State Street Sub-Funds the Fund invests in are applying 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 covered around 0.36% of the assets (tobacco) and 0.88% of the 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.

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

TEL NO.: 01642 729040

Appendix A

Teesside Pension Fund

Quarterly Investment Report - Q4 2023

Contents

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,461,860,063
Inflows	£0
Outflows	£(75,000,000)
Net Inflows / Outflows	£(75,000,000)
Realised / Unrealised gain or loss	£136,607,801
Value at end of the quarter	£2,523,467,864

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

Portfolio Analysis - Teesside Pension Fund
at 31 December 2023

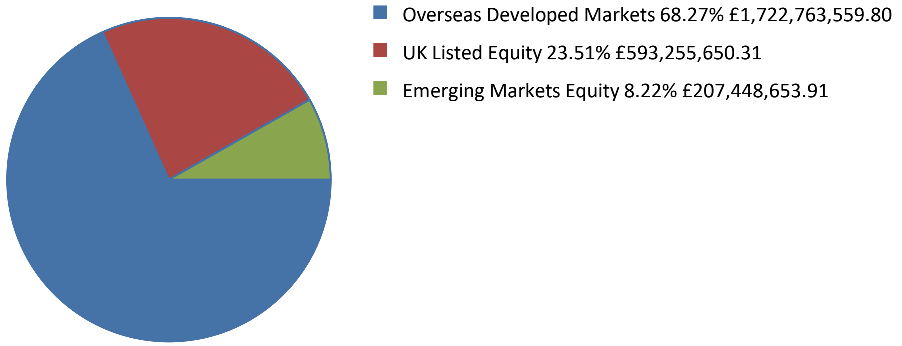
Funds Held

Fund	Market Index	Market Value (£)	Value (%)
Overseas Developed Markets	40% S&P 500, 30% FTSE Developed Europe Ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan	1,722,763,559.80	68.27
Emerging Markets Equity	FTSE Emerging Markets (Net)[2]	207,448,653.91	8.22
UK Listed Equity	FTSE All Share GBP	593,255,650.31	23.51

Available Fund Range

Fund
Global Equity Alpha
Overseas Developed Markets
Emerging Markets Equity
Emerging Markets Equity Alpha
UK Listed Equity
UK Listed Equity Alpha
Listed Alternatives
Sterling Investment Grade Credit
Sterling Index-Linked Bond
Multi-Asset Credit

Teesside Pension Fund - Fund Breakdown



Note
1) Source: Northern Trust
2) S&P Emerging Markets BMI (Net) between 22nd October 2018 to 9th April 2021. Benchmark equal to fund return between 10th April to 28th April 2021 (Performance holiday for fund restructure).

Portfolio Contribution - Teesside Pension Fund
at 31 December 2023

Fund	Portfolio weight (%)	Fund return (net) over the quarter (%)	Benchmark return over the quarter (%)	Excess return (%)	Contribution to performance over the quarter (%)
Overseas Developed Markets	68.27	7.28	6.93	0.35	4.95
Emerging Markets Equity	8.22	1.92	2.03	(0.11)	0.16
UK Listed Equity	23.51	2.79	3.23	(0.45)	0.62
Total	**100.00**	**5.72**			

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

Valuation Summary
at 31 December 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 (%)
Overseas Developed Markets	1,655,061,193.86	67.23		50,000,000.00	117,702,365.94	1,722,763,559.80	68.27
Emerging Markets Equity	203,545,202.28	8.27			3,903,451.63	207,448,653.91	8.22
UK Listed Equity	603,253,667.08	24.50		25,000,000.00	15,001,983.23	593,255,650.31	23.51
Total	**2,461,860,063.22**	**100.00**		**75,000,000.00**	**136,607,800.80**	**2,523,467,864.02**	**100.00**

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

Summary of Performance - Funds (Net of Fees) Teesside Pension Fund
at 31 December 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**
Overseas Developed Markets	9.65	8.17	1.49	7.29	6.93	0.35	16.22	14.15	2.07	9.55	7.75	1.79	12.74	11.02	1.72
Emerging Markets Equity	2.74	4.36	(1.62)	1.92	2.03	(0.11)	2.73	2.52	0.22	(1.91)	(1.38)	(0.53)	2.77	4.22	(1.45)
UK Listed Equity	4.48	3.77	0.70	2.78	3.23	(0.45)	7.23	7.92	(0.68)	8.67	8.61	0.06	7.29	6.61	0.68

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

Summary of Performance - Funds (Gross of Fees) Teesside Pension Fund at 31 December 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
Overseas Developed Markets	9.67	8.17	1.50	7.29	6.93	0.35	16.23	14.15	2.08	9.56	7.75	1.80	12.75	11.02	1.73
Emerging Markets Equity	2.91	4.36	(1.45)	1.97	2.03	(0.06)	3.03	2.52	0.51	(1.64)	(1.38)	(0.26)	2.95	4.22	(1.26)
UK Listed Equity	4.48	3.77	0.71	2.78	3.23	(0.45)	7.23	7.92	(0.68)	8.67	8.61	0.06	7.29	6.61	0.69

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.

Overseas Developed Markets Fund - Overview at 31 December 2023

Overseas Developed Markets Fund

The Fund generated a total return of 7.29% during the quarter compared to the composite benchmark return of 6.93% resulting in 0.35% of outperformance.

The fund continued its strong year in the fourth quarter generating a strong positive absolute return and managing to outperform its reference benchmark. For the full year the fund generated 16.22% and outperformed its benchmark by 2.07%. The fund has now generated 12.74% annually for the past 5 years which equates to a compound 82% return.

The key contributor to relative performance over the quarter was again the fund's European exposure. Not only did Europe outperform the global benchmark but our allocation also outperformed its regional benchmark by 0.67% resulting in an exceptional 3.54% relative outperformance for the year as a whole. A contributor to this was the strong recovery in our investment in Siemens AG. However, unlike prior periods where the returns in Europe have been dominated by a few key investments, the returns were much more widely spread across the investments. We were not surprised to see our US portfolio deliver strong absolute returns but fail to keep pace with the move up in the US equity market. Our bias towards large, high-quality companies meant that we failed to capture the strong performance experienced by smaller companies. Both Japan and Asia ex-Japan also contributed positively to returns, outperforming 1.59% and 0.54% respectively.

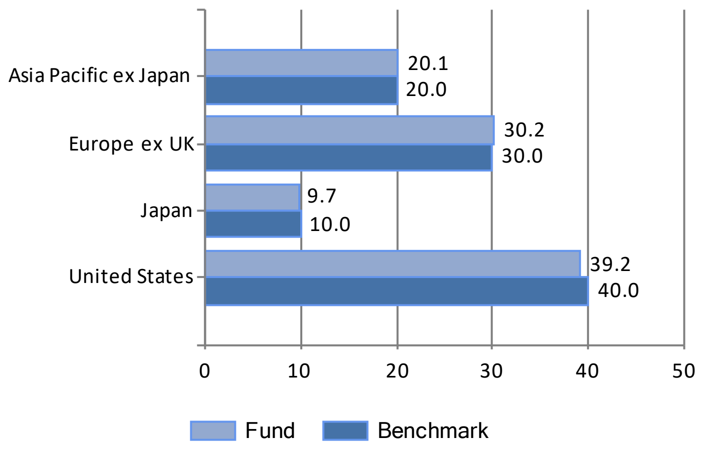
On a sector basis the Industrials sector was the most material positive contributor to returns. We are currently overweight the sector despite concerns over global growth as we believe the market is undervaluing some of the higher quality companies in the sector. Not only did the sector outperform but strong stock selection with investments in companies such as Siemens, Recruit Holdings and Schneider further contributed to returns. The biggest detractor from performance over the quarter was the financial services sector. Despite the sector performing poorly and our being underweight, poor performance from investments in Asia such as Hong Kong Exchange and AIA Group proved a further drag on returns.

Our process remains focused on long-term fundamentals with a bias towards quality companies with strong balance sheets, and earnings and income visibility. Following the strong performance of equity markets over the past year, above historic average equity market valuations and some signs of softening global growth, we remain confident that our process is well-positioned to both deliver excess relative returns and protect capital to the best of our abilities.

Note
1) Source: Border to Coast

Overseas Developed Markets Fund
at 31 December 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.

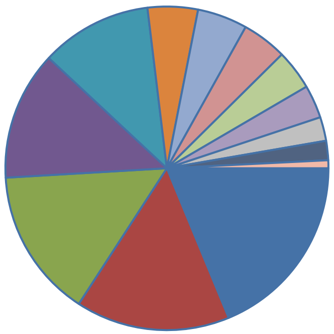
(*) The Benchmark is a composite of the following indices:
•40% S&P 500
•30% FTSE Developed Europe ex UK
•20% FTSE Developed Asia Pacific ex Japan
•10% FTSE Japan

	Inception to Date			Quarter			1 Year			3 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Overseas Developed Markets	**9.65**	**8.17**	**1.49**	**7.29**	**6.93**	**0.35**	**16.22**	**14.15**	**2.07**	**9.55**	**7.75**	**1.79**
United States	13.11	11.95	1.16	6.60	6.81	(0.21)	18.64	18.59	0.05	13.47	12.06	1.41
Japan	6.55	4.14	2.41	4.85	3.27	1.59	18.75	12.82	5.92	5.38	2.99	2.39
Europe ex UK	8.23	6.57	1.66	8.50	7.83	0.67	18.46	14.92	3.54	10.29	7.19	3.10
Asia Pacific ex Japan	5.82	4.38	1.43	8.23	7.69	0.54	6.54	4.77	1.77	1.91	1.75	0.16

Note
1) Please note that only the total Overseas Developed Equity Fund performance line is net of ACS charges such as depository and audit fees.
Investment management fees have not been included in the performance.

Overseas Developed Markets Fund
at 31 December 2023

Sector Portfolio Breakdown



- Technology 18.8% (18.4%)
- Industrials 15.4% (15.1%)
- Financials 14.9% (15.8%)
- Consumer Discretionary 12.9% (13.7%)
- Health Care 11.1% (11.7%)
- Basic Materials 5.0% (5.2%)
- Consumer Staples 5.0% (5.8%)
- Telecommunications 4.5% (4.6%)
- Energy 4.0% (3.6%)
- Common Funds 3.3% (0.0%)
- Utilities 2.4% (3.0%)
- Real Estate 1.9% (3.1%)
- Cash 0.8% (0.0%)

Overseas Developed Markets Fund

Sector Weights:

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

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.

Industrials (o/w) – regional divergences in valuation and expectations mean that high relative exposure in Europe and Pacific ex-Japan more than compensate for underweights in the US and Japan.

Consumer Discretionary (u/w) – concern over a global consumer that is starting to feel the impact of higher interest rates combined with weakness out of Asia for luxury goods.

Financials (u/w) – still generating low returns despite higher interest rates. Risk of potential increase in default rates and non-performing loans should recessionary pressures mount.

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

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

Overseas Developed Markets Fund Attribution at 31 December 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Exxon Mobil	0.00	0.00	0.40	(18.07)	0.12
Tesla	0.00	0.00	0.69	(4.92)	0.09
Broadcom	0.89	29.40	0.49	29.09	0.07
Siemens	0.94	24.83	0.51	25.12	0.06
Shin-Etsu Chemical	0.41	37.54	0.19	38.07	0.05

Exxon Mobil (u/w) – the company's share price fell in sympathy with lower hydrocarbon prices. Commodity producers such as Exxon tend to be price takers. Their fortunes have a propensity to be tied to the price vagaries of the commodities they extract in the absence of material changes to their own production volumes.

Tesla (u/w) – the company's latest quarterly results disappointed the market. Tesla's profitability declined as it cut new vehicle prices to stimulate demand in an increasingly competitive electric vehicle market.

Broadcom (o/w) – the company closed the $60 billion acquisition of VMware, which is a cloud computing and virtualisation leader, after gaining necessary regulatory approvals. The deal should provide for significant synergies and therefore the potential for accelerated earnings growth.

Siemens (o/w) – Siemens AG rose after reporting record earnings and predicting a recovery for China's economy for the second half of next year. The German industrial company sees comparable revenue rising as much as 8% in the year through September 2024.

Shin-Etsu Chemical (o/w) – a relatively subdued performer for much of the year, Shin-Etsu gained momentum following a bullish set of Q2 numbers. The company's silicon wafers are among the first products to see orders recover when the semiconductor cycle turns.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund Attribution Continued at 31 December 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Chevron	0.59	(14.45)	0.26	(14.67)	(0.08)
Aon	0.29	(13.95)	0.06	(13.94)	(0.06)
AMD	0.00	0.00	0.24	37.27	(0.05)
Alphabet A	1.94	2.25	0.83	2.20	(0.05)
ConocoPhillips	0.47	(6.83)	0.14	(6.91)	(0.05)

Chevron (o/w) – the company's share price fell in sympathy with lower oil and natural gas prices. In the period Chevron also agreed to an all-stock merger with Hess Corporation, which likely exacerbated share price weakness.

Aon (o/w) – Aon agreed to buy NFP Corporation for over $13 billion in cash and stock as part of a push into the middle-market segment of the insurance brokerage business. The transaction is expensive and is guided to detract from earnings until 2027 assuming the deal closes later in 2024.

Advanced Micro Devices (u/w) – AMD's shares rallied hard in the final quarter of the year on increased investor confidence that the business can be a credible and successful competitor to Nvidia in advanced computer chips that are necessary for generative artificial intelligence computer training.

Alphabet Inc Class A (o/w) – Alphabet's core Google advertising business delivered attractive revenue growth in the last published quarterly results. However, investors were disappointed by the meaningful and unexpected deceleration in growth of its nascent cloud compute hosting business.

ConocoPhillips (o/w) – the company's share price fell in sympathy with lower oil prices.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund
at 31 December 2023

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.10
Alphabet A	+1.12
Novo Nordisk	+0.63
Samsung Electronics	+0.57
NVIDIA Corporation	+0.49
Alphabet C	-0.70
Tesla	-0.69
Exxon Mobil	-0.40
AbbVie	-0.27
Zurich Insurance Group	-0.27

Top 5 Holdings Relative to Benchmark:

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

Alphabet Inc Class A – the 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. Trials also show that the weight loss medication would also help with cardiovascular and kidney failure for diabetic/obese patients.

Samsung Electronics – exposed to the structural growth in the memory chip market including high bandwidth applications. The group also has a diversified earnings stream, stronger balance vs. peers' and large shareholder return potential. The overweight in the ordinary shares is partly offset by not owning the preference shares.

NVIDIA Corp – the company has leadership in advanced data centre chips that customers use for the most intense compute workloads including generative AI (Artificial Intelligence). This advantage in hardware is reinforced by Nvidia's extensive software intellectual property and its strong position in data centre networking.

Bottom 5 Holdings Relative to Benchmark:

Zurich Insurance Group – the Swiss reinsurance company is on a high valuation relative to their peers and what could be seen to be over-ambitious profitability targets. The portfolio has an overweight position in Munich Re which trades at a lower valuation.

AbbVie Inc – the pharmaceutical company's largest franchise, Humira, has lost important patent protection threatening earnings growth. The company may pursue expensive M&A in an attempt to reinvigorate revenues.

Exxon Mobil Corp – we prefer Chevron and ConocoPhillips who have demonstrated more consistent energy transition engagement.

Tesla Inc – we are concerned 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 seems dependent on Tesla successfully making a technological leap and generating material revenue streams from autonomous driving.

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

Note
1) Source: Northern Trust

Summary of Performance - Funds (Net of Fees) Emerging Markets Equity Fund at 31 December 2023

Fund	Inception to Date			Quarter to Date			1 Year			Benchmark
	Fund	Index	Relative	Fund	Index	Relative	Fund	Index	Relative	
Emerging Markets Equity	2.74	4.36	(1.62)	1.92	2.03	(0.11)	2.73	2.52	0.22	FTSE Emerging Markets (Net)[3]
Border to Coast	5.77	6.60	(0.83)	7.54	7.12	0.42	16.58	13.34	3.23	FTSE Emerging ex China (Net)
FountainCap	(20.13)	(18.68)	(1.45)	(10.45)	(8.48)	(1.97)	(22.12)	(16.81)	(5.32)	FTSE China (Net)
UBS	(19.83)	(18.68)	(1.15)	(8.07)	(8.48)	0.41	(18.09)	(16.81)	(1.29)	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.	67%	69%
FountainCap	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.	13%	11%
UBS	China specialist seeking to identify upcoming ‘industry leaders’ that will benefit from China’s structural growth and transition to a services-led economy.	20%	20%

Note

1) Source: Northern Trust & Border to Coast
2) Values do not always sum due to rounding and use of different benchmarks
3) S&P Emerging Markets BMI (Net) between 22nd October 2018 to 9th April 2021. Benchmark equal to fund return between 10th April to 28th April 2021 (Performance holiday for fund restructure).

Emerging Markets Equity Fund - Overview
at 31 December 2023

Emerging Markets Equity Fund

Emerging Markets underperformed Developed Markets during Q4 2023, following the Fed signalling that US interest rates had peaked, and the market positioning for rate cuts through 2024. Whilst EM-ex China stocks performed positively over the quarter, (albeit still lagging DM), Chinese equities continued to struggle, as the country faces ongoing headwinds in relation to deflationary pressures, a lack of consumer and business confidence, and the indebtedness of its real estate developer sector.

The External Investment Team has continued to monitor the situation in China and we note attractive valuations and strong growth at underlying company levels, albeit negative sentiment continues to overwhelm this. Two Portfolio Managers from the Team are visiting China in 2024 to conduct due diligence on our two China Equity managers, as well as to visit underlying portfolio companies and build a stronger sense of the "on the ground" feel within China.

Over the quarter, the Fund had positive absolute performance of 1.9%, however it underperformed the benchmark by -0.1%. This brought 2023 absolute performance to 2.7%, and relative outperformance to +0.2%. On a since inception to date basis, the Fund has also delivered positive absolute returns (+2.7% annualised), but it remains behind benchmark (-1.6% annualised).

The internally managed Emerging Markets ex. China portfolio outperformed its benchmark over Q4 by +0.4%, ending the year up more than 3% vs the FTSE EM ex-China. Positioning in high quality banks drove the quarterly performance, specifically in LatAm, where the portfolio benefitted from an expected inflection point in Brazilian non-performing loans, and from a Mexican bank holding where margins have been attractive due to the central bank keeping rates higher for longer.

The China managers had mixed performance. UBS outperformed the FTSE China by +0.4% over the quarter, but still underperformed the index by 1.3% through 2023. Fountain Cap's performance was poor over the quarter, underperforming by 2.0%, which exacerbated negative 2023 underperformance, as the Fund ended the year down 5.3%, relative to the Benchmark. Through the quarter, the China managers were negatively impacted by being underweight PDD, which has "bucked the trend" relative to the overall Chinese market, rallying more than 40%. The stock has grown to be a near-5% index weight so this UW holding alone has been significant. The portfolio was also negatively impacted by a surprise announcement by the Chinese gaming regulator, although this has since been largely reversed, and positioning in consumer discretionary stocks in the face of ongoing Chinese consumer weakness.

Note
1) Source: Border to Coast

Emerging Markets Equity Fund
at 31 December 2023

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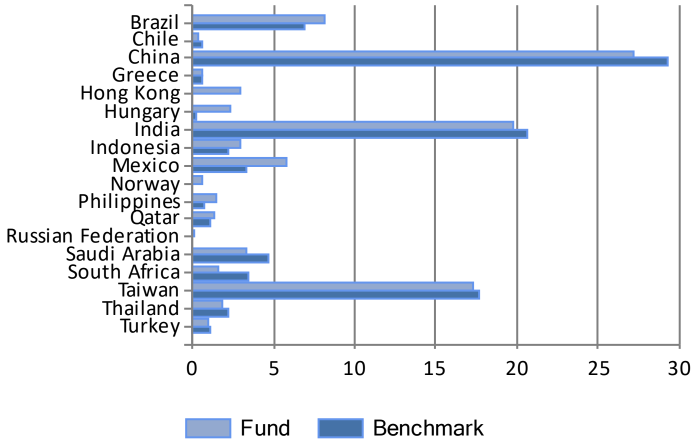
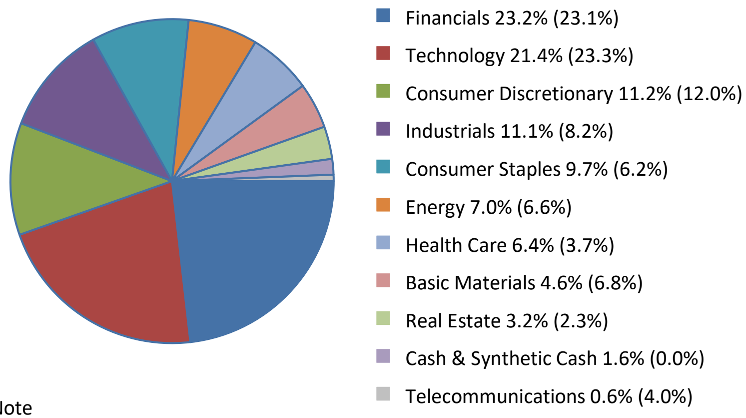
Regional Breakdown



Sector Portfolio Breakdown



Note
1) Source: Northern Trust

Emerging Markets Equity Fund

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

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

Sector Weights:

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

Industrials (o/w) – the Fund is marginally overweight the industrials sector, a diverse sector ranging from shipping and airports to glass manufacturing. The Fund's largest positions within this sector are manufacturers (or lessors) of heavy machinery and parts, 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.

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.

Basic Materials (u/w) - the Fund is underweight to the Materials sector, driven predominantly by Managers believing there are few quality companies and attractive opportunities, albeit the Fund does hold some stocks, particularly in the EM-ex China component of the portfolio.

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 balances 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.

Emerging Markets Equity Fund Attribution at 31 December 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Itau Unibanco	2.02	23.86	0.51	24.19	0.26	Financials	Brazil
Alibaba	1.27	(13.75)	2.48	(14.14)	0.24	Consumer Discretionary	China
Bharat Electronics	1.17	27.18	0.12	27.26	0.21	Industrials	India
Banorte	1.94	18.16	0.44	18.46	0.21	Financials	Mexico
ASE Technology	1.50	23.14	0.23	24.16	0.18	Technology	Taiwan

Positive Issue Level Impacts

Itau Unibanco (o/w) – the largest private sector bank in Brazil. Itau Unibanco has performed resiliently in the face of a challenging credit cycle with high interest rates across Brazil. The NPL profile of the business stayed stable through Q3, and with the Brazilian government beginning to cut interest rates, the market has forecasted an inflection point for NPLs, raising expectations of increasing shareholder returns alongside lower cost of capital.

Alibaba (u/w) – a Chinese multinational technology company, best known for e-commerce and online payment platforms. The internet giant has been under continued competitive pressure as it has lost e-commerce market share, and has not kept up with the growth rates of rival PDD Holdings.

Bharat Electronics (o/w) – an Indian state-owned aerospace and defence electronics company. Following the company reporting a Net Income beat during the quarter, Bharat Electronics has announced a string of new order inflows, benefitting from the government's spending on defence.

Grupo Financiero Banorte (o/w) – the number two Mexican bank ranked by deposits and loans. The stock has benefitted relatively as the Mexican market has outperformed wider EM over the quarter. The bank has high quality characteristics including a strong dividend payout ratio and has reported growing net earnings.

ASE Technology (o/w) – the global leader in outsourced semiconductor assembly and test ("OSAT"), from Taiwan. Despite post earnings guidance indicating a Q4 revenue decline, due to global chip destocking in downstream markets, there has been signs of semiconductor demand recovering. The company has performed resiliently, relative to other semiconductor related peers, also supporting the share price.

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

Emerging Markets Equity Fund Attribution
at 31 December 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
PDD Holdings	0.31	0.00	1.33	42.84	(0.34)	Technology	China
Netease	2.24	(12.82)	0.49	(15.01)	(0.28)	Consumer Discretionary	China
Kweichow Moutai	2.84	(5.03)	0.32	(4.90)	(0.19)	Consumer Staples	China
China Merchants Bank	0.89	(20.26)	0.20	(20.12)	(0.19)	Financials	China
ANTA Sports Products	0.87	(17.43)	0.18	(17.48)	(0.16)	Consumer Discretionary	China

Negative Issue Level Impacts

PDD Holdings (u/w) – a multinational commerce group that owns and operates a portfolio of businesses focused on the digital economy. The company continued its strong 2023 performance with third quarter earnings rising more than 45% versus one year ago, driven by revenue increases across online marketing and transaction services.

Netease (o/w) – a Chinese internet technology company that primarily develops and operates online PC and mobile games and content. The company had been experiencing a fairly uneventful quarter, performing flat until the end of December, whilst the China index fell. However, a set of draft rules released by China's National Press and Public Administration (which in turn regulates China's video game sector), stoked fears that the sector would come under a regulatory crackdown.

Kweichow Moutai (o/w) – a leading Chinese baijiu (liquor) producer. Despite forecasting 2023 Net Income to rise more than 17%, the company experienced share price weakness in Q4 driven by some sector weakness as reports indicated competitor firms would cut prices to boost sales, and technical factors adding further downward pressure.

China Merchants Bank (o/w) – a Chinese commercial bank. The bank has faced headwinds through Q4 of expected weak credit demand, and the potential of increased NPLs from property developers.

Anta Sports (o/w) – a Chinese sportswear retailer. Anta Sports has been impacted by continued headwinds regarding negative sentiment in relation to Chinese consumer activity, as well as technical factors adding further downward pressure.

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

Emerging Markets Equity Fund at 31 December 2023

Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.52
Gedeon Richter	+1.76
Netease	+1.76
ITC	+1.75
Grupo Mexico	+1.52
Alibaba	-1.21
PDD Holdings	-1.02
Infosys	-0.98
China Construction Bank	-0.84
ICBC	-0.58

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

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

Richter Gedeon – a diversified and growing pharmaceutical business that trades materially cheaper than peers. Richter boasts a growing (and soon to be market leading) women's health platform and is a leader in proprietary CNS (central nervous system) drug discovery. The company is benefiting from low-cost but high-spec R&D and manufacturing facilities in Budapest with various avenues ahead for value creation. The firm is well positioned to benefit from increased global medical spending with mature cash generative drugs and an innovative pipeline.

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.

ITC – ITC's portfolio of consumer staples brands and powerful distribution capability provides broad exposure to the consumer in India. The company is benefiting from robust volume expansion and premiumisation.

Grupo Mexico – the holding company of an 89% ownership of Southern Copper Corp, the fifth largest copper producer in the world, and the largest by reserves and resources.

Bottom 5 Holdings Relative to Benchmark:

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

PDD – a Chinese technology company, owning a number of e-commerce businesses, such as TEMU. 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.

Infosys – an Indian IT consulting and software services business. The company was a previous holding in the EM-ex China portfolio, however the position was exited during Q3 following poor guidance, and positioning has been rotated into competitor firms which offer less discretionary services, such as moving digital infrastructure to the cloud.

China Construction Bank – is another one of the "big four" banks in China, which, as above, the Fund maintains a structural underweight to.

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

Major Transactions During the Quarter

Purchases:

Akbank (New Position, £9.7m) – A position in Akbank T.A.S. (a Turkish bank) was initiated in Q3 as the company has been adjudged to be a quality banking franchise in Turkey, and following Erdogan's re-election there has been a return to monetary orthodoxy.

Aegis Logistics (New Position, £8.2m) – The Fund also opened a position in Aegis Logistics, a major provider of port infrastructure for import/ export of LPG and industrial liquids. Aegis could benefit from the steadily rising volumes of imported LPG and chemicals into India, which are consumed by both households and industry.

UK Listed Equity Fund - Overview
at 31 December 2023

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UK Listed Equity Fund

The Fund generated a total return of 2.78% during the quarter, compared to the benchmark return of 3.23%, resulting in 0.45% of underperformance.

The Fund benefited from the following factors:

- Stock selection in Healthcare where an overweight position in Convatec (strategic shift delivering accelerating growth) and through not holding Indivior (litigation costs and generic competition concerns) were the principal contributors.
- Stock selection in Energy where an overweight holding in John Wood Group (end-market outlook improving) and an underweight position in BP (weaker gas trading, unexpected CEO departure) were the key contributors.

This was offset by the following:

- Stock selection in Industrials primarily from an underweight position in Rolls Royce (turnaround progress) and an overweight position in Rentokil (US pest control growth slowed) were the principal contributors.
- Stock selection in Financials through an overweight position in St James's Place (changes to fee structure) and by not holding 3i Group (largest holding performing well).
- An overweight allocation to Consumer Staples which have underperformed in a higher interest rate environment.

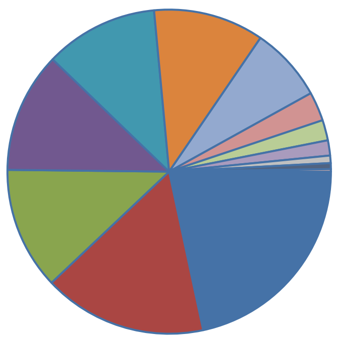
Note
1) Source: Border to Coast

UK Listed Equity Fund
at 31 December 2023

Largest Relative Over/Underweight Sector Positions (%)

Consumer Staples	+2.28
Common Stock Funds	+1.51
Health Care	+1.09
Energy	+0.30
Other Assets	+0.02
Financials	-2.03
Telecommunications	-0.90
Utilities	-0.79
Technology	-0.76
Real Estate	-0.66

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:

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, robust balance sheets and seen as quality compounders through the economic cycle. Demonstrated resilient trading throughout the pandemic, and would be expected to perform strongly, relative to the wider equity market, during a global downturn.

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 leaving current valuations increasingly attractive, over longer periods they typically outperform, benefitting from stronger growth potential, with the funds delivering long-term outperformance.

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.

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

Telecommunications (u/w) – highly capital-intensive industry with competitor overbuild of fibre networks, hence uncertain returns from elevated investment. Competition issues act as barriers to further industry consolidation in Europe and the UK, and recent pricing increases such as those seen at BT appear unsustainable.

Financials (u/w) – predominantly due to underweight investment trusts and HSBC (US-China relations remain strained), 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 following the re-opening of the China/Hong Kong border.

UK Listed Equity Fund Attribution
at 31 December 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
British Land	0.54	27.92	0.16	30.48	0.07
Intercontinental Hotels	1.07	17.04	0.51	16.73	0.07
Vodafone	0.00	0.00	0.65	(5.82)	0.06
Chemring	0.36	26.28	0.04	26.31	0.06
Biotech Growth Trust	0.51	15.45	0.01	15.21	0.05

British Land Co PLC (o/w) – rate cycle headwinds for the real estate sector eased during the quarter as expectations of peak rates and a potential turn in rate cycle gathered momentum, with valuation discounts to NAV showing signs of stabilisation. Interim results for British Land confirmed strong operational performance with new lease signings ahead of expectations.

Intercontinental Hotels Group PLC (o/w) – hotel demand/travel recovery continues its momentum with no sign of easing following the lifting of pandemic restrictions, with IHG's quarterly update confirming accelerating RevPAR growth, improvement in hotel pipeline signings and further commitment to share buybacks.

Vodafone Group PLC (u/w) – Not held. Interim results underwhelmed with earnings pressure in key markets including its largest market Germany where regulatory changes potentially negatively impact cable revenues and a surprise roaming agreement with 1&1 risks undermining industry pricing, together with concerns around sustainability of the dividend.

Chemring Group PLC (o/w) – defence companies benefitting from ongoing Ukraine-Russia conflict, geopolitical tensions between US-China and recent events in Israel/Gaza. Full year results during the quarter confirmed record order book growth, improving visibility on medium term revenue growth and de-risking of the pension scheme concluded.

Biotech Growth Trust PLC (o/w) – the global biotech sector has started to emerge from an extended period of underperformance relative to broader equities, driven by expectations of a turn in the rate cycle during the quarter from which the trust has particularly benefitted given its bias towards smaller market cap stocks, alongside increased M&A activity across the biotech sector.

Note
1) Source: Northern Trust & Border to Coast

UK Listed Equity Fund Attribution Continued at 31 December 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Rolls Royce	0.00	0.00	1.08	35.67	(0.26)
3I Group plc	0.00	0.00	1.00	18.19	(0.13)
Dr. Martens	0.17	(37.68)	0.02	(37.30)	(0.08)
Scottish Mortgage Investment Trust	0.00	0.00	0.49	20.94	(0.07)
St. James's Place	0.42	(17.96)	0.16	(17.86)	(0.06)

St James's Place PLC (o/w) – significant changes announced to its charging structure in response to the FCA's Consumer Duty guidance released earlier this year, lowering near-term fee revenues whilst also incurring significant transition costs to incorporate the new charging structure across its platform.

Scottish Mortgage Investment Trust PLC (u/w) – Not held. The specialist global large-cap technology investment trust has benefitted from a shift in rate cycle expectations during the quarter, favouring long duration growth stocks held within the trusts concentrated portfolio.

Dr Martens PLC (o/w) – profit warning during the quarter, as half year results revealed US wholesale channel de-stocking taking longer to work through than anticipated. Net debt also higher driven by elevated inventory and early Autumn/Winter trading in Q3 impacted by unseasonal weather.

3i Group PLC (u/w) – Not held. Half-year results announcement confirmed Action, the European discount retailer which represents around 70% of the investment company's portfolio, has continued to deliver strong trading performance.

Rolls-Royce PLC (u/w) – Not held.Turnaround driven by recovery in widebody flying continues to gain traction.Medium-term profit and margin guidance raised ahead of Capital Markets Day, alongside increased cost reduction plans and intention to re-establish shareholder distributions.

Note
1) Source: Northern Trust & Border to Coast

UK Listed Equity Fund
at 31 December 2023

Largest Relative Over/Underweight Stock Positions (%)

Impax Environmental Markets	+0.87
Schroder UK Smaller Companies Fund	+0.78
Liontrust UK Smaller Companies	+0.73
Intercontinental Hotels	+0.57
Herald Investment Trust	+0.57
Rolls Royce	-1.08
3I Group plc	-1.00
Vodafone	-0.65
Aviva	-0.51
Scottish Mortgage Investment Trust	-0.49

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Impax Environmental Markets PLC – leading ESG-focused fund that has delivered strong outperformance over the longer-term, specialising in alternative energy, energy efficiency, water treatment, sustainable food, clean transport, smart environment, pollution control, and waste technology.

Schroder Institutional UK Smaller Companies Fund – specialist UK smaller companies fund with a strong long term track record; smaller companies typically out-perform over the longer term given their higher growth potential. Schroders incorporate proprietary ESG-scoring systems in their investment process and undertake significant direct ESG engagement with portfolio holdings.

Liontrust UK Smaller Companies Fund – specialist UK small-cap fund with an investment style focussed on intellectual property, strong distribution channels, and durable competitive advantage, factors considered relevant to the attractive long-term growth profile of smaller companies. Strong emphasis on sustainable investment and extensive ESG engagement and reporting.

Intercontinental Hotels Group PLC – well placed to benefit from the recovery in global travel post lifting of pandemic restrictions, with leisure/travel continuing to be prioritised by consumers. Capital light franchised/managed hotel operating model helps insulate earnings from fluctuations in hotel demand, with hotel owner/developers favouring ties with strong hotel brands, supporting platform growth.

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 with the investment team led by the experienced Katie Potts.

Bottom 5 Holdings Relative to Benchmark:

Scottish Mortgage Investment Trust PLC – investment trust focussed on global large-cap technology stocks, the fund has similar exposure through its holding in Allianz Technology Trust.

Aviva PLC – recently exited our position to consolidate holdings within the insurance sector where growth prospects appear stronger such as Admiral, Prudential and Legal & General.

Vodafone Group PLC – recently exited holding on weakening competitive position in key markets, exacerbated by a questionable roaming agreement between Vodafone and 1&1 which appears to undermine industry profitability recovery in Germany, Vodafone's largest market, and lack of progress with strategic consolidation in UK, Spain and Italy.

3i Group PLC – global private equity investor with a highly concentrated investment portfolio where approximately 70% of the current net asset value is invested in a single asset, Action, a European discount retailer.

Rolls-Royce Holdings PLC – exited the holding towards the end of 2022 and ahead of the change in CEO, 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.

Major transactions during the Quarter

Purchases:

Inchcape PLC (£6.0m) – new holding added at attractive valuation relative to history. Market leading auto distributor possessing key relationships with large global manufacturers, providing OEM's with market access to a growing number of geographies, particularly across regions with higher growth potential such as Asia and S America.

Sales:

Shell PLC (£16.9m) – trimmed energy weighting to neutral following an extended period of outperformance and growing concerns over a weakening global demand outlook.

APPENDICES

Overseas Developed Markets Fund - United States
at 31 December 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Exxon Mobil	0.00	0.40	0.12
Tesla	0.00	0.69	0.09
Broadcom	0.89	0.49	0.07
Pfizer	0.00	0.16	0.04
American Express	0.44	0.11	0.04

Exxon Mobil (u/w) – the company's share price fell in sympathy with lower hydrocarbon prices. Commodity producers such as Exxon tend to be price takers. Their fortunes have a propensity to be tied to the price vagaries of the commodities they extract in the absence of material changes to their own production volumes.

Tesla (u/w) – the company's latest quarterly results disappointed the market. Tesla's profitability declined as it cut new vehicle prices to stimulate demand in an increasingly competitive electric vehicle market.

Broadcom (o/w) – the company closed the $60 billion acquisition of VMware, which is a cloud computing and virtualisation leader, after gaining necessary regulatory approvals. The deal should provide for significant synergies and therefore the potential for accelerated earnings growth.

Pfizer (u/w) – Pfizer provided disappointing guidance for 2024 sales of COVID-19 vaccines and antivirals. Furthermore, its leading anti-obesity treatment candidate endured some disappointing clinical trial results compared to already approved medicines from both Eli Lilly and Novo Nordisk.

American Express (o/w) – earnings guidance from American Express' management remained unchanged but sentiment towards the shares improved alongside better market expectations for the health of the US economy and consumer.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - United States
at 31 December 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Chevron	0.59	0.26	(0.08)
Aon	0.29	0.06	(0.06)
AMD	0.00	0.24	(0.05)
Alphabet A	1.94	0.83	(0.05)
ConocoPhillips	0.47	0.14	(0.05)

Chevron (o/w) – the company's share price fell in sympathy with lower oil and natural gas prices. In the period Chevron also agreed to an all-stock merger with Hess Corporation, which likely exacerbated share price weakness.

Aon (o/w) – Aon agreed to buy NFP Corporation for over $13 billion in cash and stock as part of a push into the middle-market segment of the insurance brokerage business. The transaction is expensive and is guided to detract from earnings until 2027 assuming the deal closes later in 2024.

Advanced Micro Devices (u/w) – AMD's shares rallied hard in the final quarter of the year on increased investor confidence that the business can be a credible and successful competitor to Nvidia in advanced computer chips that are necessary for generative artificial intelligence computer training.

Alphabet Inc Class A (o/w) – Alphabet's core Google advertising business delivered attractive revenue growth in the last published quarterly results. However, investors were disappointed by the meaningful and unexpected deceleration in growth of its nascent cloud compute hosting business.

ConocoPhillips (o/w) – the company's share price fell in sympathy with lower oil prices.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - United States
at 31 December 2023

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.10
Alphabet A	+1.12
NVIDIA Corporation	+0.49
Microsoft	+0.47
Broadcom	+0.41
Alphabet C	-0.70
Tesla	-0.69
Exxon Mobil	-0.40
AbbVie	-0.27
Salesforce	-0.26

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

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

Alphabet Inc Class A – the parent company of Google. Google enjoys strong and profitable internet advertising market positions whilst also benefitting from a fast-growing cloud computing infrastructure business.

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

Microsoft Corp – the company is benefitting from the secular growth of its Azure cloud hosting business as well as resilient demand for its ubiquitous suite of productivity software led by Microsoft Office.

Broadcom – a prominent designer and developer of semiconductors serving an array of growing end markets. Broadcom's technical leadership in customised silicon could be a source of attractive growth for years to come.

Bottom 5 Holdings Relative to Benchmark:

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

Tesla Inc – we are concerned that the company may need to cut vehicle prices further to stimulate demand at a time of increasing competition.

Exxon Mobil Corp – we prefer Chevron and ConocoPhillips who have demonstrated more consistent energy transition engagement.

AbbVie Inc – the pharmaceutical company's largest franchise, Humira, has lost important patent protection threatening earnings growth. The company may pursue expensive M&A in an attempt to reinvigorate revenues.

Salesforce Inc – Salesforce was a pioneer in developing and selling customer relationship management (CRM) software hosted on the cloud, but the market has matured coinciding with the company going on an expensive corporate acquisition spree.

Major transactions during the Quarter

Purchases:
Mastercard (£26.1m) – new holding. Mastercard's share price underperformed that of Visa in 2023 and so in the final quarter we reduced the holding of Visa to partially fund a modest overweight in Mastercard.

Sales:
Dollar General (£7.5m) – exited holding. The share price responded well to the return of a former CEO to the top job after a catalogue of operational and financial issues befell his successor. We took advantage of the recovery in the share price to exit the holding as we believe the returning CEO is partially the architect of the company's woes which appear deep-rooted and could take years to fix.

Overseas Developed Markets Fund - Europe (ex UK) at 31 December 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Siemens	0.94	0.51	0.06
ASML	1.47	1.07	0.05
Sandoz	0.05	0.05	0.04
argenx	0.00	0.08	0.04
UBS	0.65	0.34	0.03

Siemens (o/w) – Siemens AG rose after reporting record earnings and predicting a recovery for China's economy for the second half of next year. The German industrial company sees comparable revenue rising as much as 8% in the year through September 2024.

ASML (o/w) – the Dutch lithography company saw higher than expected sales and profits when they reported for the quarter.

Sandoz Group (e/w) – the Swiss maker of generic medicines, reported higher revenue against expectations, led by growth in biosimilars, which are more complex copycat drugs. Sales rose 6% on a constant-currency basis in the first nine months of 2023. Its adjusted EBITDA margin should be 18% to 19% this year.

Argenx (u/w) – the Belgian biotech company has seen 2 drugs that have failed during the quarter. Initially their first drug (Vyvgart Hytrulo) unexpectedly failed to help patients with a rare drug disorder. Secondly the company also experience a failure in Phase 3 trials of their treatment for an autoimmune disease that causes skin blisters.

UBS (o/w) – the Swiss bank reported stronger-than-expected client inflows and progress in cost-saving goals, while also touting the progress in stabilising the Credit Suisse business. The key wealth management unit saw $22 billion in net new money in the quarter, compared to analyst estimates of $14 billion. There is belief now that the emergency takeover is not showing signs of lasting damage on the combined new bank.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Europe (ex UK)
at 31 December 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Novartis	0.86	0.75	(0.04)
Sanofi	0.57	0.39	(0.04)
TotalEnergies	1.00	0.54	(0.04)
Vestas Wind Systems	0.00	0.12	(0.03)
Ahold Delhaize	0.25	0.10	(0.03)

Novartis (o/w) – the Swiss pharmaceutical company has underperformed on the back of investors looking to increase their risk appetite due to interest rates peaking as inflation has fallen considerably. Defensive names/sectors are being left behind in the rally.

Sanofi (o/w) – the French pharmaceutical company was hit after disappointing earnings and a surprise forecast of lower profits for next year. The company is looking to increase R&D, and this has come as the company has cut some of their financial targets for the next couple of years.

TotalEnergies (u/w) – the French integrated oil and gas company suffered on the back of the weakness in oil prices as Brent fell 18% during the quarter.

Vestas Wind Systems (u/w) – the Danish turbine manufacturer increased its earnings outlook for the year following a flood of orders. The headwinds for the company are starting to fade Vestas now expects to deliver positive earnings before interest and tax.

Kon Ahold Delhaize (u/w) – the Dutch grocer underperformed as third-quarter margins and earnings missed estimates due to a weak performance in the US, which was hurt by a reduction in a benefits programme and student-loan payment resumption. Sales in the US fell 7% in the quarter to €13.6 billion.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Europe (ex UK) at 31 December 2023

Largest Relative Over/Underweight Stock Positions (%)

Novo Nordisk	+0.63
TotalEnergies	+0.46
Siemens	+0.44
Schneider Electric	+0.42
ASML	+0.40
Zurich Insurance Group	-0.27
Hermes	-0.26
Banco Santander	-0.24
Mercedes-Benz	-0.21
Enel SPA	-0.21

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

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.

TotalEnergies – the French petroleum company has recently been shifting away from their core oil business and has now become the second largest player in liquefied natural gas ("LNG").

Siemens – the German industrial company has transformed from being a large conglomerate to a focused niche player. The company is focusing in 3 main areas – Digital Industries, Smart Infrastructure and Mobility.

Schneider Electric – the well-run French electrical power equipment company is well positioned globally in the structural growth markets of Energy Management and Industrial Automation.

ASML – the Dutch hardware company is the sole supplier of lithography equipment to the semiconductor/chip makers globally. The company has monopolistic power.

Bottom 5 Holdings Relative to Benchmark:

Zurich Insurance Group – the Swiss reinsurance company is on a high valuation relative to their peers and what could be seen to be over-ambitious profitability targets. The portfolio has an overweight position in Munich Re which trades at a lower valuation.

Hermes – the French luxury brand company trades on a higher valuation and has a less diversified portfolio than some of their peers. The portfolio has an overweight position in LVMH.

Banco Santander – the Spanish bank is one of the weaker operators in the banking sector. The bank has one of the weakest balance sheets in the sector and its end markets appear vulnerable to the impact of increasing interest rates. Their strategy to move into investment banking is high-risk.

Mercedes-Benz Group – the German luxury auto manufacturer trades on a high valuation at a time when we believe there is a risk of profitability peaking. The auto sector is highly cyclical, a weak consumer and high interest rates could materially impact demand.

ENEL – the Italian power company is looking to reduce their debt by selling off assets. However, this may end up being a fire sale as demand for bond proxy assets is low with interest rates being currently higher.

Major transactions during the Quarter

Purchases:
EssilorLuxottica (£4.0m) – the company is a quality name in the eyecare sector with the company offering a service across the value chain. The management team are looking to increase margins as synergies start to come through with a large part of the business being defensive. The purchase closes the underweight.

Sales:
JP Morgan European Discovery Trust (£12.1m) – looking to reduce the portfolio's allocation to collectives and use the proceeds to invest in some of the other names in the portfolio.

Overseas Developed Markets Fund - Japan
at 31 December 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Shin-Etsu Chemical	0.41	0.19	0.05
DISCO Corporation	0.25	0.05	0.04
Recruit Holdings	0.30	0.14	0.03
Tokyo Electron	0.38	0.19	0.03
Keisei Electric Railway	0.17	0.02	0.03

Shin-Etsu Chemical (o/w) – a relatively subdued performer for much of the year, Shin-Etsu gained momentum following a bullish set of Q2 numbers. The company's silicon wafers are among the first products to see orders recover when the semiconductor cycle turns.

Disco (o/w) – semiconductor production equipment (SPE) manufacturers have enjoyed a robust rerating since the springtime as the market started looking toward a recovery in chip-maker capex. Disco has benefitted more than other related names due to the exposure of its back-end processing equipment to the large-scale buildout underway to enable artificial intelligence.

Recruit Holdings (o/w) – the shares railed on news that US activist shareholder ValueAct Capital had acquired a 1.1% stake in the company, claiming the shares are worth roughly 2x their current value.

Tokyo Electron (o/w) – as with Disco, Tokyo Electron has enjoyed a strong rerating as a key player supporting the buildout of the chip-making industry. Tokyo Electron dominates its core verticals in front-end processing and has long been the best managed of the Japanese semiconductor supply chain players.

Keisei Electric Rail (o/w) – as with Recruit Holdings, Keisei Electric was targeted by activist buying during the quarter. UK-based investor Palliser acquired a 1.6% stake in the company and began lobbying management to reduce its stake in Oriental Land, the operator of Tokyo Disneyland. Any unwinding of this holding, and presumed payout to shareholders, will be beneficial for Keisei shareholders.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Japan
at 31 December 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Panasonic	0.16	0.05	(0.03)
Takeda Pharmaceutical	0.26	0.10	(0.03)
Oji Holdings	0.13	0.01	(0.03)
KEPCO	0.16	0.02	(0.03)
Subaru	0.15	0.03	(0.02)

Panasonic Holdings (o/w) – given its privileged position as a major supplier of batteries to US EV maker Tesla, Panasonic has tended to trade in line with the outlook for the EV market as a whole. Souring sentiment over EV growth prospects appears to have hurt the stock during the quarter, as did lacklustre results from areas like factory automation in China.

Takeda Pharmaceutical (o/w) – the market reacted negatively to news at the company's Q2 results briefing that sales of high-growth Entyvio were underperforming management's expectations in the United States. In our view, however, Takeda has the most complete drug pipeline of any Japanese pharmaceutical maker and hence any short-term disappointment will be more than offset by positive gains from new product releases over time.

Oji Holdings (o/w) – the shares performed well in the third quarter on hopes for a long-awaited cyclical recovery in the company's end markets of pulp and packaging materials. Results for the first half of the year disappointed, however, and the shares retraced their earlier gains.

Kansai Electric Power (o/w) – some degree of pullback was expected after significant rerating during the first nine months of 2023 on recommissioning of shuttered nuclear power facilities. This was exacerbated late in the quarter by news that management planned to write off a power project in Wakayama prefecture and was revising FY forecasts down to account for related charges.

Subaru (o/w) – the share price was negatively impacted by a shift in the trajectory of the yen-dollar rate from yen weakening to yen strengthening. In our view, Subaru is an excellent niche OEM producer of high-quality vehicles with a very loyal customer base, but its business model relies on US sales of product it produces mainly in Japan, hence its leverage to FX rates.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Japan
at 31 December 2023

Largest Relative Over/Underweight Stock Positions (%)

Shin-Etsu Chemical	+0.22
Ballie Gifford Shin Nippon	+0.20
DISCO Corporation	+0.20
Tokyo Electron	+0.20
Hitachi	+0.19
Mitsui & Co	-0.13
Daiichi Sankyo	-0.12
Honda Motor	-0.12
Mizuho Financial	-0.10
HOYA	-0.10

Top 5 Holdings Relative to Benchmark:

Shin-Etsu Chemical – broad capabilities extend from world-leading PVC operations to advanced tech materials. Done an excellent job over the last few cycles dampening the inherent cyclicality of its businesses.

Baillie Gifford Shin Nippon – long maintained position as an efficient means of accessing alpha from the long tail of small cap stocks listed in Japan as well as mitigating the fund's overweight to larger-cap stocks.

Disco – dominant in core product areas in back-end semiconductor production processes. Should continue to benefit from the increasing scale and pace of advanced semiconductor manufacturing capacity buildout.

Tokyo Electron – dominates its core verticals in front-end processing and has long been the best managed of the Japanese semiconductor supply chain players, in our opinion.

Hitachi – over the last 13 years large-scale corporate restructuring has transformed this company from an inefficient corporate behemoth into a lean and focused creator of industrial value.

Bottom 5 Holdings Relative to Benchmark:

Mitsui & Co – we prefer Mitsubishi Corp. and Itochu Corporation, as these two trading houses have more diversified business portfolios with relatively lower weighting on resources/commodities.

Daiichi Sankyo – despite recent derating following disappointing clinical trial results, the current share price continues to reflect an unrealistically optimistic outlook for the company's oncology drugs, in our view.

Honda Motor – prefer Toyota's EV strategy and growth prospects, as well as Subaru whose prospects from their collaboration with Toyota, their US sales resilience, and the possibility of Toyota increasing their stake.

Mizuho Financial Group – we prefer MUFG for the higher quality of its domestic franchise as well as its blue-chip overseas assets like Morgan Stanley.

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

Major transactions during the Quarter

Purchases:
Yamaha (£1.0m) – shares have derated significantly on the back of a sharp inventory adjustment in China.
KDDI (£2.9m) – shares have underperformed in a market geared toward its more tech-oriented peers.

Sales:
Disco: (£2.2m) – one of the fund's best performing stocks over the last 12 months.
Softbank (£2.0m) – used recovery in share price as an opportunity to redeploy into less tech-intensive laggard KDDI.

Note
1) Source: Northern Trust

Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 31 December 2023

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
James Hardie	0.30	0.11	0.05
SK Hynix	0.71	0.40	0.04
HPSP	0.19	0.00	0.04
Samsung Electronics	2.50	1.93	0.04
Ecopro	0.00	0.06	0.03

James Hardie Industries (o/w) – outperformed on stronger-than-expected guidance for its fibre cement products amid market share gains and lower raw materials and support from the announcement of a share buyback program.

SK Hynix (o/w) – benefitted from expectations of a strong recovery in the memory market and improving profitability on the back of its leadership position in high bandwidth memory products for AI and data centre applications.

HPSP Co (o/w) – also outperformed on exposure to the improving semiconductor outlook and expectations of rising profits from its key high-pressure hydrogen annealing tools which facilitate the technological transition to smaller chips.

Samsung Electronics (o/w) – similarly to SK Hynix, it outperformed on expectations of a rebounding memory and foundry semiconductor businesses as well as of improving earnings from its mobile and display solution businesses.

EcoPro (u/w) – underperformed on poor earnings on falling cathode prices, high valuation and weak sentiment for its battery materials producing subsidiaries.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 31 December 2023

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Celltrion	0.00	0.16	(0.04)
Hong Kong Exchanges & Clearing	0.49	0.29	(0.04)
Samsung SDI	0.33	0.13	(0.02)
SK Innovation	0.21	0.04	(0.02)
Bank of China (Hong Kong)	0.23	0.07	(0.02)

Celltrion (u/w) – outperformed on gaining US FDA approval of a biosimilar anti-inflammatory drug and a after announcing a merger with subsidiary Celltrion Healthcare aiming at improving R&D integration and cost structure which includes a share buyback and retirement of treasury shares.

Hong Kong Exchanges & Clearing (o/w) – was undermined by weak market sentiment in Hong Kong resulting in depressed trading volumes and low revenues from IPOs despite an improving IPO pipeline, ongoing initiatives aimed at boosting connectivity with China and strong investment income.

Samsung SDI (o/w) – was affected by ongoing concerns of slowing end-demand for EV batteries despite solid earnings underpinned by EV battery premium offering and solid margins in its electronic material divisions.

SK Innovation (o/w) – also underperformed on the back of concerns of the outlook for the EV industry despite improving refining and petrochemical business and scope for rising profitability for EV batteries on progress on lifting production yields.

BoC Hong Kong (o/w) – despite strong earnings supported by high HIBOR and net interest rates margin and potential for improving shareholders' returns on the back of high capital ratio, the bank underperformed on concerns on economic trends in Hong Kong / China and lower interest rates going forward.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 31 December 2023

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.57
SK Hynix	+0.31
Techtronic Industries	+0.27
AIA Group	+0.26
CSL	+0.22
Samsung Electronics Prefs	-0.27
UOB	-0.17
Celltrion	-0.16
Kia	-0.13
Shinhan Financial	-0.10

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

Samsung Electronics – exposed to the structural growth in the memory chip market including high bandwidth applications. The overweight in the ordinary shares is partly offset by not owning the preference shares.

SK Hynix – one of the leaders in semiconductor memory with high teens global market share in both NAND and DRAM. The company is a beneficiary of the structural increase in demand and improving penetration and number of applications (including AI) for its technologically leading high bandwidth memory.

Techtronic Industries – the group's technology leading focus on cordless power tools market should lead to improving margins and market share as global penetration continues rising.

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

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

Bottom 5 Holdings Relative to Benchmark:

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

UOB – whilst Singaporean banks tend to be highly correlated, the portfolio has a preference for the other large banks in the country DBS and OCBC which have stronger capital positions and differentiated profiles.

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

Kia Corp – the portfolio has a preference for Hyundai Motor and Hyundai Mobis in the Korean autos sector. Kia has made great strides in terms of profitability and brand development and awareness in recent years and has been included in the portfolio's watchlist for potential future inclusion.

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

Major transactions during the Quarter

Purchases:
HPSP (£9.2m) – added position. Korean company specialising in high pressure heat treatment semiconductor equipment increasingly used in the production of smaller logic nodes (below 10nm) and memory chips. HPSP enjoys high technological barriers to entry and plenty of upside benefitting from the migration towards smaller semiconductors and expected rising demand for applications such as AI and data centres.

Sales:
None.

Market Background
at 31 December 2023

Global equity markets finished the year on a strong note. The fourth quarter recorded a gain of 11.4% in US Dollar terms. This was moderated by a strengthening in sterling with a reversal of its 3% depreciation in the prior quarter, resulting in a 6.5% gain in sterling terms for global equity markets. The fourth quarter ended a strong year for equity markets with a 24% gain in US Dollars and 16% gain in sterling, more than reversing the losses experienced in 2022.

The strong recovery across equity markets over the past year felt unexpected and hard earned. Over the last two decades, global equities have delivered an annualised sterling total return of just under 10%. This places the 16% gain in a better context, especially once we adjust for the higher than trend inflation we have experienced over the past couple of years. Such returns are not however unprecedented; should we take the last two decades global equities have delivered positive returns more than three quarters of the time, with double digit returns making up a dozen of those years. The strong returns have meant we have to scour global equities to find any notable markets that remain below their pre-Covid levels. Only China and Hong Kong stand out, struggling with a unique mix of domestic and global issues. Certainly, in our opinion, a far better outcome than would have predicted just three or four years ago.

The strong equity market is very closely linked to the perception that well-orchestrated policy response across global central banks has put us on a path to vanquish the inflationary pressures. Pressures that built up as a result of the compounding of the global economic re-opening after Covid and the energy price shock caused by the invasion of Ukraine. There are certainly signs that this assertion may be true. If we look across the globe, inflation has eased. US CPI has dropped from a high in 2022 of 9% to a more reasonable 3% in November. In the UK where inflation seemed more persistent, if fell from 11% last year to the most recent 3.9% reading. In Europe, the only slight variation in an otherwise downward trend has been as a result of the benign unwinding of prior energy subsidies.

It is important to note that measures of inflation excluding energy do not look nearly as attractive. A weak China, soggy global industrial production, ample oil supply, and a warm winter potentially aided by the onset of the El Nino effect have all contributed to a beneficial decline in energy prices. Despite this, the pace at which the view has changed is important. Only three months ago, central bankers were predicting that interest rates would have to remain higher for longer to offset the potential feed through of inflation into wages and longer-term inflationary expectations. Now the focus has shifted to which central bank will be the first to cut. This was encapsulated in a response by US Federal Reserve chairman Jerome Powell, in which he highlighted the Fed's awareness that keeping rates high for too long, and waiting too long to cut them, could endanger the economy.

The divergence in performance within equity markets over the period was coherent when placed in context. The energy sector, for example, has been exceptionally weak following a strong 2022; dropping 4% in absolute terms. Diversified oil majors such as Shell, with their improving capital return policy, stood out, generating a 13% return. The US peers such as the giant Exxon, which is not currently owned across our funds, struggled. The consumer staples sector was the weakest sector falling -7.5% over the year. This was perhaps epitomised in the difference in performance between Costco and Dollar General. Costco, the US wholesaler, benefitted from its perception of offering good value and having a broad customer base including middle income consumers and small businesses. The stock gained nearly 50% over the year. Dollar General, which was already reliant on a stretched low-income consumer, suffered some operational miss-steps and saw their customer base tighten their belt further. The result was three sizeable profit warnings and over a 40% decline in share price. The pressures caused by inflation resulted in lacklustre growth for the sector as a whole, and with already high valuations for a defensive sector, it was little surprise that they struggled to deliver attractive returns over the year.

There were only two sectors that outperformed over the past year. We have been at pains to cover the exceptional progress of the technology sector over the past few quarters, from the frenzy of excitement generated by ChatGPT's launch to Nvidia's phenomenal backlog of orders for the chipsets needed to facilitate its implementation. The fourth quarter was no different with yet another leg up in the largest technology-related companies. With the sector now up over 45% on the year it should come as no surprise that its valuation is perhaps not looking as tempting as it once did. The sector now trades on 24x next year's earnings, putting it on a 50%

Note
1) Source: Border to Coast

Market Background
at 31 December 2023

premium to the broader FTSE All World index. It is not just the valuation for global technology companies that gives us pause for concern, it is the concentration of the returns in such a narrow segment of the market that is unhealthy. Should we look to history for guidance, financial services made up over 26% of the MSCI World Index prior to the financial crisis in 2007. The technology sector has now grown to rival that scale at 23%. This is despite companies such as Meta and Alphabet residing within the communication services after a reshuffle of the sector classifications in 2018. Combining the two would make up just under 30% of the index. We are certainly not calling for a similar style correction to that experienced in 2007, however the combination of high valuation, high expectations and high concentration of ownership make us wary of a sector which has many characteristics that fit with our investment process and which we therefore have a natural tendency to be exposed to.

On a regional basis, returns over the year were dominated by the US and within that, the technology sector as we have already mentioned. This leadership was not consistent throughout the year. Japan for example, despite being the weakest performer over the full year, has benefitted from multiple factors and was the best performing region in the fourth quarter. A weak Yen combined with a demand for “friend-shoring” (the sourcing of manufacturing from friendly nations other than China by the west) was beneficial to their industrial and technology sectors. This was further enhanced by inflationary pressures giving them pricing power they had not experienced in decades. We have historically had a strong preference for best-in-class operators and exporters in Japan and these benefitted strongly throughout the year. Our investment in DISCO, a Japanese semiconductor equipment manufacturer, is a good example, returning 180% over the year. The spectacular performance of some of these investments has forced us to lean back on our investment discipline and start to look for other opportunities that do not necessarily trade on such lofty valuations as DISCO’s now 40x next year’s earnings and yet still offer the potential for high quality sustainable returns over the long term.

Neither the move up in equity markets into the year-end nor the change in emphasis from central bankers have changed our view on the outlook for equities materially. We continue to like equities as an asset class for the long term, and do not believe that the slightly higher than average valuation they currently trade on currently changes that view. That said, we remain cautious over the near term. The lagged effects of tight monetary policy means that it is right for central bankers to be concerned about a potential further slowdown against what already looks like a backdrop of soggy global growth for 2024. It would be wrong for us as equity investors to ignore that caution. We are also aware that 2024 is an exceptional year for elections. 60 countries representing half the global population will be holding some form of regional, legislative or presidential election, that could further add to geopolitical tensions.

Should some of the risks we foresee for the coming year materialise, we believe that our investment approach of focusing on high quality companies, that we look to invest in at a reasonable price and then own over the long term, should help us weather any near-term squall whilst maintaining our focus on delivering long term investment returns.

Note
1) Source: Border to Coast

Border to Coast News

People:

- We are pleased to welcome to Border to Coast's board, Richard Hawkins, as our new non-executive director, who brings in-depth technology and cyber security experience as well as significant experience operating at senior levels within financial services.
- During Q4 2023, we said goodbye to Ryan Boothroyd, Portfolio Manager for the Listed Alternatives Fund. Ryan joined in September 2018 and since then, he contributed significantly to Border to Coast. We wish Ryan the best of luck in the next stage of his career.

Investment Funds:

- In October, we announced the conclusion of deployment of Private Markets Series 2A with £1.7bn of commitments made over 2022/23, delivering exciting opportunities in decarbonisation, digital and beyond, and driving significant cost reductions.
- In December, Border to Coast launched two Real Estate Funds, with an initial £870m. An important development as we now invest across the four main asset classes.

Responsible Investment:

- The 2023 proxy voting season was the first since we updated our voting policies in early 2023, strengthening our approach to the oil and gas and banking sectors, as part of engagement escalation, to support global net zero ambitions. Accordingly, in the voting season we:
  - Opposed the re-election of the chair of the board at 95% of oil and gas companies due to inadequate transition plans (up from 31% in 2022).
  - Voted against the chair (or appropriate director) at the AGMs of 50 companies that failed our climate requirements (20 oil and gas, 23 high emitters, 7 banks).
  - Publicly pre-declared support for three climate resolutions, including at BP and Shell.
- We were delighted that our Climate Change report won the Pensions for Purpose 'Paris Alignment Award – Best Climate Change Policy Statement'. It's welcome recognition that our approach is regarded as leading industry best practice.
- In November, Border to Coast joined other business leaders in signing a letter to HM Treasury Chancellor, urging them to use the Autumn Statement to provide, coherent, robust, and proportionate intervention in the global race to net zero.
- Also in November, Border to Coast's RI Policies were presented to the Joint Committee, who supported taking the policies to their respective Pensions Committees so they could be considered for adoption.

Other News:

- We continue to work in partnership with like-minded investors on a range of topics on behalf of Partner Funds. To highlight a few examples:
  - We joined the International Centre for Pensions Management, through which asset owners share best practice in global investment and governance, including new areas of research which can improve investment outcomes.
  - We supported the development of a new Biodiversity Guide from Accounting for Sustainability; and the work of the Phoenix Group, in partnership with Make My Money Matter, in their report on "Unlocking Investment in Climate Solutions".
- We have joined the British Infrastructure Council (BIC) established by Shadow Chancellor Rachel Reeves. The Council, which met for the first time in November, will act in an independent, non-partisan, advisory capacity to consider how projects and partnerships can be accelerated to meet the UK's net-zero ambitions and to enable investment in UK growth opportunities.
- We have made the shortlist for Active Manager of the Year, Alternatives Manager of the Year, and Sustainability Provider of the Year for the Pension Age Awards 2024.
- Border to Coast is excited to confirm that the dates for the 2024 annual conference are 18th and 19th July 2024.

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
Global Equity Alpha	24/10/2019
Overseas Developed Markets	26/07/2018
Emerging Markets Equity	22/10/2018
Emerging Markets Equity Alpha	31/07/2023
UK Listed Equity	26/07/2018
UK Listed Equity Alpha	14/12/2018
Listed Alternatives	18/02/2022
Sterling Investment Grade Credit	18/03/2020
Sterling Index-Linked Bond	23/10/2020
Multi-Asset Credit	11/11/2021

STATE STREET GLOBAL ADVISORS

Quarterly Investment Report - 80237

For the Period 01 Oct 2023 to 31 Dec 2023

Middlesbrough Borough Council

Middlesbrough Borough Council

Report ID: 3922417.1 Published: 23 Jan 2024

Quarterly Investment Report - 80237

As of 31 Dec 2023

Middlesbrough Borough Council

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Accounting Summary (expressed in GBP)

As of 31 Dec 2023

Middlesbrough Borough Council

	Market Value 01 Oct 2023		Contributions	Withdrawals	Change in Market Value	Market Value 31 Dec 2023	
Passive Equity Portfolio							
North America Screened Index Equity Sub-Fund	41,162,983	6.91%	0	0	3,082,506	44,245,488	6.95%
Europe ex UK Screened Index Equity Sub-Fund	130,975,619	21.98%	0	0	10,201,591	141,177,211	22.17%
Japan Screened Index Equity Sub-Fund	114,325,587	19.19%	0	0	3,797,774	118,123,361	18.55%
Asia Pacific ex Japan Screened Index Equity Sub-Fund	309,410,625	51.93%	0	0	23,723,999	333,134,624	52.32%
Total	**595,874,814**	**100.00%**	**0**	**0**	**40,805,870**	**636,680,684**	**100.00%**

Performance Summary (expressed in GBP)

As of 31 Dec 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	4.04%	7.49%	20.82%	20.82%	11.81%	15.56%	N/A	12.27%
FTSE NORTH AMERICA EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	4.00%	7.31%	20.18%	20.18%	11.25%	15.19%	N/A	11.93%
Difference	**0.04%**	**0.18%**	**0.64%**	**0.64%**	**0.56%**	**0.37%**	**N/A**	**0.34%**
Total Returns (Net)	4.04%	7.48%	20.80%	20.80%	11.79%	N/A	N/A	N/A
FTSE NORTH AMERICA EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	4.00%	7.31%	20.18%	20.18%	11.25%	N/A	N/A	N/A
Difference	**0.04%**	**0.17%**	**0.62%**	**0.62%**	**0.54%**	**N/A**	**N/A**	**N/A**
Europe ex UK Screened Index Equity Sub-Fund								26 Sep 2018
Total Returns	4.37%	7.79%	15.41%	15.41%	7.91%	10.33%	N/A	7.20%
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	4.42%	7.85%	14.97%	14.97%	7.41%	10.10%	N/A	6.96%
Difference	**-0.05%**	**-0.06%**	**0.44%**	**0.44%**	**0.50%**	**0.23%**	**N/A**	**0.24%**
Total Returns (Net)	4.37%	7.78%	15.39%	15.39%	7.89%	N/A	N/A	N/A
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	4.42%	7.85%	14.97%	14.97%	7.41%	N/A	N/A	N/A
Difference	**-0.05%**	**-0.07%**	**0.42%**	**0.42%**	**0.48%**	**N/A**	**N/A**	**N/A**
Japan Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	3.66%	3.32%	13.30%	13.30%	3.35%	7.08%	8.23%	4.34%
FTSE JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	3.62%	3.27%	12.81%	12.81%	2.91%	6.81%	8.10%	4.17%
Difference	**0.04%**	**0.05%**	**0.49%**	**0.49%**	**0.44%**	**0.27%**	**0.13%**	**0.17%**

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Total Returns (Net)	3.65%	3.32%	13.27%	13.27%	3.33%	N/A	N/A	N/A
FTSE JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	3.62%	3.27%	12.81%	12.81%	2.91%	N/A	N/A	N/A
Difference	**0.03%**	**0.05%**	**0.46%**	**0.46%**	**0.42%**	**N/A**	**N/A**	**N/A**
Asia Pacific ex Japan Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	7.39%	7.67%	4.30%	4.30%	1.09%	5.93%	6.72%	8.95%
FTSE DEV ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	7.24%	7.44%	4.04%	4.04%	0.92%	5.83%	6.64%	8.87%
Difference	**0.15%**	**0.23%**	**0.26%**	**0.26%**	**0.17%**	**0.10%**	**0.08%**	**0.08%**
Total Returns (Net)	7.39%	7.66%	4.28%	4.28%	1.07%	N/A	N/A	N/A
FTSE DEV ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	7.24%	7.44%	4.04%	4.04%	0.92%	N/A	N/A	N/A
Difference	**0.15%**	**0.22%**	**0.24%**	**0.24%**	**0.15%**	**N/A**	**N/A**	**N/A**

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

R-Factor™ Summary

As of 31 Dec 2023

Europe ex UK Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	76.53	76.53	0.00
ESG	77.00	77.00	0.00
Corporate Governance	47.27	47.27	0.00

Source: SSGA Holdings as of 31 Dec 2023, R-Factor data as of 30 Nov 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	418	98.58%	99.28%
Total Number of Securities in Portfolio	424		

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

Fund R-Factor Profile

Not Available	0.72%
Laggard	0.05%
Underperformer	0.86%
Average Performer	4.29%
Outperformer	16.25%
Leader	77.82%

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

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Novo Nordisk A/S Class B	3.94%	3.93%	0.01%	77.48
Nestle S.A.	3.77%	3.76%	0.00%	82.47
ASML Holding NV	3.60%	3.61%	-0.01%	85.16
Novartis AG	2.53%	2.54%	0.00%	90.79
Roche Holding Ltd Dividend...	2.45%	2.45%	0.00%	77.09
LVMH Moet Hennessy Louis...	2.44%	2.43%	0.00%	73.36
SAP SE	2.05%	2.05%	0.00%	86.21
TotalEnergies SE	1.82%	1.82%	0.00%	83.64
Siemens Aktiengesellschaft	1.70%	1.70%	0.01%	83.03
L'Oreal S.A.	1.40%	1.40%	0.00%	95.66

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

Top 5 R-Factor Ratings				
Danone SA	0.49%	0.49%	0.00%	100
Schneider Electric SE	1.29%	1.30%	-0.01%	99.12
Aena SME SA	0.15%	0.15%	0.00%	97.39
Intesa Sanpaolo S.p.A.	0.55%	0.55%	0.00%	96.73
Capgemini SE	0.40%	0.41%	0.00%	96.16

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

Bottom 5 R-Factor Ratings				
CTS Eventim AG & Co. KGa...	0.05%	0.05%	0.00%	25.94
Lifco AB Class B	0.07%	0.07%	0.00%	33.14
BKW AG	0.04%	0.04%	0.01%	34.35
L E Lundbergforetagen AB...	0.05%	0.05%	0.00%	35.59
PSP Swiss Property AG	0.08%	0.08%	0.00%	36.89

Source: Factset/SSGA. Holdings as of 31 Dec 2023, R-Factor data as of 30 Nov 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 Metrics

As of 31 Dec 2023

Europe ex UK Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

Carbon Metrics	Portfolio	Benchmark	Difference versus Benchmark
TCFD Weighted Average Carbon Intensity (WACI)	97.79	98.80	-1.02%
TCFD Total Carbon Emissions**	254,150.06*	N/A	N/A
TCFD Carbon Footprint	66.99	67.47	-0.71%
TCFD Carbon Intensity	151.46	152.34	-0.58%

See “Explanatory Notes” for detailed calculation notes such as missing data treatment, data lag and exclusions. Source: State Street Global Advisors, S&P Trucost, FactSet, Task Force on Climate-related Financial Disclosures (TCFD).The results are estimates based on assumptions and analysis made by State Street Global Advisors. They are not intended to represent actual results of any offering. Actual results may differ.* The TCFD Total Carbon Emission metric allocates emissions to investors based on an equity ownership approach. In the case of commingled funds, the results represent the environmental responsibility of the entire fund's assets under management. For individual unitholder's responsibility, an apportioned responsibility can be calculated based on the individual holding percentage. ** The metric is not used to compare portfolios and benchmarks because the data is not normalised.

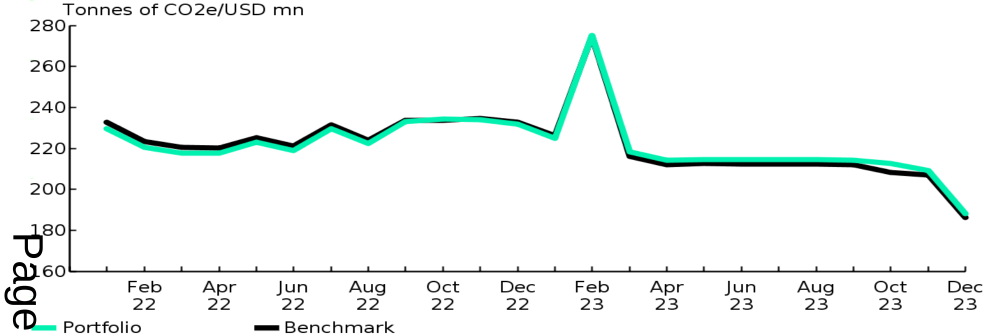
Climate Profile

As of 31 Dec 2023

Europe ex UK Screened Index Equity Sub-Fund

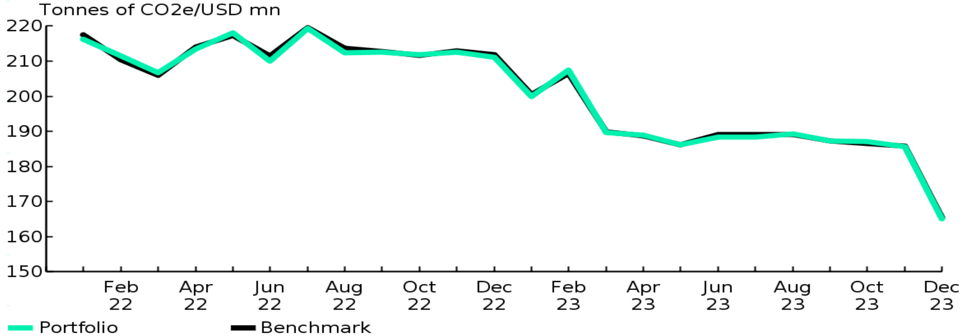
Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

Carbon Intensity (Direct + Indirect)



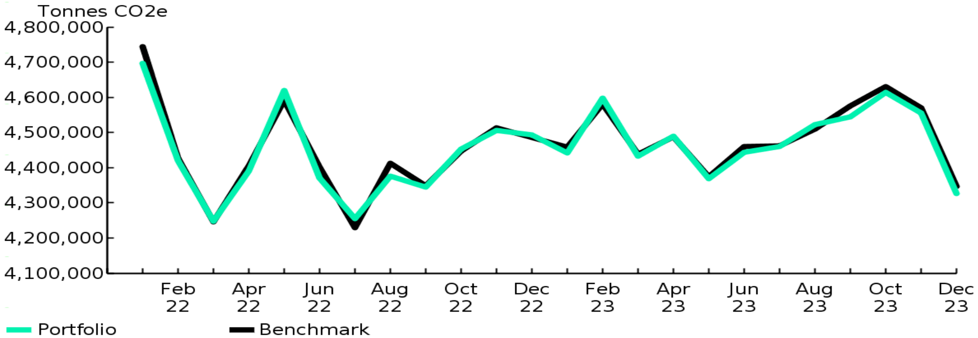
Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Weighted Average Carbon Intensity (Direct + Indirect)



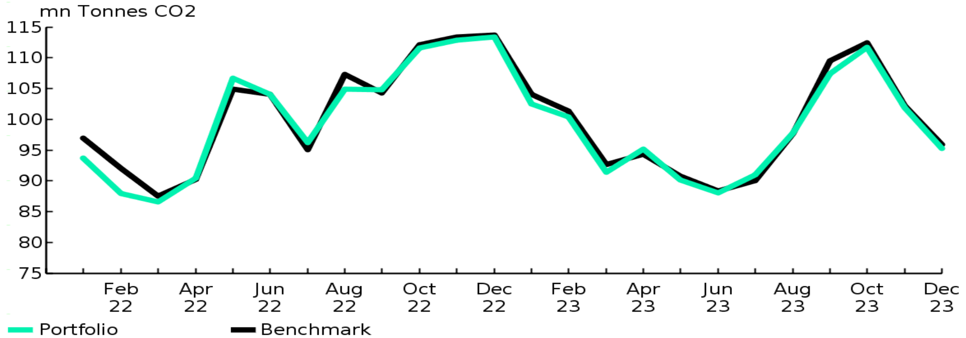
Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

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Stewardship Profile

As of 31 Dec 2023

Europe ex UK Screened Index Equity Sub-Fund

Benchmark: FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

Stewardship Profile	Q3 2023
Number of Meetings Voted	28
Number of Countries	10
Management Proposals	319
Votes for	90.91%
Votes Against	9.09%
Shareholder Proposals	9
With Management	100%
Against Management	0%

Source: SSGA as of 30 Sep 2023

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

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

Gender Diversity

Women on Board	Number of Securities
0	3
1	16
2	38
3	77
4	95
5	77
6	69
7	27
8	13
9	4
10	3
10+	1
Not Available	1
Total	**424**

Source: Factset/SSGA. Holdings as of 31 Dec 2023, Factset data as of 30 Nov 2023.

R-Factor™ Summary

As of 31 Dec 2023

North America Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	68.40	68.39	0.01
ESG	66.80	66.79	0.01
Corporate Governance	65.44	65.42	0.02

Source: SSGA Holdings as of 31 Dec 2023, R-Factor data as of 30 Nov 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	597	98.35%	99.39%
Total Number of Securities in Portfolio	607		

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

Fund R-Factor Profile

Not Available	0.61%
Laggard	0.52%
Underperformer	3.23%
Average Performer	13.29%
Outperformer	26.62%
Leader	55.73%

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

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Apple Inc.	6.94%	6.95%	-0.01%	89.19
Microsoft Corporation	6.84%	6.80%	0.04%	77.41
Amazon.com Inc.	3.34%	3.36%	-0.02%	62.29
NVIDIA Corporation	2.88%	2.86%	0.01%	75.22
Alphabet Inc. Class A	2.03%	2.03%	0.00%	70.24
Meta Platforms Inc. Class A	1.91%	1.93%	-0.02%	71.78
Alphabet Inc. Class C	1.72%	1.73%	-0.01%	70.24
Tesla Inc.	1.67%	1.70%	-0.03%	60.20
Eli Lilly and Company	1.20%	1.20%	0.01%	64.38
JPMorgan Chase & Co.	1.20%	1.20%	0.00%	78.90

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

Top 5 R-Factor Ratings				
HP Inc.	0.06%	0.06%	0.00%	100
Cisco Systems Inc.	0.50%	0.50%	0.00%	90.00
First Solar Inc.	0.05%	0.04%	0.00%	89.72
CNH Industrial NV	0.03%	0.03%	0.00%	89.45
Apple Inc.	6.94%	6.95%	-0.01%	89.19

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

Bottom 5 R-Factor Ratings				
Constellation Software Inc.	0.12%	0.12%	0.00%	17.06
Live Nation Entertainment In...	0.03%	0.04%	0.00%	17.61
D.R. Horton Inc.	0.11%	0.12%	0.00%	22.74
Liberty Broadband Corp. Cla...	0.00%	0.00%	0.00%	22.88
Liberty Broadband Corp. Cla...	0.02%	0.02%	0.00%	22.88

Source: Factset/SSGA. Holdings as of 31 Dec 2023, R-Factor data as of 30 Nov 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 Metrics

As of 31 Dec 2023

North America Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

Carbon Metrics	Portfolio	Benchmark	Difference versus Benchmark
TCFD Weighted Average Carbon Intensity (WACI)	82.16	82.53	-0.45%
TCFD Total Carbon Emissions**	173,859.73*	N/A	N/A
TCFD Carbon Footprint	26.55	26.57	-0.08%
TCFD Carbon Intensity	86.76	86.89	-0.15%

See “Explanatory Notes” for detailed calculation notes such as missing data treatment, data lag and exclusions. Source: State Street Global Advisors, S&P Trucost, FactSet, Task Force on Climate-related Financial Disclosures (TCFD).The results are estimates based on assumptions and analysis made by State Street Global Advisors. They are not intended to represent actual results of any offering. Actual results may differ.* The TCFD Total Carbon Emission metric allocates emissions to investors based on an equity ownership approach. In the case of commingled funds, the results represent the environmental responsibility of the entire fund's assets under management. For individual unitholder's responsibility, an apportioned responsibility can be calculated based on the individual holding percentage. ** The metric is not used to compare portfolios and benchmarks because the data is not normalised.

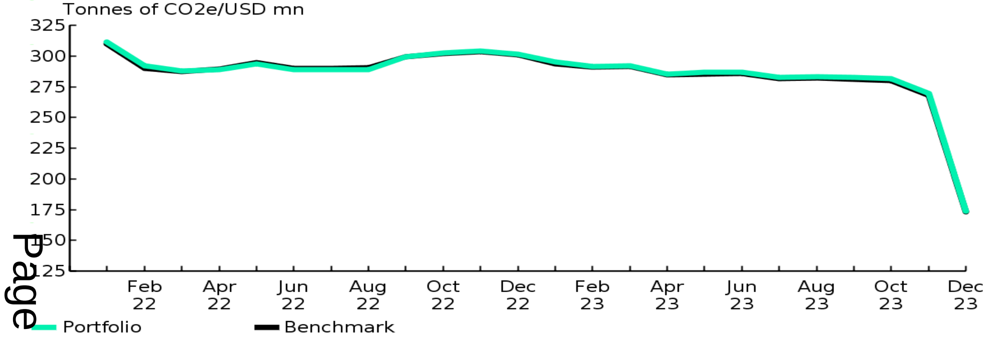
Climate Profile

As of 31 Dec 2023

North America Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

Carbon Intensity (Direct + Indirect)



Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

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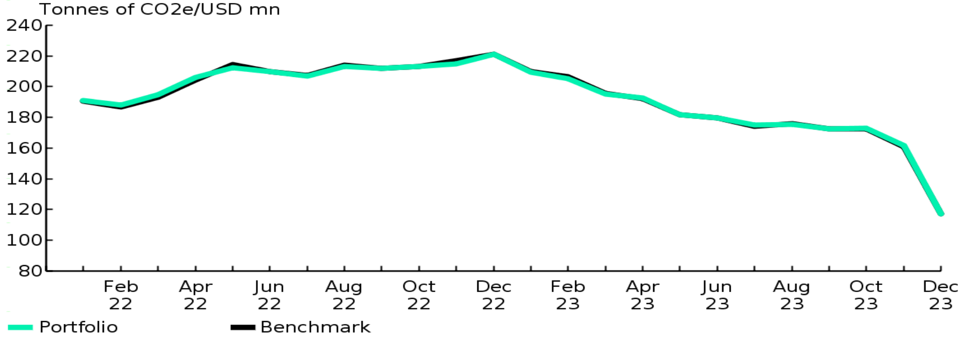
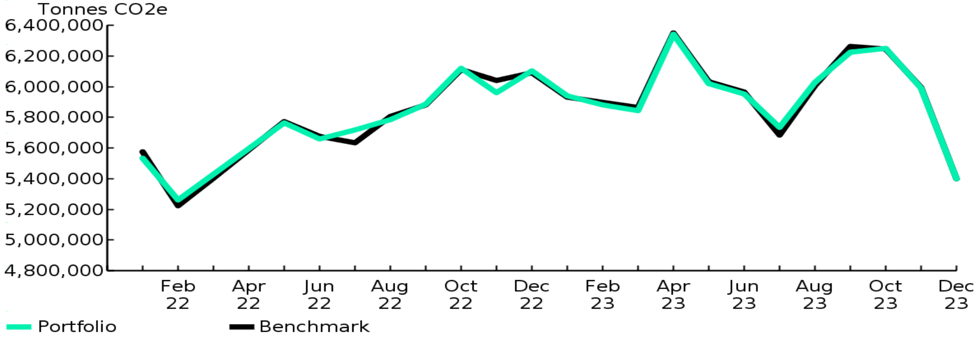
Weighted Average Carbon Intensity (Direct + Indirect)



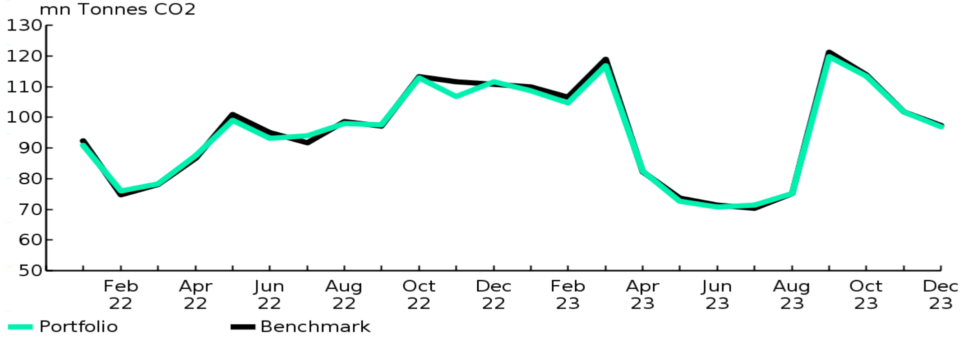
Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Stewardship Profile

As of 31 Dec 2023

North America Screened Index Equity Sub-Fund

Benchmark: FTSE NORTH AMERICA EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

Stewardship Profile	Q3 2023
Number of Meetings Voted	39
Number of Countries	7
Management Proposals	383
Votes for	89.82%
Votes Against	10.18%
Shareholder Proposals	17
With Management	76.47%
Against Management	23.53%

Source: SSGA as of 30 Sep 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	13
2	74
3	204
4	169
5	95
6	34
7	11
8	1
9	0
10	0
10+	0
Not Available	3
Total	**607**

Source: Factset/SSGA. Holdings as of 31 Dec 2023, Factset data as of 30 Nov 2023.

R-Factor^{TM} Summary

As of 31 Dec 2023

Japan Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	63.71	63.69	0.02
ESG	61.81	61.79	0.02
Corporate Governance	67.80	67.80	0.00

Source: SSGA Holdings as of 31 Dec 2023, R-Factor data as of 30 Nov 2023.

What is R-Factor?

R-Factor^{TM} 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	493	98.01%	99.49%
Total Number of Securities in Portfolio	503		

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

Fund R-Factor Profile

Not Available	0.51%
Laggard	1.73%
Underperformer	5.39%
Average Performer	17.50%
Outperformer	35.36%
Leader	39.50%

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

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Toyota Motor Corp.	5.23%	5.23%	0.00%	77.72
Sony Group Corporation	2.80%	2.80%	0.00%	80.48
Mitsubishi UFJ Financial Gr...	2.38%	2.38%	0.00%	62.47
Keyence Corporation	2.04%	2.05%	0.00%	47.83
Shin-Etsu Chemical Co Ltd	1.91%	1.91%	0.00%	66.15
Tokyo Electron Ltd.	1.88%	1.88%	0.00%	75.56
HitachiLtd.	1.53%	1.52%	0.01%	75.10
Sumitomo Mitsui Financial...	1.48%	1.48%	0.00%	57.62
Recruit Holdings Co. Ltd.	1.46%	1.47%	0.00%	68.62
Mitsui & Co.Ltd	1.34%	1.33%	0.01%	58.92

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

Top 5 R-Factor Ratings

Ricoh Company Ltd.	0.10%	0.10%	0.00%	86.00
Daido Steel Co. Ltd.	0.05%	0.04%	0.00%	84.93
Japan Real Estate Investme...	0.14%	0.13%	0.01%	84.12
Kao Corp.	0.44%	0.45%	-0.01%	82.51
Panasonic Holdings Corpor...	0.51%	0.50%	0.01%	81.78

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

Bottom 5 R-Factor Ratings

Gungho Online Entertainme...	0.02%	0.01%	0.00%	12.59
Relo Group Inc.	0.03%	0.03%	0.00%	13.10
Sankyo Co. Ltd.	0.06%	0.06%	0.00%	13.26
COSMOS Pharmaceutical C...	0.05%	0.05%	0.00%	13.34
TSURUHA Holdings Inc.	0.08%	0.08%	0.00%	16.45

Source: Factset/SSGA. Holdings as of 31 Dec 2023, R-Factor data as of 30 Nov 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 Metrics

As of 31 Dec 2023

Japan Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

Carbon Metrics	Portfolio	Benchmark	Difference versus Benchmark
TCFD Weighted Average Carbon Intensity (WACI)	81.13	81.89	-0.93%
TCFD Total Carbon Emissions**	163,552.36*	N/A	N/A
TCFD Carbon Footprint	83.53	83.58	-0.06%
TCFD Carbon Intensity	103.91	104.01	-0.10%

See “Explanatory Notes” for detailed calculation notes such as missing data treatment, data lag and exclusions. Source: State Street Global Advisors, S&P Trucost, FactSet, Task Force on Climate-related Financial Disclosures (TCFD).The results are estimates based on assumptions and analysis made by State Street Global Advisors. They are not intended to represent actual results of any offering. Actual results may differ.* The TCFD Total Carbon Emission metric allocates emissions to investors based on an equity ownership approach. In the case of commingled funds, the results represent the environmental responsibility of the entire fund's assets under management. For individual unitholder's responsibility, an apportioned responsibility can be calculated based on the individual holding percentage. ** The metric is not used to compare portfolios and benchmarks because the data is not normalised.

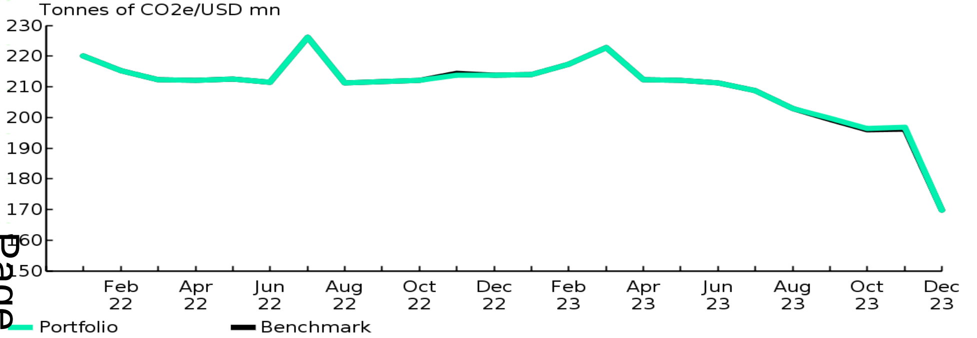
Climate Profile

As of 31 Dec 2023

Japan Screened Index Equity Sub-Fund

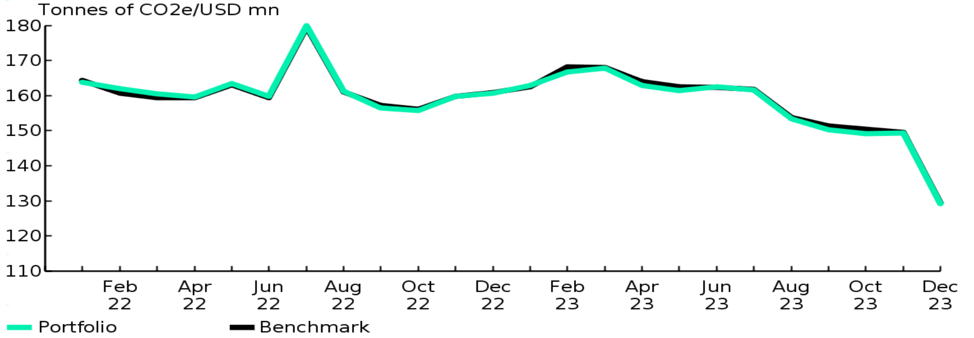
Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

Carbon Intensity (Direct + Indirect)



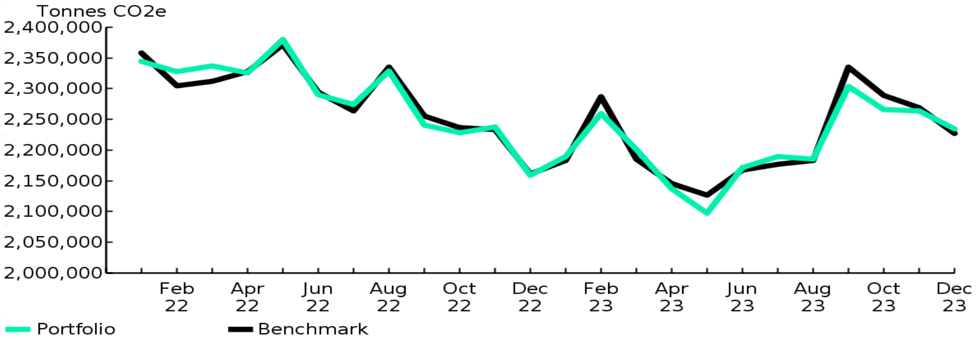
Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Weighted Average Carbon Intensity (Direct + Indirect)



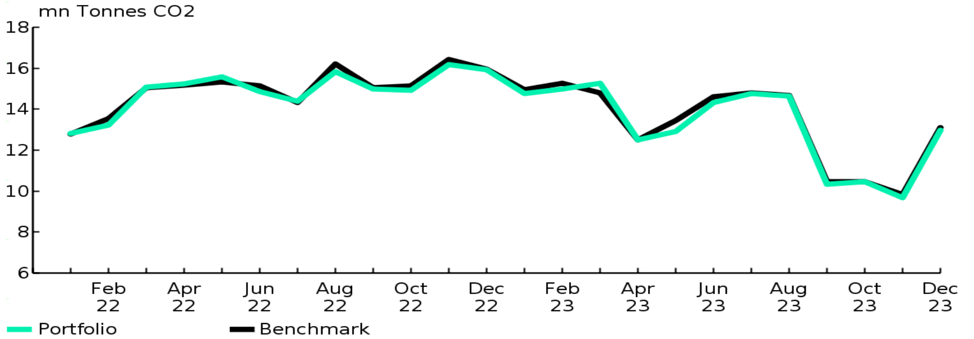
Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Stewardship Profile

As of 31 Dec 2023

Japan Screened Index Equity Sub-Fund

Benchmark: FTSE JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

Stewardship Profile	Q3 2023
Number of Meetings Voted	18
Number of Countries	1
Management Proposals	184
Votes for	90.76%
Votes Against	9.24%
Shareholder Proposals	17
With Management	94.12%
Against Management	5.88%

Source: SSGA as of 30 Sep 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	106
1	221
2	121
3	37
4	14
5	4
6	0
7	0
8	0
9	0
10	0
10+	0
Not Available	0
Total	**503**

Source: Factset/SSGA. Holdings as of 31 Dec 2023, Factset data as of 30 Nov 2023.

R-Factor™ Summary

As of 31 Dec 2023

Asia Pacific ex Japan Screened Index Equity Sub-Fund

Benchmark: FTSE DEV ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

R-Factor Summary	Fund	Benchmark	Difference
R-Factor	65.78	65.79	-0.01
ESG	65.49	65.50	-0.01
Corporate Governance	53.79	53.80	-0.01

Source: SSGA Holdings as of 31 Dec 2023, R-Factor data as of 30 Nov 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	375	98.17%	99.75%
Total Number of Securities in Portfolio	382		

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

Fund R-Factor Profile

Not Available	0.25%
Laggard	2.19%
Underperformer	3.66%
Average Performer	16.57%
Outperformer	28.39%
Leader	48.94%

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

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Samsung Electronics Co. Lt...	10.54%	10.49%	0.04%	81.88
Commonwealth Bank of Aus...	4.70%	4.71%	-0.01%	85.10
AIA Group Limited	3.66%	3.64%	0.02%	72.16
CSL Limited	3.44%	3.45%	0.00%	72.30
National Australia Bank Limi...	2.40%	2.41%	0.00%	73.90
SK hynix Inc.	2.16%	2.15%	0.01%	67.62
Westpac Banking Corporati...	1.99%	2.00%	0.00%	69.85
ANZ Group Holdings Limite...	1.94%	1.94%	0.00%	75.23
DBS Group Holdings Ltd	1.68%	1.67%	0.00%	64.96
Macquarie Group Ltd.	1.66%	1.67%	0.00%	68.47

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

Top 5 R-Factor Ratings

City Developments Limited	0.09%	0.09%	0.00%	90.62
GPT Group	0.22%	0.22%	0.00%	87.59
Commonwealth Bank of Aus...	4.70%	4.71%	-0.01%	85.10
Swire Properties Limited	0.07%	0.08%	0.00%	84.99
Dexus	0.20%	0.21%	0.00%	83.24

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

Bottom 5 R-Factor Ratings

SSANGYONGC&E.CO.LTD.	0.02%	0.02%	0.00%	2.61
Paradise Co. Ltd	0.02%	0.02%	0.00%	10.00
Celltrion Pharm Inc.	0.05%	0.06%	0.00%	16.22
LOTTE ENERGY MATERIAL..	0.03%	0.03%	0.00%	17.46
Washington H. Soul Pattins...	0.21%	0.20%	0.02%	17.68

Source: Factset/SSGA. Holdings as of 31 Dec 2023, R-Factor data as of 30 Nov 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 Metrics

As of 31 Dec 2023

Asia Pacific ex Japan Screened Index Equity Sub-Fund

Benchmark: FTSE DEV ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

Carbon Metrics	Portfolio	Benchmark	Difference versus Benchmark
TCFD Weighted Average Carbon Intensity (WACI)	166.30	168.68	-1.41%
TCFD Total Carbon Emissions**	191,370.62*	N/A	N/A
TCFD Carbon Footprint	75.57	75.51	0.08%
TCFD Carbon Intensity	164.84	165.12	-0.17%

See “Explanatory Notes” for detailed calculation notes such as missing data treatment, data lag and exclusions. Source: State Street Global Advisors, S&P Trucost, FactSet, Task Force on Climate-related Financial Disclosures (TCFD).The results are estimates based on assumptions and analysis made by State Street Global Advisors. They are not intended to represent actual results of any offering. Actual results may differ.* The TCFD Total Carbon Emission metric allocates emissions to investors based on an equity ownership approach. In the case of commingled funds, the results represent the environmental responsibility of the entire fund's assets under management. For individual unitholder's responsibility, an apportioned responsibility can be calculated based on the individual holding percentage. ** The metric is not used to compare portfolios and benchmarks because the data is not normalised.

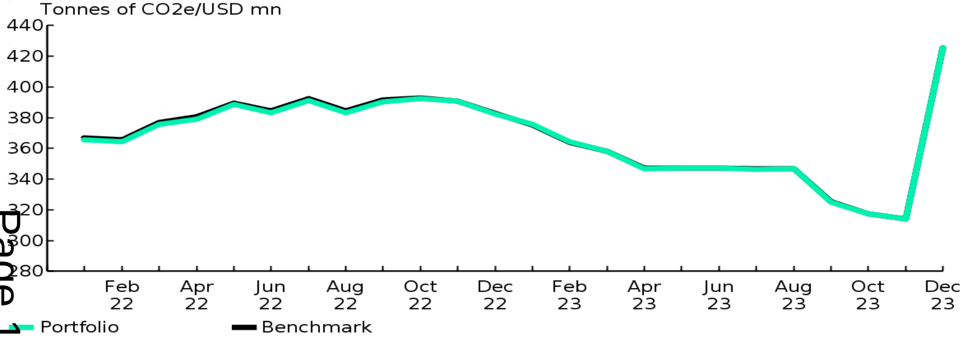
Climate Profile

As of 31 Dec 2023

Asia Pacific ex Japan Screened Index Equity Sub-Fund

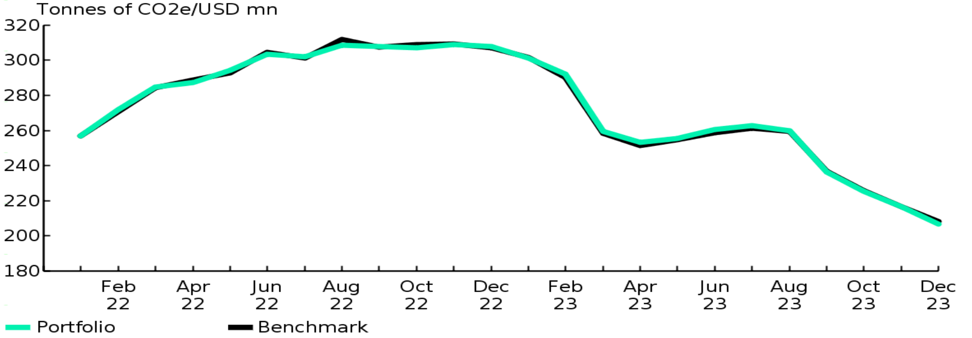
Benchmark: FTSE DEV ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

Carbon Intensity (Direct + Indirect)



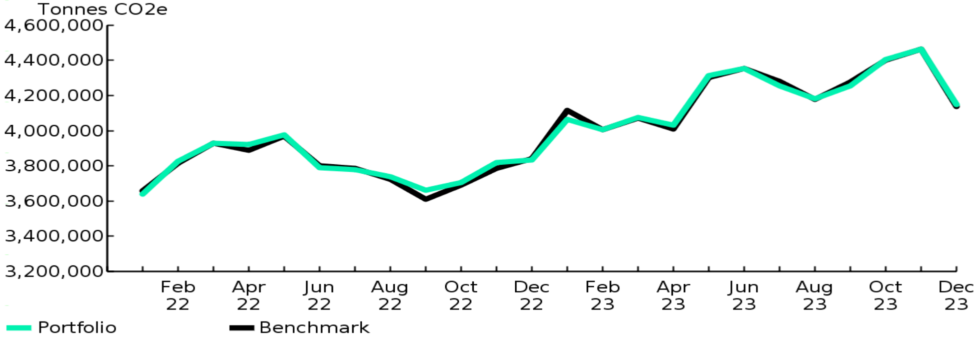
Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Weighted Average Carbon Intensity (Direct + Indirect)



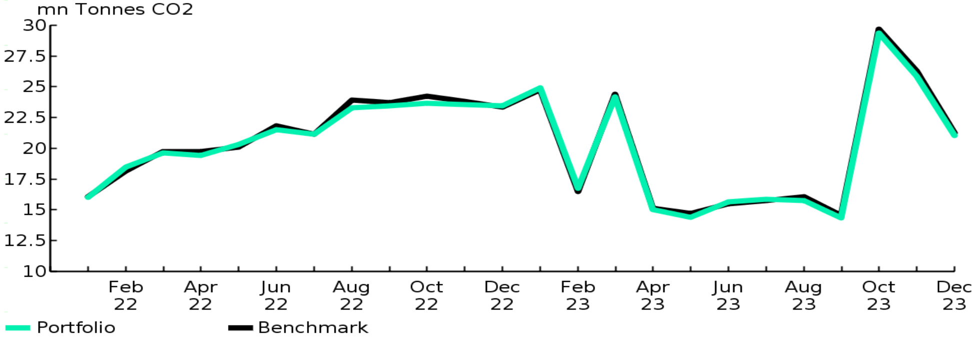
Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Scope 1+2 Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Total Reserves Carbon Emissions



Source: SSGA Holdings as of 31 Dec 2023. Trucost data as of 30 Nov 2023.

Stewardship Profile

As of 31 Dec 2023

Asia Pacific ex Japan Screened Index Equity Sub-Fund

Benchmark: FTSE DEV ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX

Stewardship Profile	Q3 2023
Number of Meetings Voted	39
Number of Countries	9
Management Proposals	264
Votes for	83.71%
Votes Against	16.29%
Shareholder Proposals	0
With Management	0%
Against Management	0%

Source: SSGA as of 30 Sep 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	78
1	87
2	72
3	73
4	48
5	16
6	5
7	1
8	0
9	0
10	0
10+	0
Not Available	2
Total	**382**

Source: Factset/SSGA. Holdings as of 31 Dec 2023, Factset data as of 30 Nov 2023.

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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 + First-Tier 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 + First Tier 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 CO_2e.The GHG emissions from operations that are owned or controlled by the company, as well as GHG emissions from consumption of purchased electricity, heat or steam, by the company

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

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

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

- Trucost Sections: Carbon Intensity (Direct + First-Tier Indirect), Weighted Average Carbon Intensity (Direct + First Tier 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 information has been obtained from sources believed to be reliable, buts its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

- TCFD Carbon Intensity - Volume of carbon emissions per million dollars of revenue (carbon efficiency of a portfolio), expressed in tons CO_2e / $M revenue. Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach.

- TCFD Weighted Average Carbon Intensity - Portfolio's exposure to carbon-intensive companies, expressed in tons CO_2e / $M revenue. Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value). .

- TCFD Total Carbon Emissions - The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO2e. Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach.
- TCFD Carbon Footprint - Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO2e / $M invested. Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach.
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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.

Appendix C

BORDER TO COAST UK LISTED EQUITY FUND

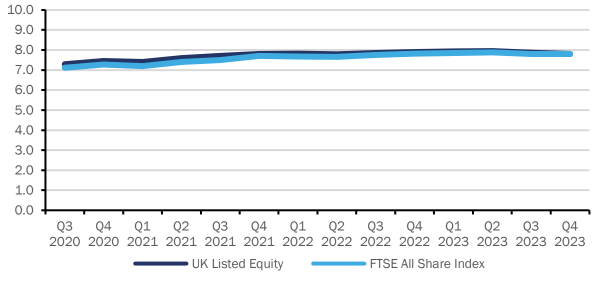
ESG & CARBON REPORT

Q4 2023

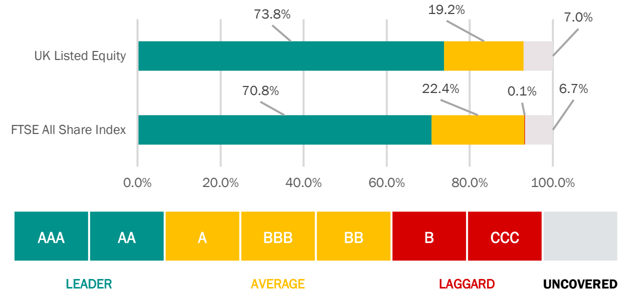
MSCI ESG RATING
AA

	End of Quarter Position [1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		
UK Listed Equity	AA [1]	7.8 [1]		Green	Fund has an equal or better *Weighted ESG Score* than the benchmark.
FTSE All Share Index	AA [1]	7.8 [1]		Amber	Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
				Red	Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]				Lowest ESG Rated Issuers [1]			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
Unilever	4.6%	+0.5%	AAA [1]	Glencore	2.2%	-0.3%	BBB [1]
Diageo	3.2%	+0.4%	AAA [1]	Haleon	1.2%	+0.4%	BBB [1]
Relx	3.1%	+0.4%	AAA [1]	BP	3.2%	-0.2%	A [1]
National Grid	2.0%	+0.3%	AAA [1]	Rio Tinto	2.5%	-0.2%	A [1]
SSE	0.9%	+0.3%	AAA [1]	British American Tobacco	2.0%	-0.2%	A [1]

Quarterly ESG Commentary

- The weighted ESG score remained consistent over the quarter and remains in-line with the benchmark. This Fund holds a higher weighting of companies considered to be 'Leaders'. Furthermore, the Fund does not hold any companies considered to be 'Laggards' (CCC or B rated companies).
- Several companies were upgraded in the quarter including Beazley, which has featured previously as one of the Bottom 5 Rated Issuers.

Feature Stock: Haleon

Haleon formed from a combination of the consumer healthcare divisions of GlaxoSmithKline, Novartis and Pfizer, and was spun out from GSK in 2022. The Company is one of the largest global consumer healthcare businesses with leading global market positions in pain relief, respiratory health and digestive health, and number three in oral health. Its brands include Sensodyne, Panadol and Centrum. The consumer healthcare market continues to see attractive growth despite shorter term pressures on consumer spending. The business continues to grow ahead of its peer group and the wider Consumer Staples universe.

MSCI initiated coverage on Haleon in October 2022 with an ESG rating of BB and was upgraded to BBB in the latest assessment. This recognises the Company's increased disclosure and targets around its carbon footprint and the work done with suppliers to increase use of low carbon energy and the setting of rigorous targets. It leads most global peers on corporate governance, but the Company still needs to develop further adoption of best practice on several issues including ethics, raw material sourcing and single source packaging. The Company continues to be penalised for historic product safety issues surrounding the now discontinued Zantac product. The litigation risk has eased albeit there are still court cases outstanding in the US whilst some have been settled by GSK or dismissed.

[1]Source: MSCI ESG Research 30/12/2023

BORDER TO COAST UK LISTED EQUITY FUND

ESG & CARBON REPORT

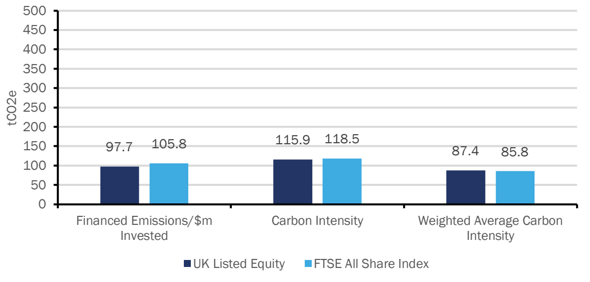
Q4 2023

MSCI ESG RATING

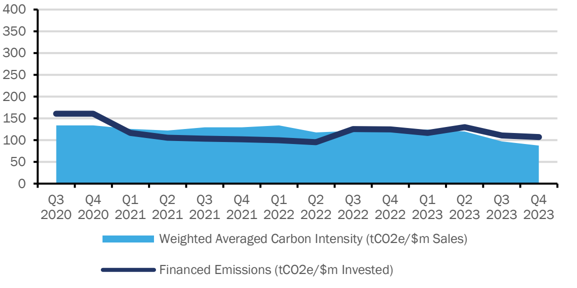
AA

BORDER TO COAST PENSIONS PARTNERSHIP

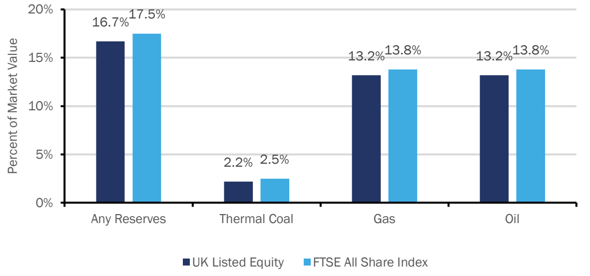
Carbon Emissions and Intensity[1]



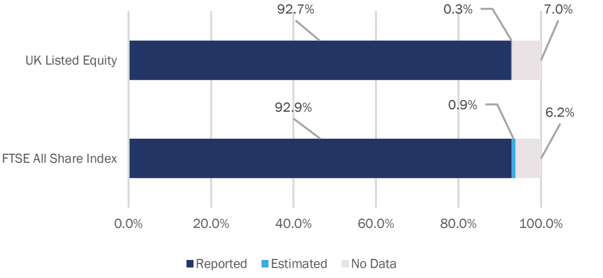
Carbon Trends[1]



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	7.8%	+0.5%	35.9% [1]	Yes	4
BP	3.2%	-0.2%	12.2% [1]	Yes	4*
Glencore	2.2%	-0.3%	9.3% [1]	Yes	4
Rio Tinto	2.5%	-0.2%	9.0% [1]	Yes	4
easyJet	0.5%	+0.3%	6.7% [1]	No	3

Quarterly Carbon Commentary

- The Fund is currently below, or in-line with, the benchmark for all carbon metrics.
- Weighted Average Carbon Intensity (WACI) and financed emissions decreased in the quarter. This was largely due to exiting CRH after switching its main listing to the US and reduced weightings in Shell and BP.

Feature Stock: BP

BP is a multinational integrated oil and gas company, operating through three key segments: Gas and Low Carbon Energy, Oil Production and Operations, and Customers and Products. Higher energy prices have seen BP deliver strong cashflows and have provided a strong basis for it to meet its target of allocating 50% of its capital expenditure to the strategic ‘energy transition growth engines’ by 2030. Recently, BP has made some substantial changes to its short-term emissions targets and the mix of its investments. The company has reduced its ambition with its short-term emissions target for 2025 being reset to a 10-15% reduction (from 20%), and the 2030 target to a 20-30% reduction (from 35-40%). A 40% reduction in oil and gas production by 2030 is now set at a 25% reduction. Furthermore, its investment mix has adapted in line with the market as investment in hydrogen has been delayed. Despite these changes, BP continues to target net zero scope 1,2 and 3 emissions by 2050. BP indicates these changes reflect stronger shorter term energy prices and the desire to remain flexible and pragmatic given heightened geopolitical uncertainty.

The unexpected departure of the CEO in September saw short-term management passed to the FD (Murray Auchincloss) whilst a replacement was found. Recent engagement with the Chairman indicated the board are the custodians of the low carbon strategy and that the new appointee will not be able to reverse the current plans. The Company has since announced that Murray Auchincloss has been appointed as the new CEO. We continue to actively engage with BP seeking more disclosure around targets and capex plans. Recent engagement with the Chairman indicated the board are the custodians of the low carbon strategy and that the new appointee will not be able to reverse their current commitments.

[1]Source: MSCI ESG Research 30/12/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	0.1%	0.1%
Investment Trust / Funds	6.9%	6.9%

Important Information

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

[1]Source: MSCI ESG Research 30/12/2023

BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

ESG & CARBON REPORT

Q4 2023

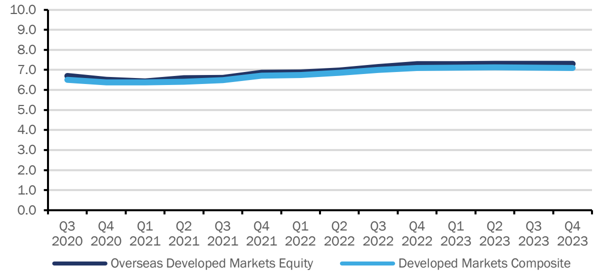
MSCI ESG RATING

AA

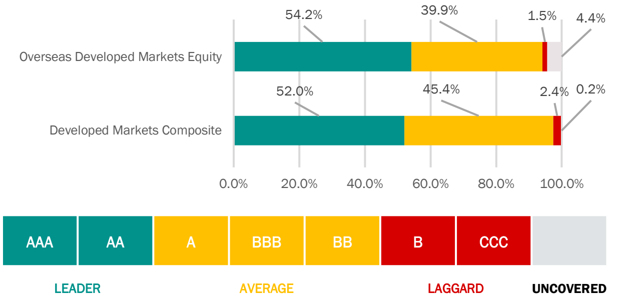
BORDER TO COAST PENSIONS PARTNERSHIP

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

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating	Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
Microsoft	3.3%	+0.5%	AAA [1]	Hyundai Motor	0.3%	+0.2%	CCC [1]
Novo Nordisk	1.8%	+0.6%	AAA [1]	HPSP	0.2%	+0.2%	CCC [1]
NVIDIA	1.7%	+0.5%	AAA [1]	Meta Platforms	0.6%	-0.2%	B [1]
ASML	1.5%	+0.4%	AAA [1]	Koninklijke Philips	0.2%	+0.1%	B [1]
Schneider Electric	0.8%	+0.4%	AAA [1]	Hyundai Mobis	0.1%	+0.0%	B [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' and a lower weighting to 'Laggards'.
- During the quarter Hyundai Motor was downgraded to 'CCC' while Meta Platforms was upgraded to 'B'. HPSP rated CCC is a new holding in the Fund and is this quarters' Feature Stock.

Feature Stock: HPSP

HPSP Co Ltd is a Korean company which specialises in high pressure heat treatment semiconductor equipment increasingly used in the production of smaller logic nodes and memory chips. HPSP has technology (protected by over 30 patents) and expertise in handling high-density hydrogen in high pressure environments, where the risk of explosion is high and rigorous safety standards are needed. This provides high barriers to entry and makes costs high for HPSP's customers (the largest semiconductor foundries and memory makers) to switch to other suppliers.

MSCI initiated coverage of HPSP in April 2023 with an ESG rating of "CCC", being below peers on Environment and Governance. This can be typical of small Korea companies which are growing rapidly and have not yet made improvements according to their new status. MSCI's "formulaic" approach tends to penalise smaller companies with fewer resources in terms of ESG-dedicated teams and specialists. Expectations are for HPSP to improve some of its labour and governance practises as it develops, sets up better systems and improves disclosure. Whilst the criticism in terms of corporate governance practices is deserved and improvement desirable and to be demanded, in recent years HPSP has delivered great shareholder value and risen to prominence in a very competitive industry with a strong IP prowess led by a professional management team.

[1]Source: MSCI ESG Research 30/12/2023

BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

ESG & CARBON REPORT

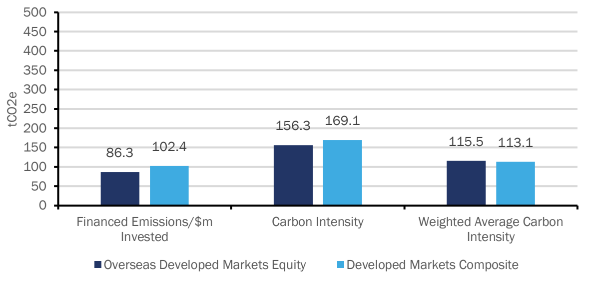
Q4 2023

MSCI ESG RATING

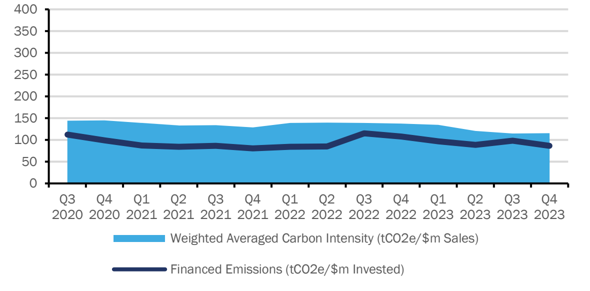
AA

BORDER TO COAST PENSIONS PARTNERSHIP

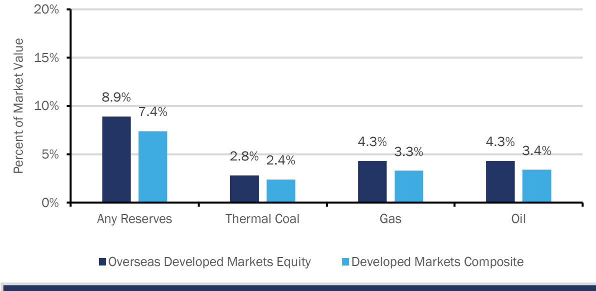
Carbon Emissions and Intensity[1]



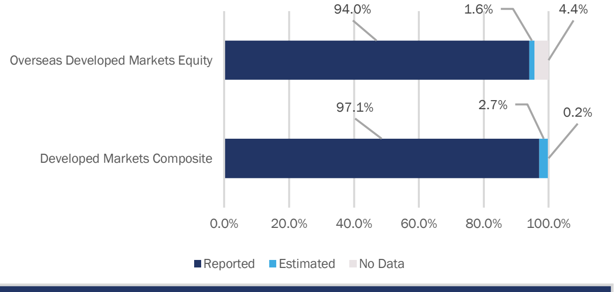
Carbon Trends[1]



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	0.4%	+0.2%	12.3% [1]	Yes	4
POSCO	0.3%	+0.1%	8.3% [1]	Yes	4
ArcelorMittal	0.1%	+0.0%	8.0% [1]	Yes	4
Holcim	0.3%	+0.2%	6.9% [1]	Yes	4
Kansai Electric Power Company	0.2%	+0.2%	3.8% [1]	No	3

Quarterly Carbon Commentary

- The Fund is currently below the benchmark for financed emissions and carbon intensity, but slightly above for Weighted Average Carbon Intensity (WACI).
- Financed emissions decreased in the quarter. This was largely driven by strong performance in some of the higher emitting companies such as RWE, Holcim and ArcelorMittal. The slight increase in WACI was driven by a net increase in portfolio weight of the top 5 contributors. RWE is covered below as this quarter's Feature Stock.

Feature Stock: RWE

In November 2023, RWE outlined a €55bn investment plan to 2030 to expand its green portfolio to more than 65 gigawatts (GW) by 2030, adding net capacity of >30GW between 2024-30. RWE's goal is to be carbon neutral by 2040 and to achieve this it is increasing the pace of its transformation and aiming to reduce its emissions in line with the 1.5°C reduction path across all corporate activities and all greenhouse gases. This includes the construction of renewable energy plants based on offshore and onshore wind power, solar energy, and battery storage as well as investments in hydrogen-ready gas-fired power plants. RWE has a goal to phase out the use of coal as an energy source by 2030 and is decommissioning coal power plants as soon as their utilisation is no longer required. To achieve the goal of net zero by 2040, the decarbonisation of fossil-fueled power plants is another key element. The Company is converting its Dutch power plants to run on biomass and is currently developing carbon capture and storage projects in the UK and the Netherlands.

The investment thesis for owning RWE remains; it has one of the strongest balance sheets in the sector and will be looking at the renewable space to grow its earnings. It is at a valuation discount to its peers, which is mainly due to coal-fired power generation exposure. As the exposure to coal/lignite reduces, RWE should rerate to be in line with its peers.

[1]Source: MSCI ESG Research 30/12/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	0.3%	0.3%
Investment Trust/ Funds	4.1%	4.1%

Important Information

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

[1]Source: MSCI ESG Research 30/12/2023

BORDER TO COAST EMERGING MARKETS EQUITY FUND

ESG & CARBON REPORT

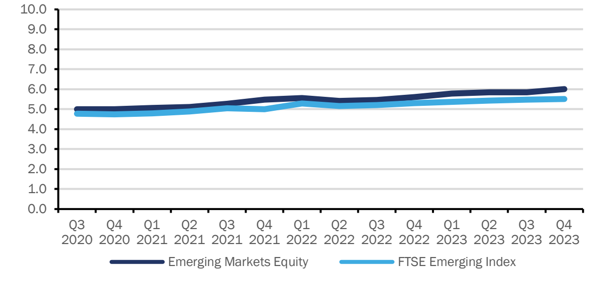
Q4 2023

MSCI ESG RATING

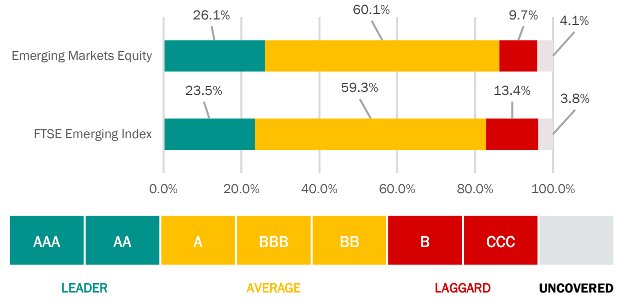
A

	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]	6 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE Emerging Index	BBB [1]	5.5 [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	8.1%	+1.1%	AAA [1]	Jiangsu Hengli Hydraulic	0.6%	+0.6%	CCC [1]
Wuxi Biologics	0.1%	-0.1%	AAA [1]	Shanghai Friendess Electronic Technology	0.2%	+0.2%	CCC [1]
HDFC Bank	2.3%	+0.8%	AA [1]	Kweichow Moutai	2.8%	+2.4%	B[1]
ITC Limited	1.9%	+1.7%	AA [1]	Vale S.A.	0.9%	+0.0%	B[1]
Grupo Financiero Banorte	1.9%	+1.4%	AA [1]	Anta Sports Products	0.8%	+0.7%	B [1]

Quarterly ESG Commentary

- The ESG weighted score improved over the quarter and remained above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be 'Leaders' and a lower weighting to companies considered to be 'Laggards'.
- During the quarter, 17 companies were upgraded including Wuxi Biologics which received a double upgrade from A to AAA.

Feature Stock: Jiangsu Hengli Hydraulic

Jiangsu Hengli Hydraulic ('Hengli') is a market leader in the manufacture of hydraulic components and systems for excavators and other types of construction machinery and has around 50% market share in hydraulic cylinders for excavators in China. The Company has been successful in diversifying its business and is targeting an increase in sales from non-excavator product lines, including aerial work platforms and agricultural machinery, from ~30% of total sales in 2020 to over 50% in 2023. The Company has also significantly increased its international sales to ~25% in 2023 from ~12% in 2020. In addition, Hengli is in the process of building a factory in Mexico to reduce international trade costs. It is an important strategic partner to construction equipment companies Caterpillar and JLG.

The major ESG concern is the perceived corporate governance risk relative to its global peers. The Company has a controlling shareholder (the Wang family holds c.70% of the Company) which may pose a conflict of interest. These governance concerns can be somewhat typical of companies based in China where it is more common for there to be a controlling shareholder, cross-shareholding and less disclosure than in Developed Markets. Given most of the Company's sales are generated by selling hydraulic components and systems to construction machinery players, the amount of infrastructure spending in China is also one of the key risks to consider. However, the weaker the macroeconomic outlook, the more likely it is that the government will be willing to spend on infrastructure to boost GDP growth, putting Hengli in a strong position in terms of risk mitigation.

Dialogue and engagement with Hengli began in 2022, with the aim to improve its transparency and approach to climate change. Given the relatively small holding in Hengli, this engagement may take several years to reflect in an improvement in the Company's actions

[1]Source: MSCI ESG Research 30/12/2023

BORDER TO COAST EMERGING MARKETS EQUITY FUND

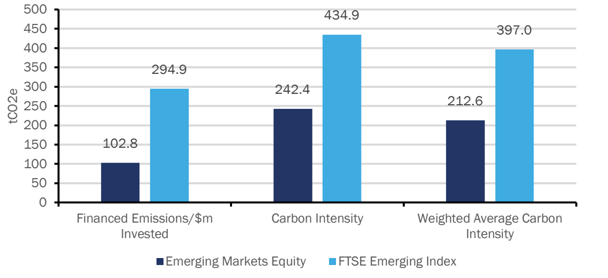
ESG & CARBON REPORT

Q4 2023

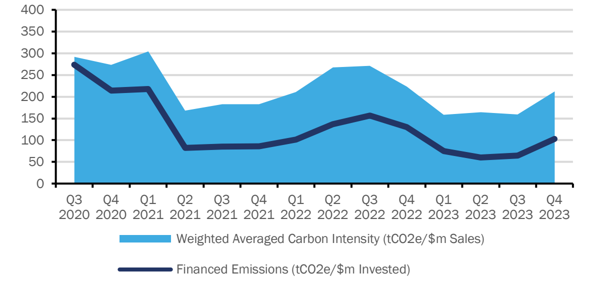
MSCI ESG RATING

A

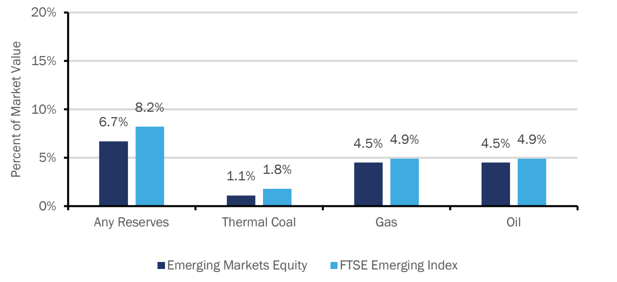
Carbon Emissions and Intensity[1]



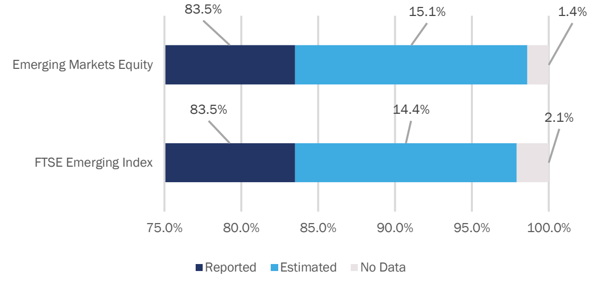
Carbon Trends[1]



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
Grasim Industries	1.0%	+0.9%	44.7% [1]	No	N/A
Qatar Gas Transport Company	0.8%	+0.8%	8.8% [1]	No	N/A
Reliance Industries	2.5%	+0.9%	5.2% [1]	Yes	3
PetroChina	0.5%	+0.3%	4.7% [1]	Yes	3
Grupo Traxion	0.7%	+0.7%	3.8% [1]	No	N/A

Quarterly Carbon Commentary

- The Fund is currently significantly below the benchmark for carbon emissions, carbon intensity and Weighted Average Carbon Intensity (WACI).
- Carbon emissions and WACI increased significantly in the quarter due to Grasim restating their reported emissions for the financial year 2022. In previous years annual reports, Grasim had not included the emissions of UltraTech Cement which is a subsidiary of Grasim Industries. This accounts for the Funds' increased emissions and Grasim now accounts for 45% of emissions. Grasim is this quarter's Feature Stock below.

Feature Stock: Grasim

Grasim is an Indian conglomerate operating in three core sectors: cement, viscose staple fibre (VSF), and financial services. Grasim's cement subsidiary, UltraTech, is India's largest cement manufacturer by volume and benefits from rising spend on house building. Its VSF subsidiary is the largest supplier of fibres for viscose yarn in India and is primarily driven by domestic apparel spending. India's cement consumption is growing slightly faster than GDP growth, while use of VSF is also rising. Both businesses lead the competition in scale and profitability. Grasim provides the portfolio with exposure to the India growth story from the perspective of both basic infrastructure and consumption.

Cement production is the greatest source of carbon emissions for Grasim (>90%) as the production of clinker for cement is very energy intensive. Grasim aims to achieve Net Zero overall by 2050. Within cement specifically, Grasim has committed to reduce Scope 1 and Scope 2 emissions (the most material emissions for the cement industry) by 30% by FY30 (versus FY17). This will be achieved by increasing the share of renewable power to 25% by FY25 and investing in waste heat recovery systems. In the VSF business, Grasim has committed to reduce GHG emission intensity by 50% by FY30 and achieve Net Zero Emissions by FY40. The decarbonisation strategy targets new technologies, operational efficiency gains, and new low carbon product offerings. While Grasim is a large carbon producer, cement production is nevertheless vital in pursuing basic development goals, and thus a fundamental ingredient in delivering affordable and safe housing, communications infrastructure, clean water and sanitation. It is therefore an important industry to support in its transition towards net zero.

[1]Source: MSCI ESG Research 30/12/2023

Issuers Not Covered [1]		
Reason	ESG (%)	Carbon (%)
Company not covered	3.2%	0.6%
Investment Trust/ Funds	0.9%	0.8%

Important Information

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

[1]Source: MSCI ESG Research 30/12/2023

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

PENSION FUND COMMITTEE REPORT

13 MARCH 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

Pensions Regulator General Code of Practice

1. PURPOSE OF THE REPORT

1.1 The purpose of the report is to provide the Members of the Pension Fund Committee (the Committee) with details of the Pensions Regulator's recently published General Code of Practice, expected come into force from 27 March 2024.

2. RECOMMENDATION

2.1 That the Committee notes this report and that information on compliance with the General Code of Practice will be provided to future Pension Fund Committee meetings.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications resulting from this report.

4. BACKGROUND

4.1 The Pensions Regulator (TPR) is the UK regulator of workplace pension schemes. It has a wide range or responsibilities in relation to regulating trust-based (private sector) pension schemes and plays a more limited but still very significant, role in regulating public service pension schemes such as the Local Government Pension Scheme (LGPS).

4.2. The TPR produces guidance in relation to the governance and administration (but not the investment or funding) of public service pension schemes. Much of this up to now has been contained within a separate 'code to practice' document – "Code 14: Governance and administration of public service pension schemes".

4.3 TPR has been through an exercise to merge its existing codes of practice into a single new code, the General Code of Practice. Consultation on the creation of the general code took place on 2021 and the new General Code of Practice was laid in Parliament on 10 January 2024, expected to come into force after 40 days on 27 March 2024.

4.4 The General Code of Practice is a 171-page document that can be found on TPR's website at the following link:

https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/general-code-laid-january-2024.ashx

(Hard copy available on request).

5. THE GENERAL CODE OF PRACTICE

5.1 The following ten codes have been consolidated into the General Code of Practice:

- Reporting breaches of the law
- Early leavers
- Late payment of contributions (occupational pension schemes)
- Late payment of contributions (personal pension schemes)
- Trustee knowledge and understanding
- Member nominated trustees/member-nominated directors putting arrangements in place
- Internal controls
- Dispute resolution reasonable periods
- DC code
- Public service code

5.2 The General Code of Practice is divided into five sections (shown in bold below). Also shown below are the new modules included in the General Code of Practice (not present in the existing codes of practice). Some of these (asterisked and shown in italics) will not directly apply to the LGPS but where this is the case, compliance will usually be viewed as 'best practice' by TPR.

The governing body

- Meetings and decision-making
- *Remuneration and fee policy **
- *Managing advisers and service providers **
- *Scheme continuity planning **
- *Own risk assessment **

Funding and investment

- *Investment governance **
- *Investment monitoring **
- *Climate change **

Administration

- Planning and maintaining administration
- Financial transactions
- Transfers out
- Record-keeping
- Data monitoring and improvement
- Maintenance of IT systems
- *Cyber controls **

Communications and disclosure

- General principles for member communications
- Scams

Reporting to TPR

5.3 The Local Government Association (LGA) and LGPS Scheme Advisory Board (SAB) have provided the following initial comments in relation to the General Code of Practice:

> “The SAB’s Secretariat is studying the Code closely to identify any new requirements for administering authorities and how the Code’s requirements align with items on the SAB workplan, such as the SAB’s 2021 Good Governance recommendations.
>
> TPR’s research on governance and administration shows that the LGPS already has high standards of governance in place. The Code provides an opportunity for funds to review current practices, but also presents challenges during what is already a busy time for the LGPS. Clarity is required on which parts of the Code apply to the LGPS, what these mean for administering authorities and how they should be applied in practice. The SAB will support authorities in understanding any new requirements in the Code and, where needed, will produce new or update existing guidance to help authorities with their responsibilities.
>
> The SAB’s LGPS live webinar taking place on 6 March 2024 at 3.30pm will focus on the Code and the requirements and challenges it presents for the LGPS.”

5.4 Although the General Code of Practice is expected to take effect before the end of March, TPR has indicated that it does not expect schemes to be able to demonstrate full compliance with all the provisions of the Code from that date. However, what is expected that schemes will have an awareness of where there are potential gaps in compliance and, ideally, a plan setting out how and when these gaps will be filled.

6. NEXT STEPS

6.1 The Fund already had a good level of compliance with TPR's governance and administration requirements set out in the existing 'old' codes of practice. An exercise is underway to consider to what degree the Fund complies with the new elements of the code, including those deemed 'best practice' for the LGPS. Updates, including a plan for achieving full compliance with all relevant elements of the General Code of Practice will be shared with future Committee meetings.

AUTHOR: Nick Orton (Head of Pensions Governance and Investments)

TEL NO: 01642 729024

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

PENSION FUND COMMITTEE REPORT

13 MARCH 2024

DIRECTOR OF FINANCE, DEBBIE MIDDLETON

PENSION FUND BUSINESS PLAN 2024/27

1. PURPOSE OF THE REPORT

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

2. RECOMMENDATION

2.1 That Members approve the Business Plan including the 2024/25 Pension Fund budget.

3. FINANCIAL IMPLICATIONS

3.1 The 2024/25 forecast income and expenditure is set out in the Business Plan, and is summarised below (expenditure in brackets):

	£ millions
Income from employers / members	121.2
Expenditure to members	(222)
Administration and management expenses	(12.1)
Estimated net investment income	145.5*
Net increase (decrease) in net assets available for benefits	**32.6**

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

4. BACKGROUND

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

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

4.3 The Business Plan for 2024/27 is attached (Appendix 1). The Business Plan includes:

- The purpose of the Fund, including the Teesside Pension Fund Service Promise (see Appendix A);
- The current governance arrangements for the Fund;
- The performance targets for the Fund for 2024/25, and a summary of the performance for 2023/24 (latest available) (see Appendix B);
- The arrangements in place for managing risk and the most up to date risk register for the Fund (see Appendix C);
- Membership, investment and funding details for the Fund;
- An estimated outturn for 2023/24 and an estimate for income and expenditure for 2024/25 (see Appendix D and page 21 of Appendix 1); and
- An annual plan for key decisions and a forward work programme for 2024/27 and an outline work plan for 2024 – 2027.

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

TEL NO.: 01642 729040

Business Plan

2024 – 2027

Teesside Pension Fund

EXECUTIVE SUMMARY

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

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

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

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

This Business Plan also outlines the expected non-investment related Fund receipts and payments for the financial year 2023-24, and projections for 2024-25, as well as the administration and investment expenses.

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

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

INTRODUCTION

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

The Fund currently has over 80,000 scheme members from around 150 employer bodies, including four Local (Unitary) Authorities.

The results of the latest Actuarial Valuation, as at March 2022 showed the assets worth £5.036 billion, were sufficient to meet 116% of the Fund's liabilities.

PURPOSE OF THE FUND

Mission Statement

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

Purpose

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

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

Aims

The aims of the Fund are to:

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

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

- Seek returns on investments within reasonable risk parameters.

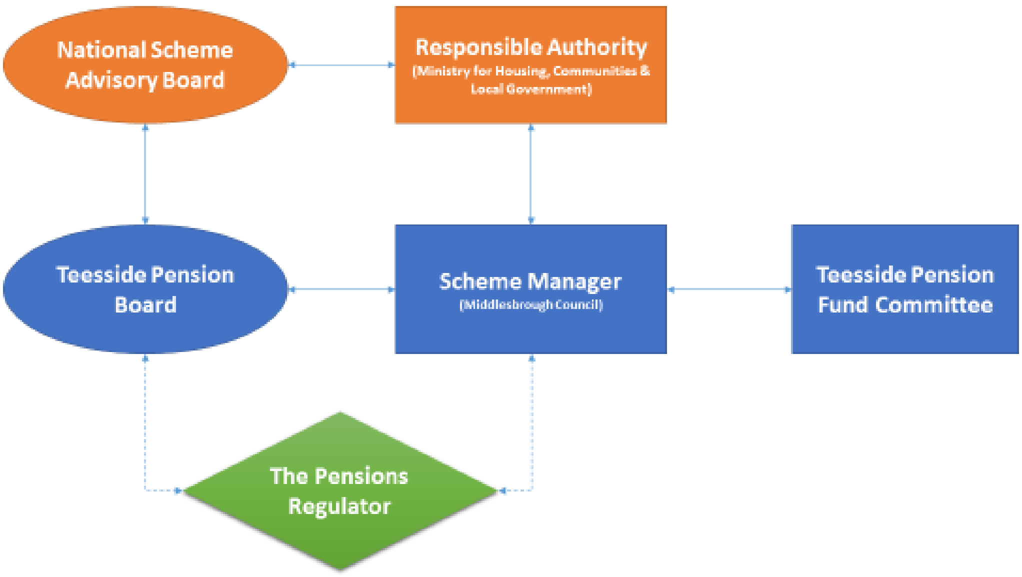
Service Promise

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

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

GOVERNANCE ARRANGEMENTS

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



Responsible Authority

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

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

- Commissioning and updating legislation and actuarial guidance.

More information can be found on DLUHC at the following website: https://www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities

The Local Government Pension Scheme Advisory Board – England and Wales

The Local Government Pension Scheme Advisory Board (SAB):

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

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

The Pensions Regulator

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

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

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

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

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

Teesside Pension Fund Committee

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

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

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

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

b) Ensuring robust risk management arrangements are in place.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Teesside Pension Board

The Board is responsible for assisting the Administering Authority:

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

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

Teesside Pension Officer Support

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

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

- External advice is provided by:
  - The **Fund's Investment Advisors** on asset allocation and investment matters.
  - The **Fund's Actuary**, Hymans Robertson LLP, on actuarial matters.
  - The **Fund's Solicitors**, Nabarro, on regulatory and administrative matters, and Freeths LLP, on legal matters relating to the Fund's property investments.
  - The **Fund's Auditor**, EY LLP / Mazars LLP (for April 2023 onwards), regarding auditing the accounts and internal controls and systems.
  - Other external advisors as the Director of Finance shall see fit to recommend.

PROCEDURE FOR THE REVIEW OF MANAGERS AND ADVISORS

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

- The LGPS (Management and Investment of Funds) Regulations 2016 include the requirement for all LGPS Funds to pool their assets. The Fund is one of eleven Funds who are shareholder partners in Border to Coast Pension Partnership Limited ('Border to Coast') and has now moved to a position where Border to Coast manages the majority of investment assets for the Fund.
- Initial asset transfers took place during 2018-19 which resulted in all the Fund's UK equities being transferred to be under Border to Coast's management. During 2021 most of the Fund's overseas equities were also transferred from being managed passively by State Street Global Advisers to being managed by Border to Coast. In order to maintain the regional balance recommended by our investment advisers, a small proportion of the Fund's overseas equities continue to be managed passively by State Street Global Advisors – as at 31 December 2023 around 12% of the Fund's total equities were managed by State Street Global Advisors.
- There are a number of investment assets which will remain with the Fund to manage, either because they will never transfer to Border to Coast, e.g. cash, local investments or because is not practical or cost-effective to do so, such as existing private markets investments. In addition, following a decision taken at the December 2023 Pension Fund Committee, the Fund will continue to manage its own UK Real Estate portfolio and this is unlikely to transfer to Border to Coast in the foreseeable future. These assets that remain with the Fund will continue to be managed or overseen by an internal team.

- Fund Investment Advisor arrangements were reviewed during 2018-19 and following a procurement exercise two independent Investment Advisors were appointed.
- The contract to provide Custodian Services to the Fund is carried out by Northern Trust – the contract started on 1 May 2019, was reawarded to Northern Trust following a procurement exercise from 1 June 2022 and is due to be reviewed in 2026.
- Pension Administration Services are provided by XPS Administration (formerly Kier Group) under the terms of a contract for a period of ten years commencing 1 June 2001. This arrangement was approved by the Investment Panel on 2 March 2001. A five year extension to this contract was approved by the Investment Panel on 3 March 2010 and another five year extension was also approved on 17 June 2015. XPS Administration bought the Kier pension administration function with effect from November 2018, and the contract, staff and software to administer the Teesside Pension Fund transferred to XPS Administration as part of that sale. Following a further contract extension to the end of May 2025, the administration contract is being put out to tender imminently.
- The contract to provide Actuarial Services to the Fund was put out to tender towards the end of 2021 and a new actuary, Hymans Robertson LLP, was appointed with effect from 1 January 2022. The contract is for six years (covering two valuation periods) with an option to extend for a further three years.
- Fund Additional Voluntary Contribution (AVC) provision was reviewed by the Investment Panel on 12 July 2002 and the Prudential Assurance Company Ltd were appointed. The long-term nature of AVC provision does not lend itself to the regular review of providers.

PERFORMANCE TARGETS

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

Funding

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

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

Investments

The Investment Strategy Statement outs out the Fund's strategy asset allocation (also known as the customised benchmark), a tailor made mix of investments which is reached after an Actuarial Valuation and subsequent Asset/Liability Study. The strategic asset allocation was last updated in March 2021. The Investment Strategy Statement was last published in April 2021. It was reviewed after the publication of the latest valuation report, and it was agreed that no changes were required.

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

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

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

Pensions Administration

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

Pension Administration KPI	Target
All new entrant processed within eighteen working days of receipt of notification being received by pensions.	98.50%
Transfer Values - To complete the process within one month of the date of receipt/request for payment.	98.50%
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being received.	98.75%

Pension Administration KPI	Target
Statements issued within ten working days - Estimate of benefits (of receipt of request) and Deferred Benefits (of receipt of all relevant information).	98.25%
Pension costs to be recharged monthly to all employers.	98.75%
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	98.75%
Payment of retirement grant payment to be made within 6 working days of the later of the payment due date and the date of receiving all of the necessary information.	98.75%
Pay eligible pensioners a monthly pension on the dates specified by the Council.	100.00%
All calculations and payments are correct.	98.75%

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

Accounting

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

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

Governance

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

- Governance Policy and Compliance Statement

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

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

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

RISK MANAGEMENT

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

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

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

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

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

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

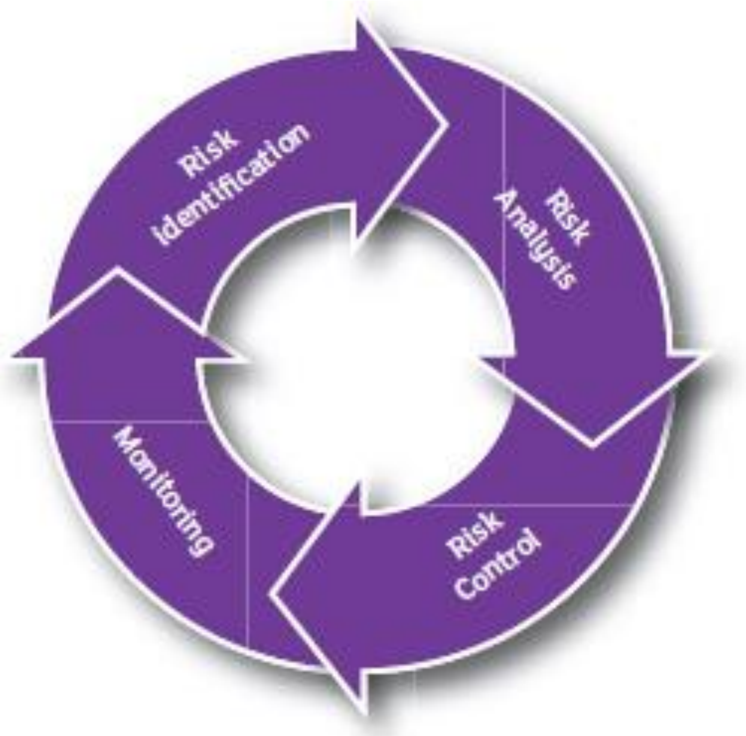
- Integrate risk management into the culture and day-to-day activities of the Fund.

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

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

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

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



Risk Identification

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

Risk Analysis

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

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

Risk Control

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

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

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

Risk Monitoring

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

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

Risk Reporting

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

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

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

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

Risk Matrix

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

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

TRAINING PLAN

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

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

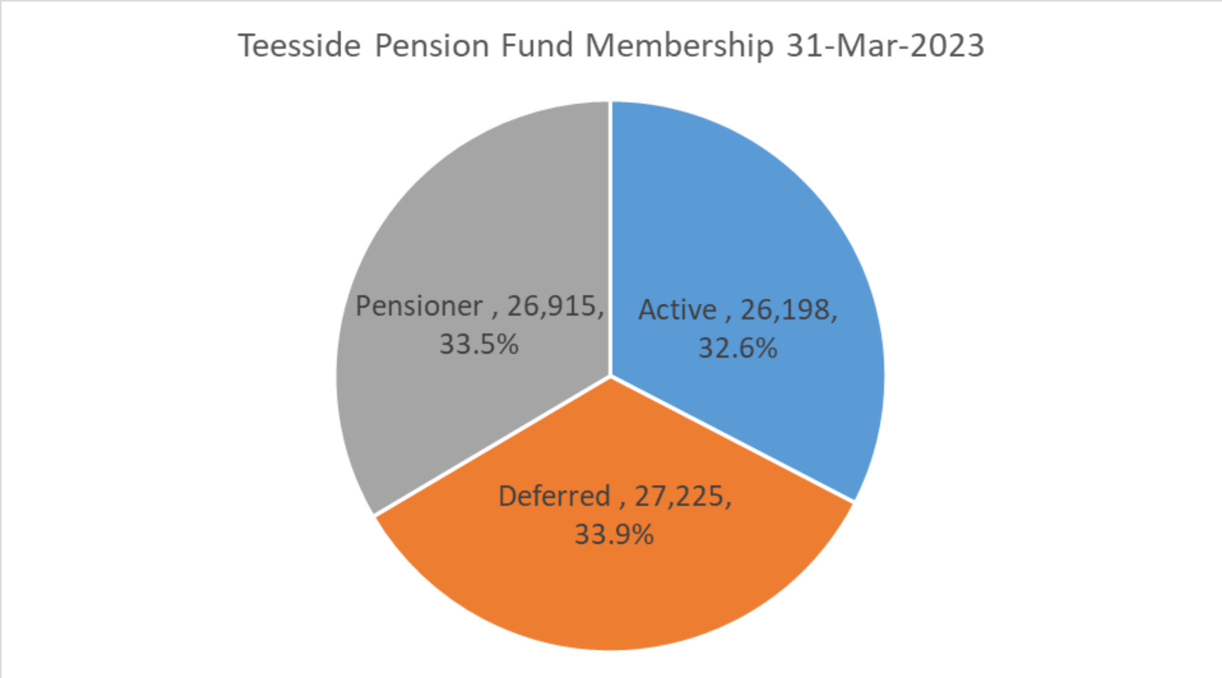
The Principles included in the Myners Review of Institutional Investment included a requirement under "Effective Decision Making" that Trustees should have sufficient expertise and be offered appropriate training.

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

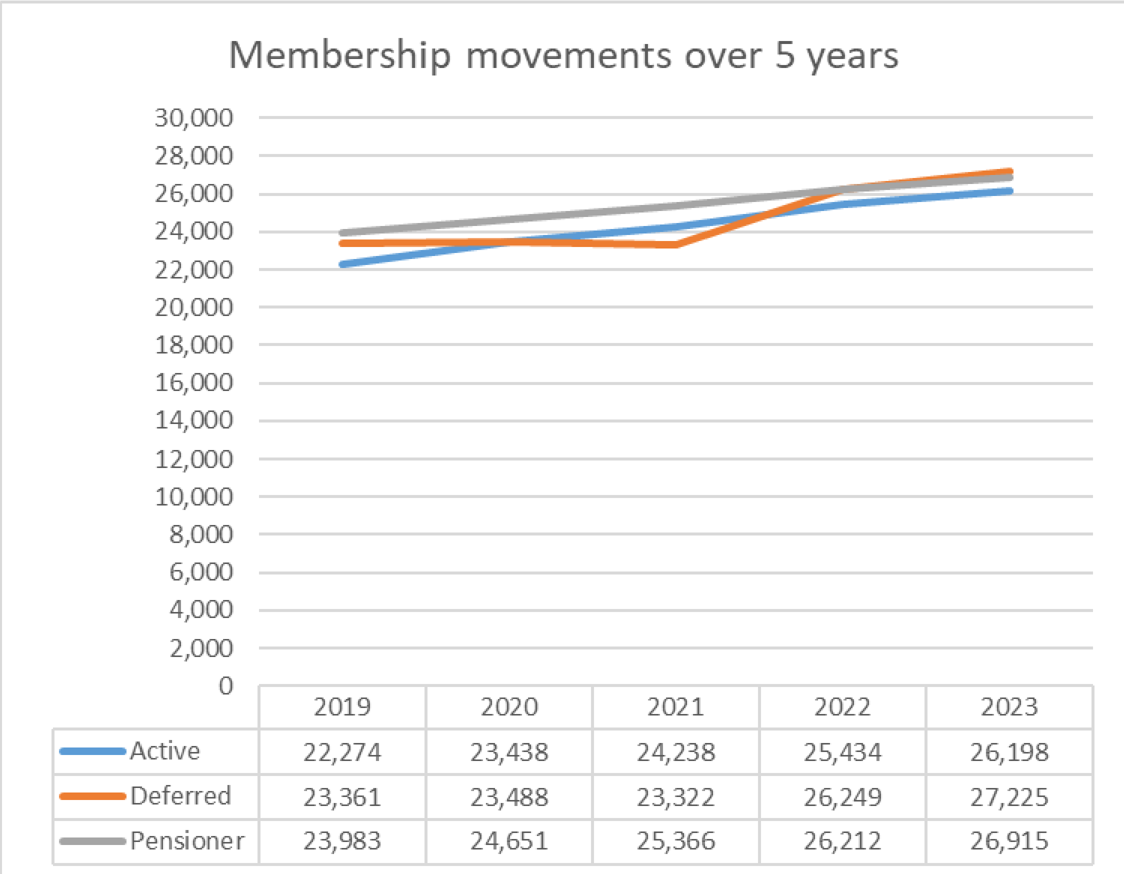
Training for Members and the staff employed by the Fund is essential as the Fund is moving to a position where its primary role will be managing two critically important outsourcing contracts with Border to Coast managing the majority of the Fund's investment assets, and XPS Administration managing the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

MEMBERSHIP DATA

The total scheme membership for the Fund as at 31 March 2023 was 80,338 made up of the following membership types:



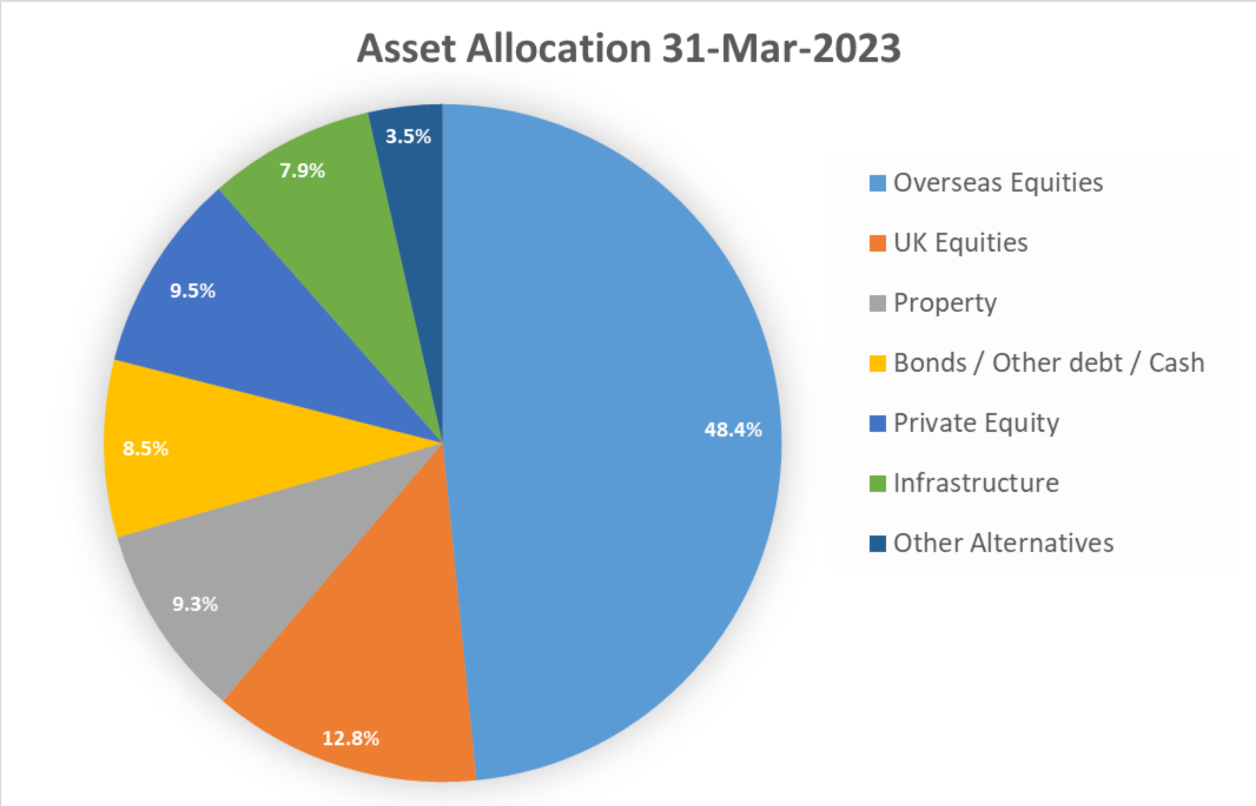
The changes to the scheme membership types over the last five years are shown below. Whilst the total membership has increased by approx. 10,700 members over the period, the numbers of deferred members have fluctuated but increased, whereas the numbers of actives and pensioner members has increased more steadily over the period.



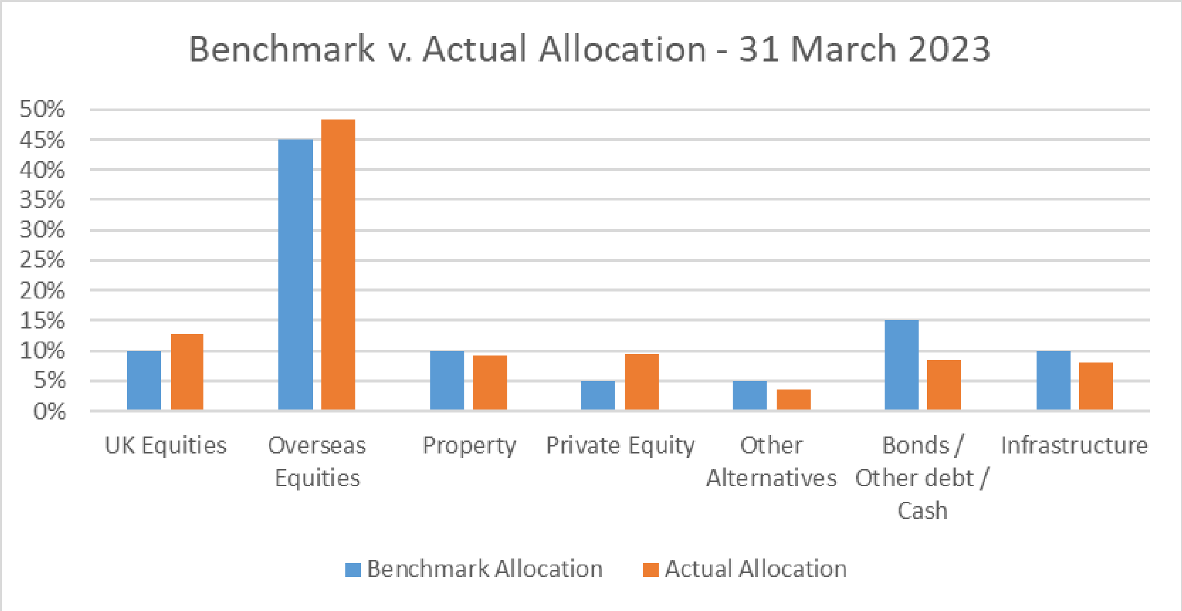
	2019	2020	2021	2022	2023
Active	22,274	23,438	24,238	25,434	26,198
Deferred	23,361	23,488	23,322	26,249	27,225
Pensioner	23,983	24,651	25,366	26,212	26,915

INVESTMENTS AND FUNDING

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



The Fund's Investment Strategy Statement sets out the Asset Allocation Strategy. This strategy is set for the long term and is reviewed at least every three years as part of the Fund's Asset/Liability study to ensure that it remains appropriate to the Fund's liability profile. As part of the strategy the Administering Authority has adopted a strategic benchmark representing the mix of assets best able to meet the long term liabilities of the Fund. A revised strategic benchmark was agreed by the Pension Fund Committee at its March 2021 meeting, and this revised benchmark was used to update the Investment Strategy Statement. The strategic asset allocation included within the Investment Strategy Statement was reviewed after the publication of the latest valuation report, and it was agreed that no changes were required. As at 31 March 2023 the actual assets compared to the revised strategic benchmark as follows:



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

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

FUND ACCOUNT, INVESTMENT AND ADMINISTRATION COSTS

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

Description	2022-23 Actual £'000s	***2023-24 Forecast £'000s***	***2024-25 Estimate £'000s***
Contributions	-106,953	-107,075	-112,615
Transfers in from other pension funds	-4,896	-7,052	-7,405
Other income	-2,561	-2,123	-2,229
Total income from members	**-114,410**	**-116,250**	**-122,249**
Benefits payable	162,355	182,591	191,721
Payments to and on account of leavers	20,435	28,860	30,303
Total expenditure to members	**182,790**	**211,451**	**222,024**
Management expenses	10,473	11,506	12,106
Total income less expenditure	**78,853**	**106,707**	**111,881**
Investment income	-50,230	-72,000	-145,500*
Change in Asset Market Value	-54,947	0	0
Net return on investments	**-105,177**	**-72,000**	**-145,500**
Net (increase) / decrease in net assets available for benefits during the year	**-26,324**	**34,707**	**-33,619**

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

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

ANNUAL PLAN FOR RECEIVING REPORTS

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

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

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

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

FORWARD PLAN FOR KEY DECISIONS

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

<u>2024/25</u>:	Pooling of Investment Assets: ➢ Where appropriate, taking into account Investment Advisors' views, continue to commit assets to Border to Coast's private equity, infrastructure and climate opportunities funds as they become available. ➢ Receive regular reports and presentations from Border to Coast in relation to the assets the Fund has committed to the pool.

Pension Fund Governance:

- Assess the Fund against the Scheme Advisory Board’s recommended governance standards (expected to become statutory guidance).
- Carry out gap analysis against Pensions Regulator’s General Code of Practice – prioritise and address gaps.
- Prepare UK Stewardship Code submission.

Pension Investments:

- Prepare procurement exercise in relation to property asset management and associated activities (property legal, property valuation).
- Implement the asset allocation instructions from the Pension Fund Committee.
- Monitor and report investment performance of the Fund, as measured against the Fund's customised benchmark.
- Assess any local investment opportunities that arise, with a view to making recommendations to the Pension Fund Committee where appropriate.
- Continue to monitor the Fund’s overweight equity position against its strategic asset allocation.
- Monitor Fund’s liquidity and consider whether / when to invest in fixed income.

Pension Administration:

- Carry out retendering exercise for pension administration
- Implement ‘McCloud’ changes, including retrospective review of leavers since 2014 - this is an additional check on leaving / drawing benefits to give certain scheme members the better of benefits under the current CARE scheme or under the old final salary rules for service from 1 April 2014 to 31 March 2022.
- Implement outcome of GMP reconciliation exercise.
- Prepare data and system functionality for compliance with Pensions Dashboard requirements.

Funding:

- Review and update the Funding Strategy Statement and Investment Strategy Statement if required.

<u>2025/26</u>:

- Report on transfer of assets to Border to Coast. Provide justification for an assets not transferred by expected deadline of 31 March 2025. Include value for money rationale together with expected timetable for reviewing asset transfer decision.

- Monitor and report in line with expected Task Force on Climate-Related Financial Disclosures (TCFD) requirements.
- Prepare data for submission to actuary for 31 March 2025 triennial valuation. Work with actuary on reviewing assumptions.
- Continue preparation for Pensions Dashboard implementation

<u>2025/26</u>:

- Further develop governance approach, taking into account UK Stewardship Code requirements.
- Develop and review Responsible Investments approach, incorporating TCFD reporting.
- Carry out 31 March 2025 triennial valuation.
- Continue preparation for Pensions Dashboard implementation

<u>2026/27</u>:

- Formal review and update (if necessary) of investment strategy – following publication of triennial valuation.
- Implement Pensions Dashboard (revised Government timetable has implementation date of 31 October 2026)

Middlesbrough
moving forward

Teesside Pension Fund

Our Service Promise

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

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

Scheme Members

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

Scheme Employers

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

Pension Fund Committee

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

Pension Board

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

What we'll do for you:

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

What you can do for us:

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

SUMMARY OF PERFORMANCE AGAINST TARGETS

Funding:

	Target	Actual
2022 Triennial Actuarial Valuation	100%	116%

Investments:

	As at 31 December 2023		
	Benchmark	Actual	Excess Return
Performance Return – 1 Year	8.8%	6.6%	**-1.6%**
Performance Return – 3 Year (per annum)	4.7%	7.5%	**2.8%**
Performance Return – 5 Year (per annum)	6.4%	8.2%	**1.7%**
Performance Return – 10 Year (per annum)	6.9%	7.4%	**0.6%**

Pensions Administration:

	As at 31 December 2021	
	Target	Actual
All new entrant processed within twenty working days of receipt of notification being received by pensions.	98.50%	100.00%
Transfer Values - To complete the process within ten working days of the date of receipt/request for payment.	98.50%	100.00%
Refund of contributions - correct refund to be paid within ten working days of the employee becoming eligible and the correct documentation being received.	98.75%	100.00%
Statements issued within ten working days - Estimate of benefits (of receipt of request) and Deferred Benefits (of receipt of all relevant information).	98.25%	99.88%
Pension costs to be recharged monthly to all employers.	98.75%	100.00%
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	98.75%	93.4% (shortfall relates to deferred members with unknown addresses)

	As at 31 December 2021	
	Target	**Actual**
Payment of retirement grant payment to be made within 6 working days of the later of the payment due date and the date of receiving all of the necessary information.	98.75%	98.92%
Pay eligible pensioners a monthly pension on the dates specified by the Council.	100.00%	100.00%
All calculations and payments are correct.	98.75%	100.00%

Accounting:

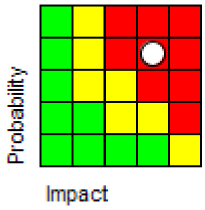
	Target	Actual
External Auditor Opinion	True & Fair View	True & Fair View (draft) –2021/22 and 2022/23 accounts not signed off as at 04.03.2024
Internal Audit Opinion – Investments	Strong Control Environment	Strong Control Environment
Internal Audit Opinion – Administration	Strong Control Environment	Strong Control Environment

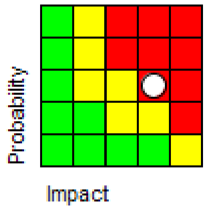
Governance:

	Target	Actual
Funding Strategy Statement	Last 3 Years	March 2023
Investment Strategy Statement	Last 3 Years	Reviewed March 2023
Governance Policy & Compliance Statement	Last 3 Years	December 2021
Training Policy	Last 3 Years	December 2021
Conflict of Interest Policy	Last 3 Years	December 2021
Risk Management Policy	Last 3 Years	December 2021
Procedures for Reporting Breaches of Law	Last 3 Years	December 2021
Communication Policy	Last 3 Years	December 2021
Pension Administration Strategy & Employer Guide	Last 3 Years	December 2021
Fund Officers' Scheme of Delegation	Last 3 Years	December 2021

Appendix C - Teesside Pension Fund Risk Register

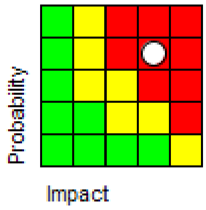
<table>
<tr><th>Code</th><th>Title</th><th>Original Score</th><th>Current Score</th></tr>
<tr><td>TPF001</td><td>INFLATION
Price inflation is significantly more than anticipated: an increase in long-term CPI inflation of 0.2% a year will increase the liability valuation by 3%.

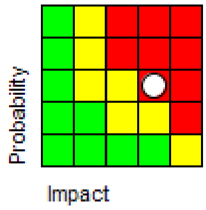
Fund & Reputation Impact-5
Employers Impact-5
Member Impact-5</td><td>

20</td><td>

15</td></tr>
<tr><th colspan="2">Current Mitigation</th><th>Future Mitigation</th><th>Responsible Officer</th></tr>
<tr><td colspan="2">In assessing the member liabilities, the triennial Fund Actuary assumptions made for inflation are "conservatively" set based on independent economic data, and hedged against by setting higher investment performance targets.</td><td></td><td>Head of Pensions Governance and Investments</td></tr>
</table>

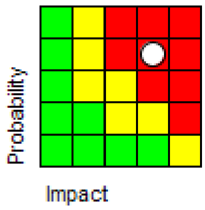
<table>
<tr><th>Code</th><th>Title</th><th>Original Score</th><th>Current Score</th></tr>
<tr><td>TPF002</td><td>ADVERSE ACTUARIAL VALUATION
Impact of increases to employer contributions following the actuarial valuation.

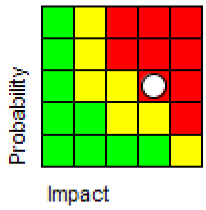
Fund & Reputation Impact-3
Employers Impact-5
Member Impact-1</td><td>

20</td><td>

15</td></tr>
<tr><th colspan="2">Current Mitigation</th><th>Future Mitigation</th><th>Responsible Officer</th></tr>
<tr><td colspan="2">Interim valuations provide early warnings. Actuary has scope to smooth impact for most employers.</td><td></td><td>Head of Pensions Governance and Investments</td></tr>
</table>

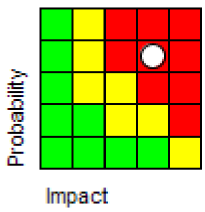
<table>
<tr><th>Code</th><th>Title</th><th>Original Score</th><th>Current Score</th></tr>
<tr><td>TPF003</td><td>GLOBAL FINANCIAL INSTABILITY
Outlook deteriorates in advanced economies because of heightened uncertainty and setbacks to growth and confidence, with declines in oil and commodity prices. Leading to tightened financial conditions, reduced risk appetite and raised credit risks.

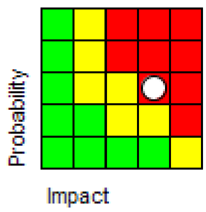
Fund & Reputation Impact-5
Employers Impact-5
Member Impact-1</td><td>

20</td><td>

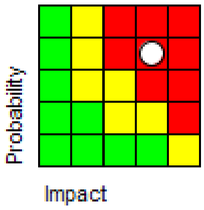
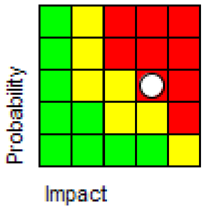
15</td></tr>
<tr><th colspan="2">Current Mitigation</th><th>Future Mitigation</th><th>Responsible Officer</th></tr>
<tr><td colspan="2">Increasing investment diversification will allow the Fund to be better placed to withstand this type of economic instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.</td><td></td><td>Head of Pensions Governance and Investments</td></tr>
</table>

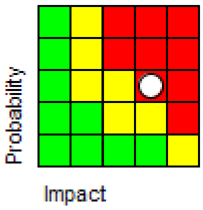
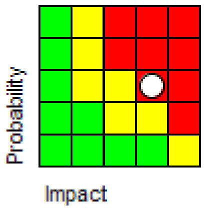
<table>
<tr><th>Code</th><th>Title</th><th>Original Score</th><th>Current Score</th></tr>
<tr><td>TPF004</td><td>POLITICAL RISK
Significant volatility and negative sentiment in investment markets following the outcome of adversely perceived political changes.

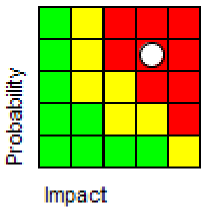
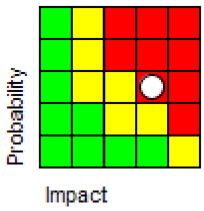
Fund & Reputation Impact-5
Employers Impact-5
Member Impact-1</td><td>

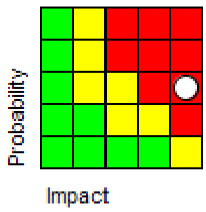
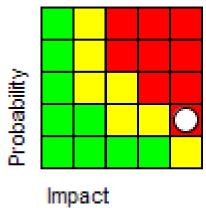
20</td><td>

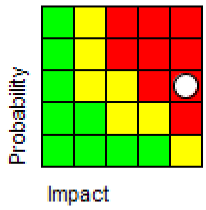
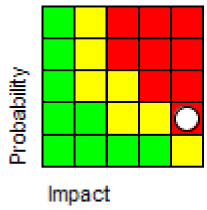
15</td></tr>
<tr><th colspan="2">Current Mitigation</th><th>Future Mitigation</th><th>Responsible Officer</th></tr>
<tr><td colspan="2">Increasing investment diversification will allow the Fund to be better placed to withstand this type of political instability. As a long-term investor the Fund does not have to be a forced seller of assets when they are depressed in value.</td><td></td><td>Head of Pensions Governance and Investments</td></tr>
</table>

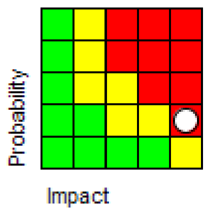
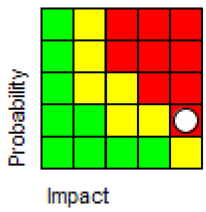
Code	Title	Original Score	Current Score
TPF005	INVESTMENT CLASS FAILURE A specific industry investment class/market fails to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers. Fund & Reputation Impact-5 Employers Impact-5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

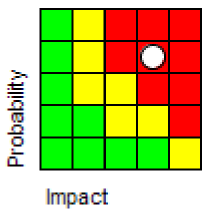
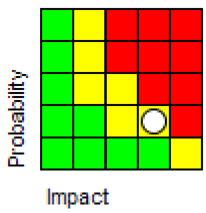
Code	Title	Original Score	Current Score
TPF012	POOLING INVESTMENT UNDERPERFORMANCE Investments in the investment pool not delivering the required return. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 15	 15
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Ongoing monitoring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

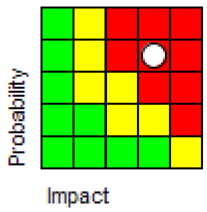
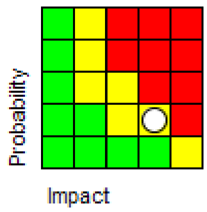
Code	Title	Original Score	Current Score
TPF053	CLIMATE CHANGE The systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and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

Code	Title	Original Score	Current Score
TPF009	HIGHER THAN EXPECTED COSTS OF INVESTMENT POOLING Higher setup and ongoing costs of Border to Coast and of the management associated with investment pooling arrangements (or lack of reduction compared to current costs). Fund & Reputation Impact-7 Employers Impact-2 Member Impact-1	 21	 14
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Border to Coast's budget is set annually with the agreement of at least 9 of the 11 partner funds. Expenditure is monitored and reported to the Officer Group and Joint Committee meetings. Tenders for suppliers ensure value for money ethos applies.			Head of Pensions Governance and Investments

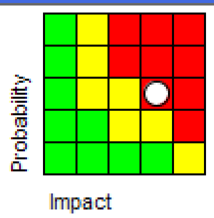
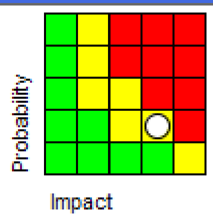
Code	Title	Original Score	Current Score
TPF010	INADEQUATE POOLING TRANSPARENCY Lack of transparency around investment pooling arrangements. Fund & Reputation Impact-7 Employers Impact-1 Member Impact-1	 21	 14
Current Mitigation		**Future Mitigation**	**Responsible Officer**
With the pooling of investment assets TPF staff work closely with Border to Coast sub-fund asset managers and Border to Coast management to gain full clarity of performance, with training provided to TPF staff as required.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF021	INAPPROPRIATE INVESTMENT STRATEGY Mismatching of assets and liabilities, inappropriate long term asset allocation of investment strategy, mistiming of investment strategy. Fund & Reputation Impact-7 Employers Impact-7 Member Impact-1	 14	 14
Current Mitigation		**Future Mitigation**	**Responsible Officer**
This is mitigated by the Triennial Valuation and the engagement of Two Independent Investment Advisors.			Head of Pensions Governance and Investments

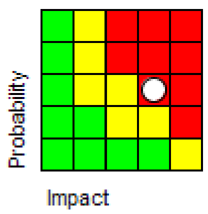
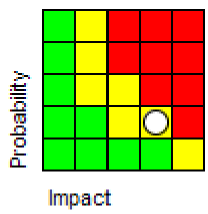
Code	Title	Original Score	Current Score
TPF007	KEY PERSON RISK Concentration of knowledge & skills in small number of officers and risk of departure of key staff - failure of succession planning. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1	 20	 10
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Two Deputy positions were created in 2018/19 (although one remains to be filled). These act to support deputise as required for the Head of Investments, Governance and Pensions.			Head of Pensions Governance and Investments

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

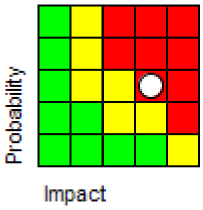
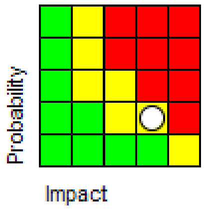
Current Mitigation	Future Mitigation	Responsible Officer
In preparation for the pooling of investment assets to Border to Coast, the team was expanded and has a total complement of 9 staff (albeit with two current vacancies). With a new investment strategy of passive rather than active management, investment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

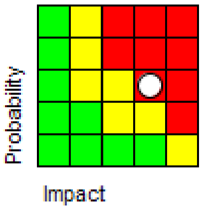
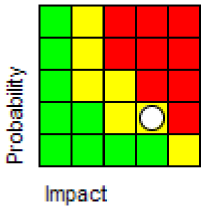
Code	Title	Original Score		Current Score	
TPF011	UNANTICIPATED PAY RISES Increases are significantly more than expected for employers within the Fund. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		15		10

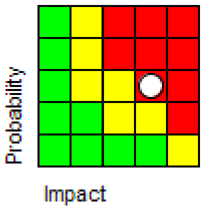
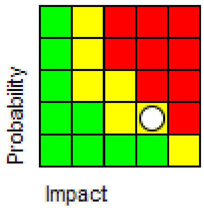
Current Mitigation	Future Mitigation	Responsible Officer
1) Fund employers will monitor own experience. 2)Triennial Actuarial valuation Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) will be long term assumptions, any employer specific assumptions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

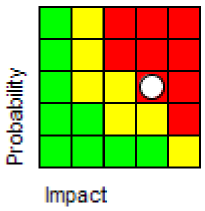
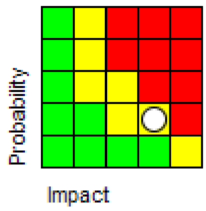
Code	Title	Original Score		Current Score	
TPF013	POOLING SYSTEMIC RISKS Systemic and other investment risks not being properly managed within the investment pool; for example appropriate diversification, credit, duration, liquidity and currency risks. Fund & Reputation Impact-5 Employers Impact-5 Member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

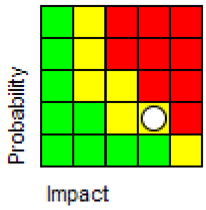
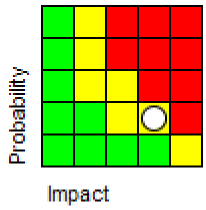
Current Mitigation	Future Mitigation	Responsible Officer
Appropriate due diligence is carried out regarding the structure, targets, diversification and risk approach for each sub-fund before investment. In addition, The Pensions Head of Service and Section 151 officer, will closely monitor and review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

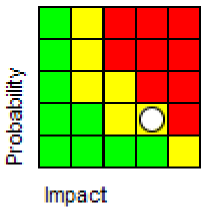
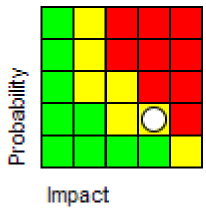
Code	Title	Original Score		Current Score	
TPF014	LONGEVITY Pensioners living longer: adding one year to life expectancy will increase the future service rate by 0.8%. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1		15		10
Current Mitigation		**Future Mitigation**		**Responsible Officer**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

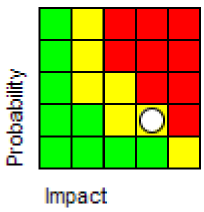
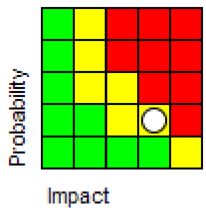
Code	Title	Original Score		Current Score	
TPF017	BULK TRANSFER VALUE DISPUTE Failure to ensure appropriate transfer is paid to protect the solvency of the fund and equivalent rights are acquired for transferring members. Fund & Reputation Impact-3 Employers Impact-5 Member Impact-1		15		10
Current Mitigation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

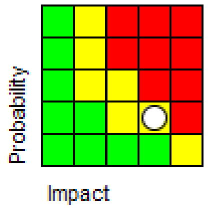
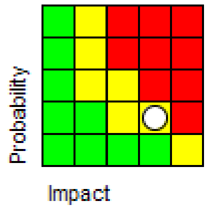
Code	Title	Original Score		Current Score	
TPF018	TPF INVESTMENT UNDERPERFORMANCE Investment Managers fail to achieve performance targets over the longer term: a shortfall of 1% on the investment target will result in an annual impact of £50m. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1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

Code	Title	Original Score	Current Score
TPF019	TPF GOVERNANCE SKILLS SHORTAGE Lack of knowledge of Committee & Board members relating to the investment arrangement and related legislation and guidance. Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1	 15	 10
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Pension Fund Committee new members have an induction programme and have access to on-line training based on the requirements of CIPFA Knowledge and Skills Framework including Pooling.			Head of Pensions Governance and Investments

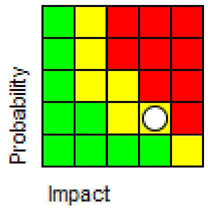
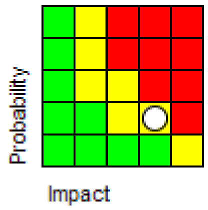
Code	Title	Original Score	Current Score
TPF025	OUTSOURCED MEMBER ADMIN FAILURE XPS Administration service fails to the point where it is unable to deliver its contractual services to employers and members. Fund & Reputation Impact-1 Employers Impact-1 Member Impact-5	 10	 10
Current Mitigation		**Future Mitigation**	**Responsible Officer**
XPS Administration is a well-resourced established pensions administration provider which is not in financial difficulty.			Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF026	INSECURE DATA Failure to hold personal data securely - i.e data stolen. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-5	 10	 10
Current Mitigation		**Future Mitigation**	**Responsible Officer**
XPS Administration have advised they have robust data security and are not aware of any attempted hacking events.			Head of Pensions Governance and Investments

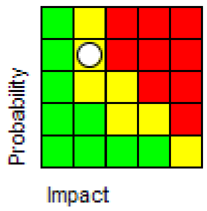
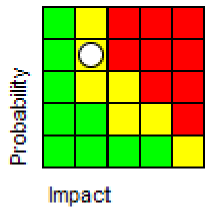
Code	Title	Original Score	Current Score
TPF028	INADEQUATE POOLING INVESTMENT EXPERTISE Inadequate, inappropriate or incomplete investment expertise exercised over the pooled assets. Fund & Reputation Impact-5 Employers Impact-5 Member Impact-1	 10	 10
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Border to Coast has completed recruitment of experienced and capable management team, alongside its expanding complement of over 100 staff.			Head of Pensions Governance and Investments

Code	Title	Original Score		Current Score	
TPF029	INSUFFICIENT RANGE OF POOLING ASSET CLASSES Insufficient range of asset classes or investment styles being available through the investment pool. Fund & Reputation Impact-5 Employers Impact-3 Member Impact-1		10		10

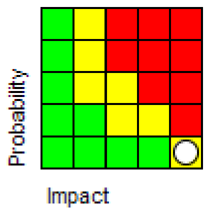
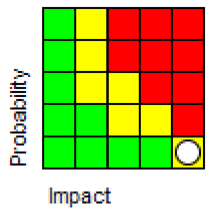
Current Mitigation	Future Mitigation	Responsible Officer
There is in place a roll-out plan of different asset classes and engagement with Border to Coast to identify relevant future asset classes		Head of Pensions Governance and Investments

Code	Title	Original Score		Current Score	
TPF031	INTERNAL COMPLIANCE FAILURES Failure to comply with recommendations from the local pension board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator. Fund & Reputation Impact-5 Employers Impact-1 Member Impact-1		10		10

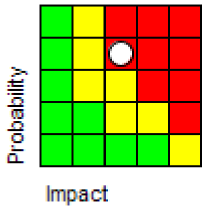
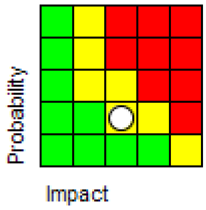
Current Mitigation	Future Mitigation	Responsible Officer
The Head of Pensions Governance and Investments attends all Committee and Board meetings and acts as a conduit between the two, ensuring any Board recommendations are relayed to the Committee.		Head of Pensions Governance and Investments

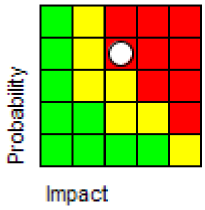
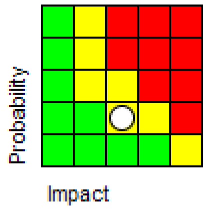
Code	Title	Original Score		Current Score	
TPF030	COMMITTEE MEMBERSHIP CHANGE Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1		8		8

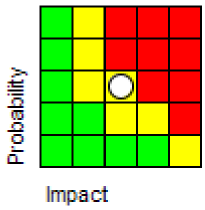
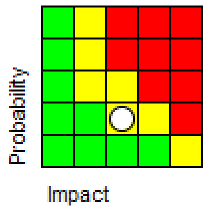
Current Mitigation	Future Mitigation	Responsible Officer
Officers and advisers provide continuity and training following changes to Committee membership.		Head of Pensions Governance and Investments

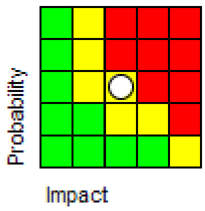
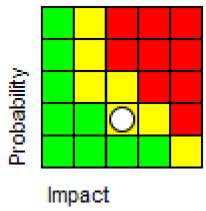
Code	Title	Original Score		Current Score	
TPF039	BORDER TO COAST FAILURE Failure of the operator itself, or its internal risks and controls failure of corporate governance, responsible investment, or the failure to exercise voting rights according to policy. Fund & Reputation Impact-7 Employers Impact-4 Member Impact-1		7		7

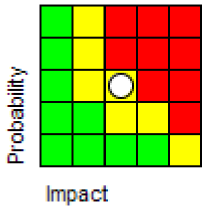
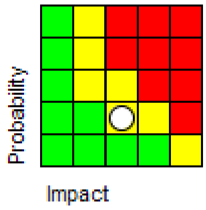
Current Mitigation	Future Mitigation	Responsible Officer
Ongoing oversight and close working with Border to Coast and the other Partner Funds will provide advance warning of any issues in this area and an opportunity to rectify them.		Head of Pensions Governance and Investments

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

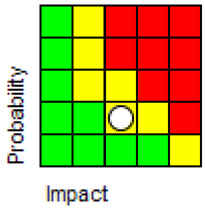
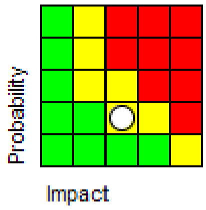
Code	Title	Original Score		Current Score	
TPF016	ADVERSE LEGISLATIVE CHANGE Risk of changes to legislation, tax rules etc.; resulting in increases required in employer contributions. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-3		12		6
Current Mitigation		**Future Mitigation**		**Responsible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

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

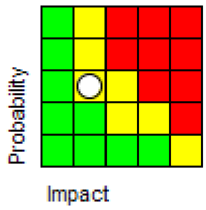
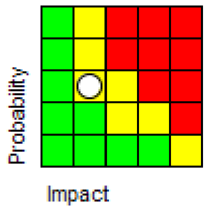
Code	Title	Original Score		Current Score	
TPF023	INACCURATE DATA RECORD COLLATION Failure to maintain proper, accurate and complete data records leading to increased errors and complaints. Fund & Reputation Impact-1 Employers Impact-3 Member Impact-3		9		6
Current Mitigation		**Future Mitigation**		**Responsible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

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

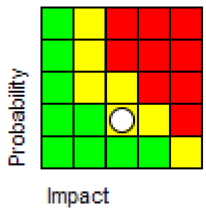
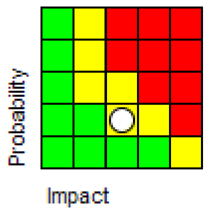
Current Mitigation	Future Mitigation	Responsible Officer
The XPS Administration employer liaison team will improve this by working closely with employers.		Head of Pensions Governance and Investments

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

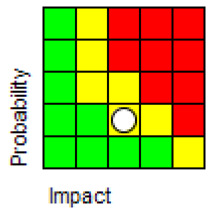
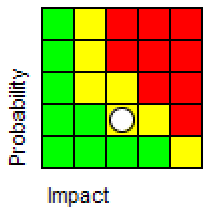
Current Mitigation	Future Mitigation	Responsible Officer
TPF staff work closely with Border to Coast sub- fund asset managers and Border to Coast management to gain full clarity and reporting of performance, with training provided to TPF staff as required.		

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

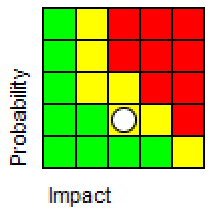
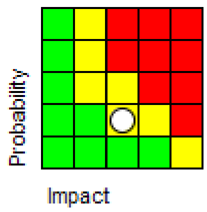
Current Mitigation	Future Mitigation	Responsible Officer
Border to Coast provides increased focus on Responsible Investment.		Head of Pensions Governance and Investments

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

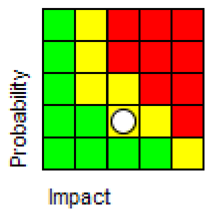
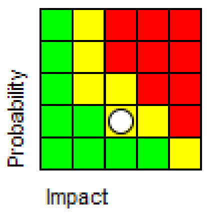
Current Mitigation	Future Mitigation	Responsible Officer
New supplier's financial strength is assessed through the procurement process. Existing suppliers are obliged to report any issues.		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF035	PROCUREMENT PROCESS CHALLENGES Procurement processes may be challenged if seen to be non-compliant with procurement regulations. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non-compliant process. Fund & Reputation Impact-3 Employers Impact-1 Member Impact-1	 6	 6

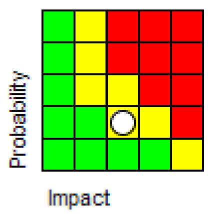
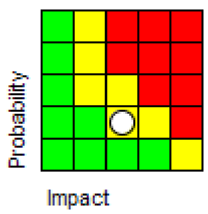
Current Mitigation	Future Mitigation	Responsible Officer
Advice sought from Council's procurement specialist on regulatory compliance,		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF036	ASSET POOLING TRANSITION RISK Loss or impairment as a result of Asset transition. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 6	 6

Current Mitigation	Future Mitigation	Responsible Officer
Listed assets already transferred		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF037	COMPLIANCE FAILURES Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests, Code of Practice 14. Fund & Reputation Impact-3 Employers Impact-2 Member Impact-0	 6	 6

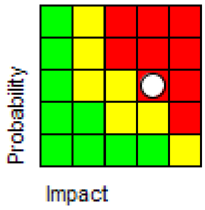
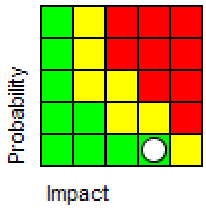
Current Mitigation	Future Mitigation	Responsible Officer
Advice sought where needed on compliance e.g. ISS, FSS		Head of Pensions Governance and Investments

Code	Title	Original Score	Current Score
TPF038	CUSTODY DEFAULT The risk of losing economic rights to pension fund assets, when held in custody or when being traded. The risk might arise from missed dividends or corporate actions (e.g. rights issues) or problems arising from delays in trade settlements. Fund & Reputation Impact-3 Employers Impact-3 Member Impact-1	 6	 6

Current Mitigation	Future Mitigation	Responsible Officer
Issues are now largely historic and relate to withholding tax claims or corporate actions in relation to assets previously held by the Fund.		Head of Pensions Governance and Investments

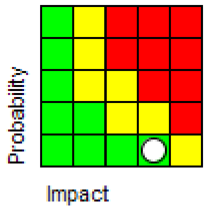
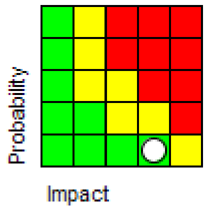
<table>
<tr><th>Code</th><th>Title</th><th>Original Score</th><th>Current Score</th></tr>
<tr><td>TPF020</td><td>INADEQUATE BORDER TO COAST OVERSIGHT

Insufficient resources to properly monitor pooling & Border to Coast.

Fund & Reputation Impact-5
Employers Impact-5
Member Impact-1</td><td>
15</td><td>
5</td></tr>
<tr><th colspan="2">Current Mitigation</th><th>Future Mitigation</th><th>Responsible Officer</th></tr>
<tr><td colspan="2">Sufficient resources exist within the team to oversee and monitor Border to Coast. External providers are also involved, such as Portfolio Evaluation Limited and the two independent investment advisors.</td><td></td><td>Head of Pensions Governance and Investments</td></tr>
</table>

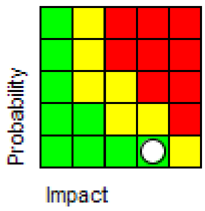
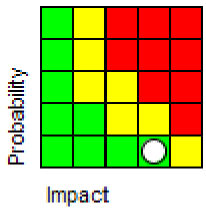
<table>
<tr><th>Code</th><th>Title</th><th>Original Score</th><th>Current Score</th></tr>
<tr><td>TPF042</td><td>DECISION MAKING FAILURES

Failure to take difficult decisions inhibits effective Fund management.

Fund & Reputation Impact-5
Employers Impact-2
Member Impact-1</td><td>
5</td><td>
5</td></tr>
<tr><th colspan="2">Current Mitigation</th><th>Future Mitigation</th><th>Responsible Officer</th></tr>
<tr><td colspan="2">Ongoing challenge and advice from two independent advisors</td><td></td><td>Head of Pensions Governance and Investments</td></tr>
</table>

<table>
<tr><th>Code</th><th>Title</th><th>Original Score</th><th>Current Score</th></tr>
<tr><td>TPF043</td><td>CASH INVESTMENT FRAUD

Financial loss of cash investments from fraudulent activity.

Fund & Reputation Impact-5
Employers Impact-5
Member Impact-1</td><td>
5</td><td>
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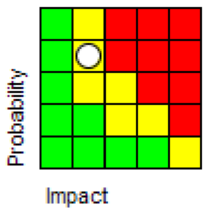
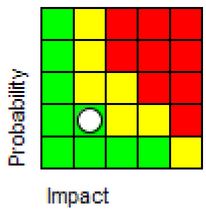
<tr><th colspan="2">Current Mitigation</th><th>Future Mitigation</th><th>Responsible Officer</th></tr>
<tr><td colspan="2">Approval processes and systems</td><td></td><td>Head of Pensions Governance and Investments</td></tr>
</table>

<table>
<tr><th>Code</th><th>Title</th><th>Original Score</th><th>Current Score</th></tr>
<tr><td>TPF027</td><td>SCHEME MEMBER FRAUD

Fraud by scheme members or their relatives (e.g. identity, death of member).

Fund & Reputation Impact-1
Employers Impact-1
Member Impact-2</td><td>
8</td><td>
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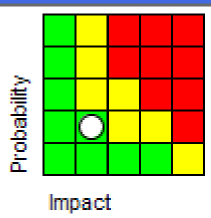
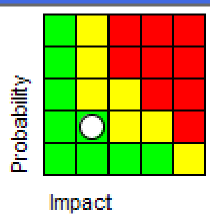
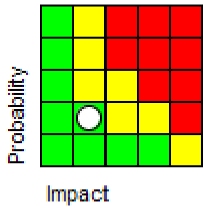
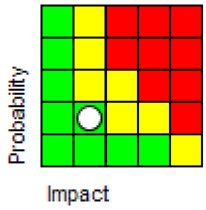
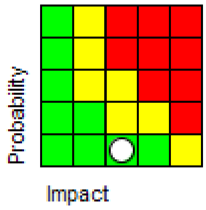
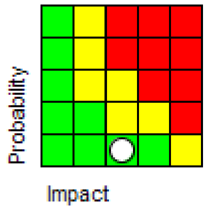
<tr><th colspan="2">Current Mitigation</th><th>Future Mitigation</th><th>Responsible Officer</th></tr>
<tr><td colspan="2">XPS checking processes – e.g. mortality screening</td><td></td><td>Head of Pensions Governance and Investments</td></tr>
</table>

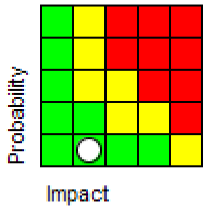
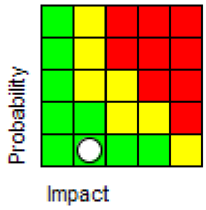
<table>
<tr><th>Code</th><th>Title</th><th>Original Score</th><th>Current Score</th></tr>
<tr><td>TPF040</td><td>INACCURATE FUND INFORMATION

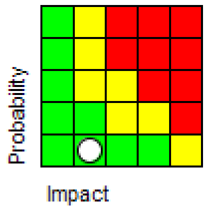
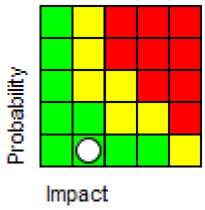
In public domain leads to damage to reputation and loss of confidence.

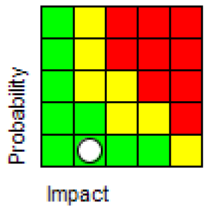
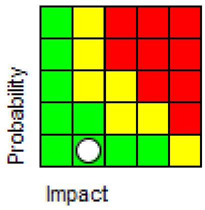
Fund & Reputation Impact-2
Employers Impact-2
Member Impact-1</td><td>
4</td><td>
4</td></tr>
<tr><th colspan="2">Current Mitigation</th><th>Future Mitigation</th><th>Responsible Officer</th></tr>
<tr><td colspan="2">Checking and reviewing processes, internal and external audit</td><td></td><td>Head of Pensions Governance and Investments</td></tr>
</table>

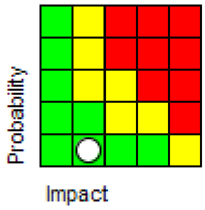
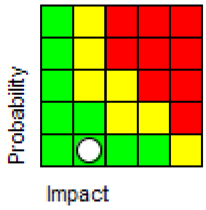
Code	Title	Original Score	Current Score
TPF041	LIQUIDITY SHORTFALLS Risk of illiquidity due to difficulties in realising investments and paying benefits to members as they fall due. Fund & Reputation Impact-2 Employers Impact-1 Member Impact-1	 4	 4
Current Mitigation		**Future Mitigation**	**Responsible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

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

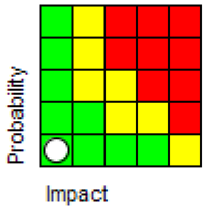
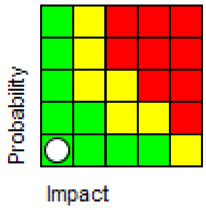
Code	Title	Original Score	Current Score
TPF045	CONTRIBUTION COLLECTION FAILURE Failure to collect employee/er member pension contributions. Fund & Reputation Impact-1 Employers Impact-2 Member Impact-1	 2	 2
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Ongoing monitoring of contribution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

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

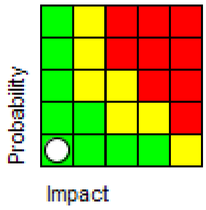
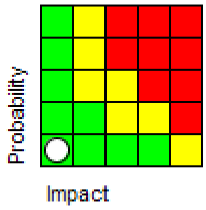
Code	Title	Original Score	Current Score
TPF047	BORDER TO COAST CESSATION Partnership disbands or fails to produce a proposal deemed sufficiently ambitious. Fund & Reputation Impact-2 Employers Impact-2 Member Impact-1	 2	 2
Current Mitigation		**Future Mitigation**	**Responsible Officer**
Border to Coast in place – Fund has oversight and jointly owns the company.			Head of Pensions Governance and Investments

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

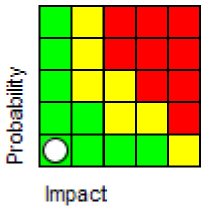
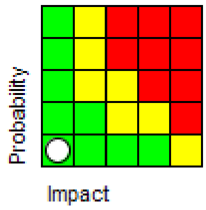
Current Mitigation	Future Mitigation	Responsible Officer
Border to Coast's custodian is financially secure and keeps pool's assets segregated.		Head of Pensions Governance and Investments

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

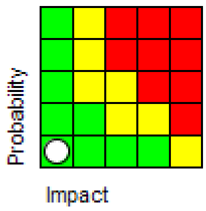
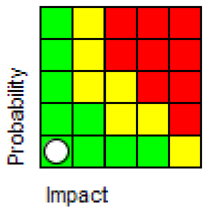
Current Mitigation	Future Mitigation	Responsible Officer
Approval processes, verification on transactions, restricted options in place re payments		Head of Pensions Governance and Investments

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

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

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

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

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

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

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Fund account, investment and administration - detailed analysis

	2022-23 Actual £'000s	2023-24 Forecast £'000s	2024-25 Estimate £'000s
Income from members			
Employers’ contributions normal	-73,562	-73,276	-76,940
Employers’ contributions additional	-12	-10	-11
Employers’ contributions deficit recovery	-158	-44	-46
Members’ contributions	-33,221	-32,905	-34,550
Transfers in from other schemes	-4,896	-7,052	-7,405
Other income	-2,561	-2,123	-2,229
	-114,410	**-115,410**	**-121,181**

	2022-23 Actual £'000s	2023-24 Forecast £'000s	2024-25 Estimate £'000s
Expenditure to members			
Pensions paid	134,792	150,387	157,906
Commutations and lump sum retirement benefits	24,684	28,860	30,303
Lump sum death benefits	2,879	3,344	3,511
Payments to and on account of leavers	20,435	28,860	30,303
	182,790	**211,451**	**222,024**

	2022-23 Actual £'000s	2023-24 Forecast £'000s	2024-25 Estimate £'000s
Management expenses:			
Administration costs	**2,470**	**2,500**	**2,600**
Investment management expenses			
Custody fees	21	21	21
External investment management expenses	6,793	7,500	8,000
Internal investment management expenses	517	550	550
Transaction costs	0	200	200
Total Investment management expenses	**7,331**	**8,271**	**8,771**
External audit cost	35	35	35
Oversight & governance costs	**637**	**700**	**700**
Total Management Expenses cost	**10,473**	**11,506**	**12,106**

	2022-23 Actual £'000s	2023-24 Forecast £'000s	2024-25 Estimate £'000s
Investment Income			
Investment income from bonds	0	0	0
Investment income from equities	0	0	0
Investment income from pooled investment vehicles	-24,838	-45,000	-120,000*
Other investment income	0	0	0
Property gross rental income	-18,460	-22,000	-23,000
Property expenses	1833	3,000	3,500
Interest on cash deposits	-8765	-8,000	-6,000
	-50,230	**-72,000**	**-145,500**

Change in Asset Market Value	**-54,947**	**0**	**0**

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

Agenda Item 9

PENSIONS PARTNERSHIP

TEESSIDE PENSION FUND

Border to Coast

Teesside Pensions Committee - March 2024

YOUR INVESTMENTS WITH BORDER TO COAST

LISTED INVESTMENTS AS AT 31ST DECEMBER 2023

Listed Investments	Value (as at 31/12/2023)	Value % of Total Assets
UK Listed Equity	£593m	23.5
Overseas Developed Markets	£1,723m	68.3
Emerging Markets Equity	£207m	8.2

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– Q4 2023

CAUTION NOT EXUBERANCE

Growth disappointment

- Economic demand to soften in 2024 against a backdrop of declining consumer strength and increased credit stress.

Equities defying gravity

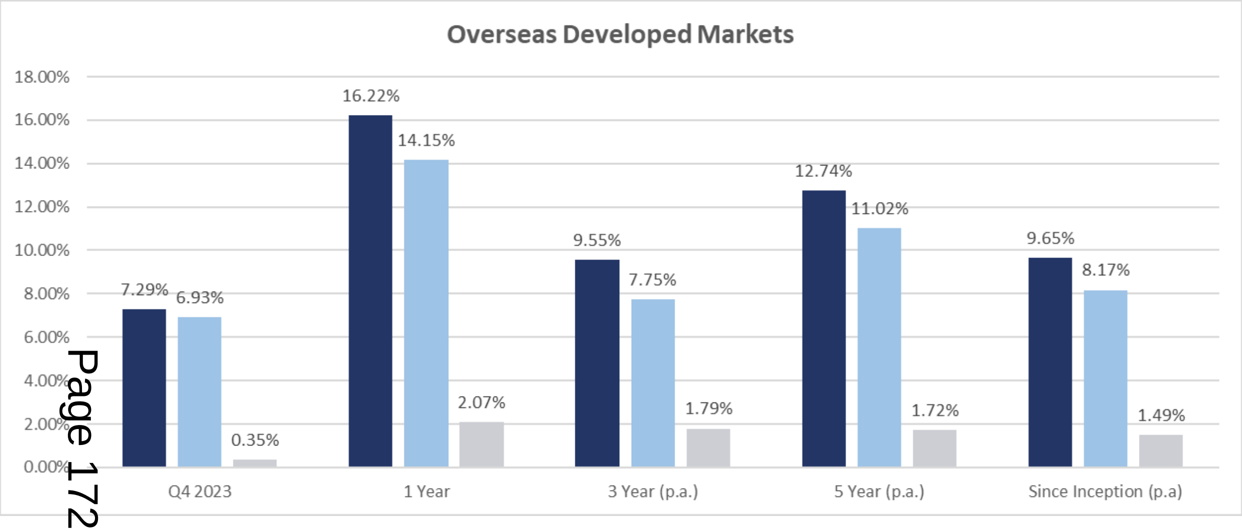
- Valuations are stretched and profit margins may come under pressure given the continued liquidity tightening and the consumer’s decreasing propensity to spend moving forward.

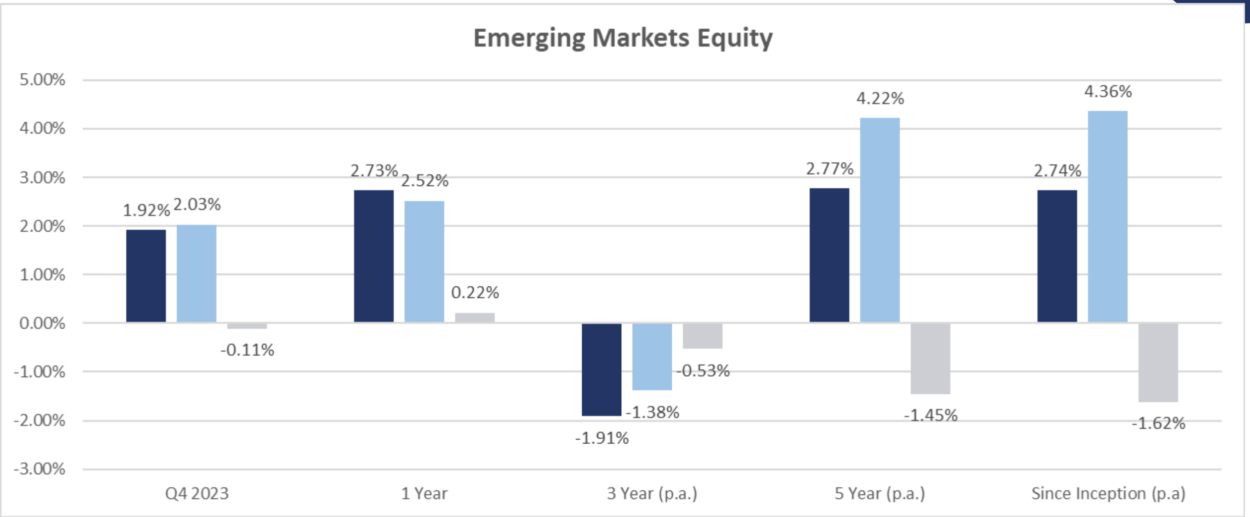
Selective credit opportunities offer high quality carry

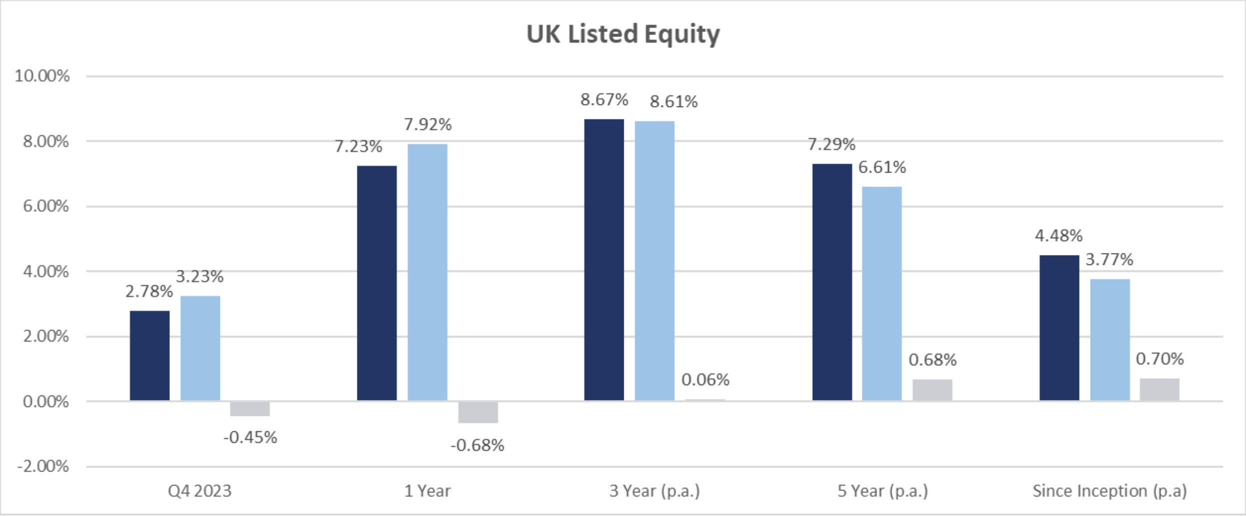
- Vulnerabilities in lower-rated credit are likely to be exposed if consumer spending falls. Refinancing may be challenging for some issuers given tighter bank lending standards.

- Preference for higher quality credit (i.e. investment grade credit)

LISTED INVESTMENTS – PERFORMANCE TO Q4 2023







- Fund
- Benchmark
- Relative Performance

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

UK Listed Equity Market Benchmark: FTSE All Share GBP

Emerging Market Equity Benchmark[1]: FTSE Emerging Markets

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

Source: Northern Trust, Border to Coast 31st December 2023

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

INTERNAL

PRIVATE EQUITY: SUMMARY

Private Equity	Key Metrics - 30 September 2023
Target IRR	10%
Series 1 IRR	19.6%
Series 1 TVPI	1.34x

Series 1A	29 Dec 2023	30 Sept 2023
Capital Committed	99.7%	99.7%
Capital Drawn	80.5%	78.7%
Capital Distributed[1]	18.5%	17.5%

Series 1B	29 Dec 2023	30 Sept 2023
Capital Committed	99.1%	99.1%
Capital Drawn	69.7%	65.9%
Capital Distributed[1]	4.5%	2.0%

Series 1C	29 Dec 2023	30 Sept 2023
Capital Committed	100.0%	100.0%
Capital Drawn	47.4%	40.7%
Capital Distributed[1]	0.1%	0.1%

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Series 2A	29 Dec 2023	30 Sept 2023
Capital Committed	99.8%	99.8%
Capital Drawn	14.1%	9.7%
Capital Distributed[1]	0.0%	0.0%

Series 2B	29 Dec 2023	30 Sept 2023
Capital Committed	75.5%	45.8%
Capital Drawn	1.0%	1.6%
Capital Distributed[1]	0.0%	0.0%

Source: Allbourne / Private Monitor
1 Including Recallable Distributions.

INFRASTRUCTURE: SUMMARY

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Infrastructure	Key Metrics - 30 September 2023
Target IRR	8%
Series 1 IRR	10.2%
Series 1 TVPI	1.18x

Series 1A	29 Dec 2023	30 Sept 2023
Capital Committed	98.7%	98.7%
Capital Drawn	79.9%	75.1%
Capital Distributed[1]	14.3%	13.3%

Series 1B	29 Dec 2023	30 Sept 2023
Capital Committed	98.7%	98.7%
Capital Drawn	58.3%	53.4%
Capital Distributed[1]	3.2%	3.0%

Series 1C	29 Dec 2023	30 Sept 2023
Capital Committed	100.0%	100.0%
Capital Drawn	79.0%	76.1%
Capital Distributed[1]	10.6%	10.0%

Series 2A	29 Dec 2023	30 Sept 2023
Capital Committed	99.7%	99.7%
Capital Drawn	35.2%	31.3%
Capital Distributed[1]	0.5%	0.6%

Series 2B	29 Dec 2023	30 Sept 2023
Capital Committed	73.8%	21.0%
Capital Drawn	1.9%	6.3%
Capital Distributed[1]	0.0%	0.0%

Source: Allbourne / Private Monitor
1 Including Recallable Distributions.

CLIMATE OPPORTUNITIES: SUMMARY

Series 2	29 Dec 2023	30 Sept 2023
Target IRR	8%	
Capital Committed	84.9%	71.9%
Capital Drawn	22.5%	22.1%
Capital Distributed[1]	0.7%	0.5%

Source: Allbourne / Private Monitor
1 Including Recallable Distributions.

PRIVATE MARKETS: NEW COMMITMENTS FOR Q4 2023

PRIVATE EQUITY – SERIES 2B
GENERAL CATALYST GROUP XII - AGGREGATOR

$100m commitment (December 2023)

General Catalyst is a multi-strategy venture capital firm that invests in innovative companies from seed/early stage all the way through to growth stage. The firm also has the ability to build companies from scratch in situations where it identifies an unfilled market opportunity.

The manager has a well-known brand and a long history of working closely with founders to help build enduring companies across sectors. This has allowed the firm to recruit and retain high-quality talent, typically with operating backgrounds, and has led to a strong mature track record of performance.

The firm has a good approach to ESG for a venture capital fund, with a focus on 'responsible innovation'.

Aggregator vehicle allows for investment in a series of funds: $1.5bn Creation fund, $1.5bn Ignition fund (early stage), $2.5bn Endurance fund (late-stage) and $750m Health Assurance fund. The Border to Coast commitment is split pro-rata across these four strategies.

Border to Coast themes: **Sector Specialist, Operational Value Add, Technology, Buy and Build**

Benefits of pooling:

Access to GP

CLIMATE OPPORTUNITIES – SERIES 2
NUVEEN GLOBAL FARMLAND FUND

$108m commitment (December 2023)

Diversified agricultural fund, investing in core farmland assets (row crops and permanent crops) in the US and globally, and implementing climate smart agricultural practices across its portfolio assets.

Large, experienced manager, with dedicated farmland asset management capabilities, allowing it to offer a fully integrated farmland asset management platform.

Properties operated to high sustainability standards and looking to incorporate regenerative practices were feasible. Committed to measuring emissions against a baseline from 2024 and setting in place plans to bring operational emissions down over course of investment.

Evergreen fund structure with a substantial portfolio of high-quality farmland assets already in place, designed to provide investors with low-volatility and consistent yield, and long-term capital appreciation.

Border to Coast was able to negotiate attractive terms for Partner Funds, through a waiver of carry, and a 10% reduction in management fees.

Border to Coast themes: **Climate Opportunities**

Benefits of pooling:

Reduction of Fees – Scale discount and carried waived

BORDER TO COAST UPDATE

UPDATES ON OUR APPROACH TO RESPONSIBLE INVESTMENT

We have now published our 2024 RI Policy, Climate Change Policy and Voting Guidelines. These support our management of climate change risk, with updates including increased scrutiny of corporate net zero strategies, voting for shareholder proposals that align with the 2015 Paris Agreement on Climate Change, and introducing new exclusion thresholds relating to thermal coal and oil sand production.

A GLOBAL INVESTOR

In December we formally launched two Real Estate funds: Global Core, and Global Value-Add. These new funds are the result of detailed collaboration with our Partner Funds and it's exciting to be able to offer new investment opportunities and a new asset class.

BARNSLEY 2.0 - MAINTAINING A GREAT PARTNERSHIP

Last year Partner Fund officers met in Barnsley to discuss, among other things, the principles of our common partnership as we continue to evolve. Kindly hosted by SYPA, we again convened again in January to discuss how we work together – and ensure that we have the right approach to reporting and oversight.

SETTING OUR STRATEGIC PLAN FOR 2024-27

We are finalising our 2024-27 Strategic Plan, which builds on our progress so far and outlines our proposed approach to finishing our original strategy (to complete the investment capability build required to enable Partner Funds to pool assets and the creation of a long-term resilient organisation).

STAFF UPDATE

Jane Firth, Head of RI will be retiring later this year; the recruitment process for Jane's successor is underway.

Andrew Glessing, Interim Chief Risk Officer (CRO) joined in January following Richard Charlton's departure. Andrew is supporting while we recruit a permanent CRO.

APPENDIX

PRIVATE EQUITY / INFRASTRUCTURE – IRR AND TVPI DEFINITIONS

IRR and TVPI (Pages 5 - 6)

- **Internal Rate of Return (IRR):** Most common measure of Private Equity performance. IRR is technically a discount rate: the rate at which the present value of a series of investments is equal to the present value of the returns on those investments.
- **Total Value to Paid-in Capital (TVPI):** TVPI is the sum of the DPI and RVPI. TVPI is net of fees. TVPI is expressed as a ratio.
- **Distributions to Paid-in-Capital (DPI):** The amount a partnership has distributed to its investors relative to the total capital contribution to the fund. DPI is expressed as a ratio. Also known as realization ratio.
- **Residual Value to Paid-in Capital (RVPI):** The measure of value of the limited partner's interest held within the fund, relative to the cumulative paid-in capital. RVPI is net of fees and carried interest. This is a measure of the fund's "unrealized" return on investment. RVPI is expressed as a ratio.

Source: Private Monitoring Report

PENSIONS PARTNERSHIP

DISCLAIMER

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

PENSION FUND COMMITTEE REPORT

13 MARCH 2024

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 Peter Moon and William Bourne are enclosed as Appendices A and B. Further comments and updates will be provided at the meeting.

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Investment report for Teesside Pension Fund
March 2024

Before I get into the meat of the paper I thought I should share some academic thinking on the best strategy to enable pensions to be paid in the future. Three academics from the Universities of Missouri, Emory and Arizona in the United States looked at various styles of investment strategy. They evaluated fixed bond and equity strategies, dynamic lifestyle strategies, and 100% equity strategies and concluded that the 100% equity strategy was the most appropriate and most likely to provide the best pension cover.

I think the committee should give itself a pat on the back for having the vision to adopt such an equity heavy policy many years ago.

(I suggest we ignore, for the moment, the myriad of academic papers which are at odds with these findings.)

Political and economic outlook

When I wrote my last piece Jeremy Hunt had just presented the autumn statement which highlighted just how little room he had for manoeuvre and the pressure it would put on departments providing services and support. As I write this, despite his assertions that the UK economy is doing well he's going the media rounds explaining why he can't give that much away due to constraints on government funding. All will be revealed on Wednesday.

I have batted on previously about the increasingly multi-sector nature of economies and the declining impact of governments' fiscal policy and central banks' monetary policy. As the number of sectors in the economy become greater and they become less correlated and dependent on one another GDP growth takes on an autonomous nature. It ploughs on near

regardless of government and central bank actions. In effect this explains why central banks raising interest rates has had little or no material impact on inflation levels which have come down naturally as supply constraints have resolved themselves. Higher interest rates do slow economic growth and this is worrying as I think an inflation target of 2% , which was set in a golden age of global goods disinflation, is unachievable in today's economic climate. As I have said previously the inflation rate is likely to settle at about 4% in the UK and about 3% in the United States. If central banks misguidedly think the 2% level is achievable in the short-term and over the longer term then downward pressure will be put on economic growth despite the resilience inherent in the current economic structure.
If endogenous actions become less relevant to the direction of the economy and stock markets, then by implication exogenous factors become a greater determinant of performance. Those investors able to correctly read the implications of exogenous events will be the winners. The absence of resolution to the wars in Gaza and Ukraine and elsewhere in the world is very worrying. The US failure to provide more arms to Ukraine is particularly concerning but hopefully will be resolved by mid March.
George Galloway's success in Rochdale was not a surprise after labour's withdrawal and in my opinion does not signal a move to extremism in British politics. Far more worrying is Donald Trump's success in gaining the Republican party nomination as this has profound implications on the future world order. It has the potential to emasculate the West and hand over power to totalitarian governments such as Russia or China.
Apart from the United States and some Southeast Asian countries (excluding China) economic growth is likely to be subdued over the medium term. The US is likely to be the most dominant economy for the foreseeable future albeit driven by a small base of companies. This clearly has risks.

Markets

With US inflation at 3.1% the real yield on treasuries is just over 1%. In the UK 10-year gilts have a zero real return with inflation standing at 4%. I believe there will be little improvement in the inflation figures for some time. The attitude of both jurisdictions to issuing more and more debt would indicate that these real yield levels are on the low side. Corporate bonds will trend in the same direction as government bonds which is likely to be down.
Index linked securities will suffer as yields revert to the long-term norm.
Major equity markets have been on a generally positive trend over the past year and this is unlikely to alter. Short term interest rates are near or at a peak which should prove beneficial to equity performance.
Opportunities are likely to present themselves in the property market due to its inefficiency with the usual caveats on covenants etc..
The same applies to private markets, infrastructure and the like where individual investment opportunities are of a diverse nature.
Although it is still not a preferred investment, holding cash it's not the drain on returns that it was 18 months or so ago.

Portfolio recommendation

The continuing low level of real yields make fixed interest, both conventional and index linked unattractive.
Quoted equities continue to look better value than fixed interest and should be able to make some small absolute gains over the coming year.
The substantial commitment to private markets and infrastructure have reduced the options available for diversification over the medium and long

term. This might not be such a bad thing because of the equity style nature of the private portfolios which should enhance long-term returns.
Despite the above there could still be some attractive opportunities in the property market.
Cash should ,as usual, be used as a facilitator.

Peter Moon
4 March 2024

Independent Adviser's Report for Teesside Pension Fund Committee

William Bourne **1st March 2024**

Market Commentary

1. Three months ago I said that the main risks to the fund were higher inflation in the longer term, and higher bond yields in the short term. I have not changed this view, but both have declined since I last reported. I also commented that geo-politics and politics remain a source of risk and disruption, and the latest events in the Red Sea and Jordan bear that out.

2. U.S. inflation has stabilised around 3% but is still above the 2% target. U.K. consumer inflation remains higher at 4%. Deflation in China, where high street inflation stands at -0.8% and producer prices at -2.5% year on year, is an important factor. However, wage cost growth in the West remains significantly higher (e.g., U.K. is growing at 8%, U.S. at 4%) which may spark a resurgence in inflation.

3. The Federal Reserve said that it could see up to 75bps of interest rate cuts in 2024, which prompted falls in bond yields and a stock market rally. Much of the rise in markets has come from the Magnificent Seven big tech stocks (Meta, Microsoft, Nvidia, Apple, Alphabet, Amazon, and Tesla) as they reported earnings above expectations, and Meta paid its first dividend. Most active managers have underweight positions in these stocks, and have consequently underperformed the index.

4. United States economic growth grew by 2.5% in 2023 after a stronger second half. Non-farm payrolls (i.e., employment) rose by 353,000 to an all-time high, considerably higher than expected. It underlines the fact that the U.S. economy seems to be on a better path than most of the rest of the world. Correspondingly, interest rate cuts may be slower than the market expects.

5. In contrast China, the world's other engine, has been struggling with deflation, despite relatively loose monetary conditions. The preliminary estimate of 2023 economic growth was 5.5% after 3.0% in 2022, but manufacturing activity has now fallen for four months with both domestic consumption and exports weakening. Evergrande (the second largest real estate company) went into administration.

6. A recent theme in my reports has been the growing levels of public debts as politicians struggle to keep expenditure and revenue in balance. The U.S. duly announced its largest ever issue of new public debt ($70bn) to take place in April. The Federal Reserve is increasingly relying on shorter-term

financing, which will need to be refinanced sooner rather than later.

7. Geo-politics remains a source of risk, but markets have so far not been greatly disrupted even when there has been a threat to oil supply security, as in the Red Sea. However, the cost to the West of these more localised confrontations will have an impact on both fiscal spending and also inflation: governments are rarely price sensitive, especially when it comes to military expenditure.

8. Politics is likely to be increasingly important over the next twelve months. Trump's campaign has built substantial momentum, but the pending legal court cases make the Presidential election result hard to read. The Democrats consolidated their hold on the Senate (now 51 out of 100 seats), which will act as a counterbalance should Trump win.

9. I remain reasonably positive about the outlook for equities and risk assets in the shorter term. The combination of moderate growth (led by the U.S.), subdued inflation, and governments who ahead of elections are likely to keep fiscal policy reasonably loose is quite benign. The liquidity background is also looser than the focus on interest rates in newspaper headlines suggests.

10. The impact of higher bond yields is the most likely risk to this scenario. Markets will at some point wake up to the volume of money printing required as a result of governments' fiscal incontinence. Market theory suggests longer-term bond yields should rise substantially in response, but that would increase the cost of servicing debt significantly. The authorities will probably therefore look to find ways to cap bond yields, such as reducing supply by relying more on short-term instruments to finance expenditure, or forms of financial repression.

11. The question is at what level will bond yields settle. I expect the current benign environment to continue throughout 2024. But at some point the U.S. ten-year bond yield, today standing at 4.2%, will test 5% again and perhaps rise higher. If sustained, that should cause markets more concern.

12. In the longer term higher inflation seems the inevitable consequence of ever-increasing government spending and the growing reliance on short-term financing. This will have an adverse impact on the Fund's future service costs. I therefore recommend that the strategic focus should remain on building up allocations to assets which will provide some mitigation to this long-term inflation risk.

Agenda Item 11

CBRE

TEESSIDE PENSION FUND
Q4 2023

Quarterly Report
Prepared: 28th February 2024

Fund Objectives

Teesside Pension Fund's primary objective is to create a sustainable income stream to match its long term pension liabilities. This is achieved through investing in a wide range of asset classes, of which Real Estate is one.

The objective of the direct property allocation is to create a portfolio which produces a consistent total return, over the long term, to meet Teesside Pension Fund's liabilities.

Portfolio Strategy

The portfolio will hold core and core plus properties, over the long term, diversifying the portfolio through different property types, unit sizes, occupier businesses, income expiry and geographical regions.

Stock selection will be favoured over a default asset allocation bias, with a focus on maintaining a long term overweighted position in industrial and retail, alongside an underweight position in offices.

We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio and diversify the lease expiry profile.

Individual assets will be well suited to the current occupational market, whilst offering future flexibility. Properties will be leased to good quality businesses on institutional lease terms together with some index-linked assets.

Responsible Investment

In line with Teesside Pension Fund's Responsible Investment Policy, CBRE considers Environmental, Social and Governance issues (otherwise known as ESG criteria) as part of its investment decision making process and ongoing asset management.

Executive Summary

As at 31st December 2023, the portfolio comprised 34 properties located throughout the UK, with a combined value of £485.2m. This reflects an overall Net Initial Yield of 5.43%, and an Equivalent Yield of 5.81%.

The portfolio comprises principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprise 94% of the Portfolio by capital value. There are 92 demises and a total net lettable area of 2,752,119 sq ft.

The portfolio has a current gross passing rent of £28,255,314 per annum against a gross market rental value of £27,374,662 per annum.

The weighted average unexpired lease term is 9.5 years to the earlier of the first break or expiry, and 10.0 years to expiry, ignoring break dates.

Fund Summary

Total Pension Fund Value (September 2023)	**£5,100m**
Real Estate Weighting (long term target allocation)	9.5% (10%)
Direct Portfolio Value (December 2023)	£485.2m

Direct Portfolio

Direct Portfolio Value (December 2023)	£485.2m
Number of Holdings	34
Average Lot Size	£14.3m
Number of Demises	92
Void rate (% of ERV) (Estimated UK Benchmark)	0.6% (7.0% – 9.0%)
WAULT to Expiry (break)	10.0 years (9.5 years)
Current Gross Passing Rent (Per Annum)	£28,255,314
Current Gross Market Rent (Per Annum)	£27,374,662
Net Initial Yield	5.43%
Reversionary Yield	5.54%
Equivalent Yield	5.81%

Portfolio Highlight (Q4 2023) – Old Brompton Road, London, SW7

The Fund has completed a Lease renewal with Cancer Research for a term of 10-years at £416,000 p.a., a 12% increase on the passing rent of the unit. The Fund benefits from RPI linked rent reviews collared and capped at 2% and 4%. The tenant benefits from a total of 18 months' rent free. The Fund simultaneously permitted the tenant to undertake a comprehensive refurbishment of the office at its own cost.

UK Economic Commentary

- In the three months to December 2023, GDP shrank by 0.3%. On a quarterly basis, this led to two consecutive falls in GDP following an unrevised fall of 0.1% in July to September 2023. Resulting in a technical recession.

- Inflation fell in the last quarter of 2023 before flat-lining in January 2024. This brought UK inflation closer to other advanced economies; the latest data shows UK headline CPI of 4% in January 2024. The quarterly decline in inflation was largely driven by a fall in goods prices but also by core inflation falling to 5.1%, 200bps lower than the peak in May. We anticipate inflation to continue to move towards the Bank of England's target, reaching it by early 2025.

- Unemployment declined slightly to 3.8% in the last quarter of 2023, vacancies also fell for the 19th consecutive period. Nominal pay increased to 6.2%, down 170bps since the summer peak and there is evidence of the labour market softening. Unemployment is forecast to peak at 4.5% in 2024 before declining.

- Restrictive monetary policy and weak consumer demand in the first half of 2024 will prevent a full economic recovery. As inflation continues to remain in line with the Bank's target and interest rates are cut, we expect confidence will return boosting consumer and business activity. We forecast GDP will grow by 0.5% and 1.6% in 2024 and 2025 respectively. Sustained high mortgage costs remain a burden for many households and this will continue with more than 1 million mortgages due for refinance before the end of 2024 and many borrowers facing a 350-400bps increase in rates and providing a significant drag on the economy.

- Geo-political risks remain, particularly around the conflict in the Middle East which could destabilise energy markets affecting the decline of inflation, delaying interest rate cuts and dampening the growth outlook.

UK Real Estate Market Commentary

- The CBRE Index recorded an 'All Property Total Return' of -4.3%* over the 12 months to December 2023, an improvement on the -11.1% Total Return recorded to September 2023. This has been driven by the drop-out of the significant capital value fall seen in Q4 2022.

- All Property yields increased by 23bps in Q4 2023, meaning yields rose 44bps over 2023. Most of the yield expansion was seen in H2, as values fell by 3.6%, and yields only increased by 7bps in H1 2023. However, some of the outward movement in capital values was offset by rental growth as all UK Property saw rental values increase by 1.1% in Q4 2023, and 3.6% throughout 2023. The industrial sector continues to outperform the other sectors, posting rental value growth of 1.9% in Q4 2023. Office rental values increased by 0.7% over the quarter, while retail rents also rose by 0.5%.

- Investment activity improved over Q4 2023 with £10.7bn of real estate investments transacting, an increase from the revised estimate of £9.3bn at the end of Q3. However, the figure for the full year 2023 is £43.3bn which is 30.2% lower than the £62bn recorded for 2022. Transactional volumes were higher than the COVID-19 impacted 2020, but lower than all other years since 2013.

- Domestic investors accounted for 54.5% of transactions by volume in 2023. This was a reversal of the trend seen over the previous 3 years where cross-border capital had taken the lead role in UK investment activity. In Q4, European money was the largest source of cross-border capital, but it was North America that accounted for the most cross-border transactions in 2023.

- Volumes were down for the industrial sector, whilst the residential and office sectors saw a significant increase in trading volumes over Q4. Residential had the highest share of the investment volume at £3.4bn, followed by £2.6bn of office transactions and industrial at £1.2bn.

- We have yet to see any material improvement in investment activity, not helped by continued uncertainty in the economic and geopolitical environment, while high costs of debt and refinancing challenges continue to impact investors who require leverage.

- The only occasions that we have seen strong investor appetite are for core opportunities that offer good reversionary potential. For these opportunities there has been a depth of buyers and pricing has been stronger.

* Based on CBRE Monthly Index, all property total returns to December 2023

Investments

Sales

No sales this period.

Acquisitions

No acquisitions this period.

Direct Portfolio Analysis

Top Ten Holdings (by Capital Value)

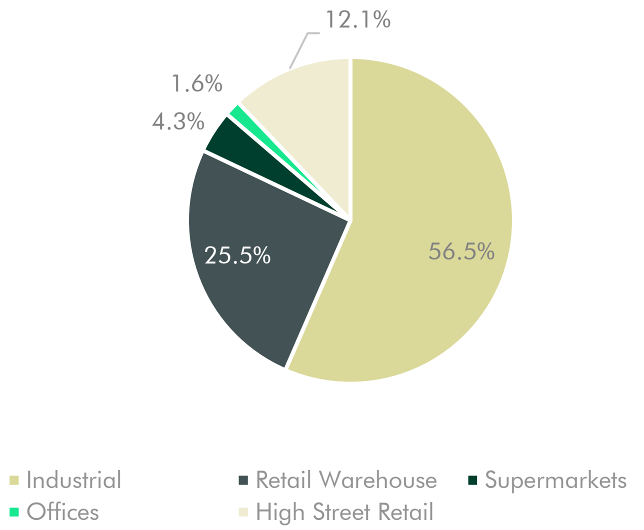
No.	Asset	Sector	Value	% of Direct Portfolio
1	WASHINGTON - Radial 64	Industrial	£50,250,000	10.4%
2	SWINDON - Symmetry Park	Industrial	£31,600,000	6.5%
3	THORNE - Capitol Park	Industrial	£31,300,000	6.5%
4	LONDON - Long Acre	High Street Retail	£31,000,000	6.4%
5	ST ALBANS - Griffiths Retail Park	Retail Warehouse	£30,500,000	6.3%
6	YEOVIL - Lysander Road	Industrial	£27,750,000	5.7%
7	BIRMINGHAM - Bromford Central	Industrial	£21,050,000	4.3%
8	GATESHEAD - Team Valley	Industrial	£20,200,000	4.2%
9	TONBRIDGE - Tonbridge Retail Park	Retail Warehouse	£19,650,000	4.0%
10	PARK ROYAL - Minerva Road	Industrial	£19,600,000	4.0%
		Total	**£282,900,000**	**58.3%**

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

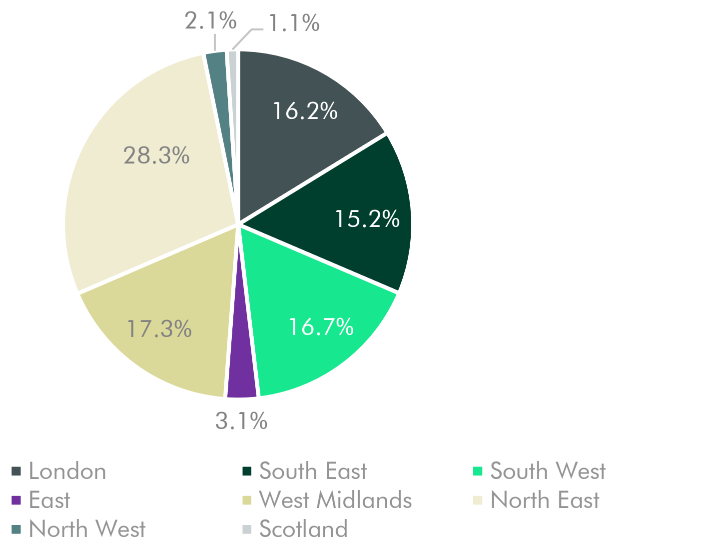
In addition to recommendations on industrial purchases, we may also recommend alternative and long-let investments that offer good covenants, attractive yields and long unexpired terms; these may include hotels, car showrooms, healthcare, leisure, supermarkets and student housing.

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 has 92 demises let to 64 tenants. Of the top ten tenants, 80% have an INCANS classification of Medium-Low Risk or better, a strong rating. A summary of the top ten tenants covenant strength is detailed below.

#	Tenant	Sector	# Leases	Contracted Rent p.a.	% of Portfolio Rent	INCANS Global Score	INCANS Category
1	BAE Systems Ltd	Industrial	1	£3,658,230	13.2%	82/100	Medium-Low Risk
2	B&Q Plc	Retail	3	£1,934,838	7.0%	92/100	Medium-Low Risk
3	Iceland Food Limited	Industrial / Retail	2	£1,798,211	6.5%	53/100	Medium-High Risk
4	Leonardo UK Ltd	Industrial	1	£1,609,659	5.8%	96/100	Low Risk
5	Zara UK Limited	Retail	2	£1,580,000	5.7%	90/100	Medium-Low Risk
6	Omega Plc	Industrial	1	£1,413,689	5.1%	94/100	Medium-Low Risk
7	Brunel Healthcare	Industrial	1	£1,105,901	4.0%	76/100	Medium-Low Risk
8	Unipart Logistics Limited	Industrial	1	£1,077,000	3.9%	81/100	Medium-Low Risk
9	Royal Mail Group Limited	Industrial	1	£1,074,000	3.9%	18/100	High Risk
10	Libra Textiles Ltd	Retail	1	£850,000	3.1%	90/100	Medium-Low Risk
			Total	**£16,101,528**	**57.9%**		

The INCANS Global Score predicts the likelihood that a company will seek credit relief (or worse, go out of business) within the next 12 months. The scale is based on the historical default data from every company in that country over recent history. A higher score indicates a lower probability of failure or default. It can be interpreted as the rough percentile the company sits in against all global companies in terms of their failure risk over all of modern history. e.g. 100/100 means that the company is broadly in the top 1% of all global companies that have existed over modern history.

A key part of the Analysis is the % Probability of Default or "PD Rates". This approach is widely used in the Bond Market for assessing counterparty default risk. PD rates project the probability that a tenant will fail over the next 1 to 10 years based on corporate failure data from 2007 to today. The Table below shows the PD rates for top 3 bands are very low. In the UK, Very Low Risk tends to be Government or Government Type entities. Similarly, the next Grade, Low Risk, requiring a minimum score of 95, is also very exclusive. The corresponding Corporate Bond ratings are shown for context.

Category	INCANS Global Score	Equivalent Bond Default Risk	1 Yr Default Probability	Tenant Example
Very Low Risk	99-100	AA- to AAA	<0.1%	Transport for London
Low Risk	95-98	A- to A+		EE Limited
Medium-Low Risk	76-94	BBB- to BBB+	0.1% to 0.5%	Marks & Spencer PLC
Medium-High Risk	33-75	BB- to BB+	0.5% to 1.5%	WM Morrison Supermarkets Limited, Tesco
High Risk	5-34	B- to B+	1.5% to 15%	WeWork International Limited
Very High Risk	1-4	CCC- to CCC+	>15%	Cineworld Cinemas Limited

The information used to calculate the INCANS Score is wide ranging. Data including business age, location and line of business are all taken into consideration. INCANS also consider the Principal's experience, and performance of associated businesses, plus ratios taken from Company Accounts (including liquidity, solvency, profitability, debt, late filing and detrimental notes). Businesses regularly mirror the payment habits of businesses they are trading with. Payment trends and percentages of prompt or late payments will affect the Score in addition to comparison with industry payment averages. Finally, INCANS also consider publicly available detrimental information such as County Court Judgements (CCJs), mortgages / charges and the legal pre-failure events (administration, receivership, bankruptcy, etc.).

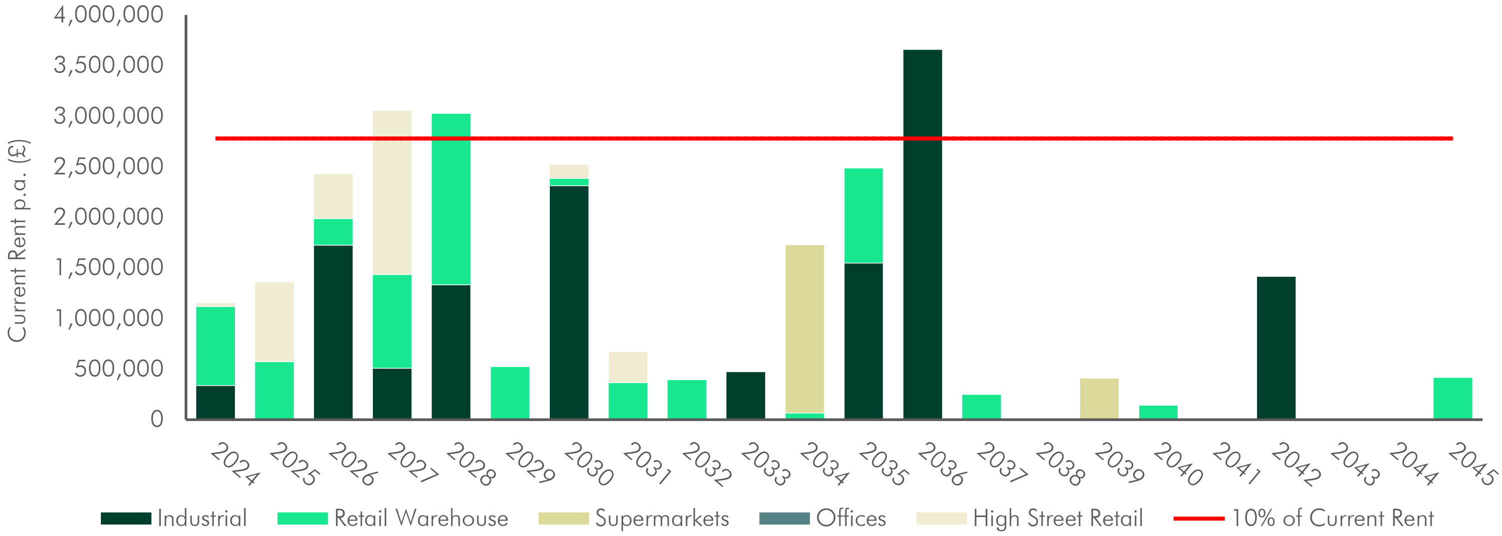
It should also be noted the INCANS Score is dynamic, meaning that it is recalculated every time INCANS receive a new piece of information about an organisation, or when information changes. For example, as the age of an organisation increases its risk typically decreases and the associated Failure Scores will change to reflect this.

To summarise, a classification of Medium to Low Risk, the majority of the Top 10 Teesside Pension Fund tenants, is a strong rating.

Direct Portfolio Analysis (continued)

Key Lease Expiries / Income Risk

There is a focus to mitigate against lease expiry risk, by either purchasing properties where the lease expiry profile does not match that of the portfolio or through active asset management. The graph below identifies the years where more than 10% of the portfolio income is due to expire.



Property Portfolio Returns

The below table demonstrates the Portfolio's return compared to a reference index over the past 1, 3 and 5 years. The CBRE Property Index* is provided for illustrative purposes only:

	1 Year Dec 22 – Dec 23			3 Year (p.a.) Dec 20 – Dec 23			5 Year (p.a.) Dec 18 – Dec 23		
	TPF	Index	Variance	TPF	Index	Variance	TPF	Index	Variance
Income Return	5.6%	5.2%	+0.4%	5.3%	5.1%	+0.2%	5.5%	5.3%	+0.2%
Capital Return	-0.9%	-3.9%	+3.0%	3.9%	-1.7%	+5.6%	0.3%	-3.2%	+3.5%
Total Return	4.8%	1.7%	+3.1%	9.6%	3.5%	+6.1%	5.9%	2.1%	+3.8%

* Note that the CBRE Property Index is not the performance benchmark for the Portfolio.

Investment Management Update

We continue to seek long-let institutional stock in a range of sectors, primarily industrial, retail warehousing and supermarket sectors to deliver the secure index-linked income streams identified within the Fund's strategy. The Fund's requirement is regularly articulated to the investment market, and we receive a substantial number of investment opportunities each week.

Asset Management Update

Direct Property Portfolio, INCANS – February 2024

INCANS is a data analytics platform which analyses tenant income risk. CBRE Investment Advisory recently adopted their software and has introduced it to the Fund. We will use it to analyse income risk for existing tenants as well as potential acquisitions.

Swadlincote, Brunel Healthcare – February 2024

The Fund has agreed terms to extend the Lease with Brunel Healthcare for a term of 20 years, increasing the term certain by 16 years, at a re-based rent of £818,000 p.a. The rent is reviewed in-line with RPI collared and capped at 2% and 5%. The tenant benefits from an initial 6 months' rent free on completion of the Lease. The new Lease is close to completion.

Congleton, Car Park Works – December 2023

The Fund has completed a full refurbishment of the car park at Congleton Retail Park. The project was well received by the occupiers and has led to an improved customer experience. Following completion in December, the Fund has received renewed occupier interest in the three vacant units.

Old Brompton Road, Cancer Research – November 2023

The Fund has completed a Lease renewal with Cancer Research for a term of 10-years at £416,000 p.a., reflecting £43.75 psf, a 12% increase on the passing rent of the unit. The rent is reviewed on the 5th anniversary of the Lease in-line with RPI collared and capped at 2% and 4%. The tenant benefits from an initial 12 months' rent free on the Lease commencement date, plus 6 months' in lieu of Landlord works. There is a break option on the 5th anniversary of the Lease. The Fund simultaneously agreed a Licence for Alteration, permitting the tenant to undertake a comprehensive refurbishment of the office at its own cost.

Portfolio Arrears Update – 23rd February 2024

The below table details the collection statistics for Q4 2023. Rent due for the quarter totalled £5,553,694 of which £5,498,132 has been collected, reflecting a difference of £55,562.

Collection Milestones	Rent Due 25/12/2023	Quarter Date 25/12/2023	Week 1 01/01/2024	Week 2 08/01/2024	Week 3 15/01/2024	Week 4 22/01/2024	After 22/01/2024	Difference
Total (£)	5,553,694	3,835,968	164,907	745,844	144,324	482,898	124,191	55,562
Collection Target (%)			92.0%	96.0%	98.0%	99.0%		
Total Collections (%)		69.1%	72.0%	85.5%	88.1%	96.8%	99.0%	

The rent collection across the entire portfolio in the previous three quarters has reflected the following.
September 2023 – 99.9%
June 2023 – 100%
March 2023 – 99.7%

The total Collectable Arrears on the entire portfolio is £509,228 as at 23rd February 2024.

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 arrears greater than £10,000. These nine tenants account for £430,985 (84.6%) of the total arrears:

B&Q plc (St Albans) – Total arrears of £200,975 (39.5% of the collectable arrears). These arrears relate to the third monthly instalment of the December Quarters rent (expected on 1st March). In addition, they have one month's instalment of the September quarter rent outstanding and two quarter's unpaid service charge. All sums are being chased.

Iceland Foods Limited (Swindon) – Total arrears of £76,194 (15.0% of the collectable arrears). This relates mainly to the annual insurance premium, where the tenant has disputed the level of the insurer's commission.

Active-PCB Solutions Limited (Reading) – Total arrears of £31,951 (6.3% of the collectable arrears). Relates solely to balancing service charge arrears. These charges were raised on 3 January and the tenant is being chased for payment.

Pizza Hut (UK) Limited (Ipswich) – Total arrears of £31,660 (6.2% of the collectable arrears). Relates to the arrears during the period of insolvency. The account reconciliation has now been agreed with the tenant and final charges have been submitted. We have a further meeting next week to confirm final numbers after which we expect payment in full.

B&Q plc (Arbroath) – Total arrears of £27,625 (5.4% of the collectable arrears). This relates to service charge arrears and a dispute over charges. A measured survey has been completed, which confirms the new apportionments for all tenants. A positive meeting has been held with B&Q's service charge consultant and some of their suggestions are being considered.

Shoe Zone Retail Limited (Congleton) – Total arrears of £21,551 (4.2% of the collectable arrears). This relates to discrepancies on the account following completion of the new lease. The reconciliation will likely halve the arrears and enable us to collect the balance from Shoe Zone. This is underway and has seen the overall arrears reduce.

Leaseholders (Cedarland Court) – Total arrears of £15,000 (2.9% of the collectable arrears). This is the latest loan repayment from the new lift installation. This charge was only raised on 4 January.

American Dry Cleaning Company Limited (17/23 Gloucester Road) – Total arrears of £14,408 (2.8% of the collectable arrears). These arrears relate to underpaid rent for both the September and December quarters. We are continuing to chase.

Tesco Stores Limited (Stow-on-the-Wold) – Total arrears of £11,621 (2.3% of the collectable arrears). This relates solely to a back-dated RPI rent review increase and is being chased.

The remaining £78,243 (15.4% of collectable arrears) is spread across 39 tenants, ranging from £9,753 to £12.93.

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	60.0%	2.04x
St Arthur Homes	Affordable Housing	£14.1m	£14.1m	4.50%	£0.63m	Nov-2026	55.0%	1.34x
Preston East	Industrial & Logistics	£16.2m	£16.2m	5.21%	£0.84m	Jun-2027	55.4%	1.76x
TOTAL CURRENT		£50.0m	£50.0m	4.42%	£2.21m			

As at 31 December 2023, the Fund had three committed loans, of which the entirety of the combined £50.0m limits had been drawn. These loans produce a blended return of 4.42%.

The Lending market finished 2023 on a quiet note, however the stabilisation of Bank of England base rate and falling inflation towards the back end of the year led most people to conclude that the base rate has peaked.

The start of 2024 has seen a degree of cautious optimism in the lending market. Sponsors appear to be adjusting to the rates environment, meaning more opportunities have come forward.

We continue to target loans at the lowest risk end of the market, which can still command strong rates in the 5-6% range fixed for a 3-5 year term. We are also selectively reviewing opportunities to make higher returns on short-term 'transitional' (i.e. business plan led) assets, but only where there is an experienced Sponsor and conservative gearing.

We are continuing to focus on lending opportunities in the £10-45m range with Loan to Value ratios below 60%.

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. The fifth and final drawdown took place in December 2023, capping the maximum loan amount at £14.1m. The balance of the headroom was cancelled after this drawdown, as reflected in the figures above.
- Preston East: A £16.2m loan secured against 3x long-let, Grade A logistics units near Preston. The first tranche of £6.4m drew down in August and the second and final tranche of £9.8m drew down in December 2023.

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 relevance of each of the ESG factors below. These will be expanded upon with portfolio-level principles and asset-specific initiatives as the importance of ESG grows.

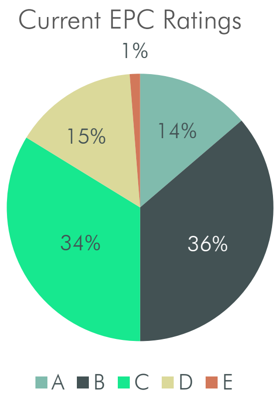
Environmental – sustainable factors will continue to play a part in the definition of 'prime' real estate, and buildings that don't meet the increasingly competitive standards are likely to become obsolete faster. Occupiers will demand that their buildings adhere to the highest environmental standards.

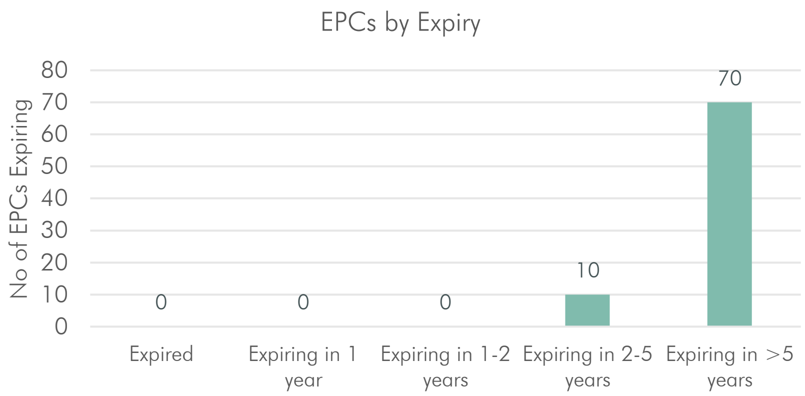
Social - real estate's impact on the local community and on a company's workforce are becoming equally important. Buildings that contribute positively to the world are therefore likely to be more resilient than those that do not, and as such are likely to benefit from increased occupier demand, leading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

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

Minimum Energy Efficiency Standards (MEES)

Teesside Pension Fund's property Portfolio currently complies with MEES regulation. The Fund has undertaken a strategic review of the Portfolio to ensure continued compliance with incoming 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:





Fund Advisor Contacts

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 12

PENSION FUND COMMITTEE REPORT

13 MARCH 2024

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 25 January 2024, HM Treasury (HMT) published a written ministerial statement confirming the rates of annual revaluation, earnings and pensions increase due to apply from April 2024. The statement confirms that public service pensions and career average benefits within the LGPS will increase by 6.7% alongside the Consumer Price Index from the prior September.

2024/25 employee contribution bands

The 2024/2025 Employee contribution bandings have been released which are effective from 1 April 2024. These are calculated by increasing the 2023/24 employee contribution bands by the September 2023 CPI figure of 6.7 percent and then rounding down the result to the nearest £100. A bulletin to all employers will be issued shortly to confirm these.

DLUHC publishes response on investment reforms

On 22 November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published its response to the consultation on investment reforms. The response largely adopts the measures the Government originally consulted on. The Government will now implement proposals to accelerate and expand pooling and increase investment in levelling up and private equity. It will do this by:

• setting out in revised investment strategy statement (ISS) guidance that funds should transfer all assets to their pool by 31 March 2025. Funds should also set out which assets are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled

• issuing revised pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation

• implementing a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy

• issuing revised guidance on annual reports to include: − a standard asset allocation and the proportion of assets pooled − a comparison between actual and strategic asset allocation

net savings from pooling − net returns for each asset class against their chosen benchmark.

net savings from pooling − net returns for each asset class against their chosen benchmark.

• making changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling

• amending regulations to require funds to set a plan to invest up to 5 per cent of assets in levelling up the UK and to report annually on progress against the plan

• issuing revised ISS guidance to require funds to consider investments to meet the Government's ambition of a 10 per cent allocation to private equity

HMT confirms LTA abolition from April 2024

The Finance Bill 2023 confirms the lifetime allowance (LTA) will be abolished from 6 April 2024. HMRC have issued a Lifetime Allowance guidance newsletter found at https://www.gov.uk/government/publications/lifetime-allowance-guidance-newsletter-december-2023/lifetime-allowance-guidance-newsletter-december-2023 giving further information and several updates are provided within the HMRC Pension Schemes newsletter 155 found at https://www.gov.uk/government/publications/pension-schemes-newsletter-155-january-2024.

The lifetime allowance is being replaced with new tax rules which broadly seeks to maintain the current treatment for the PCLS, that it is limited to the lower of 25% of the member's benefits crystallising, or so much of the member's lump sum allowance or lump sum death benefit allowance available when the member becomes entitled to the lump sum.

Governance and administration Survey 2022-23 results

TPR published the results of its survey on governance and administration practices among public service pension schemes on 27 November 2023. The survey was carried out online from January to March 2023 and received responses from 191 of 204 public service pension schemes. The survey covered topics such as risk management, annual benefits statements, breaches of the law and dashboards. It also asked LGPS administering authorities about actions in relation to climate related risks and opportunities.

SAB issues statement on surpluses

The Scheme Advisory Board issued a statement on surpluses on 20 December 2023. The statement was drafted with the input from members of the working group on surpluses. The report can be found at https://lgpsboard.org/images/Other/SAB_Statement_on_Surpluses.pdf

SAB commissions report on the LGPS and Sharia law

In 2022, the Board received legal advice from Lydia Seymour (Counsel) on members opting out of the LGPS on the basis of their (principally Islamic) religious belief, and whether this might constitute unlawful discrimination. The Board commissioned Mufti Faraz Adam of Amanah Associates, an Islamic finance expert, to produce a report on Sharia law and the LGPS. The report concludes that as a part of the contractual arrangement between employer and employees, Muslim employees can continue to contribute to, and benefit from, the excellent benefits offered by the LGPS. More information can be found on the SAB website - https://lgpsboard.org/index.php/welcome

02 Membership Movement

	Actives		Deferred		Pensioner		Widow/Dependent	
Q3 2023/24	26,040	▲	28,101	▼	24,321	▲	3,427	▲
Q2 2023/24	25,921	▼	28,186	▲	24,136	▲	3,424	▲
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	▲

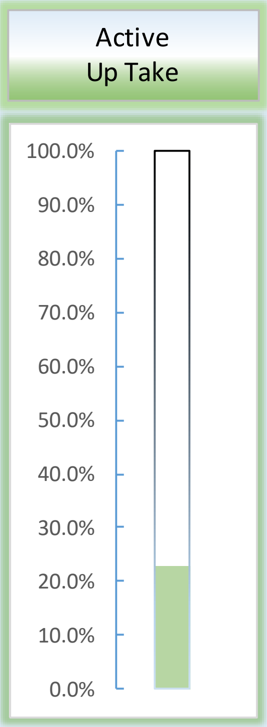
03 Member Self Service

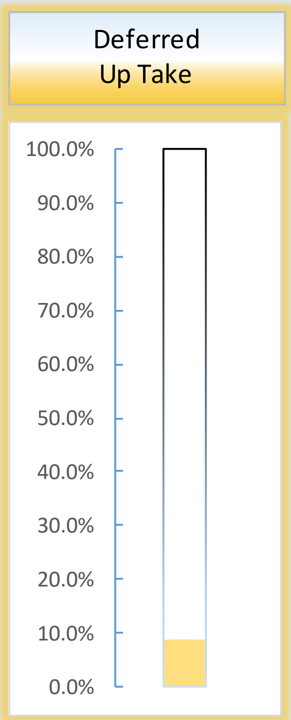
Below is an overview on the activity and registration of the Member Self Service System:

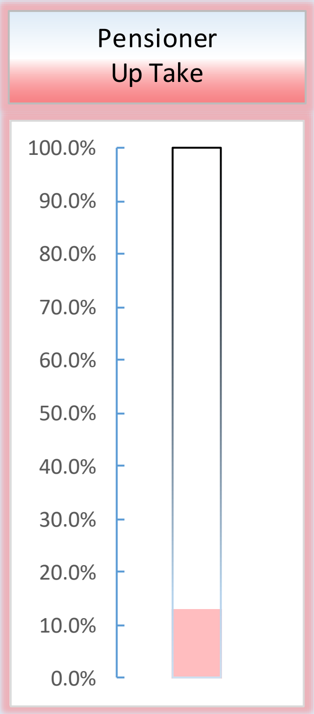
XPS Administration

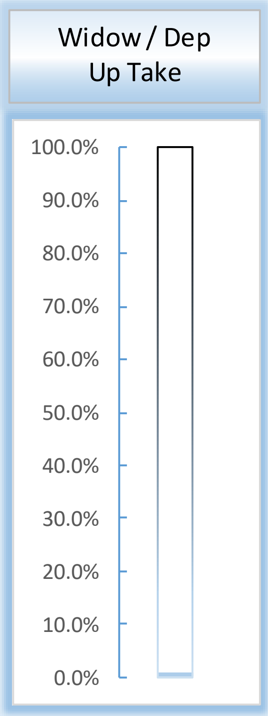
Member Self Service
User Statistics For:
Teesside Pension Fund

Quarter 3	REGISTERED	ACCOUNT DISABLED	ACTIVATION LINK SENT	NOT REGISTERED	TOTAL	Percentage Uptake
Actives	4,615	66	832	20,449	**20,449**	**22.9%**
Deferred	1,877	15	355	21,287	**21,287**	**8.9%**
Pensioner	2,715	71	313	21,315	**21,315**	**13.1%**
Widow/Dep	19	0	1	2,252	**2,252**	**0.8%**
Total	**9,226**	**152**	**1,501**	**65,303**	65,303	**14.4%**









04 **Pension Regulator Data Scores**

Common Data

Data Item	Teesside Pension Fund		
	Max Population	Total Fails	% OK
NINo	81,071	182	99.78%
Surname	81,071	0	100.00%
Forename / Inits	81,071	0	100.00%
Sex	81,071	0	100.00%
Title	81,071	164	99.80%
DoB Present	81,071	0	100.00%
Dob Consistent	81,071	0	100.00%
DJS	81,071	0	100.00%
Status	81,071	0	100.00%
Last Status Event	81,071	663	99.18%
Status Date	81,071	1,804	97.77%
No Address	81,071	427	99.47%
No Postcode	81,071	587	99.28%
Address (All)	81,071	4,887	93.97%
Postcode (All)	81,071	4,946	93.90%
Common Data Score	**81,071**	**3,317**	**95.91%**
Members with Multiple Fails	**81,071**	**485**	**99.40%**

Scheme Specific Data

In readiness for the pensions dashboard, there is a minimum requirement pension schemes bust be able to demonstrate against as required and defined by the Pensions Regulator.

This standard is available to XPS through a product used by our central team, and we are currently undertaking a data mapping exercise in order to be able to carry out the necessary tests. Once this work has been completed, we will be able to report a data score in accordance with the Pensions Regulator standards.

Public sector pension schemes need to be able to connect to the Dashboard by October 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:

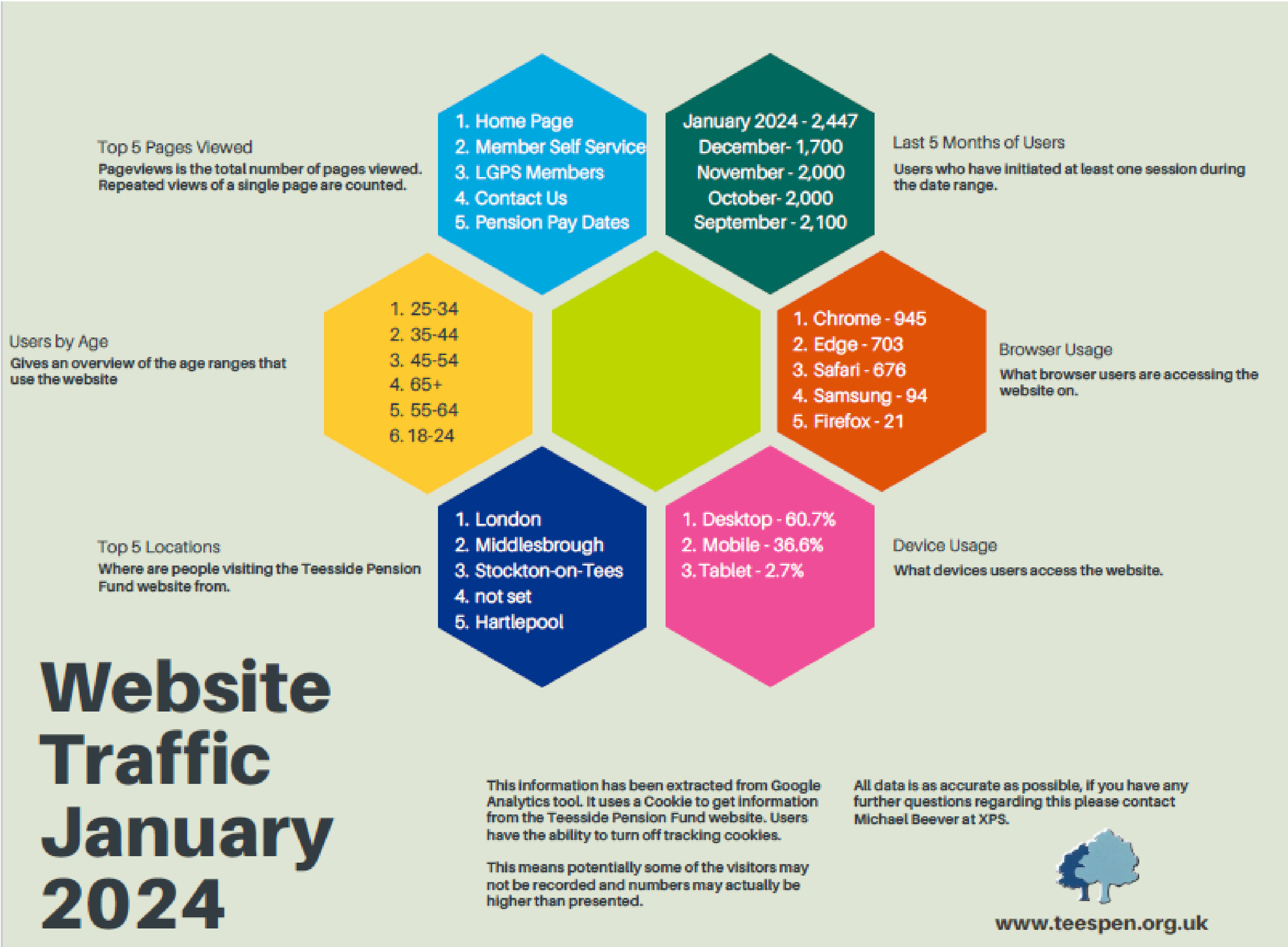
Issued	Returned	%
16,162	3,066	18.97

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

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

Pension awareness sessions and employer training sessions continue with a positive uptake and response. Sessions on tax will commence shortly now the Pension Saving Statements have been issued. Processing of new admissions to the fund is ongoing with the new standardised passthrough approach being adopted.

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
Jul-23	3	144	2.00%	0	3
Aug-23	3	144	2.00%	0	3
Sep-23	4	143	3.00%	0	4
Oct-23	6	143	5.00%	2	4
Nov-23	4	143	3.00%	0	4
Dec-23	3	143	3.00%	0	3

06 Completed Cases Overview

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	497	496	1	99.80%
September	532	528	4	99.25%
Quarter 2	**1,411**	**1,406**	**5**	**99.65%**
October	529	528	1	99.81%
November	586	586	0	100.00%
December	489	489	0	100.00%
Quarter 3	**1,604**	**1,603**	**1**	**99.94%**
January	582	582	0	100.00%
February				
March				
Quarter 4	**582**	**582**		**100.00%**
Year - Total	**4,880**	**4,874**	**6**	**99.88%**

07 **Completed Cases by Month**

December 2023

KEY PERFORMANCE REQUIREMENTS (KPR)	MONITORING PERIOD (Annually, Quarterly, Monthly, Half Yearly)	KPR Day	MINIMUM PERFORMANCE LEVEL (MPL)	ACTUAL PERFORMANCE LEVEL (A	Average Case Time (day	Number of Cases	Over targ	TOTAL (case	Within Targ	Comments
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.86	155	0	155	155	
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100%	7	26	0	26	26	
Refund of contributions - correct refund to be paid within five working days of the employee becoming eligible and the correct documentation being supplied.	Monthly	5	98.75%	100%	5	14	0	14	14	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	294	0	294	294	
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100%	N/A	N/A	N/A			
Annual benefit statements shall be issued on a rolling basis ensuring that a scheme member shall receive a statement once a year.	Annual	April	98.75%	0%	N/A	N/A	N/A			
Payment of lump sum retiring allowance - Payment to be made within 6 working days of payment due date and date of receiving all the necessary information.	Monthly		98.75%	100%	N/A	N/A	N/A			
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100%	100%	N/A	N/A	N/A			
All calculations and payments are correct.	Monthly		98.75%	100%	N/A	N/A	N/A			

January 2024

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%	2.11	157	0	157	157	
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	44	0	44	44	
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	27	0	27	27	
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.0%	5	398	0	398	398	
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			

08 **Complaints**

Overview	Outcome
IDRP Stage 1 Case - Disinvestment of AVC’s took longer than expected due to request not being received by AVC provider.	XPS and Prudential agreed to pay the compensation suggested by the IDRP1 adjudicator.

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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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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