Legal and Governance

TEESSIDE PENSION FUND COMMITTEE

Date: Wednesday 11th December, 2024
Time: 11.00 am
Venue: Mandela Room, Town Hall

AGENDA

1. Welcome and Fire Evacuation Procedure

   In the event the fire alarm sounds attendees will be advised to evacuate the building via the nearest fire exit and assemble at the Bottle of Notes opposite MIMA.

2. Apologies for Absence

3. Declarations of Interest

   To receive any declarations of interest.

To consider passing a Resolution Pursuant to Section 100A (4) Part 1 of the Local Government Act 1972 excluding the press and public from the meeting during consideration of the following items on the grounds that if present there would be disclosure to them of exempt information falling within paragraphs 3 of Part 1 of Schedule 12A of the Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Charlotte Benjamin
Director of Legal and Governance Services

Town Hall
Middlesbrough
Tuesday 3 December 2024

MEMBERSHIP
Councillors J Kabuye (Chair), J Rostron (Vice-Chair), J Ewan, D Branson, D Coupe, T Furness, S Hill, D Jackson, J Young, J Beall, M Fairley, Scarborough, Ms J Flaws and Mr T Watson

Assistance in accessing information
Should you have any queries on accessing the Agenda and associated information please contact Claire Jones/Susan Lightwing, 01642 729112/01642 729712, claire_jones@middlesbrough.gov.uk/susan_lightwing@middlesbrough.gov.uk

TEESSIDE PENSION FUND COMMITTEE

A meeting of the Teesside Pension Fund Committee was held on Wednesday 25 September 2024.

PRESENT: Councillors J Rostron (Vice-Chair), J Ewan, D Branson, D Coupe, T Furness, D Jackson, J Young, J Beall, M Fairley, M Scarborough and Ms J Flaws

ALSO IN ATTENDANCE:
W Brown,
D Knight (Border to Coast)
A Owen, R Quinn, G Rutter (CBRE)
P Moon (Independent Adviser)
T Backhouse (Mazars)
S Durrant, L Pelmear (XPS)

OFFICERS: Claire Jones, Debbie Middleton and Nick Orton

APOLOGIES FOR ABSENCE: J Kabuye, S Hill and Mr T Watson

24/21 **WELCOME AND FIRE EVACUATION PROCEDURE**

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

24/22 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item / Nature of Business
Councillor Beall	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Coupe	Disclosable personal interest	Non-Executive Director of Border to Coast Pensions Partnership LTD.
Councillor Ewan	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Rostron	Non-Pecuniary	Member of Teesside Pension Fund

24/23 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 17 JULY 2024**

The minutes of the meeting of the Teesside Pension Fund Committee held on 17 July 2024 were taken as read and approved as a correct record.

24/24 **INVESTMENT ACTIVITY REPORT**

A report of the Director of Finance was presented to inform Members how the Investment Advisors' recommendations were being implemented. A detailed report on the transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's valuation was included, as well as a report on the treasury management of the Fund's cash balances and the latest Forward Investment Programme.

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

At the June 2018 Committee it was agreed that, a maximum level of 20% of the Fund would be held in cash. The cash level at the end of June 2024 was 3.44%.

Investment in direct property continued where the property had a good covenant, yield and lease terms. There were no purchases or sales in the quarter. Investment in Alternatives, such as infrastructure and private equity, offered the Fund diversification from equities and bonds. An amount of £67m was invested in the quarter.

It is a requirement that all transactions undertaken are reported to the Committee. Appendix A detailed transactions for the period 1 April 2024 – 30 June 2024. There were net purchases of £66m in the period.

The Fund Valuation detailed all the investments of the Fund as at 30 June 2024, and was prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, was £5,524 million. The detailed valuation was attached as Appendix C was also available on the Fund's website www.teespen.org.uk. This compared with the last reported valuation, as at 31 March 2024 of £5,468 million.

A summary analysis of the valuation showed the Fund's percentage weightings in the various asset classes as at 30 June 2024 compared with the Fund's customised benchmark.

As at the 30 June 2024 the Fund's equity weighting was 60.26% compared to 60.92% at the end of March 2024. Redemptions of £75m in total, were made from the Border to Coast Overseas Developed Market and UK Listed Equity Funds. It was agreed between the Investment Advisers and the Head of Pensions Governance & Investments that the Fund will disinvest from our State Street (SSGA) Passive Equity Funds.

The redemptions from SSGA had started with the proceeds coming back to the fund, (approximately £340m would be returned as cash), they would be completed over the coming quarter and reported to the Committee. The transfer of £330m to the Border to Coast Overseas Equity Fund was complete in September.

To date the Fund had agreed 4 Local Investments:

- GB Bank – £20m initial investment called in full in September 2020. £6.5m was paid to the bank in December 2021. £13.5m paid August 2022 as the bank received regulatory approval to exit mobilisation. £4m was agreed at the September 2023 Committee and paid to GB Bank in October. £5m agreed at March 2024 Committee and paid May 2024.
- Ethical Housing Company - £5m investment of which £765k had been called.
- Waste Knot - £10m investment agreed at the June 2021 Committee, payment made in full December 2021.
- FW Capital – At the September Committee agreement was given for an investment of £20m into the Teesside Flexible Investment Fund. The money would be called down as and when investments were made.

As at 30 August 2024 total commitments to private equity, infrastructure, other alternatives and other debt were £1,963m

ORDERED that the information provided was received and noted.

24/25 **EXTERNAL MANAGERS' REPORTS**

The Head of Pensions, Governance and Investments presented a report which provided 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').

At 30 June 2024 the Fund had investments in the following three Border to Coast listed equity sub-funds:

- The Border to Coast UK Listed Equity Fund, which had an active UK equity portfolio aiming to produce long term returns of at least 1% above the FTSE All Share index.
- The Border to Coast Overseas Developed Markets Equity Fund, which had an active overseas equity portfolio aiming to produce total returns of at least 1% above the total return of the benchmark (40% S&P 500, 30% FTSE Developed Europe ex UK, 20% FTSE Developed Asia Pacific ex Japan, 10% FTSE Japan).
- The Border to Coast Emerging Markets Equity Fund, which had 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 was 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 was expected to be delivered over rolling 3 year periods, before calculation of the management fee.

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

As reported to the 13 December 2023 Committee, State Street had advised that it had 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 invested in have applied screens to exclude certain securities related to Tobacco and Thermal Coal. Excluded companies were 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 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.

ORDERED that the information provided was received and noted.

24/26 **LGPS NATIONAL KNOWLEDGE ASSESSMENT**

The Head of Pensions, Governance and Investments presented a report which provided Members with information about the Local Government Pension Scheme (LGPS) National Knowledge Assessment facilitated by consultants Hymans Robertson and asked Members to agree that they and Members of the Teesside Pension Board ('the Board') would undertake this assessment.

In January 2019 the LGPS Scheme Advisory Board ("SAB") had commissioned Hymans Robertson to assist in delivering a review of governance across the LGPS. This review was termed the 'Good Governance' project. This review recognised the Pension Regulator's ("TPR") push to increase governance and administration standards in pension schemes, including public service pension schemes, for which it had oversight responsibility.

ORDERED:

- That members would participate in the Local Government Pension Scheme (LGPS) National Knowledge Assessment facilitated by consultants Hymans Robertson, to help assess the Committee's collective relevant LGPS knowledge with a view to facilitating targeted training to meet any training needs identified.
- that the members of the Teesside Pension Board would be included in the assessment process.

24/27 **PRESENTATION FROM THE ACTUARY - 2022 VALUATION SECTION 13 RESULTS**

A representative from Hymans attended the meeting to present the 2022 Valuation Section 13 Results.

Under Section 13 of the Public Service Pensions Act the Ministry of Housing, Communities and Local Government ("MHCLG") appointed the Government Actuary's Department (GAD) to carry out a review of the LGPS local funding valuations. GAD published their report on the 2022 valuations on 14 August 2024.

GAD recognised the improved presentational consistency in the 2022 valuations, and that the continued use of the section 13 dashboard (first introduced for the 2019 valuations) greatly aids stakeholders' understanding. GAD noted concern around the continued lack of evidential consistency since the previous review at 2019. Whilst GAD appreciate that specific fund circumstances may merit the use of different actuarial assumptions, they believe that these differences may lead to different outcomes, for example different contribution rates. Wherever possible, GAD believe in the importance of information being presented in a way that facilitates comparisons. GAD made two formal recommendations in this area for the Scheme

Advisory Board to consider:

- Whether greater consistency could and should be achieved to allow easier comparison between funds and better understanding of risks, and
- whether guidance would be helpful to support greater consistency on emerging issues.

GAD recognised the significant progress made by funds and actuarial advisers in the presentation of climate risk analysis as part of the 2022 fund valuations. They recommended that work continues to refine their Climate Change Principles Document in advance of the 2025 fund valuations.

On solvency GAD reported:

- In aggregate, the funding position of the LGPS had improved since 31 March 2019; and the scheme appeared to be in a strong financial position.
- Total assets had grown in market value from £290bn to £366bn
- Total liabilities disclosed in the 2022 local valuation reports amounted to £344bn.
- The aggregate funding level of the LGPS on prudent local bases had improved from 98% (in 2019) to 106% (at 2022) due in large part to strong asset returns over the 3-year period to 31 March 2022.
- The size of funds had grown significantly over the three years to 31 March 2022 relative to the size of the underlying authorities. This meant that funds in deficit were more likely to trigger GAD's asset shock measure, where there is a risk of a large changes in contribution rates following a sustained reduction in the value of return-seeking assets. GAD raised white flags against impacted funds. Given the strong position, no red or amber flags were raised in the LGPS for solvency concerns.

Despite having Teesside Pension Fund having one of the lowest contribution rate levels at 14.8% of pay, no flags were raised against the Fund for long-term cost efficiency concerns.

A discussion took place whereby Members queried the Fund's low level of contributions and whether this would have an impact on solvency. It was noted that there was no overall cause for concern or immediate pressures. The Director of Finance highlighted that the Medium Term Financial Plan (MTFP) and the financial pressures of employing authorities needed to be further understood by the Committee; the Pension Fund is in a stable state with no cause for concern, however, there would be cause for concern for the MTFP, should there be a significant need to increase contributions.

ORDERED that the information provided was received and noted.

24/28 **DRAFT PENSION FUND ANNUAL REPORT 2023/24 - VERBAL UPDATE**

The Head of Pensions, Governance and Investments gave a verbal update on the Draft Pension Fund Annual Report 2023/24.

It was noted that the report required further completion due to the Government's new format. The report would be circulated to the committee for comment and to the Teesside Pension Fund Board in November, prior to submission on 1st December.

ORDERED that the information provided was received and noted.

24/29 **BORDER TO COAST PRESENTATION**

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
- Global Market Outlook
- Listed Investments
- Private Equity Summary
- Climate Opportunities
- Infrastructure Selected Fund Updates

ORDERED that the information provided was received and noted.

24/30 **GOVERNMENT CALL FOR EVIDENCE**

The Head of Pensions, Governance and Investments presented a report which advised Members of a recent 'Call for Evidence' issued by the government which asked for views on the Local Government Pension Scheme (LGPS), including on asset pooling and investments in the UK.

The previous government carried out a 12-week consultation which ended on 2 October 2023 entitled "Local Government Pension Scheme (England and Wales): Next steps on investments". This consultation looked to build on and accelerate progress towards greater LGPS pooling. The stated objective of the consultation was to achieve pools in the £50-75 billion and possible £100 billion range and to do this by initially encouraging / requiring all LGPS funds to complete the pooling process with their current pool and then reduced the number of pools from eight to an unspecified lower number. The outcome of this consultation was reported to the 13 December 2023 Pension Fund Committee.

The new government confirmed on 4 September 2024 that it was carrying out a pensions review which it described as follows: "The Chancellor has launched a landmark pensions review to boost investment, increase saver returns and tackle waste in the pensions system. The Chancellor has appointed the Minister for Pensions to lead the review. The review will focus on defined contribution workplace schemes and the Local Government Pension Scheme."

The government issued a 'call for evidence'. The following three topics were covered in the call for evidence, some questions under these topics related to defined contribution schemes others purely relate to the LGPS and some potentially cover both:

- Scale and consolidation
- Costs vs Value
- Investing in the UK

The deadline for response, 25 September 2024, was 3 weeks after the document was published. The Head of Pensions Governance and Investments has worked with colleagues in Border to Coast and its Partner Funds to produce a coherent and consistent response designed to emphasise:

- The benefits of scale provided by the Fund's participation in Border to Coast.
- The extent to which the Fund already invests in the UK.
- Consideration to whether potential pool or fund consolidation would of itself lead to greater investment in UK assets, as the call for evidence seems to imply.

A draft response was shared with Members of the Teesside Pension Fund Committee for agreement.

ORDERED, as follows that:

- The draft response was approved.
- Final approval would be sought from the Chair / Vice Chair before submission to Government.

24/31 **STRATEGIC ASSET ALLOCATION UPDATE**

The Head of Pensions, Governance and Investments presented a report which asked Members to agree to a revision to the Pension Fund's strategic asset allocation and that a short consultation should be carried out with employers in the Fund to explain the proposed changes.

The Head of Pensions Governance and Investments met with the Fund's two independent investment advisors in July to discuss the Fund's strategic asset allocation approach and a number of other investment issues. Points considered in relation to the current asset allocation included the following:

- The current allocation to growth assets is significantly higher that the target, with the converse being true for the allocation to protection assets.

- The "Other Alternatives" category is not particularly helpful, particularly as the Fund is being asked to report on private equity allocations and commitments, some of which will currently be covered under this "Other Alternatives" category.
- There was a question over whether Property is correctly allocated as a Growth rather than a Protection asset.
- Is it correct to continue with such a flexible approach to the allocation to "Bonds / Other debt / Cash" or should each element be allocated a separate target?

Following discussion it was agreed that assets currently classified as "Other Alternatives" would be reclassified as appropriate to either private equity, infrastructure, property or other debt

ORDERED:

- That Members agreed to the proposed revised strategic asset allocation.
- That the table in paragraph 6.1 would be incorporated into an updated ISS and circulated to Pension Fund employers for comment. Any substantive changes agreed to the revised ISS following the consultation would be brought to the next Committee meeting, but if there were no such changes the ISS would be published in due course.
- Officers would continue to work to implement the revised strategic asset allocation and would report back to future Committee meetings on progress.

24/32 **INVESTMENT ADVISORS' REPORTS**

The Independent Investment Advisors 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.

ORDERED that the information provided was received and noted.

24/33 **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.

As of 30th June 2024, the portfolio comprised 34 properties located throughout the UK, with a combined value of £484.2m. This reflected an overall Net Initial Yield of 4.47%, and an Equivalent Yield of 5.61%. The portfolio comprised of principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprise 94% of the Portfolio by capital value. There were 91 demises and a total net lettable area of 2,751,651 sq. ft. The portfolio had a gross passing rent of £27,284,260 per annum against a gross market rental value of £27,570,187 per annum. The weighted average unexpired lease term was 9.7 years to the earlier of the first break or expiry and 10.2 years to expiry, ignoring break dates.

ORDERED that the information provided was received and noted.

24/34 **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:

- Highlights
- Headlines
- Errors and Complaints
- Member Engagement
- Membership Data
- Quality Regulations and Guidance

The following was noted:

- Membership continued to steadily increase over Q1 for active members.
- Newsletters were issued the week of 17th September.

- Active and Deferred Benefit statements were issued by the legislative deadline.

ORDERED that the information provided was received and noted.

24/35 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

24/36 **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.

24/37 **LOCAL INVESTMENT UPDATE - GB BANK**

A report was presented which provided Members of the Teesside Pension Fund Committee (the Committee) with an update on local investment.

ORDERED that the information provided was received and noted.

24/38 **LOCAL INVESTMENT UPDATE - ETHICAL HOUSING COMPANY**

A report was presented which provided Members of the Pension Fund Committee (the Committee) with an update on local investment.

ORDERED that the recommendation at paragraph 2.1 of the report was approved.

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Teesside Pension Fund

Final Audit Results Report

Year ended 31 March 2022

November 2024

Agenda Item 5

Private and Confidential

November 2024

Audit Committee
Middlesbrough Council
Civic Centre
Middlesbrough
TS1 9GA

Dear Audit Committee Members

We are pleased to provide our Audit Results Report for the forthcoming meeting of the Audit Committee. This report summarises our audit conclusion in relation to the audit of Teesside Pension Fund (the Pension Fund) for 2021/22.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Teesside Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects.

This report is intended solely for the use of the Audit Committee, other members of the Council and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the next meeting of the Audit Committee on 5 December 2024.

Yours faithfully

Hassan Rohimun

Partner

For and on behalf of Ernst & Young LLP

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA (https://www.psaa.co.UK/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Teesside Pension Fund. Our work has been undertaken so that we might state to the Audit Committee and management of Teesside Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Teesside Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our Outline Audit Planning Report tabled at the 5 December 2022 Corporate Affairs and Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

The materiality level we communicated in our Outline Audit Planning Report was £50.7m, representing 1% of the Fund's net assets at 31 March 2022. Performance materiality – the amount we use to determine the extent of our audit procedures – was set at £25.3m, being 50% of materiality. The threshold we set for the communication of misstatements to the Audit Committee was £2.5m.

Status of the audit

Our audit work in respect of the Pension Fund opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Prior period restatement – the Pension Fund has restated prior period comparative disclosures relating to the geographical location of its investments and financial instruments. The restated disclosures are still going through our internal consultation process on prior period restatements, having only recently been provided;
- Review of the separate Pension Fund Annual Report – we issue a separate consistency opinion on the consistency of the Pension Fund's separate Annual Report with the audited financial statements. We received the final updated Annual Report on 20 November 2024 and are working with management to complete our checks on the consistency of the Annual Report with the audited financial statements in time to issue the consistency opinion at the same time as our main audit report.
- Letter of Representation – we will ask management to sign the Letter of Representation with the same date as the financial statements.

In addition, our internal review procedures continue up until the date of our audit report.

Audit differences

Uncorrected misstatements would decrease the net assets of the Pension Fund by £12.1m.

Management corrected identified misstatements with the effect of decreasing the net asset of the Pension Fund by £35.8m.

Further details of identified misstatements, including misstatements within disclosures, are provided in section 4.

Executive Summary

Other reporting matters

We are required to review the Pension Fund Annual Report and issue an opinion on the consistency of the report with the audited Pension Fund financial statements included within the Middlesbrough Council Statement of Accounts. We agreed with management we would only review the Annual Report once we were collectively satisfied that no further changes would be required to the financial statements. We received a copy of the final Annual Report to perform these checks on 20 November 2024. We are working with management to enable completion of these checks in time to issue the consistency opinion at the same time as our main audit report.

During the course of our audit, we identified two instances where the Pension Fund has not acted in accordance with applicable laws and regulations which we wish to bring to the attention of the Audit Committee:

- The financial statements of the Pension Fund are published alongside those of Middlesbrough Council within the Middlesbrough Council Statement of Accounts. The statutory deadline by which local authorities were required to publish draft financial statements for public inspection under the Accounts and Audit Regulations 2015 was 1 August 2022. The Council did not meet this deadlines, commencing the inspection period for the draft 2021/22 financial statements on 30 August 2022; and

- Under the Local Government Pension Scheme Regulations 2013, the Pension Fund is required to distribute annual benefit statements to all members of the fund no later than five months after the end of the scheme year. The Pension Fund has not been able to distribute annual benefit statements to all members as the Pension Fund does not hold current contact information for all members. Management have previously reported this fact to the Audit Committee.

Control observations

During the audit we identified control observations and have made improvement recommendations in relation to management's financial processes and controls in relation to:

- Recording of asset valuations
- Production of the financial statements
- Reconciliation to custodian reports
- Support for sensitivity disclosures
- Review of submissions to the Fund actuary; and
- Retention of Fund membership information

Further details of our observations and our recommendations are provided in section 6.

Independence

Please refer to section 7 for our update on Independence.

Executive Summary

Areas of audit focus

Our Outline Audit Planning Report identified key areas of focus for our audit of the Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

Fraud risk: Misstatement due to fraud or error

- We completed our planned procedures and are satisfied that the financial statements are not materially misstated as a result of misstatements due to fraud or error.

Significant risk: Valuation of pooled investment vehicles

- We completed our planned procedures and are satisfied that pooled investment vehicles are not materially misstated.

Significant risk: Valuation of private market investments

- We completed our planned procedures and are satisfied that private market investments are not materially misstated.

Significant risk: Valuation of directly held property

- We completed our planned procedures and are satisfied that directly held property is not materially misstated.

Significant risk: Recognition of investment income

- We completed our planned procedures and are satisfied that investment income is not materially misstated.

We ask you to review these and any other matters in this report to ensure:

- there are no other considerations or matters that could have an impact on these issues;
- you agree with the resolution of the issue; and
- there are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (fraud risk)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focus on manual adjustments made to the financial statements, such as through manual journal entries, and on any significant or unusual transactions which are outside of the Pension Fund's normal business practices.

What did we do?

- Identified fraud risks during the planning stages of our audit;
- Inquired of management about risks of fraud and the controls put in place to address those risks;
- Understood the oversight given by those charged with governance of management's processes over fraud;
- Considered the effectiveness of management's controls designed to address the risk of fraud;
- Determined an appropriate strategy to address those identified risks of fraud;
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments made in the preparation of the financial statements, consideration of whether accounting estimates are free from material bias and a review for unusual transactions.

What are our conclusions?

As reported in our Outline Audit Planning Report, our audit planning procedures identified a large unexpected increase in investment income which increased from £13.7m in 2020/21 to £176.4m in 2021/22. Our initial enquiries of management identified this as erroneous and we recognised a significant risk in relation to investment income. This matter has been corrected within the financial statements, and we are satisfied it arose as a result of error rather than fraud. Further details are provided on page 13.

As at 31 March 2022, the Pension Fund's financial statements include a £26.5m investment in a start-up challenger bank. Management assert that the valuation at 31 March 2022, which significantly exceeded the Pension Fund's share of the net assets of the bank at that date, is reasonable and reflects the anticipated future profitability of the bank. We note that at 31 March 2022 the bank was still going through licensing and was not yet actively trading. However, the financial statements for the year ended 31 March 2023 include a significant impairment of this investment to reflect changes in management's expectations for recoverability of the Pension Fund's investment. In our view the Pension Fund should also have impaired its investment as at 31 March 2022 and we are reporting an uncorrected misstatement of £19.9m in relation to this investment.

We have no other matters to report.

Significant risk

Valuation of pooled investment vehicles

What is the risk?

The majority of the Fund's investments are held as investments in pooled investment vehicles. Judgement is required from Investment Managers to value these investments as prices are not normally publicly available. The material nature of these investments means that any error in these judgements could result in a material valuation error.

What judgements are we focused on?

We have identified the valuation of the Fund's investments in unquoted pooled investment vehicles as a significant risk, as even a small movement in the assumptions underpinning investment manager valuations could have a material impact upon the financial statements.

What did we do?

- Documented and walked-through the process and design of the controls over the valuation process;
- Obtained third party confirmations of the valuation of pooled investments vehicle assets at the reporting date from the investment managers. We also cross-checked the investment manager confirmations to the confirmation of assets held obtained from the Fund's custodian;
- Reviewed the relevant investment manager controls' reports for qualifications or exceptions that may affect the audit risk;
- Compared the movement in valuation of investments in pooled investment vehicles with the returns recognised as investment income per the investment manager confirmations, and investigated any unusual variances; and
- Reviewed the basis of valuation for pooled investment vehicles and ensured it is in line with the accounting policy.

Note: *The procedures performed above and our conclusions also relate to a small number of non-pooled investment vehicle investments identified as having different characteristics during the course of the audit.*

What are our conclusions?

Our agreement of investment valuations to third party confirmations from investment managers identified a number of errors in the recording of investment valuations, including incorrectly recording investments denominated in foreign currencies without converting amounts to sterling and omission of purchases made in the final quarter of the year.

The net impact of these misstatements is to overstate investment assets by net £35.8m, which management have corrected the financial statements for. However, the size of the gross misstatement, overstatements of investments assets by £71.4m and understatement of investment assets by £35.6m, indicates that controls over the recording of investment valuations are not operating effectively.

In addition, without impacting the overall valuation of investment assets we identified £52.5m of classification errors between the categories of investments disclosed within the notes to the financial statements. Management have corrected the financial statements for these classification misstatements.

Following correction of the majority of identified misstatements (see next page for details of remaining uncorrected misstatements), we are satisfied that the valuation of pooled investment vehicles is not materially misstated.

Significant risk

Valuation of private market investments

What is the risk?

The Fund has a growing portfolio of private market investments, which for the purposes of our risk are those classified by the Fund as investments in private equity, infrastructure and other alternative assets.

Valuation of these investments is performed under a number of different frameworks, depending upon the location and jurisdiction of the investment. Greater judgement is required to value these investments as prices are not publicly available and market volatility means such judgements can quickly become outdated, especially where there is a significant time period between the latest audited information and the Fund's reporting date.

What judgements are we focused on?

We have identified the valuation of the Fund's investments in private market investments as a significant risk, as even a small movement in the assumptions underpinning investment manager valuations could have a material impact upon the financial statements.

What did we do?

The Fund's private market investments are held as pooled investment vehicles therefore the audit response detailed on the previous page as our response to the risk of valuation of pooled investment vehicles includes coverage of private market investments.

In addition, for the subset of pooled investment vehicles which are also private market investments we:

- Reperformed the translation of the net asset value, where reported in a currency other than sterling, to sterling using independently sourced exchange rates;
- Using the Fund's % share of the pooled investment vehicle, as confirmed by the investment manager, reperformed the calculation of the valuation of the Fund's assets and compared to the financial statement valuation; and
- Sought explanations and, where appropriate, supporting evidence for any significant changes in valuation between the date of the audited pooled investment vehicle financial statements and the Fund's reporting date.

What are our conclusions?

Misstatements reported on the previous page include misstatements of applicable private market investments.

Our additional audit procedures over private market investments identified that one of the Fund's external investment managers was providing valuations to the Pension Fund which were based on historic cost, rather than market value which is required for reporting in the Pension Fund's financial statements. The Pension Fund had not identified as part of their review processes that valuations were not being provided on the correct basis. As a result of the incorrect valuation methodology being used by the fund manager investment assets are understated by £7.7m. Management has opted not to correct the financial statements for this matter.

Note: *The £7.7m misstatement reported here is in addition to the misstatements reported on page 10.*

Based on our audit procedures, we are satisfied that the valuation of private market investments is not materially misstated.

Significant risk

Valuation of directly held property

What is the risk?

The Fund has a significant portfolio of directly held property investments. The valuation of these properties is subject to a number of assumptions and judgements, small changes in which could have a significant impact upon the financial statements.

What judgements are we focused on?

We have identified the valuation of the Fund’s directly held property as a significant risk, as even a small change in assumptions could have a material impact upon the financial statements.

What did we do?

- Agreed the valuation of the Fund's property portfolio as a whole back to the valuation report provided by the Fund's external valuer;
- Performed an assessment of the competence, capabilities and independence of the Fund's external valuer as a management specialist;
- Performed an analysis of property valuations, including consistency with valuations of similar assets and changes in valuations from the prior period, to identify any assets with characteristics that indicate a potentially higher risk of misstatement; and
- Based on the above analysis, requested our EY Real Estate specialists to review the valuations of a sample of assets sufficient to provide an evidence base on which to conclude on the reliability of the work of management's specialist.

What are our conclusions?

Our analysis of the valuation of the Pension Fund’s property assets as at 31 March 2022 identified 12 individual property valuations which we considered to exhibit indicators of having a higher risk of misstatement. Factors indicative of a higher risk of misstatement include: changes in valuations from the prior year; valuations which are out-of-line with similar assets; assets with a high proportion of tenants on expiring leases; and assets whose tenants were more exposed to adverse financial impacts of the Covid-19 pandemic. These 12 assets covered 41% of the total balance by value and we asked our EY Real Estate specialists to review the valuations of these assets.

Our EY Real Estate specialists concluded that, other than a clearly trivial variance on one property, all valuations were within a reasonable range.

We have no other observations to report in relation to directly held property.

We are therefore satisfied that directly held property is not materially misstated.

Significant risk

Recognition of investment income

What is the risk?

As part of our audit planning procedures we utilise our data analytics tools to analyse the accounting records of the Pension Fund for unusual or unexpected accounting entries.

These procedures identified a large unexpected increase in investment income, which increased from £13.7m in 2020/21 to £176.4m in 2021/22. Initial enquiries of management confirmed that the balance is materially misstated in the draft financial statements.

What judgements are we focused on?

Management confirmed to us during the planning stage of our audit that investment income was materially misstated. We have therefore focused on the quantification and correction of this misstatement.

What did we do?

- Reviewed management's quantification of the amounts incorrectly presented as investment income within the draft financial statements, and agreed this to supporting evidence; and
- Confirmed that the financial statements are appropriately amended to correct this misstatement.

What are our conclusions?

Our audit identified that there was incorrect recognition of investment income relating to dividends received by Border to Coast from underlying equity investments which were recycled within the Pension Fund's pooled investments with Border to Coast, rather than being returned to the Pension Fund. Such amounts should be correctly accounted for as part of the increase in market value of the Pension Fund's investments with Border to Coast rather than as investment income.

Management were previously unaware that this income was being received by Border to Coast and having identified this was the case in the current year both current and prior year amounts were incorrectly recorded as current year investment income.

We were able to trace the incorrect amounts to two journal entries, one relating to the Pension Fund's UK equity investment with Border to Coast and one relating to the Pension Fund's Overseas equity investment. We have not identified any similar entries in relation to equity investments held with other investment managers.

As a result, investment income was overstated by £126.4m. This error did not impact the net assets of the Pension Fund at 31 March 2022.

Based on the testing undertaken and the correction of the identified misstatement we are satisfied that investment income is not materially misstated.

03 Audit Report

We include below a copy of the auditor's report we propose to issue.

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDDLESBROUGH COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Statement of Accounts, the Net Assets Statement and the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period to 31 December 2025.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Teesside Pension Fund Accounts and Notes set out on pages 117 to 155, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information contained within the Teesside Pension Fund Accounts and Notes.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

Our opinion on the financial statements (continued)

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

Responsibility of the Director of Finance

As explained more fully in the Statement of the Director of Finance's Responsibilities set out on page 29, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with Director of Finance.

Our opinion on the financial statements (continued)

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of management. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees to confirm Pension Fund policies, and through the inspection of other documentation obtained in the course of our audit.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation ot the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Middlesbrough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Middlesbrough Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Manchester
[DATE]

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements which have been corrected by management that were identified during the course of our audit:

31 March 2022	Net Asset Statement	
	(Increase)/ Decrease During the Year	Net Assets at 31 March Debit/(Credit)
Factual differences		
► Overstatement of investment income due to incorrect accounting for recycled dividends*	£126.432m (£126.432m)	-
► Overstatement of investments due to errors in the recording of investment valuations	£35.823m	(£35.823m)
► Misclassification of investments between categories of investments**	-	£52.527m (£52.527m)
Totals	**£35.823m**	**(£35.823m)**

* The misstatement of investment income resulted in an overstatement of investment income and understatement of the gain in market value of investments, with no net impact on the net assets of the Fund.

** The misclassification of investments between categories had no net impact on the net assets of the Fund.

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Audit Differences

Summary of unadjusted differences

We highlight the following misstatements to the financial statements which management have indicated will remain unadjusted. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

31 March 2022	Net Asset Statement	
	(Increase)/ Decrease During the Year	Net Assets at 31 March Debit/(Credit)
Factual differences		
► Understatement of investments due to reporting by investment manager of purchase cost rather than market value	(£7.725m)	£7.725m
Judgemental differences		
► Overstatement of investment in start-up challenger bank where carrying value has been assessed as irrecoverable	£19.866m	(£19.866m)
Totals	**£12.141m**	**(£12.141m)**

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Audit Differences

Summary of disclosure differences

During the course of the audit we identified a number of disclosure errors and made a number of recommendations to management to improve the presentation of financial statements disclosures. The following are the most significant which we consider warrant the attention of the Audit Committee:

- **Financial Instruments** – Note 14 contains disclosures relating to the Pension Fund's financial instruments. Our testing of these disclosures identified that the Pension Fund had incorrectly identified the level in the fair value hierarchy of a number of its investments. In addition, the Pension Fund had incorrectly included the directly held property within this disclosure – directly held property is not a financial instrument and should therefore be excluded from these disclosures. The aggregate impact of these misstatements was to understate assets reported as level 1 in the fair value hierarchy by £21.6m, understate of assets reported as level 2 of the fair value hierarchy by £291.8m and overstate assets reported as level 3 of the fair value hierarchy by £684.7m. These errors had further impact to multiple disclosures within Note 14 which are specific to those investments classified as level 3 in the fair value hierarchy. The same errors in classification were made in the prior period therefore management have restated the prior period comparatives within the current financial statements to correct this matter in the prior period;
- **Geographical Location of Investments** – Note 13 contains disclosure of the geographical location in which the Pension Fund's investments are held. Our testing identified that this disclosure was based on the location of the investment manager, rather than the underlying investments, and was therefore incorrectly prepared. In preparing a revised disclosure, management have opted to simplify the previous breakdown of locations to now disclose those investments held in the UK and those held outside of the UK, in-line with the disclosure requirement of the CIPFA Code. The same incorrect basis of preparation had been applied in the prior period therefore management have restated the prior period comparatives within the current financial statements to correct the prior period comparators;
- **2022 Triennial Valuation** – The triennial valuation of the Pension Fund as at 31 March 2022 was concluded on 30 March 2023, after the draft financial statements were prepared but before completion of the audit. Following audit challenge, management have included disclosure of the results of the 2022 triennial valuation as a non-adjusting subsequent event;
- **Material Valuation Uncertainty** – The draft financial statements incorrectly asserted that the valuation of the Pension Fund's directly held property at 31 March 2021 was prepared on the basis of a material valuation uncertainty. Following audit challenge, this disclosure has been removed;
- **Senior Officer Remuneration** – Note 21 contains disclosure of the cost of senior employees' remuneration charged to the Pension Fund. The draft financial statements incorrectly disclosed the associated post-employment benefits amount as £15,000. The correct disclosure is £8,000 and this has been corrected following audit challenge; and
- **Reconciliation of Scheme Members** - The summary of changes in membership table in the introduction to the Pension Fund's financial statements includes an adjustment of 1,422 members described as 'change in status'. Management have not been able to fully explain what this movement is and we understand it is a balancing figure as the Pension Fund is unable to accurately report other movements. We are satisfied that total membership is not misstated, and that this impacts the breakdown of movements between membership at 1 April 2021 and membership at 31 March 2022.

The above disclosure errors, together with the material levels of misstatement reported on the previous pages and the volume of other disclosure errors not individually warranting the Audit Committee's attention, indicates a poor control environment over the production of the Pension Fund's financial statements.

Significant audit effort has been required to resolve misstatements and disclosure errors which should have been identified and corrected via the Pension Fund's internal review processes prior to publication of the draft financial statements (or provision for audit where relating to subsequently amended disclosures). The increased time and resource taken to identify, address and report on these misstatements will result in additional audit fees .

05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements
We are required to review the Pension Fund Annual Report and issue an opinion on the consistency of the report with the audited Pension Fund financial statements included within the Middlesbrough Council Statement of Accounts. We agreed with management we would only review the Annual Report once we were collectively satisfied that no further changes would be required to the financial statements. We have not yet received a copy of the final Annual Report to perform these checks. We are working with management to enable completion of these checks in time to issue the consistency opinion at the same time as our main audit report.

Other powers and duties
We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Pension Fund to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Pension Fund's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have included the significant matter which we wish to bring to the attention of the Audit Committee within this report.

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have no significant deficiencies in internal control to bring to the attention of the Audit Committee.

On the following pages, we make recommendations to address other internal control matters identified during the course of the audit or to improve the Pension Fund's processes. There were no prior year recommendations to provide an update on.

Assessment of Control Environment

Area	Recording of asset valuations	Rating	

Observation

Our testing of investment valuations identified significant levels of error in the recorded value of individual investments, including investments recorded in the wrong currency and transactions close to year-end being omitted from the financial statement valuations. Gross misstatements identified totalled £107m, which is more than 2% of the Fund's net assets, although we note the net impact of misstatements was smaller but not insignificant. This level of misstatement leads us to conclude that controls over the recording of investment valuations are not operating effectively.

Recommendation

We recommend management review the controls in place to ensure accurate recording of investment valuations, including ensuring there is a robust review process, to ensure that investments are not recorded at the incorrect value.

Management response

The Head of Pensions and Governance will implement a process to undertake a quarterly review of the basis of recording investment valuations by a supervising officer. This will be implemented in producing the 2024/25 accounts and will also review the draft 2023/24 accounts that remain subject to audit.

Area	Production of the financial statements	Rating	

Observation

Our audit identified a number of material disclosure errors including disclosures being prepared on the incorrect basis and not in accordance with the requirements of the Pension Fund's reporting framework.

We also note that knowledge supporting the production of the financial statements is concentrated with a small number of people (2 officers), which significantly increases the risk of loss of corporate knowledge should there be a turnover in staff.

Recommendation

We recommend management review the controls in place to ensure the financial statements are prepared in accordance with the requirements of the reporting framework, including ensuring there is a robust review process. We also recommend that knowledge of how to prepare material disclosures is formally documented to reduce the risk of loss of corporate knowledge.

Management response

The Director of Finance is due to implement a revised operating model within the accountancy disciplines within the Finance Directorate in the 2025/26 financial year subject to approval of the associated investment in the budget by Council in February 2025. There will be a new role of Chief Accountant who will be required to oversee the production of both the Council and Pension Fund Accounts to ensure compliance with relevant legislation, reporting standards and the code of practice and to build resilience within the Pensions and Accountancy Teams.

Assessment of Control Environment

Area	Reconciliation to custodian reports
Rating	
Observation	Our testing of the Pension Fund's reconciliation of its accounting records against the investment valuations provided by the custodian identified that the reconciliation is performed shortly after each month end, when final valuations are often still to be reported to the custodian by investment managers. There is no subsequent revisiting of this reconciliation to identify where valuations have changed, which we consider was a factor in why the Pension Fund did not identify the misstatements of investment valuations reported in section 2.
Recommendation	We recommend management review the timing of the reconciliation to custodian reporting to ensure the reconciliation takes place at a time when the custodian records are up-to-date. If this is not possible due to delays in custodian reporting, an additional check back against the accounting records should be introduced to support year-end reporting.
Management response	The Head of Pensions and Investments will introduce a year end closure task to reconcile custodian reports to investment manager valuations. This will be adopted in closing the 2024/25 accounts and a check of the draft 2023/24 accounts will be undertaken prior to the audit.

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Area	Support for sensitivity disclosures
Rating	
Observation	Note 13 to the financial statements includes various disclosures of the sensitivity of the Pension Fund's balances to movements in external factors, such as exchange rates or market movements. Our testing of these disclosures found that management were unable to support the sensitivities disclosed in the financial statements, partly because the reporting to the Pension Fund by the external party which provided them is limited and the external party is no longer trading.
Recommendation	We recommend management review the controls in place to obtain, and retain support for, the sensitivities disclosed within the financial statements to ensure that disclosures made in the financial statements can be supported.
Management response	The Head of Pensions and Investments will ensure that all documentation relevant to the preparation of the financial statements is retained for management and audit purposes.

Assessment of Control Environment

Area	Review of submissions to the Fund actuary
Rating	
Observation	Where the Pension Fund's actuary provides IAS 19 valuations to individual participating employers for inclusion in the employer's financial statements, they rely on employer-specific information submitted by the Pension Fund. Our testing of this process identified that information submitted to the actuary is prepared and submitted by one individual, with no review performed by someone other than the preparer. A lack of review process increases the risk of error in the information provided to the actuary, though we note we did not identify any such errors.
Recommendation	We recommend management review the process supporting submission of IAS 19 information to the actuary to ensure there is an adequate review to provide assurance that the submission is accurate.
Management response	The Head of Finance and Investment and the Head of Pensions and Investments will liaise to establish an appropriate review process to support the IAS 19 position which will improve the assurance and resilience arrangements in relation to this return.

Area	Retention of Fund membership information
Rating	
Observation	The IT system used to administer the Pension Fund is not able to report the membership of the Fund at a past date. Whilst live membership reports are run at key dates, such as the date of triennial valuations, these are not retained and management are therefore unable to subsequently evidence the membership numbers reported at a point in time. The inability to subsequently evidence the membership of the Fund at key dates increases the risk that errors in membership numbers may go undetected, and we consider this a factor in the Pension Fund having to include what is effectively a balance line in their reconciliation of changes in membership between the start and end of the financial year.
Recommendation	We recommend management put in place a process to retain supporting evidence for membership data obtained at key dates, such as the date of triennial valuations of the Pension Fund.
Management response	The Head of Pensions and Investments will put in place a process to ensure that all key data required to evidence key membership at key dates is retained for financial reporting and audit purposes for the 2024/25 accounts.

07 Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard 2019 and ISA (UK) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; and ► Information about the general policies and process within EY to maintain objectivity and independence	► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit/additional services provided and the fees charged in relation thereto; ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ► Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner; ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ► Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Independence

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Hassan Rohimun, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, we have not provided any non-audit services, see Appendix B. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Independence

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2024:

EY UK 2024 Transparency Report | EY UK

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Confirmation and analysis of audit fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The original fees for these years were based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statement opinion being unqualified;
- Appropriate quality of documentation is provided by the Pension Fund;
- The Pension Fund has an effective control environment; and
- The Pension Fund complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.UK/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/

In particular the Pension Fund should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. See Appendix D.

	2021/22	2020/21
	£	£
Scale fee (1)	21,972	21,972
Total scale fee	**21,972**	**21,972**
Changes in work required to address professional and regulatory requirements and scope associated with risk (2) (3)	49,199	39,359
Revised scale fees	**71,171**	**61,331**
Additional specific one-off considerations reflecting a change in audit work (2) (4)	74,041	5,000
Total core audit fees	**145,212**	**66,331**
IAS 19 procedure fees (recurring) (5)	9,250	8,500
IAS 19 procedure fees (triennial) (5)	10,000	-
Total audit fees	**164,462**	**74,831**
No non-audit services have been provided	-	-
Total other non-audit services	**-**	**-**
Total fees	**164,462**	**74,831**

All fees exclude VAT, see notes overleaf

Independence

Notes

(1) We do not believe that the scale fee reflects the changes in the audit market and increases in regulation since the PSAA tender exercise for the periods 2018/19 to 2022/23. For 2022/23, PSAA increased the base scale fee but in our view this still does not fully cover the additional work required to deliver a high-quality audit. For reference, the scale fee for the 2023/24 audit of the Pension Fund under the new PSAA contract has been set at £102,380.

(2) We have previously communicated to the Audit Committee additional fees requested from PSAA in respect of the 2020/21 audit of the Pension Fund of £39,359 as our assessment of the additional fee required to reflect changes in the level of work required to address professional and regulatory requirements and £5,000 as our assessment of the additional fee required to reflect specific one-off considerations necessitating additional audit procedures (aggregate: £44,359). PSAA have not yet made a determination on the final fee amounts.

(3) We determine our assessment of the additional fee required to reflect changes in the level of work required to address professional and regulatory requirements and scope associated with risk in reference to hourly rates set by PSAA. PSAA increased these rates by 25% with effect from the 2021/22 audit, however final amounts are subject to agreement with PSAA following the completion of the audits.

(4) We have encountered a number of challenges in the delivery of our 2021/22 audit of the Pension Fund, including a material levels of misstatement, the identification of an additional significant risk in respect of revenue recognition, necessary restatement of prior period disclosures, management's inability to support certain disclosures and general delays in the receipt of audit evidence and explanations. Further details are provided earlier in this report. The amount shown is our assessment of the impact of these challenges on our audit fees, however the final audit fees will be subject to determination by PSAA.

(5) As part of our audit of the Pension Fund we undertake additional procedures to enable us to report to the auditors of scheduled bodies that are subject to the NAO Code of Audit Practice. These procedures are additional to the procedures we must complete to support our opinion on the financial statements of the Pension Fund. We perform these procedures each year, however for 2021/22 we also undertook additional procedures in respect of the membership data submitted by the Pension Fund to inform the triennial valuation of the Pension Fund and reported separately on these procedures to the auditors of scheduled bodies. Management may opt to recharge these fees to the relevant member bodies.

08 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the Net Asset Statement and any changes to this approach from prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the Net Asset Statement include:

- Existence: An asset, liability and equity interest exists at a given date;
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date;
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items;
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded; and
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework.

We have tested each of these assertions substantively for all material balances included in the Net Asset Statement.

Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ► The planned scope and timing of the audit ► Any limitations on the planned work to be undertaken ► The planned use of internal audit ► The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Outline Audit Planning Report (November 2022)
Significant findings from the audit	► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)	This Audit Results Report

Appendix B

Required communications with the Audit Committee

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements	This Audit Results Report
Misstatements	▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management	This Audit Results Report
Fraud	▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility	This Audit Results Report

Appendix B

Required communications with the Audit Committee

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	This Audit Results Report
External confirmations	► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	This Audit Results Report
Consideration of laws and regulations	► Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ► Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	This Audit Results Report
Internal controls	► Significant deficiencies in internal controls identified during the audit	This Audit Results Report
Representations	Written representations we are requesting from management and/or those charged with governance	This Audit Results Report
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Audit Results Report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Audit Results Report
Auditors report	► Key audit matters that we will include in our auditor's report ► Any circumstances identified that affect the form and content of our auditor's report	This Audit Results Report

Appendix B

Required communications with the Audit Committee

Required communications	What is reported?	Our Reporting to you When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence ► Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ► Relationships between EY, the company and senior management, its affiliates and its connected parties ► Services provided by EY that may reasonably bear on the auditors' integrity, objectivity and independence ► Related safeguards ► Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ► A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ► Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ► Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ► The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	Outline Audit Planning Report (November 2022) This Audit Results Report

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Management representation letter

We include below a copy the management representation letter which we request is printed on the Pension Fund's letterheaded paper, signed and provided to us prior to us signing our audit report. This letter should be dated with the same date as the date of approval of the financial statements.

Management Representation Letter

[To be prepared on Teesside Pension Fund letterhead]

[Date]

Ernst & Young

2 St Peter's Square

Manchester

M2 3DF

This letter of representations is provided in connection with your audit of the financial statements of Teesside Pension Fund ("the Fund") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2022, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify – nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and for keeping records in respect of contributions received in respect of active members of the Fund.

2. We confirm that the Fund is a Registered Pension Fund. We are not aware of any reason why the tax status of the Fund should change.

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements and the Summary of Contributions. We believe the financial statements referred to above give a true and fair view of the financial transactions and the financial position of the Fund in accordance with applicable law the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. As members of management of the Fund we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 that are free from material misstatement, whether due to fraud or error.

6. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to our attention from the auditor because *[management to specify reasons for not correcting misstatement]*.

Management representation letter (continued)

Management Representation Letter (continued)

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to the Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with the Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty].

6. We confirm that we are not aware of any breaches of the Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.

7. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Fund (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:

- Involving financial improprieties;
- Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements;
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue in business, or to avoid material penalties;
- Involving management, or employees who have significant roles in internal control, or others; or
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. You have been informed of all changes to the Fund rules.

3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: *[Date]*

Management representation letter (continued)

Management Representation Letter (continued)

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of management of the Fund.

7. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

8. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

9. No transactions have been made which are not in the interests of the Fund members or the Fund during the year or subsequently.

10. From *[TBC]* through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the notes to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than the 2022 triennial valuation of the Fund and the High Court ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited described in Note 22 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Teesside Pension Fund Accounts and Notes on pages 117 to 155, other than the financial statements and the statement about contributions.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Advisory Reports

1. We have not commissioned any advisory reports which may affect the conduct of your work in relation to the Fund's financial statements and schedule of contributions.

Management representation letter (continued)

Management Representation Letter (continued)

H. Independence

1. As members of management of the Fund, we are not aware of any matters which would render Ernst & Young LLP ineligible to act as auditor to the Fund.

I. Derivative Financial Instruments and Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that the Fund has made no direct investment in derivative financial instruments.

2. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS (Management and Investment of Funds) Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

1. The latest report of the actuary Hymans Robertson as at 31 March 2022 and dated 30 March 2023 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Valuation of Investments

1. We confirm that the significant judgments made in making the valuation of investments have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of investments.

3. We confirm that the significant assumptions used in making the valuation of investments appropriately reflect our intent and ability to carry out any assumed specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

5. We confirm that appropriate specialised skills or expertise has been applied in making the valuation of investments.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value Fund's directly held property and the scheme liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Going Concern

1.Based on our assessment of going concern, the details of which have been shared with you, we confirm that we are not aware of any material uncertainties related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. We do not intend to wind up the Fund. We are satisfied that the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements.

Management representation letter (continued)

Management Representation Letter (continued)

N. Climate-Related Matters

1. Whilst recognising that the Climate Change Governance and Reporting Regulations do not cover the Local Government Pension Scheme, we confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, as well as the impact resulting from the commitments made by the Fund, in the financial statements.

2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of United Kingdom Generally Accepted Accounting Practice aligned with the statements we have made in the other information or other public communications made by us.

O. Geopolitical Conflicts

1. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the conflict(s) in Ukraine and the Middle East and related sanctions on our system of internal control. We have disclosed to you all material transactions, events and conditions related to the conflict(s) in Ukraine and the Middle East and related sanctions.

Yours faithfully,

____

Director of Finance

____

Chair of Audit Committee

Appendix D

PSAA Statement of Responsibilities

As set out on page 36 our fee is based on the assumption that the Pension Fund complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Pension Fund should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

UKC-024050 (UK) 07/22. Creative UK.

ED None

ey.com/UK

Teesside Pension Fund
Final audit results report

Year ended 31 March 2023

November 2024

Building a better working world

Private and Confidential

November 2024

Audit Committee
Middlesbrough Council
Civic Centre
Middlesbrough
TS1 9GA

Dear Audit Committee Members,

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee.

This report summarises our audit conclusion in relation to the audit of Teesside Pension Fund (the Pension Fund) for 2022/23.

The audit is designed to express an opinion on the 2022/23 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Teesside Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects.

This report is intended solely for the use of the Audit Committee, other members of the Council and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the next meeting of the Audit Committee on 5 December 2024.

Yours faithfully

Rob Jones

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA (https://www.psaa.co.UK/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Teesside Pension Fund. Our work has been undertaken so that we might state to the Audit Committee and management of Teesside Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Teesside Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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01 Executive Summary

Executive Summary

Scope update

In our Outline Audit Planning Report tabled at the December 2023 Corporate Affairs and Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Status of the audit

Our audit work in respect of the Pension Fund opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Review of the separate Pension Fund Annual Report – we issue a separate consistency opinion on the consistency of the Pension Fund's separate Annual Report with the audited financial statements. We have received the final updated Annual Report and are in the process of confirming it is consistent with the final financial statements reflecting all corrected audit differences;

- Final quality assurance and review / documentation arrangements for our audit files remain ongoing up to the date of approval of the financial statements.

- Letter of Representation – we will ask management to sign the Letter of Representation with the same date as the financial statements.

In addition, our internal review procedures continue up until the date of our audit report.

Audit differences

Details of identified misstatements, both adjusted and unadjusted, including misstatements within disclosures, are provided in section 04.

Executive Summary

Other reporting matters

During the course of our audit, we identified two instances where the Pension Fund has not acted in accordance with applicable laws and regulations which we wish to bring to the attention of the Audit Committee:

- The financial statements of the Pension Fund are published alongside those of Middlesbrough Council within the Middlesbrough Council Statement of Accounts. The statutory deadline by which local authorities were required to publish draft financial statements for public inspection under the Accounts and Audit Regulations 2015 was 1 August 2022. The Council did not meet this deadlines, commencing the inspection period for the draft 2021/22 financial statements on 30 August 2022; and

- Under the Local Government Pension Scheme Regulations 2013, the Pension Fund is required to distribute annual benefit statements to all members of the fund no later than five months after the end of the scheme year. The Pension Fund has not been able to distribute annual benefit statements to all members as the Pension Fund does not hold current contact information for all members. Management have previously reported this fact to the Audit Committee.

Control observations

During the 2021/22 audit we identified control observations and have made improvement recommendations in relation to management's financial processes and controls in relation to:

- Recording of asset valuations
- Production of the financial statements
- Reconciliation to custodian reports
- Support for sensitivity disclosures
- Review of submissions to the Fund actuary; and
- Retention of Fund membership information

At the date of drafting this report management has not implemented changes to address these recommendations, so they have continued to exist throughout 2022/23 and into the following financial years. Further details of our observations and our recommendations are provided in section 06.

Independence

Please refer to section 07 for our update on Independence.

Executive Summary

Areas of audit focus

Our Outline Audit Planning Report identified key areas of focus for our audit of the Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

Fraud risk: Misstatement due to fraud or error

- We completed our planned procedures and are satisfied that the financial statements are not materially misstated as a result of misstatements due to fraud or error.

Significant risk: Valuation of pooled investment vehicles

- We completed our planned procedures and are satisfied that pooled investment vehicles are not materially misstated.

Significant risk: Valuation of private market investments

- We completed our planned procedures and are satisfied that private market investments are not materially misstated.

Significant risk: Valuation of directly held property

- We completed our planned procedures and are satisfied that directly held property is not materially misstated.

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We ask you to review these and any other matters in this report to ensure:

- there are no other considerations or matters that could have an impact on these issues;
- you agree with the resolution of the issue; and
- there are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

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02 Areas of Audit Focus

Misstatements due to fraud or error

What is the risk, and the key judgements and estimates?

Page 67

The financial statements as a whole are not free from material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We respond to this fraud risk on every audit engagement. We did not identify any specific fraud risks relating to the Fund.

Our response to the key areas of challenge and professional judgement

We responded to this risk through consistent application of professional judgement and conducting the following:

- We assessed fraud risks during the planning stages of our audit;
- We inquired of management about risks of fraud and the controls put in place to address those risks;
- We developed our understanding of the oversight given by those charged with governance over management's process over fraud;
- We considered the effectiveness of management's controls designed to address the risk of fraud;
- We determined an appropriate strategy to address risks of fraud;
- We performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements, including journals posted around year-end to update investment valuations, assessing accounting estimates and identifying significant unusual transactions;
- We have specifically focused on the yearend valuation journals for Level two and three investments assets in response to the identified specific risk of management override; and
- We considered whether the results of our testing indicated there was indication of management bias.

What are our conclusions?

We have identified audit differences during our audit work, related to the valuation of investments. Details of these audit differences can be found on the following pages in areas of audit focus and our outlined in Section 05, including impact on overall financial position. We have not identified any instances of management override of control.

Areas of Audit Focus

Valuation of Pooled Investment Vehicles (Level 2 and 3)

What is the risk, and the key judgements and estimates?

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The Fund's investments include unquoted pooled investment vehicles. Judgement is required from Investment Managers to value these investments as prices are not publicly available. The material nature of these investments mean that any error in these judgements could result in a material valuation error for the Pension Fund.

We identified the valuation of the Fund's investments in unquoted pooled investment vehicles as a significant risk, as even a small movement in the assumptions underpinning investment manager valuations could have a material impact upon the financial statements.

Our work in this area focused on ensuring that the assumptions used by investment managers in relation to the valuation of private equity investments were free from material misstatement.

Our response to the key areas of challenge and professional judgement

In response to the identified significant risk relating to the Valuation of level 2 Pooled Investment Vehicles, the following approach was adopted:

- We documented and walked through the design and implementation of the controls over the valuation process;
- We considered whether investments are appropriately classified in the fair value hierarchy
- We obtained third party confirmations of the valuation of the pooled investments at the reporting date from the investment managers.
- We reviewed the relevant investment manager controls reports for qualifications or exceptions that may affect the audit risk;
- We performed an analytical review of changes in valuations between reporting dates, using 'unit' or market price data sourced independently of management;
- For non-coterminous funds (year-end is not 31 March), we have compared the audited value with the closing value using indices to determine if movements are in line with expectations;
- We agreed a sample of purchases and sales of unquoted investment vehicles during the period to supporting evidence; and
- Reviewed the basis of valuation to ensure this is in line with the Fund's accounting policy.

What are our conclusions?

We have identified the following matters to report:

- Pooled Investment Vehicles reported in the financial statements were £10.1 million lower than confirmations received from fund managers. Of this, £8.1 million relates information from fund managers not being available until after the financial statements were prepared.

Areas of Audit Focus

Valuation of Pooled Property Investment (Level 3)

What is the risk, and the key judgements and estimates?

Page 69

The Fund's investments include unquoted pooled property investments. Judgement is required from Investment Managers to value these investments as prices are not publicly available. The material nature of these investments mean that any error in these judgements could result in a material valuation error for the Pension Fund.

We identified the valuation of the Fund's investments in unquoted pooled investment vehicles as a significant risk, as even a small movement in the assumptions underpinning investment manager valuations could have a material impact upon the financial statements.

Our work in this area focused on ensuring that the assumptions used by investment managers in relation to the valuation of private equity investments were free from material misstatement.

Our response to the key areas of challenge and professional judgement

In response to the identified significant risk relating to the Valuation of Pooled Property Investment, the following approach was adopted:

- We documented and walked through the design and implementation of the controls over the valuation process;
- We considered whether investments are appropriately classified in the fair value hierarchy
- We obtained third party confirmations of the valuation of the pooled investments at the reporting date from the investment managers.
- We reviewed the relevant investment manager controls reports for qualifications or exceptions that may affect the audit risk;
- We performed an analytical review of changes in valuations between reporting dates, using 'unit' or market price data sourced independently of management;
- For non-coterminous funds (year-end is not 31 March), we have compared the audited value with the closing value using indices to determine if movements are in line with expectations;
- We agreed a sample of purchases and sales of unquoted investment vehicles during the period to supporting evidence; and
- Reviewed the basis of valuation to ensure this is in line with the Fund's accounting policy.

What are our conclusions?

We have identified the following matters to report:

- Of the confirmation difference noted on page 10, the portion relating to Pooled Property Investments was £566,000. The two investments totalling £7.3 million noted as being incorrectly classified as level 3 instead of level 1 related to Pooled Property Investments.
- Movements between audited financial statements and the year-end valuations were not significantly different to wider market indices.
- No control observations were noted from our review of investment manager control reports.

Areas of Audit Focus

Valuation of Private Market Investments (Level 3)

What is the risk, and the key judgements and estimates?

Judgement is required to value private market investments as prices are not publicly available and market volatility means that such judgements can quickly become outdated, especially where there is a significant time period between the latest audited information and the Fund's reporting date.

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Our work in this area focused on ensuring that the assumptions used by investment managers in relation to the valuation of private equity investments were free from material misstatement.

Our response to the key areas of challenge and professional judgement

In response to the identified significant risk relating to the Valuation of Level 3 private market investments, the following approach was adopted:

- We documented and walked through the design and implementation of the controls over the valuation process;
- We obtained third party confirmations of the valuation of the pooled investments at the reporting date from the investment managers.
- Reperformed the translation of the net asset value, where reported in a currency other than sterling, to sterling using independently sourced exchange rates.
- We reviewed the relevant investment manager controls reports for qualifications or exceptions that may affect the audit risk;
- We obtained the latest available audited accounts and used the net asset value per the accounts and the Fund's percentage of the share value to recalculate the net asset value included in the investment manager confirmations;
- We agreed a sample of purchases and sales of unquoted investment vehicles during the period to supporting evidence;
- We compared movements between the audited financial statement dates and the valuation at year-end, to relevant indices obtained within EY to ensure these are reasonable; and
- Reviewed the basis of valuation to ensure this is in line with the Fund's accounting policy.

What are our conclusions?

We have identified the following matters to report:

- We further identified that for two investments totalling £18.6 million, fund managers provided valuations on cost rather than on a revaluation basis. This understated the investments reported by £7.3 million.
- The Fund holds investments in a limited company with a reported value of £40.1 million. We noted that the Fund has continued to value this at the cost of the investment, rather than revaluing its investment at 31 March 2023. The value reported was in excess of the Fund's share of the net book value of the company by £30.3 million (£9.8 million total). This has been adjusted by management.
- Movements between audited financial statements and the year-end valuations were not significantly different to wider market indices.

Areas of Audit Focus

Valuation of Directly Held Property (Level 3)

What is the risk, and the key judgements and estimates?

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The Fund has a significant portfolio of directly held property investments. The valuation of these properties is subject to a number of assumptions and judgements, small changes in which could have a significant impact upon their valuation.

Our work in this area focused on ensuring that the assumptions used by the property valuer were appropriate and that the valuations were free from material misstatement.

Our response to the key areas of challenge and professional judgement

In response to the identified significant risk relating to the Valuation of Directly Held Property Investments, the following approach was adopted:

- We documented and walked through the design and implementation of the controls over the valuation process;
- We obtained the valuation report from the Fund's valuer, Cushman and Wakefield, and reconciled the valuations to those reflected in the Fund's accounts;
- We assessed the competence, capabilities and independence of the external valuer to ensure that they can be relied upon as management experts;
- We performed analysis on the property valuations, considering valuation movements and consistency with the valuations of similar assets, to identify any assets with characteristics that indicate a risk of material misstatement; and
- We engaged EY Real Estate specialists to audit the valuations and the underlying assumptions of a sample of assets.

What are our conclusions?

We have identified the following matters to report:

- The Fund's valuer is appropriately objective, competent and capable. We note, however, that the principal signatory of the valuation report has performed the valuation since 2012, in excess of suggested timings under RICS recommendations.
- We identified that properties were mostly valued at the upper end of expected valuation ranges. From properties reviewed, expected valuations were not significantly different to underlying lease agreements and wider market indices and costs.
- No audit differences were identified and we have no further matters to report.

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03 Audit Report

Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDDLESBROUGH COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

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In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2023 and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below.

We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Head of Pensions Governance and Investment's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period to 31 December 2025.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2022/23, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information contained within the Statement of Accounts 2022/23.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Audit Report

Draft audit report

Our opinion on the financial statements

Matters on which we report by exception

We report to you if :

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

Responsibility of the Director of Finance

As explained more fully in the Statement of Responsibilities – Teesside Pension Fund, the Director of Financeis responsible for the preparation of the Pension Fund's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Director of Finance.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making enquiries of the management. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees to confirm Pension policies, and through the inspection of employee handbooks and other information.

Audit Report

Draft audit report

Our opinion on the financial statements

- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud. Based on our risk assessment procedures we identified the manipulation of journal entries of the investment asset valuations to be our fraud risk. To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- To address our fraud risk we tested the consistency of the investment asset valuation from the independent sources of the custodian and the fund managers to the financial statements.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation ot the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team [including the use of specialists where appropriate], to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Middlesbrough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Middlesbrough Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Rob Jones (Key Audit Partner)

Ernst & Young LLP

Glasgow

[Date]

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04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £2.5 million which have been corrected by management that were identified during the course of our audit:

Adjusted audit misstatements **31 March 2023**	**Effect on the current period:**
	Net Assets Increase/(Decrease)
Errors	**£'000**
Factual differences	
• Management have posted a correction of £15.5 million in the current year and for previous years, whereby distributions for non-recallable capital have been recorded as income, rather than a disposal. This is corrected against Profits and losses on disposal of investments and changes in market value.	
• The Pension Fund has an investment in a limited company that has not been revalued during the financial year.	(30,283)
Net impact on the Statement of Accounts	**(30,283)**

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of unadjusted differences

We highlight the following misstatements greater than £2.5 million which have not been corrected by management that were identified during the course of our audit:

Unadjusted audit misstatements 31 March 2023	Effect on the current period:
	Net Assets Increase/ (Decrease)
Errors	**£'000**
Factual differences	
• Differences were noted between confirmations received from fund managers and amounts reported by the Pension Fund.	10,137
• One fund manager has reported valuations on the basis of cost rather than a revalued basis.	7,315
Net impact on the Statement of Accounts	**17,452**

Audit Differences

Summary of unadjusted disclosure differences

During the course of the audit, we identified a number of disclosure matters and made a number of recommendations to management to improve the presentation of financial statements disclosures. The following are the most significant which we consider warrant the attention of the Audit Committee, consistent with our findings from the 21/22 audit findings reported separately:

- **Financial Instruments** – Note 14 contains disclosures relating to the Pension Fund's financial instruments. Our testing of these disclosures identified that the Pension Fund had incorrectly identified the level in the fair value hierarchy of a number of its investments. In addition, the Pension Fund had incorrectly included the directly held property within this disclosure – directly held property is not a financial instrument and should therefore be excluded from these disclosures.
- **Geographical Location of Investments** – Note 13 contains disclosure of the geographical location in which the Pension Fund's investments are held. Our testing identified that this disclosure was based on the location of the investment manager, rather than the underlying investments, and was therefore incorrectly prepared. In preparing a revised disclosure, management have opted to simplify the previous breakdown of locations to now disclose those investments held in the UK and those held outside of the UK, in-line with the disclosure requirement of the CIPFA Code.

The above disclosure errors, together with the material levels of misstatement reported on the previous pages and the volume of other disclosure errors not individually warranting the Audit Committee's attention, indicates a poor control environment over the production of the Pension Fund's financial statements.

Significant audit effort has been required to resolve misstatements and disclosure errors which should have been identified and corrected via the Pension Fund's internal review processes prior to publication of the draft financial statements (or provision for audit where relating to subsequently amended disclosures). The increased time and resource taken to identify, address and report on these misstatements will result in additional audit fees .

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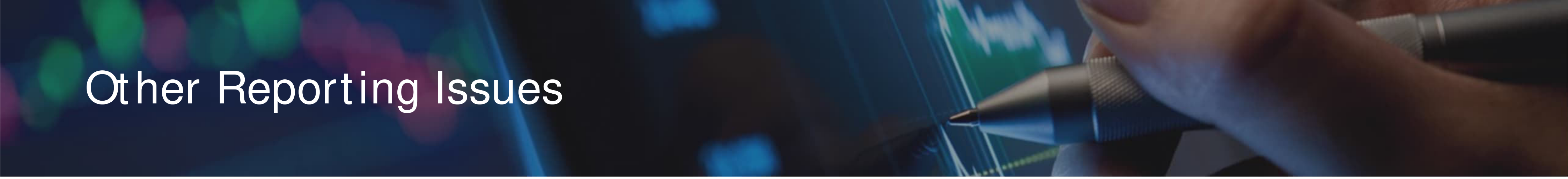
05 Other Reporting Issues



Other Reporting Issues

Consistency of other information published with the financial statements

We are required to review the Pension Fund Annual Report and issue an opinion on the consistency of the report with the audited Pension Fund financial statements included within the Middlesbrough Council Statement of Accounts. We agreed with management we would only review the Annual Report once we were collectively satisfied that no further changes would be required to the financial statements.

We have not yet received a copy of the final Annual Report to perform these checks. We are working with management to enable completion of these checks in time to issue the consistency opinion at the same time as our main audit report.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We had no reason to exercise these duties.

Other Reporting Issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Pension Fund's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

We have included the significant matter which we wish to bring to the attention of the Audit Committee within this report.

06 Assessment of Control Environment

Assessment of the control environment

Financial controls

It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have no significant deficiencies in internal control to bring to the attention of the Audit Committee.

During the course of the 2021/22 financial statement audit, we identified a number of control observations, which are set out in the following pages. Given the timing of the completion of the 2021/22 and 2022/23 financial statement audit being the same, management has not implemented any changes to the control environment to respond to these matters and we have the same observations from our experience in the 2022/23 audit.

Assessment of Control Environment – 2022/23 findings

Area	Recording of asset valuations
Rating	Red
Observation	Our testing of investment valuations identified significant levels of error in the recorded value of individual investments, including investments recorded in the wrong currency and transactions close to year-end being omitted from the financial statement valuations. Gross misstatements identified totalled £107m, which is more than 2% of the Fund's net assets, although we note the net impact of misstatements was smaller but not insignificant. This level of misstatement leads us to conclude that controls over the recording of investment valuations are not operating effectively.
Recommendation	We recommend management review the controls in place to ensure accurate recording of investment valuations, including ensuring there is a robust review process, to ensure that investments are not recorded at the incorrect value.
Management response	The Head of Pensions and Governance will implement a process to undertake a quarterly review of the basis of recording investment valuations by a supervising officer. This will be implemented in producing the 2024/25 accounts and will also review the draft 2023/24 accounts that remain subject to audit.

Area	Production of the financial statements
Rating	Red
Observation	Our audit identified a number of material disclosure errors including disclosures being prepared on the incorrect basis and not in accordance with the requirements of the Pension Fund's reporting framework. We also note that knowledge supporting the production of the financial statements is concentrated with a small number of people (2 officers), which significantly increases the risk of loss of corporate knowledge should there be a turnover in staff.
Recommendation	We recommend management review the controls in place to ensure the financial statements are prepared in accordance with the requirements of the reporting framework, including ensuring there is a robust review process. We also recommend that knowledge of how to prepare material disclosures is formally documented to reduce the risk of loss of corporate knowledge.
Management response	The Director of Finance is due to implement a revised operating model within the accountancy disciplines within the Finance Directorate in the 2025/26 financial year subject to approval of the associated investment in the budget by Council in February 2025. There will be a new role of Chief Accountant who will be required to oversee the production of both the Council and Pension Fund Accounts to ensure compliance with relevant legislation, reporting standards and the code of practice and to build resilience within the Pensions and Accountancy Teams.

Assessment of Control Environment – 2022/23 findings

Area

Reconciliation to custodian reports

Rating

Observation

Our testing of the Pension Fund's reconciliation of its accounting records against the investment valuations provided by the custodian identified that the reconciliation is performed shortly after each month end, when final valuations are often still to be reported to the custodian by investment managers.

There is no subsequent revisiting of this reconciliation to identify where valuations have changed, which we consider was a factor in why the Pension Fund did not identify the misstatements of investment valuations reported in section 2.

Recommendation

We recommend management review the timing of the reconciliation to custodian reporting to ensure the reconciliation takes place at a time when the custodian records are up-to-date. If this is not possible due to delays in custodian reporting, an additional check back against the accounting records should be introduced to support year-end reporting.

Management response

The Head of Pensions and Investments will introduce a year end closure task to reconcile custodian reports to investment manager valuations. This will be adopted in closing the 2024/25 accounts and a check of the draft 2023/24 accounts will be undertaken prior to the audit.

Area

Support for sensitivity disclosures

Rating

Observation

Note 13 to the financial statements includes various disclosures of the sensitivity of the Pension Fund's balances to movements in external factors, such as exchange rates or market movements.

Our testing of these disclosures found that management were unable to support the sensitivities disclosed in the financial statements, partly because the reporting to the Pension Fund by the external party which provided them is limited and the external party is no longer trading.

Recommendation

We recommend management review the controls in place to obtain, and retain support for, the sensitivities disclosed within the financial statements to ensure that disclosures made in the financial statements can be supported.

Management response

The Head of Pensions and Investments will ensure that all documentation relevant to the preparation of the financial statements is retained for management and audit purposes.

Assessment of Control Environment – 2022/23 findings

Area	Review of submissions to the Fund actuary
Rating	
Observation	Where the Pension Fund's actuary provides IAS 19 valuations to individual participating employers for inclusion in the employer's financial statements, they rely on employer-specific information submitted by the Pension Fund. Our testing of this process identified that information submitted to the actuary is prepared and submitted by one individual, with no review performed by someone other than the preparer. A lack of review process increases the risk of error in the information provided to the actuary, though we note we did not identify any such errors.
Recommendation	We recommend management review the process supporting submission of IAS 19 information to the actuary to ensure there is an adequate review to provide assurance that the submission is accurate.
Management response	The Head of Finance and Investment and the Head of Pensions and Investments will liaise to establish an appropriate review process to support the IAS19 position which will improve the assurance and resilience arrangements in relation to this return.

Area	Retention of Fund membership information
Rating	
Observation	The IT system used to administer the Pension Fund is not able to report the membership of the Fund at a past date. Whilst live membership reports are run at key dates, such as the date of triennial valuations, these are not retained and management are therefore unable to subsequently evidence the membership numbers reported at a point in time. The inability to subsequently evidence the membership of the Fund at key dates increases the risk that errors in membership numbers may go undetected, and we consider this a factor in the Pension Fund having to include what is effectively a balance line in their reconciliation of changes in membership between the start and end of the financial year.
Recommendation	We recommend management put in place a process to retain supporting evidence for membership data obtained at key dates, such as the date of triennial valuations of the Pension Fund.
Management response	The Head of Pensions and Investments will put in place a process to ensure that all key data required to evidence key membership at key dates is retained for financial reporting and audit purposes for the 2024/25 accounts

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07 Independence

Other Reporting Issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process. We have the following matters to report:

- During the audit, we made the following observations on internal control and financial reporting:
  - The Altair system incorrectly calculates some aspects of the pension for elements with CARE involved due to applying incorrect inflation increases, there is no IT control in place to prevent this. XPS rely upon their manual checks of each benefit payment to ensure that it matches to the appropriate inflation increases. However, it was noted that this only applies to members on death so the issue is restricted to a small pool of members. We have not identified any issues through our testing.
  - As reported on page 12, one Investment Fund Manager received a qualified opinion in their controls report due to failure to review a report for one of five clients, which could affect valuation of Investment. We are content that this does not have a material impact on the valuation of the fund.
  - As reported on page 12, one Investment Fund Manager had not provided a controls report. We are content that this does not have a material impact on the valuation of the fund.
  - The Pension Fund's pensions administrator, XPS, did not retain a record of a formal review process over the membership data sent to the Fund's actuary.
  - We noted an absence of a review completed by a separate member of the pensions team of the IAS 19 data submission to the Fund's actuary.
  - We noted that the Pension Fund had not fully disclosed all transactions with the administering authority, Middlesbrough Council, due to a late accrual process. No formal process to identify related parties in relation to the administering authority. The Fund should ensure that the GL is reviewed for completeness on preparation of the statements on account.

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; and ► Information about the general policies and process within EY to maintain objectivity and independence	► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit/additional services provided and the fees charged in relation thereto; ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ► Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner; ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ► Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Independence

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Rob Jones, your audit engagement partner, and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, we have not provided any non-audit services, see Appendix B. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Independence

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

EY Transparency Report 2024

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2024:

EY UK 2024 Transparency Report | EY UK

Confirmation and analysis of audit fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The original fees for these years were based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statement opinion being unqualified;
- Appropriate quality of documentation is provided by the Pension Fund;
- The Pension Fund has an effective control environment; and
- The Pension Fund complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.UK/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/.

In particular the Pension Fund should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. See Appendix D.

	2022/23	2021/22
	£	£
Scale fee (1)	35,222	21,972
Total scale fee	**35,222**	**21,972**
Changes in work required to address professional and regulatory requirements and scope associated with risk (2) (3)	49,199	49,199
Revised scale fees	**84,421**	**71,171**
Additional specific one-off considerations reflecting a change in audit work (2) (4)	54,918	74,041
Total core audit fees	**139,339**	**145,212**
IAS 19 procedure fees (recurring) (5)	9,970	9,250
IAS 19 procedure fees (triennial) (5)	-	10,000
Total audit fees	**149,309**	**164,462**
No non-audit services have been provided	-	-
Total other non-audit services	**-**	**-**
Total fees	**139,309**	**164,462**

All fees exclude VAT, see notes overleaf

08 Appendices

Appendix A

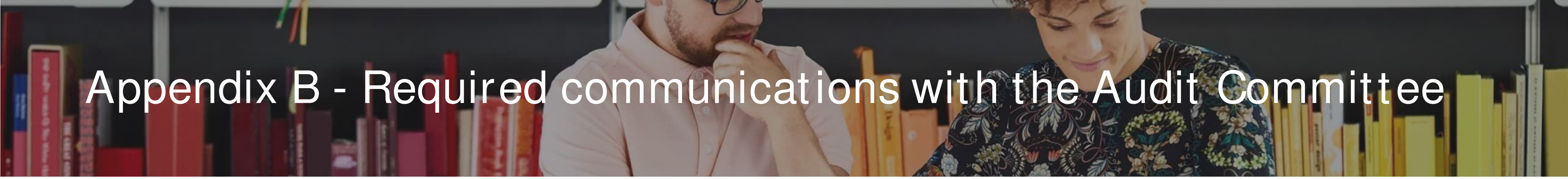
Audit approach update

We summarise below our approach to the audit of the Net Asset Statement and any changes to this approach from prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the Net Asset Statement include:

- Existence: An asset, liability and equity interest exists at a given date;
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date;
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items;
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded; and
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework.

We have tested each of these assertions substantively for all material balances included in the Net Asset Statement.



Appendix B - Required communications with the Audit Committee

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report – 29 November 2023
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Planning Report – 29 November 2023
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	This Audit Results Report

Appendix B - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements	This Audit Results Report
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	This Audit Results Report
Fraud	• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility.	This Audit Results Report

Appendix B - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	This Audit Results Report
External confirmations	► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	This Audit Results Report
Consideration of laws and regulations	► Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ► Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of	This Audit Results Report
Internal controls	► Significant deficiencies in internal controls identified during the audit	This Audit Results Report
Representations	Written representations we are requesting from management and/or those charged with governance	This Audit Results Report
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Audit Results Report

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Appendix B - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	This Audit Results Report
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	This Audit Results Report

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Appendix B - Required communications with the Audit Committee (cont'd)

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Required communications	What is reported?	Our Reporting to you When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	This Audit Results Report
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	This Audit Results Report

Appendix B - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Audit Results Report
Auditors report	• Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report	This Audit Results Report

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Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young LLP
G1 Building
5 George Square
Glasgow
G2 1DY

Dear Sirs,

This letter of representations is provided in connection with your audit of the financial statements of Teesside Pension Fund ("the Fund") for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and for keeping records in respect of contributions received in respect of active members of the Fund.
2. We confirm that the Fund is a Registered Pension Fund. We are not aware of any reason why the tax status of the Fund should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements and the Summary of Contributions. We believe the financial statements referred to above give a true and fair view of the financial transactions and the financial position of the Fund in accordance with applicable law the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and are free of material misstatements, including omissions. We have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that are free from material misstatement, whether due to fraud or error.
6. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to our attention from the auditor because [management to specify reason].

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

Management representation letter

Management Rep Letter

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2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to the Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.
5. There have been no other communications with the Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.
6. We confirm that we are not aware of any breaches of the Payment Schedule/Schedule of Contributions or any other matters that have arisen which we considered reporting to the Pensions Regulator.
7. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Fund (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
    - Involving financial improprieties
    - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
    - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue in business, or to avoid material penalties
    - Involving management, or employees who have significant roles in internal control, or others.
    - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
    - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [DATE].
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year-ended 31 March 2023. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We confirm the completeness of information provided regarding annuities held in the name of the members of management of the Fund.

Management representation letter

Management Rep Letter

7. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.
8. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
9. No transactions have been made which are not in the interests of the Fund members or the Fund during the year or subsequently.
10. From 27 April 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

E. Subsequent Events

1. Other than the High Court Ruling regarding Virgin Media Limited v NTL Pension Trustees II Limited described in Note 22 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the annual report on pages 1 to 39, other than the financial statements, the auditor's report and the statement about contributions.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Advisory Reports

1. We have not commissioned any advisory reports which may affect the conduct of your work in relation to the Fund's financial statements and schedule of contributions/payment schedule.

H. Independence

1. As members of management of the Fund, we are not aware of any matters which would render Ernst & Young LLP ineligible to act as auditor to the Fund.

I. Derivative Financial Instruments and Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that the Fund has made no direct investment in derivative financial instruments.
2. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the

Management representation letter

Management Rep Letter

requirements of the LGPS (Management and Investment of Funds) Regulations 2016 in respect of these investments has been followed.

K. Estimates

Pooled investment vehicles, directly held property and actuarial valuation disclosures (“the estimates”)

1. We confirm that the significant judgments made in making the estimates have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates.
3. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out the investment strategy to which they relate, reflect the expectations of the Fund and to meet the obligations to members of the Fund with regards to payment of retirement benefits.
4. We confirm that the disclosures made in the financial statements with respect to the estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic on the Fund, are complete and are reasonable in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.
5. We confirm that appropriate specialized skills or expertise has been applied in making the estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

L. Use of the Work of a Specialist

1. 1 We agree with the findings of the specialists that we have engaged to value Investments held by the Fund and the Fund’s liabilities to its members to pay retirement benefits and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Going Concern

1. Based on our assessment of going concern, the details of which have been shared with you, we confirm that we are not aware of any material uncertainties related to events or conditions that may cast significant doubt on the Fund’s ability to continue as a going concern. We do not intend to wind up the Fund. We are satisfied that the use of the going concern basis of accounting is appropriate in the preparation and presentation of the financial statements

N. Climate-Related Matters

1. Whilst recognising that the Climate Change Governance and Reporting Regulations do not cover the Local Government Pension Scheme, we confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of United Kingdom Generally Accepted Accounting Practice aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

____

(Head of Pensions)

____

(Chair)

Date

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Appendix D

PSAA Statement of Responsibilities

As set out on page 36 our fee is based on the assumption that the Pension Fund complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Pension Fund should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- assign responsibilities clearly to staff with the appropriate expertise and experience;
- provide necessary resources to enable delivery of the plan;
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

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ED None

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 6

PENSION FUND COMMITTEE REPORT

11 DECEMBER 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 JULY - SEPTEMBER 2024**

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 September 2024 was 5.97%</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 £34m was invested in the quarter.

5. TRANSACTION REPORT

5.1 It is a requirement that all transactions undertaken are reported to the Committee. Appendix A details transactions for the period 1 July 2024 – 30 September 2024.

5.2 There were net sales of £147m in the period.

6. TREASURY MANAGEMENT

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

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

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

6.4 As at 30 September 2024, the Fund had £326m invested with approved counterparties. This is a increase of £135m over the last quarter.

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

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

7. FUND VALUATION

7.1 The Fund Valuation details all the investments of the Fund as at 30 September 2024, and is prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, is **£5,483 million.** The detailed valuation attached as Appendix C is also available on the Fund's website www.teespen.org.uk. This compares with the last reported valuation, as at 31 March 2024 of **£5,524 million**.

7.3 A summary analysis of the valuation (attached with the above), shows the Fund's percentage weightings in the various asset classes as at 30 September 2024 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 September 2024 Pension Fund Committee a revised Strategic Asset Allocation was agreed:

Asset Class	Long Term Target SAA	Current 30/09/24	Minimum	Maximum
GROWTH ASSETS	70%	68.97%	50%	90%
UK Equities	10%	10.89%	5%	20%
+Overseas Equities	45%	46.60%	30%	60%
Private Equity	15%	11.48%	0%	10%
PROTECTION ASSETS	30%	31.03%	10%	50%
Bonds / Other debt / Cash	10%	8.51%	0%	20%
Property	10%	10.84%	0%	20%
Infrastructure	10%	11.68%	0%	20%

8.4 EQUITIES

As at the 30 September 2024 the Fund's equity weighting was 57.49% compared to 60.26% at the end of June 2024.

It has been agreed between the Investment Advisers and the Head of Pensions Governance & Investments that the Fund will disinvest from our State Street (SSGA) Passive Equity Funds.

There are a number of reasons why this decision was made:

- The Advisers concern over the lack of liquidity within the Fund – 50% of the redemption proceeds will be kept as cash.
- To reduce our overweight in equities.
- To further comply with the Governments directive of pooling assets by 2025 – 50% will be transferred to the Border to Coast Overseas Developed Equity Fund.
- Our preference is for active over passive management, and the positive track record of Border to Coast's Overseas Developed Equity Fund gives confidence that we no longer require a passive equity holding.

In the quarter July – September we redeemed £435m, of that, £330m was re-invested in the Border to Coast Overseas Developed Equity Fund with the remainder held as cash at the Fund.

Summary of equity returns for the quarter 1 July 2024 – 30 September 2024:

Asset	Fund Performance	Benchmark	Excess Return
BCPP UK	2.10%	2.26%	-0.16%
BCPP Overseas	-0.75%	0.27%	-1.03%
BCPP Emerging Market	2.54%	4.62%	-2.09%
SSGA Pacific	1.06%	1.05%	0.01%
SSGA Japan	0.72%	0.58%	0.14%
SSGA Europe	0.22%	0.20%	0.02%
SSGA North America	-0.16%	-0.27%	0.11%

(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 5.97%. 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 4 Local Investments:

GB Bank – £20m initial investment called in full in September 2020.
£6.5m was paid to the bank in December 2021.
£13.5m paid August 2022 as the bank received regulatory approval to exit mobilisation.
£4m was agreed at the September 2023 Committee and paid to GB Bank in October.
£5m agreed at March 2024 Committee and paid May 2024.

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

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

FW Capital – At the September Committee agreement was given for an investment of £20m into the Teesside Flexible Investment Fund.
The money will be called down as and when investments are made.

8.8 **ALTERNATIVES**

As at 31 October 2024 total commitments to private equity, infrastructure and other debt were £1,920m, as follows:

	Total committed	Total Invested
Border to Coast Infrastructure	£500m	£266m
Other Infrastructure Managers	£442m	£368m
Border to Coast Private Equity	£400m	£187m
Other Private Equity Managers	£400m	£337m
Other Debt	£178m	£172m
Totals	**£1,920m**	**£1,330m**

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

TEL NO.: 01642 729040

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Appendix A

Settlement Date	Buy / Sell	Stock Name	Country/Category	Sector/Country	Nominal Amount of Shares	Price	CCY	Purchase Cost / Sale Proceeds £	Book Cost of Stock Sold	Profit/ (Loss) on Sale
						(P)		(£)	(£)	(£)
04 July 2024	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-51,626.33	-51,626.33	0.00
08 July 2024	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-14,480.33	-14,480.33	0.00
08 July 2024	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	126,340.73	126,340.73	0.00
08 July 2024	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-47,313.20	-47,313.20	0.00
12 July 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	90,331.20	90,331.20	0.00
12 July 2024	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	-134,874.85	-134,874.85	0.00
15 July 2024	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	-20,566.73	-20,566.73	0.00
16 July 2024	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-47,515.58	-47,515.58	0.00
16 July 2024	S	ACIF Infrastructure LP	Infrastructure	Infrastructure	~	~	EUR	-89,933.38	-89,933.38	0.00
18 July 2024	P	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	2,385,865.81	2,385,865.81	0.00
18 July 2024	S	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	-494,403.96	-494,403.96	0.00
18 July 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	239,910.22	239,910.22	0.00
22 July 2024	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	280,075.37	280,075.37	0.00
22 July 2024	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-16,290.40	-16,290.40	0.00
24 July 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	22,648.66	22,648.66	0.00
24 July 2024	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-16,626.06	-16,626.06	0.00
26 July 2024	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-63,996.46	-63,996.46	0.00
26 July 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	45,407.50	45,407.50	0.00
26 July 2024	P	Foresight Energy Infrastructure Partners	Infrastructure	Infrastructure	~	~	EUR	485,969.15	485,969.15	0.00
29 July 2024	P	Ancala Infrastructure Fund II LP	Infrastructure	Infrastructure	~	~	EUR	623,530.61	623,530.61	0.00
29 July 2024	S	Ancala Infrastructure Fund II LP	Infrastructure	Infrastructure	~	~	EUR	-53,550.17	-53,550.17	0.00
29 July 2024	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	GBP	923,845.00	923,845.00	0.00
01 August 2024	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	325,546.54	325,546.54	0.00
01 August 2024	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-1,828.82	-1,828.82	0.00
05 August 2024	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	43,051.96	43,051.96	0.00
05 August 2024	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-22,843.90	-22,843.90	0.00
07 August 2024	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-66,757.39	-66,757.39	0.00
14 August 2024	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-49,979.27	-49,979.27	0.00
15 August 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	1,792,447.61	1,792,447.61	0.00
15 August 2024	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	EUR	-9,856.01	-9,856.01	0.00
19 August 2024	P	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	140,840.82	140,840.82	0.00
19 August 2024	S	Ancala Infrastructure Fund II LP	Infrastructure	Infrastructure	~	~	EUR	-91,664.95	-91,664.95	0.00
20 August 2024	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	749,521.00	749,521.00	0.00
20 August 2024	P	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	EUR	293,300.90	293,300.90	0.00
21 August 2024	S	Border to Coast Infrastructure Series 1C	Infrastructure	Infrastructure	~	~	USD	-3,118.04	-3,118.04	0.00
22 August 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	70,245.28	70,245.28	0.00
23 August 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	332,824.71	332,824.71	0.00
23 August 2024	P	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	1,730,951.06	1,730,951.06	0.00
23 August 2024	S	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	-29,531.08	-29,531.08	0.00
28 August 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	620,327.32	620,327.32	0.00
28 August 2024	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-20,486.93	-20,486.93	0.00
29 August 2024	P	Blackrock Global Renewable Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	979,000.17	979,000.17	0.00
03 September 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	71,915.20	71,915.20	0.00
03 September 2024	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	-8,021.09	-8,021.09	0.00
04 September 2024	S	Access Capital Fund Infrastructure II	Infrastructure	Infrastructure	~	~	EUR	-362,040.83	-362,040.83	0.00
05 September 2024	S	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	-337,688.95	-337,688.95	0.00
05 September 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	237,432.88	237,432.88	0.00
09 September 2024	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	159,585.84	159,585.84	0.00
11 September 2024	P	Capital Dynamics Clean Energy Infrastructure VIII	Infrastructure	Infrastructure	~	~	GBP	500,000.00	500,000.00	0.00
11 September 2024	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	EUR	-37,597.48	-37,597.48	0.00
11 September 2024	S	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	-79,119.85	-79,119.85	0.00
11 September 2024	P	Capital Dynamics Clean Energy Infrastructure VIII Co-Investment	Infrastructure	Infrastructure	~	~	GBP	250,000.00	250,000.00	0.00
12 September 2024	S	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	EUR	-148,357.48	-148,357.48	0.00

12 September 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	EUR	42,723.34	42,723.34	0.00
16 September 2024	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	EUR	697,235.50	697,235.50	0.00
16 September 2024	S	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	EUR	-74,959.87	-74,959.87	0.00
17 September 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	402,819.32	402,819.32	0.00
18 September 2024	S	Border to Coast Infrastructure Series 2B	Infrastructure	Infrastructure	~	~	USD	-617,309.25	-617,309.25	0.00
18 September 2024	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	358,345.32	358,345.32	0.00
18 September 2024	S	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	USD	-118,449.88	-118,449.88	0.00
20 September 2024	P	Foresight Energy Infrastructure Partners	Infrastructure	Infrastructure	~	~	EUR	750,792.32	750,792.32	0.00
20 September 2024	P	Border to Coast Infrastructure Series 1B	Infrastructure	Infrastructure	~	~	USD	5,371.19	5,371.19	0.00
23 September 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	147,855.02	147,855.02	0.00
23 September 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	180,266.20	180,266.20	0.00
23 September 2024	P	Border to Coast Infrastructure Series 1A	Infrastructure	Infrastructure	~	~	GBP	188,560.00	188,560.00	0.00
25 September 2024	P	Border to Coast Infrastructure Series 2A	Infrastructure	Infrastructure	~	~	USD	768,557.35	768,557.35	0.00
27 September 2024	P	Blackrock Global Energy & Power Infrastructure Fund III	Infrastructure	Infrastructure	~	~	USD	143,000.46	143,000.46	0.00
								14,075,653.06		
06 August 2024	P	Teesside Flexible Investment Fund	Local Investments	Local Investments	~	~	GBP	95,000.00	95,000.00	0.00
								95,000.00		
02 July 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	83,986.11	83,986.11	0.00
02 July 2024	S	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	-9,873.77	-9,873.77	0.00
02 July 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	80,276.78	80,276.78	0.00
03 July 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	245,485.65	245,485.65	0.00
03 July 2024	S	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	-7,673.57	-7,673.57	0.00
16 July 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	457,135.63	457,135.63	0.00
01 August 2024	S	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	GBP	-101,918.32	-101,918.32	0.00
01 August 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	GBP	1,116.96	1,116.96	0.00
02 August 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	1,079,320.75	1,079,320.75	0.00
06 August 2024	P	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	GBP	198,167.51	198,167.51	0.00
06 August 2024	P	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	EUR	1,599,276.75	1,599,276.75	0.00
20 August 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	GBP	213,391.41	213,391.41	0.00
23 August 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	18,808.09	18,808.09	0.00
28 August 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	GBP	88,381.76	88,381.76	0.00
04 September 2024	S	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	-2,278,957.12	-2,278,957.12	0.00
05 September 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	195,497.28	195,497.28	0.00
09 September 2024	P	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	GBP	1,414,862.62	1,414,862.62	0.00
09 September 2024	S	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	GBP	-102,069.97	-102,069.97	0.00
20 September 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	468,680.38	468,680.38	0.00
20 September 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	218,528.69	218,528.69	0.00
23 September 2024	P	Border to Coast Climate Opportunities Series 2A	Other Alternatives	Other Alternatives	~	~	USD	357,717.93	357,717.93	0.00
30 September 2024	S	La Salle Real Estate Debt Strategies IV	Other Alternatives	Other Alternatives	~	~	GBP	-42,744.49	-42,744.49	0.00
								4,177,397.05		
19 July 2024	P	St Arthur Homes	Other Debt	Other Debt	~	~	GBP	1,501,979.00	1,501,979.00	0.00
22 July 2024	S	Greyhound Retail Park, Chester	Other Debt	Other Debt	~	~	GBP	-109,375.00	-109,375.00	0.00
30 August 2024	S	Pantheon Private Debt PSD II	Other Debt	Other Debt	~	~	USD	-584,256.23	-584,256.23	0.00
								808,347.78		
12 July 2024	S	Border to Coast Overseas Developed Markets Equity Fund	Overseas Equities	Overseas Developed M	-13,183,659.87	189.79	GBP	-25,021,268.07	-18,227,391.48	6,793,876.59
26 July 2024	S	Border to Coast Overseas Developed Markets Equity Fund	Overseas Equities	Overseas Developed M	-13,577,853.30	184.28	GBP	-25,021,268.07	-18,772,393.25	6,248,874.82
23 August 2024	S	Asia Pacific ex Japan Screened Index Equity Sub-Fund	Overseas Equities	Pacific Basin	-3,751,782.10	6.6635	GBP	-25,000,000.00	-17,948,786.19	7,051,213.81
12 September 2024	S	Asia Pacific ex Japan Screened Index Equity Sub-Fund	Overseas Equities	Pacific Basin	-6,145,336.00	6.5194	GBP	-40,000,000.00	-29,399,714.36	10,600,285.64

25 September 2024	S	Europe ex UK Screened Index Equity Sub-Fund	Overseas Equities	Europe	-4,155,246.25	9.6283	GBP	-40,000,000.00	-26,394,375.72	13,605,624.28
27 September 2024	S	Asia Pacific ex Japan Screened Index Equity Sub-Fund	Overseas Equities	Pacific Basin	-32,625,204.51	6.6012	GBP	-215,000,000.00	-156,081,244.87	58,918,755.13
27 September 2024	S	Europe ex UK Screened Index Equity Sub-Fund	Overseas Equities	Europe	-7,714,757.01	9.7226	GBP	-75,000,000.00	-49,004,603.55	25,995,396.45
27 September 2024	S	Japan Screen Index Equity Sub-Fund	Overseas Equities	Japan	-15,524,418.55	2.5771	GBP	-40,000,000.00	-28,792,772.06	11,207,227.94
27 September 2024	P	Border to Coast Overseas Developed Markets Equity Fund	Overseas Equities	Overseas Developed M	178,458,851.46	184.73	GBP	330,000,000.00	330,000,000.00	0.00
								-155,042,536.14		
01 July 2024	P	Unigestion Direct II - North America	Private Equity	Private Equity	~	~	EUR	340,693.36	340,693.36	0.00
05 July 2024	P	Crown Co-Investment Opportunities III	Private Equity	Private Equity	~	~	USD	1,178,412.33	1,178,412.33	0.00
05 July 2024	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	GBP	-67,543.39	-67,543.39	0.00
09 July 2024	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-110,005.50	-110,005.50	0.00
10 July 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	30,241.92	30,241.92	0.00
10 July 2024	S	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	-11,119.86	-11,119.86	0.00
10 July 2024	P	Unigestion Direct III - Co-Investment	Private Equity	Private Equity	~	~	EUR	910,787.10	910,787.10	0.00
11 July 2024	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-50,872.21	-50,872.21	0.00
15 July 2024	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	GBP	-51,550.00	-51,550.00	0.00
16 July 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	341,116.06	341,116.06	0.00
16 July 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	702,140.05	702,140.05	0.00
16 July 2024	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	-11,202.13	-11,202.13	0.00
17 July 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	803,014.31	803,014.31	0.00
17 July 2024	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-1,046,892.65	-1,046,892.65	0.00
18 July 2024	P	Crown Growth Opportunities Global III	Private Equity	Private Equity	~	~	EUR	1,388,452.39	1,388,452.39	0.00
18 July 2024	S	Crown Growth Opportunities Global III	Private Equity	Private Equity	~	~	EUR	-556,126.90	-556,126.90	0.00
22 July 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	156,495.11	156,495.11	0.00
22 July 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	660,314.43	660,314.43	0.00
22 July 2024	S	Crown Co-Investments Opportunities II	Private Equity	Private Equity	~	~	USD	-1,411,547.44	-1,411,547.44	0.00
23 July 2024	P	Foresight Regional Investment IV LP	Private Equity	Private Equity	~	~	GBP	35,063.55	35,063.55	0.00
23 July 2024	S	Foresight Regional Investment IV LP	Private Equity	Private Equity	~	~	GBP	-18,801.94	-18,801.94	0.00
25 July 2024	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	983,297.95	983,297.95	0.00
29 July 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	887,087.96	887,087.96	0.00
29 July 2024	S	Blackrock Private Opportunitied Fund IV	Private Equity	Private Equity	~	~	USD	-543,092.61	-543,092.61	0.00
30 July 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	131,407.46	131,407.46	0.00
30 July 2024	S	Access Capital Fund VII Growth Buy-Out Europe	Private Equity	Private Equity	~	~	EUR	-326,244.54	-326,244.54	0.00
02 August 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	289,802.02	289,802.02	0.00
02 August 2024	S	Capital Dynamics Global Secondaries V	Private Equity	Private Equity	~	~	USD	-148,926.62	-148,926.62	0.00
06 August 2024	S	Pantheon Global Co-Investment Fund IV	Private Equity	Private Equity	~	~	USD	-673,962.03	-673,962.03	0.00
06 August 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	196,797.73	196,797.73	0.00
07 August 2024	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	179,907.11	179,907.11	0.00
07 August 2024	P	Crown Secondaries Special Opportunities II	Private Equity	Private Equity	~	~	USD	269,190.25	269,190.25	0.00
07 August 2024	S	Blackrock Private Opportunitied Fund IV	Private Equity	Private Equity	~	~	USD	-75,777.72	-75,777.72	0.00
08 August 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	798,593.24	798,593.24	0.00
09 August 2024	P	Foresight Regional Investment IV LP	Private Equity	Private Equity	~	~	GBP	37,603.88	37,603.88	0.00
09 August 2024	P	Hermes GPE - Innovation Fund	Private Equity	Private Equity	~	~	GBP	528,232.13	528,232.13	0.00
09 August 2024	S	Hermes GPE - Innovation Fund	Private Equity	Private Equity	~	~	GBP	-118,573.59	-118,573.59	0.00
09 August 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	437,718.96	437,718.96	0.00
09 August 2024	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-18,938.47	-18,938.47	0.00
16 August 2024	P	Border to Coast Private Equity Series 2B	Private Equity	Private Equity	~	~	USD	162,607.62	162,607.62	0.00
19 August 2024	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	126,669.57	126,669.57	0.00
21 August 2024	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-666,472.18	-666,472.18	0.00
23 August 2024	P	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	10,488.38	10,488.38	0.00
27 August 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	622,592.35	622,592.35	0.00
29 August 2024	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	USD	-155,307.59	-155,307.59	0.00
30 August 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	937,183.81	937,193.81	0.00
30 August 2024	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	-1,045,459.02	-1,045,459.02	0.00
03 September 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	215,448.17	215,448.17	0.00

04 September 2024	S	Border to Coast Private Equity Series 1B	Private Equity	Private Equity	~	~	GBP	-64,437.50	-64,437.50	0.00
06 September 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	145,042.45	145,042.45	0.00
06 September 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	95,284.99	95,284.99	0.00
09 September 2024	P	Access Capital Co-Investment Fund Buy-Out Europe II	Private Equity	Private Equity	~	~	EUR	843,211.60	843,211.60	0.00
09 September 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	258,778.73	258,778.73	0.00
09 September 2024	S	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	-547,899.17	-547,899.17	0.00
09 September 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	89,373.51	89,373.51	0.00
10 September 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	EUR	1,143,779.88	1,143,779.88	0.00
17 September 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	EUR	31,707.39	31,707.39	0.00
17 September 2024	P	Border to Coast Private Equity Series 2A	Private Equity	Private Equity	~	~	USD	528,070.94	528,070.94	0.00
18 September 2024	P	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	168,014.23	168,014.23	0.00
19 September 2024	S	Border to Coast Private Equity Series 1C	Private Equity	Private Equity	~	~	USD	-4,864.99	-4,864.99	0.00
19 September 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	USD	20,909.51	20,909.51	0.00
20 September 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	EUR	20,302.01	20,302.01	0.00
24 September 2024	P	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	51,338.80	51,338.80	0.00
24 September 2024	S	Border to Coast Private Equity Series 1A	Private Equity	Private Equity	~	~	GBP	-103,384.78	-103,384.78	0.00
26 September 2024	P	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	1,183,234.73	1,183,234.73	0.00
26 September 2024	S	Capital Dynamics Mid-Market Direct V	Private Equity	Private Equity	~	~	EUR	-1,183,234.73	-1,183,234.73	0.00
30 September 2024	P	Foresight Regional Investment IV LP	Private Equity	Private Equity	~	~	GBP	22,592.61	22,592.61	0.00
30 September 2024	P	Unigestion Direct III - Global	Private Equity	Private Equity	~	~	EUR	1,844,729.65	1,844,729.65	0.00
30 September 2024	S	Unigestion Direct III - Global	Private Equity	Private Equity	~	~	EUR	-1,336,230.39	-1,336,230.39	0.00
30 September 2024	P	GB Bank Limited	Private Equity	Local Investments	307,219.00	13.02	GBP	3,999,991.38	3,999,991.38	0.00
26 July 2024	P	GB Bank Limited	Private Equity	Local Investments	76,804.00	13.02	GBP	999,988.08	999,988.08	0.00
								14,459,241.73		
09 August 2024	S	Border to Coast UK Listed Equity Fund	UK Equities	United Kingdom	-18,357,926.95	136.32	GBP	-25,025,526.03	-22,429,282.60	2,596,243.43
								-25,025,526.03		
Periods July, August and September 2024 (Cumulative) Total								**-146,452,422.56**		
Total Profit - ***NB: Losses are shown with a ( )***										**143,017,498.09**

Appendix B

	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	4.26%	4.16%	6.29%	4.95%	4.92%	4.97%	5.01%	4.85%	0.00%	0.00%	0.00%
Amount Invested	25,000,000	30,100,000	28,000,000	94,700,000	83,900,000	34,000,000	23,000,000	7,500,000	0	0	0
Proportion of Cash	7.66%	9.23%	8.58%	29.03%	25.72%	10.42%	7.05%	2.30%	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	0.30000000	13.190
Common Stock YOUNG AUSTRALIAN MINES LTD SEDOL : 6741626	0.00	AUD	225,391.000	283,349.800	0.06900000	8,043.530
Total Australia	**0.00**		**225,476.000**	**283,349.800**		**8,056.720**
Europe Region						
Common Stock ACIF INFRASTRUCTURE FUND LP CUSIP : 9936FC996	0.00	EUR	24,481,962.550	21,751,813.700	0.82175020	16,738,924.140
Total Europe Region	**0.00**		**24,481,962.550**	**21,751,813.700**		**16,738,924.140**
Guernsey, Channel Islands						
Common Stock AMEDEO AIR FOUR PL ORD NPV SEDOL : BNDVLS5	0.00	GBP	4,666,665.000	3,907,776.010	0.51700000	2,412,665.810
Total Guernsey, Channel Islands	**0.00**		**4,666,665.000**	**3,907,776.010**		**2,412,665.810**
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 PLC 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**		**31,060,503.550**	**28,326,933.330**		**19,239,840.470**
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	0.82490000	12,373,500.000
Total Guernsey, Channel Islands	**0.00**		**15,000,000.000**	**15,000,000.000**		**12,373,500.000**
United Kingdom						
Funds - Common Stock BORDER TO COAST PE UK LISTED EQUITY A GBP ACC SEDOL : BDD86K3	0.00	GBP	426,407,606.190	442,856,209.700	1.39420000	594,497,484.550
Total United Kingdom	**0.00**		**426,407,606.190**	**442,856,209.700**		**594,497,484.550**

**Generated by Northern Trust from periodic data on 28 Oct 24*

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**		**441,407,606.190**	**457,856,209.700**		**606,870,984.550**
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	1.34650000	19,335,152.210
Total Guernsey, Channel Islands	**0.00**		**14,359,563.469**	**15,000,000.000**		**19,335,152.210**
Japan						
Unit Trust Equity JPN SCREENED INX EQY SUB-FND-HKHX SEDOL : 001533W	0.00	GBP	32,916,574.209	61,049,592.000	2.61200000	85,978,091.830
Total Japan	**0.00**		**32,916,574.209**	**61,049,592.000**		**85,978,091.830**
Luxembourg						
Unit Trust Equity ABERDEEN STANDARD EUR PPTY GROWTH FD LP SEDOL : 8A8TB3U	0.00	EUR	324.970	20,636,888.600	107,309.85000000	29,015,118.700
Total Luxembourg	**0.00**		**324.970**	**20,636,888.600**		**29,015,118.700**
Pacific Region						
Unit Trust Equity ASIA PFC EX JPN SCREEN INX EQ SUB-FND-HKHY SEDOL : 001532W	0.00	GBP	8,169,982.902	39,085,765.780	6.77890000	55,383,497.090
Total Pacific Region	**0.00**		**8,169,982.902**	**39,085,765.780**		**55,383,497.090**
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	3,533,275.453	22,443,579.570	9.77780000	34,547,660.720
Unit Trust Equity LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY SEDOL : 0521664	0.00	GBP	1,368,174.000	1,282,865.490	2.76035500	3,776,645.940
Unit Trust Equity NA SCREEN INX EQ SUB-FND-HKHQ SEDOL : 1A8NH9U	0.00	GBP	2,621,178.211	24,012,835.230	19.47400000	51,044,824.480
Total United Kingdom	**0.00**		**7,582,627.664**	**48,061,219.720**		**89,369,131.140**
Total Unit trust equity	**0.00**		**63,029,073.214**	**183,833,466.100**		**279,080,990.970**
Total Equities	**0.00**		**535,497,182.954**	**670,016,609.130**		**905,191,815.990**

**Generated by Northern Trust from periodic data on 28 Oct 24*

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	17,833,159.510	15,362,127.890	1.51664720	22,503,722.060
Real Estate La Salle Real Estate Debt Strategies IV CUSIP : 9944J7997	0.00	EUR	15,560,019.730	13,449,005.050	1.06899420	13,839,709.860
Total Europe Region	**0.00**		**33,393,179.240**	**28,811,132.940**		**36,343,431.920**
United Kingdom						
Real Estate HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP CUSIP : 9936FD994	0.00	GBP	9,917,482.540	9,917,482.540	0.99807710	9,898,412.210
Real Estate HEARTHSTONE RESIDENTIAL FUND 2 CUSIP : 9942CJ992	0.00	GBP	18,831,249.930	18,831,249.930	0.99417600	18,721,576.730
Real Estate TEESSIDE PENSION FUND - DIRECT PROPERTY CUSIP : 9936HG995	0.00	GBP	448,746,433.310	448,746,433.310	1.07906150	484,224,999.450
Total United Kingdom	**0.00**		**477,495,165.780**	**477,495,165.780**		**512,844,988.390**
Total Real estate	**0.00**		**510,888,345.020**	**506,306,298.720**		**549,188,420.310**
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	1.85710000	12,058,257.050
Funds - Real Estate DARWIN LEISURE PROPERTY FUND UNITS K GBP INC SEDOL : 4A9TBEU	0.00	GBP	34,527,436.047	35,000,000.000	0.51990000	17,950,814.000
Funds - Real Estate HERMES INVEST MNGM HERMES PROPERTY UNIT TRUST SEDOL : 0426219	0.00	GBP	2,589,184.000	15,720,126.330	5.84700000	15,138,958.850
Funds - Real Estate LEGAL AND GENERAL MANAGED PROPERTY FUND SEDOL : 004079W	0.00	GBP	108,263.760	385,000.000	60.47630000	6,547,391.630
Funds - Real Estate THREADNEEDLE ASSET THREADNEEDLE PROP UNIT TRST SEDOL : 0508667	38,157.14	GBP	12,750.000	1,527,939.200	259.32000000	3,306,330.000
Total United Kingdom	**38,157.14**		**43,730,691.287**	**63,244,709.580**		**55,001,751.530**
Total Funds - real estate	**38,157.14**		**43,730,691.287**	**63,244,709.580**		**55,001,751.530**
Total Real Estate	**38,157.14**		**554,619,036.307**	**569,551,008.300**		**604,190,171.840**

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	15,785,637.560	13,844,952.230	1.22291000	16,061,944.350
Partnerships ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE CUSIP : 993KDB999	0.00 EUR	19,534,447.210	16,852,207.100	1.46403090	23,795,391.930
Partnerships ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2) CUSIP : 993SRL995	0.00 EUR	11,041,032.800	9,536,493.160	1.13609000	10,436,717.550
Partnerships ACCESS CAPITAL, CO-INVESTMENT FUND BUY-OUT EUROPE II CUSIP : 993SRM993	0.00 EUR	13,200,000.000	11,340,782.370	1.00581450	11,046,719.250
Partnerships Darwin Bereavement Services Fund, Incomeunits CUSIP : 993XBG992	0.00 GBP	30,000,000.000	30,000,000.000	1.02304820	30,691,446.000
Partnerships UNIGESTION DIRECT III - EUR CUSIP : 994RLP993	0.00 EUR	17,035,471.290	14,774,650.090	1.32086040	18,722,014.030
Total Europe Region	**0.00**	**106,596,588.860**	**96,349,084.950**		**110,754,233.110**
Global Region					
Partnerships CAPITAL DYNAMICS GLOBAL SECONDARIES V (FEEDER) SCSP CUSIP : 995F09997	0.00 USD	8,387,790.190	10,891,965.170	2.63400400	16,471,071.130
Partnerships CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD CUSIP : 993BRL992	0.00 USD	12,092,130.030	9,139,175.900	2.63923630	23,792,437.570
Partnerships INSIGHT IIFIG SECURED FINANCE FUND II (GBP) CUSIP : 9946P0990	0.00 GBP	48,178,806.990	48,178,806.990	1.06106970	51,121,072.280
Partnerships LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS2018/19 - GBP CUSIP : 993LRK992	0.00 GBP	7,679,550.000	7,679,550.000	1.43012690	10,982,731.030
Partnerships PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV CUSIP : 993FYQ994	0.00 USD	21,553,526.000	16,935,212.210	1.77215270	28,475,891.040
Partnerships UNIGESTION DIRECT II - EUR CUSIP : 993MTE992	0.00 EUR	20,761,463.760	17,921,626.880	1.35519220	23,409,943.010
Total Global Region	**0.00**	**118,653,266.970**	**110,746,337.150**		**154,253,146.060**
United Kingdom					
Partnerships ANCALA INFRASTRUCTURE FUND II SCSP CUSIP : 993FSE998	0.00 EUR	18,432,404.110	16,210,656.200	1.21608180	18,650,319.040
Partnerships BORDER TO COAST CLIMATE OPPORTUNITIES SERIES 2A CUSIP : 994MVX996	0.00 GBP	31,200,346.320	31,200,346.320	1.02578290	32,004,781.730
Partnerships BORDER TO COAST EMERGING MARKET HYBRID FUND - GBP CUSIP : 9942CC997	0.00 GBP	233,625,118.960	233,625,118.960	0.97302980	227,324,202.780
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1 CUSIP : 993FT4999	0.00 USD	98,239,475.860	77,911,117.370	1.03494450	75,798,559.390
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 1B CUSIP : 993KGJ999	0.00 USD	41,775,789.410	32,706,338.140	1.12357210	34,993,184.430

**Generated by Northern Trust from periodic data on 28 Oct 24*

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	36,311,961.640	36,311,961.640	1.18027170	42,857,980.700
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 2 A (GBP) CUSIP : 994NWK991	0.00 GBP	72,326,435.730	72,326,435.730	0.99492570	71,959,429.700
Partnerships BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A CUSIP : 993BRK994	0.00 GBP	1,500,180,187.320	1,500,180,187.320	1.39861220	2,098,170,312.180
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1 CUSIP : 993FYP996	0.00 USD	89,858,816.250	70,032,357.900	1.36375770	91,359,930.990
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1B CUSIP : 993U46998	0.00 USD	39,920,091.780	31,743,248.660	1.33456070	39,718,031.580
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 1C CUSIP : 993XGK998	0.00 GBP	35,499,942.712	35,499,942.710	1.04874690	37,230,454.870
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 2A- GBP CUSIP : 994JQY997	0.00 GBP	24,643,297.834	24,643,297.830	0.92632670	22,827,744.760
Partnerships BORDER TO COAST PRIVATE EQUITY SERIES 2B CUSIP : 994WH4994	0.00 GBP	9,665,616.320	9,665,616.320	1.09002980	10,535,809.820
Partnerships CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP CUSIP :	0.00 GBP	9,117,043.720	9,117,043.720	1.02134980	9,311,690.780
Partnerships CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp CUSIP : 993FP0991	0.00 GBP	18,689,444.850	18,689,444.850	1.05178820	19,657,337.560
Partnerships FORESIGHT REGIONAL INVESTMENT LP CUSIP : 994JXS992	0.00 GBP	1,275,377.450	1,275,377.450	0.77320020	986,122.100
Partnerships GB Bank Limited CUSIP : 993QJB990	0.00 GBP	49,043,742.480	49,043,742.480	0.59220180	29,043,792.580
Partnerships GRESHAM HOUSE BSI HOUSING FUND LP CUSIP : 993FP6998	0.00 GBP	19,546,066.490	19,546,066.490	1.11991460	21,889,925.230
Partnerships GRESHAM HOUSE BSI INFRASTRUCTURE LP CUSIP : 993FP5990	0.00 GBP	18,133,330.700	18,133,330.700	1.36664780	24,781,876.510
Partnerships GRESHAM HOUSE, BRITISH SUSTAINABLE INFRASTRUCTURE FUND II CUSIP : 994FXD993	0.00 GBP	24,740,491.880	24,740,491.880	1.10266750	27,280,536.330
Partnerships GREYHOUND RETAIL PARK, CHESTER CUSIP : 9948YV998	0.00 GBP	19,387,738.000	19,387,738.000	0.94316910	18,285,915.400
Partnerships HERMES GPE INNOVATION FUND CUSIP : 993NEB992	0.00 GBP	14,986,773.330	14,986,773.330	1.30635310	19,578,017.800
Partnerships INNISFREE PFI CONTINUATION FUND CUSIP : 9936FE992	0.00 GBP	8,672,972.000	8,672,972.000	1.10530090	9,586,243.760
Partnerships INNISFREE PFI SECONDARY FUND 2 CUSIP : 9936FF999	0.00 GBP	7,728,331.000	7,728,331.000	1.14753920	8,868,562.770
Partnerships St Arthur Homes CUSIP : 994NJF997	0.00 GBP	14,110,700.200	14,110,700.200	0.98924130	13,958,887.410
Partnerships TPF CO-INVESTMENT BSI LP - WASTE KNOT GBP CUSIP : 994FFL995	0.00 GBP	10,000,000.000	10,000,000.000	1.23347940	12,334,794.000
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**		**2,447,111,496.346**	**2,387,488,637.200**		**3,018,994,444.200**
United States						
Partnerships BLACKROCK GLOBAL ENERGY AND POWER INFRASTRUCTURE FUND III CUSIP :	0.00	USD	19,347,098.000	15,240,841.780	1.12917690	16,286,796.520
Partnerships BLACKROCK GLOBAL RENEWABLE POWER FUND III CUSIP : 993QHY992	0.00	USD	20,086,697.410	15,877,796.630	1.19920000	17,958,001.810
Partnerships BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL CUSIP : 993FYK997	0.00	USD	19,138,900.000	14,507,867.160	1.38994480	19,832,267.900
Partnerships BORDER TO COAST INFRASTRUCTURE SERIES 2B- GBP CUSIP : 9952EV992	0.00	GBP	36,325,340.190	36,325,340.190	0.97798980	35,525,812.190
Partnerships BRIDGES EVERGREEN TPF HOUSING CO-INVEST LP CUSIP : 993XEU998	0.00	GBP	792,749.280	792,749.280	0.96413960	764,320.970
Partnerships CROWN CO-INVEST OPPORTUNITIES III CUSIP : 993XBM999	0.00	USD	19,980,000.000	15,685,009.540	1.21444870	18,089,747.810
Partnerships CROWN GLOBAL OPPORTUNITIES VII CUSIP : 993FYN991	0.00	USD	22,400,348.140	17,786,231.900	1.37594160	22,978,021.070
Partnerships Crown Growth Opportunities Global III fund CUSIP : 993FYM993	0.00	USD	28,461,974.000	21,340,682.710	1.61594910	34,288,662.800
Partnerships FORESIGHT ENERGY INFRASTRUCTURE PARTNERS CUSIP : 993FS9999	0.00	USD	15,007,494.990	12,138,837.800	1.01923800	11,403,591.930
Partnerships LGT CAPITAL CROWN SECONDARIES SPECIAL OPPORTUNITIES II CUSIP : 993QEY995	0.00	USD	19,529,147.100	15,227,684.510	1.38609790	20,180,644.700
Partnerships PANTHEON SENIOR DEBT SECONDARIES II CUSIP : 993UAP999	0.00	USD	23,451,887.960	18,483,516.160	0.84375060	14,751,961.130
Partnerships UNIGESTION SA CUSIP : 993FYL995	0.00	USD	34,095,852.490	26,424,348.320	1.47248710	37,429,231.160
Total United States	**0.00**		**258,617,489.560**	**209,830,905.980**		**249,489,059.990**
Total Partnerships	**0.00**		**2,930,978,841.736**	**2,804,414,965.280**		**3,533,490,883.360**
Total Venture Capital and Partnerships	**0.00**		**2,930,978,841.736**	**2,804,414,965.280**		**3,533,490,883.360**

◆ 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	1.08327550	78,219,989.050
Total Global Region	**0.00**		**96,854,761.450**	**80,595,460.340**		**78,219,989.050**
Total Hedge equity	**0.00**		**96,854,761.450**	**80,595,460.340**		**78,219,989.050**
Total Hedge Fund	**0.00**		**96,854,761.450**	**80,595,460.340**		**78,219,989.050**

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	283,282.56	0.000	0.000	0.00000000	0.000
Recoverable taxes EUR - Euro	1,071,379.98	0.000	0.000	0.00000000	0.000
Recoverable taxes CHF - Swiss franc	2,384,466.77	0.000	0.000	0.00000000	0.000
Total	**3,836,845.06**	**0.000**	**0.000**		**0.000**
Total Recoverable taxes	**3,836,845.06**	**0.000**	**0.000**		**0.000**
Total All Other	**3,836,845.06**	**0.000**	**0.000**		**0.000**

Asset Detail - Customizable

Asset Subcategory Description/Asset ID	Accrued Income/Expense Curr	Nominal	Book Cost	Market Price	Market Value
Cash and Cash Equivalents					
Cash					
Cash AUD - Australian dollar	0.62	4,080.050	4,080.050	1.00000000	4,080.050
Cash GBP - British pound sterling	10.05	418.130	418.130	1.00000000	418.130
Cash THB - Thai baht	0.00	5,004.480	5,004.480	1.00000000	5,004.480
Cash USD - United States dollar	117.10	68,088.090	68,088.090	1.00000000	68,088.090
Total	**127.77**	**77,590.750**	**77,590.750**		**77,590.750**
Total Cash	**127.77**	**77,590.750**	**77,590.750**		**77,590.750**
Cash (externally held)					
Cash (externally held) GBP - British pound sterling	0.00	326,200,695.010	326,200,695.010	1.00000000	326,200,695.010
Cash (externally held) EUR - Euro	0.00	0.320	0.320	1.00000000	0.320
Total	**0.00**	**326,200,695.330**	**326,200,695.330**		**326,200,695.330**
Total Cash (externally held)	**0.00**	**326,200,695.330**	**326,200,695.330**		**326,200,695.330**
Funds - short term investment					
Funds - Short Term Investment GBP - British pound sterling	3,588.27	909,000.000	909,000.000	1.00000000	909,000.000
Total	**3,588.27**	**909,000.000**	**909,000.000**		**909,000.000**
Total Funds - short term investment	**3,588.27**	**909,000.000**	**909,000.000**		**909,000.000**
Total Cash and Cash Equivalents	**3,716.04**	**327,187,286.080**	**327,187,286.080**		**327,187,286.080**
Report Total:	**3,878,718.24**	**4,445,137,108.527**	**4,451,765,329.130**		**5,448,280,146.320**

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	520,974,766.24	1.26	594,497,484.55	10.84%
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			**594,577,678.35**	**10.84%**
OVERSEAS EQUITIES				
YOUNG AUSTRALIAN MINES LTD	225,391.00	0.07	8,043.53	0.00%
FINEXIA FINL GROUP NPV	85.00	0.29	13.19	0.00%
ASIA PACIFIC EX JAPAN SCREEN INDEX EQUITY SUB-FUND	224,566,725.02	6.39	55,383,497.09	1.01%
JAPAN SCREENED INDEX EQUITY SUB-FUND	89,842,364.06	2.34	85,978,091.83	1.57%
EUROPE EX UK SCREENED INDEX EQUITY SUB-FUND	97,842,558.84	8.82	34,547,661.00	0.63%
NORTH AMERICA SCREENED INDEX EQUITY SUB-FUND	24,012,835.23	15.89	51,044,824.48	0.93%
BORDER TO COAST PE OVERSEAS DEV MKTS EQTY A	1,308,336,692.16	1.18	2,095,884,373.75	38.22%
BORDER TO COAST EMERGING MARKET HYBRID FUND	246,131,815.69	0.97	232,641,945.57	4.24%
TOTAL OVERSEAS EQUITIES			**2,555,488,450.44**	**46.60%**
TOTAL EQUITIES			**3,150,066,128.79**	**57.45%**
PRIVATE EQUITY				
CAPITAL DYNAMICS LGPS COLLECTIVE PRIVATE EQUITY FOR POOLS 18/19	6,979,550.00	1.36	10,982,731.03	0.20%
CROWN CO INVESTMENT OPPORTUNITIES II PLCS USD	12,309,133.55	2.04	18,089,747.81	0.33%
CROWN CO INVESTMENT OPPORTUNITIES III	10,447,059.01	1.14	23,792,437.57	0.43%
CROWN SECONDARIES SPECIAL OPPORTUNITIES II	13,140,741.71	1.34	20,180,644.70	0.37%
UNIGESTION SA	22,917,577.35	1.35	37,429,231.16	0.68%
PANTHEON GLOBAL CO-INVESTMENT OPPORTUNITIES IV	19,141,292.79	1.63	28,475,891.04	0.52%
CROWN GLOBAL OPPORTUNITIES VII	15,563,768.96	1.31	22,978,021.07	0.42%
CROWN GROWTH OPPORTUNITIES GLOBAL III	20,496,138.42	1.52	34,288,662.80	0.63%
BLACKROCK PRIVATE OPPORTUNITIES FUND IV TOTAL	15,821,278.95	1.20	19,832,267.90	0.36%
BORDER TO COAST PRIVATE EQUITY SERIES 1A	65,530,115.76	1.09	91,359,930.99	1.67%

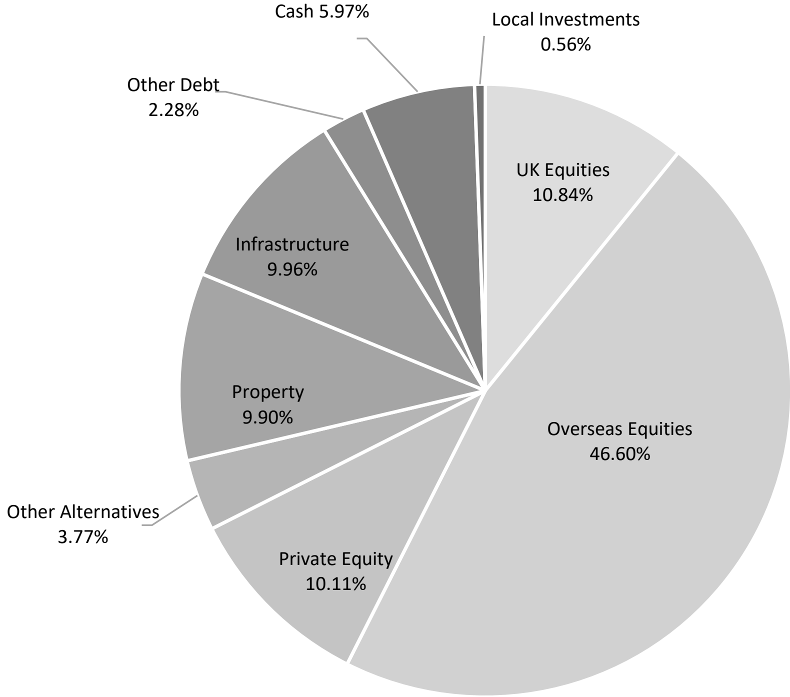
BORDER TO COAST PRIVATE EQUITY SERIES 1B	28,741,211.36	0.99	39,718,031.58	0.72%
BORDER TO COAST PRIVATE EQUITY SERIES 1C	21,162,341.01	1.04	37,230,454.87	0.68%
BORDER TO COAST PRIVATE EQUITY SERIES 2A	4,957,913.17	0.76	22,827,744.76	0.42%
BORDER TO COAST PRIVATE EQUITY SERIES 2B	6,508,313.21	0.98	10,535,809.82	0.19%
UNIGESTION DIRECT II	14,547,379.23	1.33	23,409,943.01	0.43%
ACCESS CAPITAL FUND VIII GROWTH BUY OUT EUROPE	14,502,844.73	1.43	23,795,391.93	0.43%
ACCESS CAPITAL CO INVESTMENT FUND BUY OUT EUROPE II	7,858,117.11	0.98	11,046,719.25	0.20%
HERMES GPE INNOVATION FUND	13,341,398.86	1.32	19,578,017.80	0.36%
CAPITAL DYNAMICS GLOBAL SECONDARIES V	11,042,925.55	1.66	16,471,071.13	0.30%
CAPITAL DYNAMICS MID-MARKET DIRECT V	13,201,080.63	1.25	22,503,722.06	0.41%
FORESIGHT REGIONAL INVESTMENTS IV LP	777,508.40	0.85	986,122.10	0.02%
UNIGESTION DIRECT III	7,213,426.37	0.90	18,722,014.03	0.34%
PRIVATE EQUITY			**554,234,608.41**	**10.11%**
GB BANK LIMITED	50,043,721.94	1.00	17,645,966.90	0.32%
FW CAPITAL TEESSIDE FLEXIBLE INVESTMENT FUND	95,019.00	0.00	95,019.00	0.00%
PRIVATE EQUITY - LOCAL INVESTMENT			**17,740,985.90**	**0.32%**
TOTAL PRIVATE EQUITY			**571,975,594.31**	**10.43%**
OTHER ALTERNATIVES				
AMEDEO AIR FOUR PLUS LTD	3,907,776.01	0.02	2,412,665.81	0.04%
BORDER TO COAST CLIMATE OPPORTUNITIES SERIES 2A	12,551,872.31	1.02	32,004,781.73	0.58%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE UK	170,000.00	1.00	170,000.00	0.00%
DARWIN LEISURE PRO UNITS CLS 'C'	10,611,644.05	2.53	12,058,257.05	0.22%
DARWIN BEREAVEMENT SERVICES FUND CLASS B ACCUMULATION	15,000,000.00	1.27	19,335,152.21	0.35%
DARWIN BEREAVEMENT SERVICES FUND, INCOME UNITS	30,000,000.00	1.01	30,682,686.00	0.56%
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	15,000,000.00	1.10	16,188,000.00	0.30%
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	35,000,000.00	0.70	24,258,976.57	0.44%
DARWIN LEISURE PROPERTY FUND, T INCOME UNITS	5,000,000.00	1.00	5,000,000.00	0.09%
HEARTHSTONE RESIDENTIAL FUND 1 LIMITED PARTNERSHIP	10,000,000.01	0.96	9,898,412.21	0.18%
HEARTHSTONE RESIDENTIAL FUND 2	13,740,773.16	0.91	18,721,576.73	0.34%
GRESHAM HOUSE BSI HOUSING LP	15,638,997.82	1.10	21,889,925.23	0.40%
LA SALLE REAL ESTATE DEBT STRATEGIES IV	7,833,117.70	0.95	13,839,709.86	0.25%
OTHER ALTERNATIVES			**206,460,143.40**	**3.77%**
BRIDGES EVERGREEN TPF HOUSING CO-INVESTMENT LP	765,180.38	0.93	764,320.97	0.01%
OTHER ALTERNATIVES - LOCAL INVESTMENT			**764,320.97**	**0.01%**

TOTAL OTHER ALTERNATIVES			**207,224,464.37**	**3.78%**
PROPERTY				
DIRECT PROPERTY				
TEESSIDE PENSION FUND - DIRECT PROPERTY	399,152,598.72	1.03	485,075,000.00	8.85%
TOTAL DIRECT PROPERTY			**485,075,000.00**	**8.85%**
PROPERTY UNIT TRUSTS				
ABERDEEN STANDARD LIFE EUROPEAN PROPERTY GROWTH FUND	20,636,888.60	120,966.80	29,015,118.70	0.53%
LOCAL AUTHORITIES LOCAL AUTHORITIES PROPERTY	1,282,865.49	2.87	3,776,645.94	0.07%
HERMES PROPERTY PUT	15,720,126.33	6.37	15,138,958.85	0.28%
THREADNEEDLE PROP PROPERTY GBP DIS	1,527,939.20	265.81	3,306,330.00	0.06%
LEGAL AND GENERAL MANAGED PROPERTY FUND	385,000.00	58.66	6,547,391.63	0.12%
TOTAL PROPERTY UNIT TRUSTS			**57,784,445.12**	**1.05%**
TOTAL PROPERTY			**542,859,445.12**	**9.90%**
PROTECTION ASSETS				
INFRASTRUCTURE				
ACIF INFRASTRUCTURE FUND LP	13,421,191.08	0.74	16,738,924.14	0.31%
ACCESS CAPITAL FUND INFRASTRUCTURE II	13,946,299.76	1.11	16,061,944.35	0.29%
ACCESS CAPITAL, ACIF INFRASTRUCTURE II LP (FUND 2)	7,629,082.71	1.02	10,436,717.55	0.19%
INNISFREE PFI CONTINUATION FUND	8,672,972.00	1.20	9,586,243.76	0.17%
INNISFREE PFI SECONDARY FUND 2	7,728,331.00	1.17	8,868,562.77	0.16%
BORDER TO COAST INFRASTRUCTURE SERIES 1A	67,321,263.18	0.87	75,798,559.39	1.38%
BORDER TO COAST INFRASTRUCTURE SERIES 1B	24,942,901.60	0.89	34,993,184.43	0.64%
BORDER TO COAST INFRASTRUCTURE SERIES 1C	33,456,001.70	1.08	42,857,980.70	0.78%
BORDER TO COAST INFRASTRUCTURE SERIES 2A	32,109,979.63	0.98	71,959,429.70	1.31%
BORDER TO COAST INFRASTRUCTURE SERIES 2B	6,540,791.64	1.00	35,525,812.19	0.65%
BLACKROCK GLOBAL ENERGY & POWER INFRASTRUCTURE FUND III	15,874,716.01	0.98	16,286,796.52	0.30%
BLACKROCK GLOBAL RENEWABLE POWER FUND III	11,308,739.08	1.06	17,958,001.81	0.33%
CAPITAL DYNAMICS CLEAN ENERGY INFRASTRUCTURE VIII (CO INVESTMENT) LP	8,750,377.05	1.04	9,311,690.78	0.17%
CAPITAL DYNAMICS CLEAN ENERGY AND INFRASTRUCTURE VIII SCSp	17,500,754.07	1.01	19,657,337.56	0.36%
IIF UK I LP	80,595,460.34	1.05	78,219,989.05	1.43%

ANCALA INFRASTRUCTURE FUND II SCSP	16,729,179.08	1.12	18,650,319.04	0.34%
FORESIGHT ENERGY INFRASTRUCTURE PARTNERS	8,516,087.18	0.93	11,403,591.93	0.21%
GRESHAM HOUSE BSI INFRASTRUCTURE LP	19,070,660.40	1.21	24,781,876.51	0.45%
GRESHAM HOUSE BRITISH SUSTAINABLE INFRASTRUCTURE FUND II	18,010,845.93	1.07	27,280,536.33	0.50%
INFRASTRUCTURE			**546,377,498.51**	**9.96%**
CO-INVESTMENT BSI LP - WASTE KNOT	10,000,000.00	1.11	12,334,794.00	0.22%
INFRASTRUCTURE - LOCAL INVESTMENT			**12,334,794.00**	**0.22%**
TOTAL INFRASTRUCTURE			**558,712,292.51**	**10.19%**
OTHER DEBT				
INSIGHT IIFIG SECURED FINANCE II FUND	50,000,000.00	0.98	51,121,072.28	0.93%
GREYHOUND RETAIL PARK CHESTER	19,715,863.00	0.98	18,285,915.40	0.33%
TITAN - PRESTON EAST	16,167,250.00	1.00	16,167,250.00	0.29%
TITAN - TEMPLAR'S WAY	10,983,472.00	1.00	10,983,472.00	0.20%
ST ARTHUR HOMES	11,274,394.29	1.00	13,958,887.41	0.25%
PANTHEON SENIOR DEBT SECONDARIES II	18,185,235.62	0.60	14,751,961.13	0.27%
TOTAL OTHER DEBT			**125,268,558.22**	**2.28%**
CASH				
		1.00	909,000.00	0.02%
		1.00	4,498.50	0.00%
		1.00	73,092.57	0.00%
CUSTODIAN CASH			**986,591.07**	**0.02%**
INVESTED CASH	198,539,861.68	1.00	**326,200,695.01**	**5.95%**
TOTAL CASH			**327,187,286.08**	**5.97%**
TOTAL FUND VALUE - 30TH SEPTEMBER 2024			**5,483,293,769.40**	**100%**

Market Value timing differences included in valuation above	**Market Value**
Private Equity	
GB BANK LIMITED	-11,397,825.68
	-11,397,825.68

<u>Other Alternatives</u>			
DARWIN LEISURE DEVELOPMENT FUND ACCUMULATION UNITS - D CLASS	3,814,500.00		
DARWIN LEISURE PROPERTY FUND, K INCOME UNITS	6,308,162.57		
DARWIN LEISURE PROPERTY FUND, T INCOME UNITS	5,000,000.00		
	15,122,662.57		
<u>Other Debt</u>			
TITAN - PRESTON EAST	16,167,250.00		
TITAN - TEMPLAR'S WAY	10,983,472.00		
	27,150,722.00		
Total	**30,875,558.89**		
Asset Allocation Summary		**Actual**	
UK Equities	594,577,678.35		10.84%
Overseas Equities	2,555,488,450.44		46.60%
Private Equity	554,234,608.41		10.11%
Other Alternatives	206,460,143.40		3.77%
Property	542,859,445.12		9.90%
Infrastructure	546,377,498.51		9.96%
Other Debt	125,268,558.22		2.28%
Cash & Bonds	327,187,286.08		5.97%
Local Investments - Private Equity, Other Alternatives & Infrastructure	30,840,100.87		0.56%
	5,483,293,769.40		100.00%


Cash 5.97%
Local Investments 0.56%
Other Debt 2.28%
UK Equities 10.84%
Infrastructure 9.96%
Property 9.90%
Overseas Equities 46.60%
Other Alternatives 3.77%
Private Equity 10.11%

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 7

PENSION FUND COMMITTEE REPORT

11 DECEMBER 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 30 September 2024 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 just over half of this commitment invested so far. In addition, a commitment to invest £80 million over a three year period to the Border to Coast Climate Opportunities Fund has been made. These investments are not reflected within the Border to Coast report (at Appendix A) but are referenced in the Border to Coast presentation later in the agenda.

4.2 The Border to Coast report shows the market value of the portfolio at 30 September 2024 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 1.59% below benchmark over the last year, or 2.59% under its overachievement target, whereas the Overseas Developed Markets Equity Fund has achieved returns of 1.71% above benchmark over the last year, above its 1% overachievement target. Since inception, the UK fund has delivered performance of 0.45% a year above benchmark, below its long-term target, and the overseas fund has delivered performance of 1.51% 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. The recent position remains disappointing, with performance over the quarter and the year to 30 September 2024 below benchmark. Since inception the Fund is 1.76% a year behind benchmark, so 3.26% 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 2024. 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 over just under six years as this represents a comparatively new investment for the Fund. The nature of passive investment – where an index is closely tracked in an automated or semi-automated way – means deviation from the index should always be low.

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

4.5 Members will be aware that the Fund holds equity investments over the long term, and performance can only realistic be judged over a significantly longer time-frame than a single quarter. However, it is important to monitor investment performance regularly and to understand the reasons behind any under of over performance against benchmarks and targets.

5. 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 are 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 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 - Q3 2024

Contents

Executive Summary

Overall Value of Teesside Pension Fund

Value at start of the quarter	£2,661,246,912
Inflows	£330,000,000
Outflows	£(75,000,000)
Net Inflows / Outflows	£255,000,000
Realised / Unrealised gain or loss	£6,776,892
Value at end of the quarter	£2,923,023,804

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

Portfolio Analysis - Teesside Pension Fund
at 30 September 2024

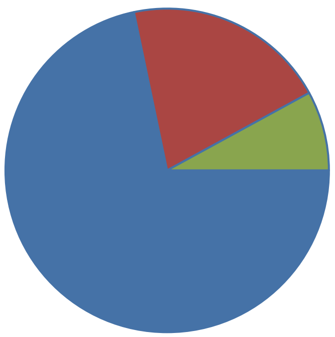
Funds Held

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	2,095,884,373.75	71.70
Emerging Markets Equity	FTSE Emerging Markets (Net)[2]	232,641,945.57	7.96
UK Listed Equity	FTSE All Share GBP	594,497,484.55	20.34

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 30 September 2024

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	71.70	(0.75)	0.27	(1.03)	(0.47)
Emerging Markets Equity	7.96	2.53	4.62	(2.09)	0.19
UK Listed Equity	20.34	2.10	2.26	(0.16)	0.48
Total	**100.00**	**0.20**			

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. For the period to 31st March 2024, 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. Effective 1st April 2024, performance is net of any fees paid to Border to Coast which are paid directly through the Funds via an Annual Management Charge (AMC).

Valuation Summary
at 30 September 2024

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	1,827,029,093.59	68.65	330,000,000.00	50,000,000.00	(11,144,719.84)	2,095,884,373.75	71.70
Emerging Markets Equity	226,890,483.03	8.53			5,751,462.54	232,641,945.57	7.96
UK Listed Equity	607,327,335.50	22.82		25,000,000.00	12,170,149.05	594,497,484.55	20.34
Total	**2,661,246,912.12**	**100.00**	**330,000,000.00**	**75,000,000.00**	**6,776,891.75**	**2,923,023,803.87**	**100.00**

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

Summary of Performance - Funds (Net of Fees) Teesside Pension Fund at 30 September 2024

	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	10.22	8.70	1.51	(0.75)	0.27	(1.03)	18.67	16.96	1.71	9.08	7.10	1.98	10.89	9.17	1.71
Emerging Markets Equity	4.38	6.14	(1.76)	2.54	4.62	(2.09)	14.30	16.52	(2.22)	0.82	2.43	(1.61)	3.17	4.78	(1.62)
UK Listed Equity	5.34	4.89	0.45	2.10	2.26	(0.16)	11.81	13.40	(1.59)	7.44	7.41	0.02	5.92	5.74	0.18

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. For the period to 31st March 2024, 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. Effective 1st April 2024, performance is net of any fees paid to Border to Coast which are paid directly through the Funds via an Annual Management Charge (AMC).
6) Past performance is not an indication of future performance and the value of investments can fall as well as rise.

Summary of Performance - Funds (Gross of Fees) Teesside Pension Fund at 30 September 2024

	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	10.24	8.70	1.53	(0.73)	0.27	(1.00)	18.73	16.96	1.77	9.10	7.10	2.00	10.90	9.17	1.73
Emerging Markets Equity	4.55	6.14	(1.59)	2.62	4.62	(2.01)	14.55	16.52	(1.97)	1.05	2.43	(1.38)	3.36	4.78	(1.43)
UK Listed Equity	5.36	4.89	0.47	2.12	2.26	(0.14)	11.84	13.40	(1.56)	7.45	7.41	0.04	5.93	5.74	0.19

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 all fees.
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 30 September 2024

Overseas Developed Markets Fund

During the second quarter the fund lost 0.75% compared to the composite benchmark that gained 0.27%; resulting in a relative underperformance of 1.03**%**. Year to date the fund has delivered a total return of 10.61%, outperforming its benchmark by 1.24%.

The primary detractor from performance during the quarter was the fund's exposure to Japanese equities. While the strength of the Japanese Yen mitigated some market weakness, the fund's investments in export-oriented companies and banks hindered relative performance. In contrast, the Asia Pacific ex-Japan region emerged as the best performer, benefiting from a robust recovery in Hong Kong, where the fund is overweight, following the announcement of a stimulus package in China. Despite the strong absolute performance of Asia Pacific ex-Japan, the fund struggled to achieve relative outperformance across its regions, largely due to its sector allocation structure.

At the sector level, the healthcare sector proved the biggest detractor from performance over the quarter, closely followed by both the technology and communication services. The strong sector rotation experienced throughout the quarter meant that it was little surprise that what were the strongest performing sectors year to date experienced a material reversal. We are less worried about the valuation and expectations attached to some of the companies within the healthcare sector such as Novo Nordisk, the Danish company at the centre of the GLP 1 diabetes and weight loss revolution. This is in comparison to leaders in the technology sector such as Nvidia where we have been slowly reducing our exposure. The best performing sectors of the period were Utilities and Real Estate, both of which proved a slight headwind to returns due to the funds underweight position within these rate sensitive sectors.

Neither sector nor country analysis provide a perfect explanation for the underperformance of the fund over the past quarter. The strong performance of small and mid-sized companies should also be highlighted as a contributing factor. The potential decline in interest rates combined with an easing of wage pressures could prove an attractive environment for smaller businesses that have struggled over the past few years provided the US manages to avoid a recession. We therefore expect a gradual reduction in our exposure to some of the largest companies as we look for other, potentially more attractive, long term investment opportunities.

Note
1) Source: Border to Coast

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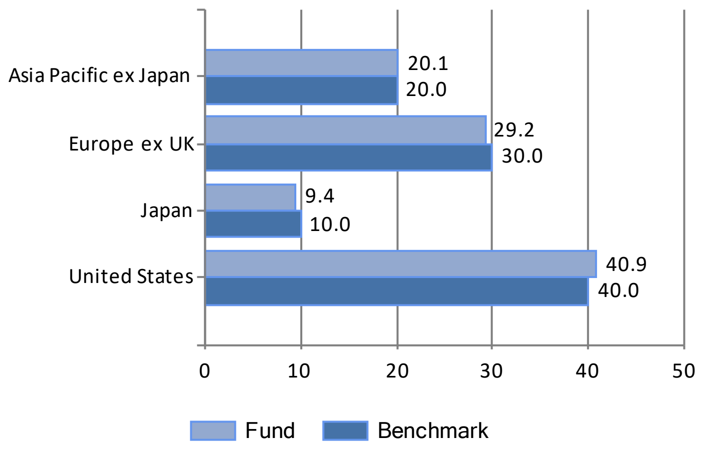
Overseas Developed Markets Fund
at 30 September 2024

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.

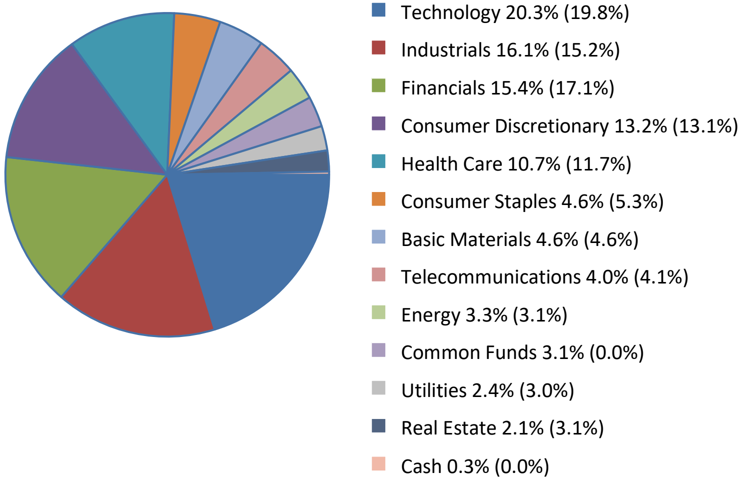
(*) The Benchmark is a composite of the following indices:
•40% S&P 500
•30% FTSE Developed Europe ex UK
•20% FTSE Developed Asia Pacific ex Japan
•10% FTSE Japan

	Inception to Date			Quarter			1 Year			3 Years			5 Years		
Fund	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**	**Fund**	**Index**	**Relative**
Overseas Developed Markets	**10.22**	**8.70**	**1.51**	**(0.75)**	**0.27**	**(1.03)**	**18.67**	**16.96**	**1.71**	**9.08**	**7.10**	**1.98**	**10.89**	**9.17**	**1.71**
United States	14.56	13.05	1.51	(0.71)	(0.31)	(0.40)	26.53	23.54	2.99	13.59	11.59	2.00	15.29	13.48	1.81
Japan	7.23	4.73	2.50	(2.19)	0.53	(2.72)	14.38	10.29	4.10	5.12	2.80	2.32	7.95	5.29	2.66
Europe ex UK	8.27	6.81	1.46	(1.37)	0.18	(1.55)	15.40	14.69	0.71	8.58	5.64	2.93	8.94	7.39	1.55
Asia Pacific ex Japan	5.56	4.27	1.28	0.86	1.47	(0.61)	11.23	10.49	0.74	2.36	1.80	0.56	5.88	4.53	1.36

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 30 September 2024

Sector Portfolio Breakdown



Overseas Developed Markets Fund

Sector Weights:

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

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.

Technology (o/w) – Adoption of artificial intelligence – along with other technology themes – has the potential to benefit technology companies for multiple years.

Healthcare (u/w) – Despite beneficial long-term trends and structural demand from an ageing population weak pipelines and company specific factor lead to a sector underweight

Real Estate (u/w) – High leverage leaves the sector vulnerable to a higher interest rate regime, and concerns around the impact of home/flexible working on the longer-term demand for office space remain.

Financials (u/w) – Improved returns haven't materialised despite higher interest rates. Elevated credit cycle risk (non-performing, or defaulted loans) should recessionary pressures mount.

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 30 September 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet C	0.00	0.00	0.66	(14.02)	0.11
Vanguard US Mid Cap ETF	3.05	3.04	0.00	0.00	0.08
AIA Group	0.97	25.44	0.64	25.50	0.06
Techtronic Industries	0.41	26.70	0.13	26.72	0.06
Oracle	0.73	14.04	0.22	13.95	0.06

Alphabet Class C (u/w) – Alphabet's Google business was found to be engaged in illegal monopolistic behaviour in relation to the payments it makes to Apple to ensure its search engine is the default on devices such as the iPhone. No remedies have yet been proposed and Alphabet is likely to appeal but enforced changes to the company's business practices could injure future profitability.

Vanguard Mid-Cap ETF (o/w) – Driven by stronger relative performance from mid and small cap stocks in general.

AIA (o/w) – Supported by low valuations, AIA benefited from firm ongoing business trends and bullish expectations for Hong Kong stocks on the back of new economic stimulus measures in China.

Techtronic Industries (o/w) – Benefited from better sentiment towards Hong Kong stocks as well as expectations of demand improvement in the US on the back of lower interest rates.

Oracle (o/w) – Oracle's share price was helped by impressive revenue growth in its cloud-hosting business. Orders for future business have also been impressive, providing comfort that strong sales performance should continue for some time.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund Attribution Continued
at 30 September 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Alphabet A	1.92	(14.02)	0.80	(14.11)	(0.19)
Samsung Electronics	2.01	(24.72)	1.42	(24.82)	(0.18)
Novo Nordisk	1.68	(22.87)	1.21	(22.97)	(0.15)
ASML	1.55	(23.92)	1.09	(23.99)	(0.12)
Tesla	0.00	0.00	0.60	24.60	(0.12)

Alphabet Class A (o/w) – Alphabet's Google business was found to be engaged in illegal monopolistic behaviour in relation to the payments it makes to Apple to ensure its search engine is the default on devices such as the iPhone. No remedies have yet been proposed and Alphabet is likely to appeal but enforced changes to the company's business practices could injure future profitability.

Samsung Electronics (o/w) – As per the Preferred shares, Samsung Electronics underperformed affected by a slow recovery in legacy memory products on the back of weak demand from consumer electronic applications such as PCs / smartphones.

Novo Nordisk (o/w) – Competition in the obesity space is starting to increase with Roche now looking to enter the market with its initial study showing a greater weight reduction. Also, Novo reported a mixed set of data for Monlunabant during its mid stage trial which at higher levels did not give any additional weight loss, however there were mild to moderate neuropsychiatric side effects.

ASML (o/w) – The Dutch lithography company underperformed on concerns the US was looking to bring in tighter restrictions on chip/chip equipment sales to China. At the same time capex cuts at Intel also contributed to the underperformance as this might imply lower demand for EUV machines.

Tesla (u/w) – Earnings expectations for Tesla have continued to decline but that has coincided with incongruous share price strength. Investors seem to be hoping that Tesla is on the cusp of achieving safe autonomous driving as demand for its electric vehicles remains subdued.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund at 30 September 2024

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.05
Alphabet A	+1.12
Microsoft	+0.61
Samsung Electronics	+0.59
Amazon	+0.52
Alphabet C	-0.66
Tesla	-0.60
Westpac Bank	-0.48
Exxon Mobil	-0.43
Zurich Insurance Group	-0.29

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

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

Alphabet Inc Class A – The parent company of Google has two share classes. While the fund doesn't own the class C shares, our net position in the business is still overweight. Google enjoys a strong and profitable internet advertising market position while also benefitting from a fast-growing cloud computing infrastructure business.

Microsoft Corp – Continues to benefit from secular growth within its cloud hosting business and resilient demand for its productivity software led by Microsoft Office. The company looks well placed to increase its share of wallet from enterprise customers by upselling AI augmented, or co-pilot, versions of its software.

Samsung Electronics – Exposed to structural growth in the memory chip market, including high bandwidth applications. Also has diversified earnings stream, stronger balance sheet than peers, and large potential for shareholder returns. The overweight in the ordinary shares is partly offset by not owning preference shares.

Amazon – Amazon's leading cloud infrastructure hosting business looks well placed to continue to enjoy attractive profitable revenue growth. Its retail business should also enjoy higher margins, over time, as it reaps greater scale benefits and enjoys a more meaningful contribution from high margin advertising sales.

Bottom 5 Holdings Relative to Benchmark:

Alphabet Inc Class C – The large holding in the A share class results in an overweight exposure overall.

Tesla Inc – We are concerned that the company may need to cut vehicle prices further to stimulate demand at a time of increasing credible competition while its own offering becomes increasingly dated. The high valuation of the shares seems dependent on Tesla successfully making a technological leap and generating material revenue streams from autonomous driving.

Westpac Bank – The Fund has a preference for the other major Australian banks, given they achieve better returns, are better provisioned, and are considered of a higher quality in their operations.

Exxon Mobil Corp – We prefer Chevron and ConocoPhillips to Exxon Mobil. Both companies have demonstrated more consistent energy transition engagement.

Zurich Insurance – The Swiss reinsurance company trades on a high valuation relative to peers, especially considering what we believe are overly ambitious profitability targets. We prefer Munich Re, which commands a lower valuation.

Summary of Performance - Funds (Net of Fees) Emerging Markets Equity Fund at 30 September 2024

	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**
Emerging Markets Equity	**4.38**	**6.14**	**(1.76)**	**2.54**	**4.62**	**(2.09)**	**14.30**	**16.52**	**(2.22)**	**0.82**	**2.43**	**(1.61)**	**3.17**	**4.78**	**(1.62)**
Border to Coast	7.58	8.33	(0.74)	(1.50)	(0.02)	(1.48)	18.90	18.75	0.15	6.67	6.96	(0.29)	--	--	--
FountainCap	(12.09)	(9.71)	(2.38)	13.08	16.70	(3.62)	5.10	12.16	(7.06)	(10.87)	(5.66)	(5.22)	--	--	--
UBS	(12.07)	(9.71)	(2.36)	12.83	16.70	(3.87)	6.88	12.16	(5.28)	(7.38)	(5.66)	(1.72)	--	--	--

Manager/Strategy	Benchmark	Role in fund	Target	Actual
Emerging Markets Equity	**FTSE Emerging Markets (Net)³**	**NA**	**100%**	**100%**
Border to Coast	FTSE Emerging ex China (Net)	Core strategy focused on Emerging Markets ex-China with a tilt towards quality companies.	69%	69%
FountainCap	FTSE China (Net)	China specialist with long term, high conviction strategy focused on three megatrends: Innovation Economy, Clean Energy, and Consumption Upgrade.	12%	12%
UBS	FTSE China (Net)	China specialist seeking to identify upcoming 'industry leaders' that will benefit from China's structural growth and transition to a services-led economy.	19%	19%

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 30 September 2024

Emerging Markets Equity Fund

The EM Equity Fund returned 2.5% through Q3 2024, 2.1% below the FTSE EM benchmark. Over one year, it has returned 14.3%, underperforming the benchmark by 2.2%. Since the Fund was restructured (April 2021) it has returned an annualised -0.2%, underperforming the benchmark by 1.5%.

Over the quarter, the Chinese market materially outperformed the EM ex-China region (+16.7% vs. 0.0%). However, this outperformance was exclusively driven by the final two weeks of the quarter. To the end of the week 20th September, the FTSE China Index had fallen c. 4% over the quarter, whilst the FTSE EM ex-China Index had fallen c. 0.1%. On the 24th of September, the Chinese Central Bank announced a new set of stimulus measures covering, *inter alia,* interest rate cuts, a reduction in bank reserve requirements, and a new facility offering financial institutions and companies financing to buy shares and fund buy backs respectively. In addition, the September Politburo session was dedicated to economic policies, (which is out of kilter with the typical agenda for the September meeting), and announcements followed whereby support was committed to the property sector and to re-invigorate consumer demand. The market interpreted this co-ordinated set of announcements positively, with the general consensus being that it represented a policy pivot. We expect continued volatility through to the end of the year, with policy implementation risk high. Global positioning towards China has been predominantly underweight and whilst positive momentum may tempt investors back in and push the market higher, there is an implicit expectation that the policy announcements represent "just the start", and a lack of follow through could lead to a sharp reversal. We are currently positioned neutrally on China as we balance both the upside opportunity and downside risks.

During the quarter, our China managers underperformed with Fountain Cap returning 13.1% (-3.6% underperformance), and UBS returning 12.8% (-3.9% underperformance). The sharp rally within China has been broad, with rising water 'lifting all boats'. The largest beneficiaries have been online tech and consumer businesses with large index weightings and more concentrated market underweight/short positions, meaning such stocks have experienced an outsized benefit from ETF buying and underweights closing/short positions being covered. Alibaba, Meituan, and JD.com are large underweights within both portfolios, and these stocks negatively contributed. FountainCap was also negatively impacted by its holding in PetroChina which has been affected by the declining oil price. NetEase detracted from performance for UBS, driven by a slowdown in the company's results.

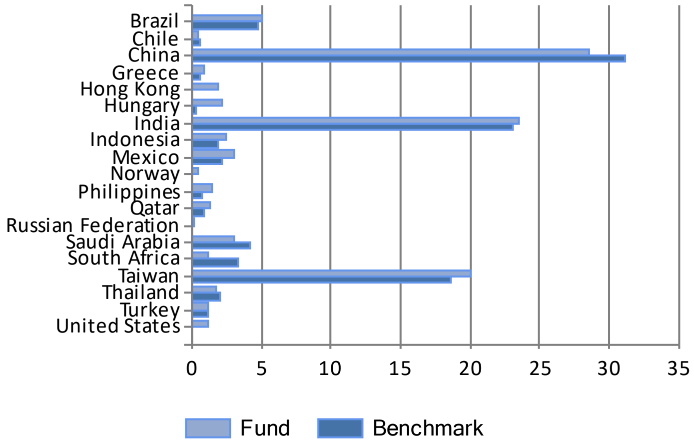
Generally, there has been little price discovery within China for an extended period of time, with the market broadly de-rating in between short, sharp rebounds which, as of yet, have not proved sustainable. We continue to see strong fundamental performance across the majority of our portfolio companies and believe that with time, investment returns will ultimately follow earnings growth. The Chinese market has been driven by sentiment more recently, but we strongly believe our Managers are well-placed to deliver out-performance through a normalised market environment.

Within EM ex-China, the internal mandate returned -1.5% vs. a flat benchmark. The underperformance was predominantly driven by a moderation in some of the stocks which have outperformed YTD, whilst positioning within the Taiwanese semi-conductor supply chain was also buffeted by "air coming out of" global chip providers such as Nvidia during the quarter. The mandate is now -0.3% relative to the benchmark on a YTD basis.

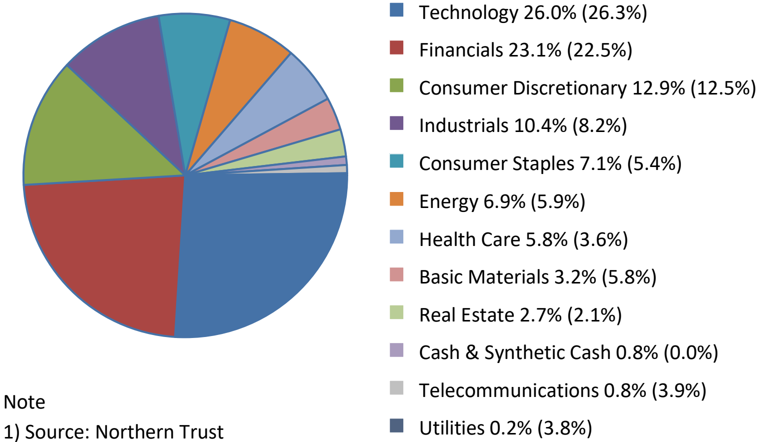
Note
1) Source: Border to Coast

Emerging Markets Equity Fund
at 30 September 2024

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:

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

Industrials (o/w) – The Fund is 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.

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 several stocks (particularly in China) that are well positioned to benefit from such a tailwind.

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

Telecommunications (u/w) – The Fund is underweight this relatively low growth, cap-ex intensive sector, which can also 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 underweight 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 30 September 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Sungrow Power	1.01	57.80	0.03	57.82	0.33	Energy	China
Ayala Land	1.49	27.01	0.06	26.58	0.24	Real Estate	Philippines
Kasikornbank	1.48	29.57	0.10	29.59	0.23	Financials	Thailand
Kweichow Moutai	2.30	17.07	0.27	17.11	0.22	Consumer Staples	China
ITC	1.15	13.47	0.23	14.36	0.16	Consumer Staples	India

Positive Issue Level Impacts

Sungrow Power (o/w) – A renewable energy equipment company. Sungrow Power manufactures solar PV inverters, wind power inverters, and also operates in the energy storage industry. The company has had a positive year, demonstrating fundamental growth as well as recently winning a major energy storage order from Saudi Arabia. The company also participated in the broader China rally at the end of September.

Ayala Land (o/w) – Ayala is a property developer in the Philippines. Philippine shares performed strongly during the quarter after its central bank started its rate cutting cycle in August, ahead of the US Federal Reserve. Financials and Real Estate sectors, best placed to benefit from lower rates, performed strongest and Ayala Land, the largest property developer in the Philippines, participated in the rally.

Kasikorn Bank (o/w) – A commercial bank based in Thailand providing corporate and retail banking services. The stock performed strongly during the quarter driven by the stabilising Thai political environment, and news of potential government support through digital wallets or direct cash handouts to low income individuals. The Thai market outperformed the wider EM ex-China market.

Kweichow Moutai (o/w) – A leading Chinese baijiu (liquor) producer. Moutai is a significant active weight in the UBS portfolio, and it is also held by Fountain Cap. The stock rose sharply, alongside the wider China market, following the economic stimulus announcements at the end of the September, and given its concentrated position in the portfolio, it was a large contributor to the Fund’s overall performance.

ITC Ltd (o/w) – An Indian conglomerate focused on fast moving consumer goods. The stock performed strongly during the quarter, driven by India's Finance Minister budget speech which left tobacco taxes unchanged, and indicated stable Goods and Services Taxes until 2026, providing relief to ITC which has a sizeable cigarettes business.

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 30 September 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)	Sector	Region
Aegis Logistics	1.55	(17.96)	0.00	0.00	(0.44)	Energy	India
Alibaba	1.71	43.45	2.96	47.80	(0.42)	Consumer Discretionary	China
Meituan ‘B’	0.59	46.55	1.54	46.65	(0.27)	Technology	China
ASE Technology	1.57	(10.12)	0.20	(11.26)	(0.23)	Technology	Taiwan
CreditAccess Grameen	1.04	(14.80)	0.00	0.00	(0.23)	Financials	India

Negative Issue Level Impacts

Aegis Logistics (o/w) – A major provider of port infrastructure for the import/export of LPG and industrial liquids. The company's share price moderated in Q3, after rising >150% over the first half of 2024. The company's latest earnings results slightly missed revenue expectations, although margin and net profits surpassed expectations.

Alibaba Group Holding (u/w) – A Chinese multinational technology company, best known for e-commerce and online payment platforms. The shares rose sharply over the last few days of September following a change in sentiment as a result of further economic stimulus. Consumer stocks in particular have benefitted from this, given the meaningful impact the announcements may have on domestic consumption.

Meituan (u/w) – A large, Chinese technology company, offering platforms for consumers across food delivery, and retail. Similar to Alibaba, the company’s share price has risen sharply following the announcement of further stimulus.

ASE Technology (o/w) – The global leader in outsourced semiconductor assembly and test (“OSAT”), from Taiwan. Alongside other Taiwanese semiconductor related stocks, the company's share price suffered some volatility through the quarter, in part due to the relationship with global chip providers, including Nvidia, which announced delays in the production of its Blackwell chips. ASE’s results indicated sluggish growth outside of AI-related applications, however, advanced packaging services (for AI chips) are likely to increase in materiality in the future.

CreditAccess Grameen (o/w) – The company provides consumer finance services within India. The company continued its negative share price momentum during Q3. The company is majority owned by a single corporate shareholder based in the Netherlands, which is rumoured to be looking to exit the business. This is causing negative implications for the company's 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 at 30 September 2024

Largest Relative Over/Underweight Stock Positions (%)

Kweichow Moutai	+2.03
Mahindra & Mahindra	+1.60
Grasim Industries	+1.55
Aegis Logistics	+1.55
Netease	+1.54
Alibaba	-1.25
Meituan 'B'	-0.94
China Construction Bank	-0.87
Infosys	-0.72
JD.com	-0.71

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.

Mahindra & Mahindra – An Indian industrial company which manufactures automobiles and farm equipment. The company is judged to have a superior model pipeline versus its peers and a greater focus on the SUV segment which has better growth prospects (than traditional passenger cars).

Grasim Industries – An Indian industrial company which manufactures several products used in wider industry including cement, fibre, chemicals and textiles. The company is positioned to benefit from India's ongoing infrastructure boom.

Aegis Logistics – A major provider of port infrastructure for the import/export of LPG and industrial liquids. The company has large expansion plans and is forecast to significantly grow capacity in the near future.

NetEase – 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, should bode well for sales and profit growth.

Bottom 5 Holdings Relative to Benchmark:

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

Meituan – Another large Chinese technology company. Similar to JD.com, there are deemed to be better opportunities elsewhere.

China Construction Bank – Is one of the "big four" SOE banks in China that the Fund maintains a structural underweight to.

Infosys – An Indian IT consulting and software services business. The company is held underweight with our EM ex-China manager favouring other global competitor firms which offer less discretionary services, such as moving digital infrastructure to the cloud.

JD.com – A Chinese e-commerce company. The stock is a material proportion of the Chinese benchmark, however, alongside other large Chinese technology companies, our managers view the growth opportunity to be sub-optimal compared to other companies within the universe and therefore are meaningfully underweight, in favour of other opportunities.

Note
1) Source: Northern Trust

Major transactions during the Quarter:

Purchases:

Akums Drugs & Pharmaceutical ***(new position EM ex-China)*** – Akums provides access into pharmaceutical volume growth within India. The company manufactures for several companies across the sector producing drugs for acute and chronic conditions as well as injectables. The company is attractively valued and is forecast to grow earnings at c. 15% p.a.

Jindal Steel & Power ***(new position EM ex-China)*** – JSP is one of the lowest cost producers of steel in India with an expected double-digit growth profile over the coming three years to meet demand from real estate and infrastructure investment.

ZTE Corp ***(new position China)*** – The company has transformed itself into a leading company offering 5G solutions globally with significant growth coming from emerging markets. Our Manager believes it has the potential to capture a majority portion of domestic telecom operators investment in computing given it possesses leading-edge chip design capability unlike Nokia and Ericsson which outsources chip design. It has an attractive valuation and dividend yield and the potential to grow top and bottom line at low teens over the next few years.

UK Listed Equity Fund - Overview
at 30 September 2024

UK Listed Equity Fund

The fund generated a total return of 2.10% during the quarter, compared to the benchmark return of 2.26%, resulting in 0.16% of underperformance.

The Fund's underperformance primarily resulted from the following:

- Stock selection in Common Stock Funds where both Liontrust UK Smaller and Schroder Institutional UK Smaller Company funds were impacted by the partial reversal during the quarter of recent gains made by UK smaller cap stocks.
- Weak stock selection in Industrials where an underweight position in Rolls Royce weighed, with the company seeing continued recovery under the current CEO's turnaround strategy and reinstating its dividend.
- Stock selection in Real Estate where overweight positions in Segro and Grainger detracted as prospects for a turn in the rate cycle have moderated.

This underperformance was partly mitigated by the following:

- Overweight allocation to Consumer Staples which have demonstrated their defensive qualities in a more volatile period for global equities, combined with stock selection where an overweight position in Marks & Spencer (strong trading momentum) was the largest contributor.
- Stock selection in Healthcare where overweight positions in Smith & Nephew, Genus, Haleon and AstraZeneca all outperformed.

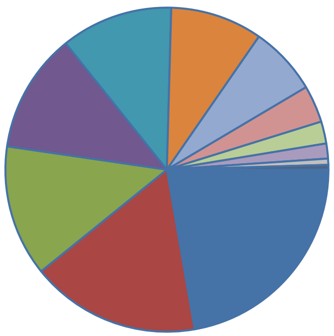
Note
1) Source: Border to Coast

UK Listed Equity Fund
at 30 September 2024

Largest Relative Over/Underweight Sector Positions (%)

Consumer Staples	+2.30
Common Stock Funds	+1.50
Health Care	+1.40
Consumer Discretionary	+0.65
Other Assets	+0.03
Financials	-2.44
Telecommunications	-1.26
Industrials	-0.94
Technology	-0.68
Real Estate	-0.59

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) – companies 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) – UK small caps, in common with other geographies, have underperformed the wider market in recent years leaving current valuations increasingly attractive. Over longer periods of time, helped by strong growth potential, small cap companies have a track record of delivering outperformance.

Healthcare (o/w) – secular growth industry driven by 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, with healthcare spending typically growing ahead of GDP. Additionally, the sector benefits from significant barriers to entry – from patent protection and rigorous drug approval processes – enhancing pricing power.

Financials (u/w) – predominantly due to underweights in investment trusts and also HSBC – where strained US-China relations, increased near-term recessionary/commercial real estate risks and the potential for deteriorating bank loan books has been a concern. This overall sector position is partly offset by overweight positions in wealth managers and insurers – particularly those with Asian exposure where rising wealth levels provide attractive long term growth potential.

Telecommunications (u/w) – the sector remains highly capital-intensive, and features industry overbuild of fibre networks. As such, elevated investment leads to highly uncertain future returns. Regulatory structures restrict consolidation in Europe and the UK, and recent above-inflation pricing increases – like the ones enacted by BT – appear unsustainable.

Industrials (u/w) – In general, UK industrial firms have benefitted from the broad post-pandemic global economic re-opening, end-market recovery such as the aerospace sector, supply chain normalisation and rising infrastructure expenditure, especially in the US. The fund's relative sector weighting can fluctuate due to benchmark changes – for example the benchmark weight of Rolls Royce PLC (not held) increased over the last quarter.

UK Listed Equity Fund Attribution at 30 September 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Marks & Spencer	0.88	30.09	0.32	30.05	0.12
Flutter Entertainment	0.62	21.54	0.00	0.00	0.10
Coats	0.46	26.72	0.07	26.77	0.07
BP	2.15	(16.35)	2.69	(16.37)	0.07
St. James's Place	0.45	35.43	0.17	35.47	0.07

Marks & Spencer Group PLC (o/w) – M&S continues to see strong trading momentum versus peers, particularly in the larger food division where it is gaining market share but also across clothing & home as the group continues to benefit from its store optimisation programme.

Flutter Entertainment PLC (o/w) – despite some concerns around increased state taxation, Flutter continues to consolidate its leading position in US on-line sports betting and gaming, where growth continues to exceed expectations and is now reaching a key breakeven hurdle in the US division.

Coats Group PLC (o/w) – global leader in high performance threads for clothing and footwear, where recent acquisitions have been performing strongly, and the significant de-risking of the pension scheme and cost saving announcements were well received.

BP PLC (u/w) – weaker energy prices, market concerns over BP's strategy and low confidence it can generate sufficient returns from elevated capex into its transition growth engines such as bioenergy and renewables have weighed on the shares.

St James's Place PLC (o/w) – after a challenging year following an overhaul of its fee structure and provisioning for service charge redress, the half year results were well received with fund outflows stabilising and management confident that current provisioning remains sufficient.

Note
1) Source: Northern Trust & Border to Coast

UK Listed Equity Fund Attribution Continued at 30 September 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Fund return (%)	Benchmark weight (%)	Benchmark return (%)	Contribution to performance (%)
Rolls Royce	0.00	0.00	1.87	15.41	(0.21)
John Wood Group	0.23	(39.00)	0.04	(38.55)	(0.10)
Allianz Technology Trust	0.62	(11.36)	0.06	(11.22)	(0.08)
Melrose Industries	0.53	(17.31)	0.25	(17.32)	(0.07)
3I Group plc	0.00	0.00	1.28	7.80	(0.07)

Rolls-Royce Holdings PLC (u/w) – confident half year results confirming further progress with its strategic turnaround saw guidance raised alongside further cost efficiencies, with the dividend also reinstated for the first time since cancellation during Covid.

John Wood Group PLC (o/w) – shares fell sharply as Sidara, a Middle East engineering business, determined not to proceed with an offer for the company following several attempted bids, citing rising geopolitical risks and financial market uncertainty.

Allianz Technology Trust PLC (o/w) – following a sustained period of growth in global technology stock valuations, increased volatility in the sector has seen some of those gains partially reverse over the last quarter.

Melrose Industries PLC (o/w) – the aerospace sector is experiencing a period of weakness following the solid recovery in demand over the last couple of years post-Covid, as supply constraints continue to impact aircraft deliveries such as highlighted by the recent Airbus warning and ongoing issues at Boeing.

3i Group PLC (u/w) – not held. Action, the European discount retailer which represents over 70% of the investment company's portfolio, has continued to deliver strong trading performance, with the remainder of the private equity portfolio also proving resilient.

Note
1) Source: Northern Trust & Border to Coast

UK Listed Equity Fund
at 30 September 2024

Largest Relative Over/Underweight Stock Positions (%)

Impax Environmental Markets	+0.86
Schroder UK Smaller Companies Fund	+0.83
Liontrust UK Smaller Companies	+0.67
Next	+0.62
Flutter Entertainment	+0.62
Rolls Royce	-1.87
3I Group plc	-1.28
Vodafone	-0.67
NatWest	-0.62
Aviva	-0.54

Note
1) Source: Northern Trust

Top 5 relative stock weights

Impax Environmental Markets PLC – The leading ESG-focused fund which specialises in alternative energy, energy efficiency, water treatment, sustainable food, clean transport, smart environments, pollution control and waste technology. Whilst the sector has been out of favour more recently, it has delivered strong performance over the long term.

Schroder Institutional UK Smaller Companies Fund – a specialist UK smaller companies fund with a strong long-term track record. Albeit not reflected in current UK small cap valuations, 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 – a specialist UK small-cap fund with an investment style focussed on intellectual property, strong distribution channels, and durable competitive advantages: all factors considered relevant to the attractive long-term growth profile of smaller companies. The managers have a strong emphasis on sustainable investment and adopt extensive ESG engagement and reporting.

Next PLC – regarded as one of the strongest and most consistent retail operators which has managed the generational shift from store to online sales exceptionally well, with a highly scalable online platform available to third party brands providing a further avenue of growth. Strong focus on shareholder returns with a very well regarded and long-standing CEO.

Flutter Entertainment PLC – retained our holding with an increased weighting following its move to a US primary listing earlier this year. Has successfully maintained and grown its market leading position in the US sports betting and gaming market, a market which continues to experience a strong growth profile, alongside further selective acquisitions in other regulated international markets.

Bottom 5 relative stock weights

Rolls-Royce Holdings PLC – exited the holding in 2022 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. Performance has since exceeded expectations under the new CEO (restructuring progress, recovery in engine flying hours etc) albeit questions remain over the sustainability of the recovery and current valuation.

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

Vodafone Group PLC – exited holding on weakening competitive position in key markets including Vodafone's largest market Germany where cable revenues face increased competition following regulatory changes and, until recently, a lack of management commitment towards strategic consolidation such as in the UK & Italy, where approval from competition authorities also remains a key barrier to consolidation.

NatWest Group PLC – whilst the UK government has been reducing its shareholding, it remains a significant shareholder and the fund has similar UK bank exposure through an overweight position in Lloyds Bank.

Aviva PLC – exited our holding last year to consolidate holdings within the insurance sector into companies where longer-term growth prospects appear stronger such as Admiral, Prudential and Legal & General.

Major transactions during the Quarter:

Purchases

SSE PLC (£12.1m) – moved from neutral weighting to overweight. Attractive growth profile in the regulated asset base and a key player in energy transition in the UK with SSE set to double renewable energy generation capacity by 2027 through an already permitted pipeline.

Shell PLC (£10.0m) – switch from BP. Leading global LNG production and distribution portfolio which benefits from regional price dislocation. Shell has been more proactive in focussing on returns from capital investment, reducing balance sheet debt, with elevated shareholder returns also seen as more sustainable than peers.

Sales

Montanaro UK Smaller Companies Investment Trust PLC (£12.7m) – exited position. Consolidated UK small cap exposure into other existing investment trust holdings where longer-term performance has been stronger.

BP PLC (£12.5m) – switch into Shell and increased underweight position to BP which has been slower to address concerns over lower returns from capital investment and where recently increased shareholder distributions appear less sustainable should energy prices remain around current levels.

Croda International PLC (£12.4m) – exited holding as limited visibility on a recovery in a number of Croda's end markets. Consolidated into other Basic Materials holdings where we see stronger recovery/growth opportunities.

APPENDICES

Overseas Developed Markets Fund - United States
at 30 September 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet C	0.00	0.66	0.11
Vanguard US Mid Cap ETF	3.05	0.00	0.08
Oracle	0.73	0.22	0.06
Walmart Inc	0.74	0.29	0.05
Home Depot	0.80	0.33	0.05

Alphabet Class C (u/w) – Alphabet's Google business was found to be engaged in illegal monopolistic behaviour in relation to the payments it makes to Apple to ensure its search engine is the default on devices such as the iPhone. No remedies have yet been proposed and Alphabet is likely to appeal but enforced changes to the company's business practices could injure future profitability.

Vanguard Mid-Cap ETF (o/w) – Driven by stronger relative performance from mid and small cap stocks in general.

Oracle (o/w) – Oracle's share price was helped by impressive revenue growth in its cloud-hosting business. Orders for future business have also been impressive, providing comfort that strong sales performance should continue for some time.

Walmart (o/w) – Walmart has invested heavily in its price proposition and eCommerce capability. Shareholders are now harvesting the fruits of this labour as Walmart takes market share in US general retail.

Home Depot (o/w) – Trading at Home Depot remains subdued but the expectation of lower official interest, and so mortgage rates has improved investor sentiment. Lower rates should lead to a thaw in the frozen US housing market encouraging homeowners to take out home equity loans, at more favourable rates, to finance home remodelling and repairs.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - United States
at 30 September 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Alphabet A	1.92	0.80	(0.19)
Tesla	0.00	0.60	(0.12)
Microsoft	3.24	2.63	(0.06)
Amazon	1.95	1.43	(0.05)
Merck	0.54	0.24	(0.05)

Alphabet Class A (o/w) – Alphabet's Google business was found to be engaged in illegal monopolistic behaviour in relation to the payments it makes to Apple to ensure its search engine is the default on devices such as the iPhone. No remedies have yet been proposed and Alphabet is likely to appeal but enforced changes to the company's business practices could injure future profitability.

Tesla (u/w) – Earnings expectations for Tesla have continued to decline but that has coincided with incongruous share price strength. Investors seem to be hoping that Tesla is on the cusp of achieving safe autonomous driving as demand for its electric vehicles remains subdued.

Microsoft (o/w) – The shares have persistently outperformed for some time but recent results that were merely good rather than exceptional encouraged investors to take profits. Management suggested that revenues are presently being capped by the unavailability of hardware, namely Nvidia GPUs, rather than by a drop in demand, which is encouraging.

Amazon (o/w) – Amazon is gaining retail market share in more everyday low-cost items. The costs of home delivery for inexpensive items can be disproportionate to their value for eCommerce companies and Amazon's success in these categories has come at the cost of margins. We expect management to be successful in encouraging shoppers to bundle more items together to lower the cost to serve consumers.

Merck (o/w) – The share price was hit by a falloff in Chinese orders for a cervical cancer vaccine. This took the company's management by surprise which has hurt its credibility with investors.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - United States
at 30 September 2024

Largest Relative Over/Underweight Stock Positions (%)

Vanguard US Mid Cap ETF	+3.05
Alphabet A	+1.12
Microsoft	+0.61
Amazon	+0.52
Oracle	+0.51
Alphabet C	-0.66
Tesla	-0.60
Exxon Mobil	-0.43
AbbVie	-0.29
AMD	-0.22

Top 5 Holdings Relative to Benchmark:

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

Alphabet Inc Class A – The parent company of Google has two share classes. While the fund doesn't own the class C shares, our net position in the business is still overweight. Google enjoys a strong and profitable internet advertising market position while also benefitting from a fast-growing cloud computing infrastructure business.

Microsoft Corp – Microsoft continues to benefit from secular growth within its cloud hosting business as well as resilient demand for its ubiquitous productivity software led by Microsoft Office. The company looks well placed to increase its share of wallet from enterprise customers by upselling AI augmented, or co-pilot, versions of its software.

Amazon – Amazon's leading cloud infrastructure hosting business looks well placed to continue to enjoy attractive profitable revenue growth. Its retail business should also enjoy higher margins, over time, as it reaps greater scale benefits and enjoys a more meaningful contribution from high margin advertising sales.

Oracle Corp – Oracle provides critical hardware and software for enterprises around the world that help provides it a high degree of recurring revenues. Moreover, growth for Oracle, as for many of your portfolio's information technology holdings, looks set to remain elevated given ongoing strong demand for generative AI solutions.

Bottom 5 Holdings Relative to Benchmark:

Alphabet Inc Class C – The large holding in the A share class results in an overweight exposure overall.

Tesla Inc – We are concerned that the company may need to cut vehicle prices further to stimulate demand at a time of increasing credible competition while its own offering becomes increasingly dated. The high valuation of the shares seems dependent on Tesla successfully making a technological leap and generating material revenue streams from autonomous driving.

Exxon Mobil Corp – We prefer Chevron and ConocoPhillips to Exxon Mobil. Both companies have demonstrated more consistent energy transition engagement.

AbbVie Inc – The pharmaceutical company's largest franchise, Humira, has lost important patent protection and may pursue expensive acquisitions to reinvigorate revenue growth.

Advanced Micro Devices Inc – AMD is a leading provider of microprocessors used in personal computing and datacentres. AMD also has a nascent graphic processing units (GPUs) business, but we believe that it lags Nvidia's market offering and so its future share of the GPU market may remain modest.

Note
1) Source: Northern Trust

Overseas Developed Markets Fund - Europe (ex UK) at 30 September 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
AXA	0.61	0.23	0.04
Industria de Diseno Textil	0.58	0.21	0.03
Intesa Sanpaolo	0.55	0.23	0.03
Engie	0.32	0.10	0.03
DSM-Firmenich	0.30	0.08	0.03

AXA (o/w) – The French insurance company has managed to sell their investment management arm to BNP Paribas for €5.1bn which in turn would simplify AXA's business model and focus on its core insurance activities. The capital will be used to initiate a share buyback programme.

Inditex (o/w) – The Spanish clothing retailer managed to defy industry trends thanks to having an agile supply chain which saw growth in Q3 sales coming in at 11%, higher than the 8% growth recorded in Q2.

Intesa Sanpaolo (o/w) – The Italian bank reported better than expected results due to higher lending income and fees. The bank has upgraded net income guidance to above €8.5bn for 2024-25 with the cost to income ratio now at 38.5%, far below the estimated 40.3%.

Engie (o/w) – The French utility was hit hard on the back of President Macron calling a snap election in June. Although the far-right NR party won the first round it was with a smaller majority than feared, with the stock recovering as possible policy changes, such as freezing all new wind projects, appeared less likely.

DSM Firmenich (o/w) – The Dutch flavour and fragrance company has raised its outlook for the year as the vitamin market is starting to recover and cost efficiencies start to come through. DSM is also benefiting from the announcement of it separating the animal health and nutrition business unit.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Europe (ex UK) at 30 September 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Novo Nordisk	1.68	1.21	(0.15)
ASML	1.55	1.09	(0.12)
Stellantis	0.08	0.00	(0.04)
TotalEnergies	0.92	0.44	(0.03)
Prosus	0.00	0.19	(0.03)

Novo Nordisk (o/w) – Competition in the obesity space is starting to increase with Roche now looking to enter the market with its initial study showing a greater weight reduction. Also, Novo reported a mixed set of data for Monlunabant during its mid stage trial which at higher levels did not give any additional weight loss, however there were mild to moderate neuropsychiatric side effects.

ASML (o/w) – The Dutch lithography company underperformed on concerns the US was looking to bring in tighter restrictions on chip/chip equipment sales to China. At the same time capex cuts at Intel also contributed to the underperformance as this might imply lower demand for EUV machines.

Stellantis (o/w) – The automaker saw a larger than expected drop in earnings as demand fell away in the US leading to larger inventory. Management have highlighted that price cuts will be needed to offload excess inventory as well as reducing production.

TotalEnergies (o/w) – The French oil and gas company experienced falling oil and gas prices during the quarter which meant it underperformed as concerns about the global macroenvironment increased. At the end of the quarter Saudi Arabia is now also looking to abandon their $100 per barrel oil price target as it plans to increase output to regain market share.

Prosus (u/w) – The Naspers-controlled internet investment firm has been exiting some of their Chinese tech names as they look to reduce their exposure to the Chinese market. The exit coincided with Chinese tech valuations benefitting from Chinese stimulus measures being announced.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Europe (ex UK)
at 30 September 2024

Largest Relative Over/Underweight Stock Positions (%)

Schneider Electric	+0.52
TotalEnergies	+0.48
Novo Nordisk	+0.47
ASML	+0.46
Siemens	+0.40
Zurich Insurance Group	-0.29
Hermes	-0.28
Banco Santander	-0.26
UniCredit	-0.23
Enel SPA	-0.21

Top 5 Holdings Relative to Benchmark:

Schneider Electric (o/w) – Schneider is a highly regarded and well-managed electrical power equipment company that enjoys a strong global position in the structural growth markets of Energy Management and Industrial Automation.

TotalEnergies (o/w) – 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"). The management team is looking to diversify further into green energy and renewables.

Novo Nordisk (o/w) – Novo has a strong market position in Type-2 diabetes and has branched out into treatment of obesity. Wegovy, the firm's flagship GLP-1 obesity drug, is seeing demand far outstrip supply as Novo extends its offering to other countries. Trials have also shown that GLP-1s could help with cardiovascular and kidney failure for diabetic/obese patients.

ASML (o/w) – The Dutch hardware company is the sole supplier of lithography equipment to the semiconductor/chip makers globally. The company has monopolistic power and enjoys tight relationships with its customers, which rely on ASML's equipment to build better and faster chips.

Siemens (o/w) – Siemens is transforming from being a large conglomerate to a focused niche player, focusing on three main areas: DI (Digital Industries), SI (Smart Infrastructure) and Mobility. The company is well placed to benefit from long term secular growth drivers such as automation and energy efficiency.

Bottom 5 Holdings Relative to Benchmark:

Zurich Insurance (u/w) – The Swiss reinsurance company trades on a high valuation relative to peers, especially considering what we believe are overly ambitious profitability targets. We prefer Munich Re, which commands a lower valuation.

Hermes (u/w) – Hermes trades on a higher valuation and has a less diversified portfolio than some of its peers. The portfolio has an overweight position in LVMH, which trades at a lower valuation despite its best-in-class characteristics.

Banco Santander (u/w) – Santander's balance sheet is considered one of the weakest in the sector, and its end markets are especially vulnerable to the impact of higher interest rates. The bank's strategy to expand into investment banking remains risky, in our opinion.

Unicredit (u/w) – The Italian bank is not held in the portfolio as we think it higher risk and less well managed compared to other banks in the country. There are concerns around the shareholder return story and we believe Intesa Sanpaolo is the better way to play this part of the market.

Enel (u/w) – The Italian government is the largest shareholder of the power company and there are concerns that the government could use their position that would not be in the best interest for their shareholders.

Note
1) Source: Northern Trust

Overseas Developed Markets Fund - Japan
at 30 September 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
ZOZO	0.21	0.01	0.06
Hitachi	0.42	0.25	0.02
Shimano	0.18	0.03	0.02
Secom	0.14	0.03	0.02
KDDI	0.23	0.10	0.02

Zozo (o/w) – Shares of this high-quality ecommerce company improved on the back of two factors: (1) recovery in the rate of transaction growth on its core apparel platform following a lengthy post-Covid correction; and (2) a flight to domestic-demand-related stocks, which are perceived as safer during periods of market volatility such as we saw throughout the quarter.

Hitachi (o/w) – Positive exposure to popular themes like IT/AI and energy distribution buildout continued to support demand for the shares as the company emerges from its decade-plus restructuring phase into solid secular growth. Q1 results reinforced the positive-growth trend, and the stock bucked the pessimism that surrounded many of its cyclical peers during the quarter.

Shimano (o/w) – Shares outperformed on signs that the inventory correction for bicycle parts is finally coming to an end. Sales had surged during the Covid era, and post-covid normalisation left many of the company's retail customers holding excess levels of inventory.

Secom (o/w) – Secom benefitted from a flight to safety during the quarter as investors embraced this "steady-eddy" recurring-revenue-type business model and shunned previous winners in the more cyclical export sector of the economy amid turmoil in currency markets and overall equity market volatility.

KDDI (o/w) – Similar to Secom, investor appetite for stable revenues and earnings from domestic-demand-driven companies surged amid the summer's high volatility. Investors also appear to have taken a more sanguine view of the company's acquisition of convenience store operator Lawson, as management more enthusiastically began presenting its case to the market in a series of presentations and investor roadshows.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Japan
at 30 September 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
DISCO Corporation	0.14	0.05	(0.05)
Renesas Electronics	0.18	0.05	(0.05)
Tokyo Electron	0.28	0.17	(0.03)
Subaru	0.13	0.02	(0.03)
Mitsubishi Heavy Industries	0.00	0.09	(0.02)

Disco (o/w) – Similar to Tokyo Electron, shares of this high-quality semiconductor equipment producer corrected significantly as the market began to question the strength of the current upswing in semiconductor demand and related capex. Given the cyclical nature of the industry, semiconductor-related stocks tend to experience relatively high levels of volatility in the short term, but we continue to see value-creating opportunities in the longer term.

Renesas Electronics (o/w) – Renesas suffered during the quarter on a general sell-off in the semiconductor sector and some evidence that important end-markets like power and industrial had begun to weaken. Valuations for this industry leader remain attractive, however, and we continue to rate it highly as among our top picks in Japanese technology.

Tokyo Electron (o/w) – Tokyo Electron enjoyed a strong rerating in 2023 and the start of 2024 as a key player supporting the buildout of the chipmaking industry and a natural choice for investors wanting exposure to Japanese tech and AI, in our opinion. Investors soured on the stock during the quarter, however, given historically high valuations and some signs that the AI buildout is starting to slow.

Subaru (o/w) – Given the nature of its business model, Subaru's shares are highly correlated to movement in the yen-dollar exchange rate: the company manufactures automobiles in Japan and sells them in the United States. Turmoil in exchange rates in late July/early August caused the market to reassess yen-denominated earnings power. We continue to rate this high-quality niche producer very highly, however, as fundamentals remain strong.

Mitsubishi Heavy Industries (u/w) – The shares of this diversified industrial company have been attracting market attention over the last few quarters as long-running restructuring efforts that have frustrated investors in the past have finally started to bear tangible fruit, and end markets begin to improve in its mainstay gas turbine business. The shares received an additional boost from the perception that Japanese government is prepared to increase defence spending, as well as the appointment of long-time defence hawk Shigeru Ishiba as PM.

Note

1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Japan
at 30 September 2024

Largest Relative Over/Underweight Stock Positions (%)

ZOZO	+0.20
TDK	+0.18
Sumitomo Mitsui Financial	+0.18
Hitachi	+0.17
Takeda Pharmaceutical	+0.17
Mitsui & Co	-0.14
Daiichi Sankyo	-0.13
Fast Retailing	-0.13
Mizuho Financial	-0.11
Honda Motor	-0.11

Note
1) Source: Northern Trust

Top 5 Holdings Relative to Benchmark:

ZOZO – One of Japan's best-run pure-play ecommerce companies. We have long admired the company's ability to continue growing in line with penetration of ecommerce even as it adds high-quality service offerings for its platform customers that reinforce its competitive advantage and deepen the moat surrounding its business.

TDK – We rate the company's industry-leading battery technology highly, as well as its diversified end-market exposure. Management has shown itself adept at adopting to industry changes, and we believe the market will be surprised by the positive effects of its strategy in areas such as mid-sized batteries and sensors.

Sumitomo Mitsui Financial Group – We favour Sumitomo Mitsui Financial Group among Japanese banks because of the success management has enjoyed in shifting the group's business model beyond traditional reliance on loan-deposit spread, as well as building a credible overseas operation.

Hitachi – Over the last 14 years, large-scale corporate restructuring has transformed this company from a sprawling and inefficient corporate behemoth into a lean and focused creator of industrial value. Management is now shifting its attention from restructuring to growth, led by world-class technology and industrial integration, as well as electric distribution and traditional industrial verticals like rolling stock.

Takeda – A core pharmaceutical holding in Japan owing to the breadth of its drug portfolio and the depth of its pipeline, as well as current very attractive valuations. The company's ample cash generation has allowed it to rapidly pay down debt and deliver significant improvement in its balance sheet since acquiring Shire in 2019.

Bottom 5 Holdings Relative to Benchmark:

Mitsui & Co – While we rate Mitsui & Co. highly, we prefer Mitsubishi Corp. and Itochu Corporation, due to their more diversified business portfolios with relatively lower weighting on resources/commodities. Mitsubishi Corp. in particular has learned the lessons of the last bull cycle and is more keenly focused on free cash flow generation.

Daiichi Sankyo – Despite recent derating, the current share price continues to reflect an unrealistically optimistic outlook for the company's oncology drugs, in our view.

Fast Retailing – We rate this high-quality, high-growth apparel retailer very favourably but struggle to find an attractive entry point as valuations reflect greater positive performance than we believe is feasible.

Mizuho Financial Group – While we maintain our overweight in financials, we prefer MUFG for the higher quality of its domestic franchise as well as its blue-chip overseas assets like Morgan Stanley. We also prefer to hold Sumitomo Mitsui Financial Group for its successful efforts to build profitable non-lending businesses.

Honda Motor – We prefer Toyota for its EV/hybrid strategy and growth prospects; we also like Subaru owing to the resilience of its US sales, greater potential from its collaboration with Toyota, and the possibility that Toyota may increase its stake.

Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 30 September 2024

Positive Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
AIA Group	0.97	0.64	0.06
Techtronic Industries	0.41	0.13	0.06
Samsung Electronics Prefs	0.00	0.20	0.05
Hong Kong Exchanges & Clearing	0.58	0.34	0.05
Lynas Rare Earths	0.19	0.03	0.04

AIA (o/w) – Supported by low valuations, AIA benefited from firm ongoing business trends and bullish expectations for Hong Kong stocks on the back of new economic stimulus measures in China.

Techtronic Industries (o/w) – Also benefited from better sentiment towards Hong Kong stocks as well as expectations of demand improvement in the US on the back of lower interest rates.

Samsung Electronics Prefs (u/w) – Undermined by a slower than expected recovery demand by PC / smartphone makers for legacy memory products.

Hong Kong Exchanges & Clearing (o/w) – Was also supported by expectations of improving earnings driven by higher trading values and market activity on the back of the Chinese stimulus measures.

Lynas Rare Earths (o/w) – Benefited by improving rare earth prices on the back of expectations of better supply and demand conditions going forward driven by modest Chinese production increases and renewed demand strength from key sectors such as EVs and consumer electronics.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 30 September 2024

Negative Stock Level Impacts

Fund	Portfolio weight (%)	Benchmark weight (%)	Contribution to performance (%)
Samsung Electronics	2.01	1.42	(0.18)
SK Hynix	0.78	0.46	(0.10)
Westpac Bank	0.00	0.48	(0.06)
Hyundai Motors	0.36	0.16	(0.04)
LG Innotek	0.13	0.01	(0.03)

Samsung Electronics (o/w) – As per the Preferred shares, Samsung Electronics underperformed affected by a slow recovery in legacy memory products on the back of weak demand from consumer electronic applications such as PCs / smartphones.

SK Hynix (o/w) – In spite of its prominent position in Nvidia's supply chain (supplying the most advanced high bandwidth memory chips), SK Hynix was also undermined by weaker-than-expected demand for commodity memory products.

Westpac Bank (u/w) – The major Australian bank continued enjoying resilient economic and business conditions translating into firm asset quality whilst benefiting from high interest rates.

Hyundai Motor (o/w) – Was undermined by poor sentiment towards auto OEMS with European peers issuing profit warnings on expectations of weak demand going forward.

LG Innotek (o/w) – After having rebounded strongly in 2Q, LG Innotek corrected on decreasing expectations of iPhone 16 sales due to delayed Apple Intelligence launch.

Note
1) Source: Northern Trust & Border to Coast

Overseas Developed Markets Fund - Asia Pacific (ex Japan) at 30 September 2024

Largest Relative Over/Underweight Stock Positions (%)

Samsung Electronics	+0.59
AIA Group	+0.33
SK Hynix	+0.32
Techtronic Industries	+0.29
KB Financial Group	+0.26
Westpac Bank	-0.48
Samsung Electronics Prefs	-0.20
UOB	-0.19
Celltrion	-0.14
Shinhan Financial	-0.13

Top 5 Holdings Relative to Benchmark:

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

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.

SK Hynix – A leader in semiconductor memory with high teens global market share in both NAND (storage) and DRAM (processing) chips, benefitting from structural demand growth with improving penetration and increasing number of applications (including AI) for its technologically leading high bandwidth memory.

Techtronic Industries – Technology-leading focus on the cordless power tools market should lead to improving margins and market share as global penetration continues to rise – thanks to innovative, easy-to-use products. The company’s focus on the higher-margin professional market in the US should also benefit.

KB Financial Group – Largest financial group in Korea, with sector-high return on equity, strong capital position, and increasing focus on improving shareholder returns.

Bottom 5 Holdings Relative to Benchmark:

Westpac Bank – The Fund has a preference for the other major Australian banks, given they achieve better returns, are better provisioned, and are considered of a higher quality in their operations.

Samsung Electronics Prefs – The portfolio is overweight Samsung Electronics overall via the more liquid ordinary shares. The discount of the preferred shares to the ordinary shares has widened in recent months. Should this trend continue, we would consider some partial switching to preferred shares going forward, allowing for liquidity considerations.

UOB – While Singaporean banks tend to be highly correlated, the portfolio prefers competitors DBS and OCBC – both enjoy stronger capital positions and more differentiated profiles. DBS is the leader in terms of profitability and carries a high valuation, whilst OCBC is slightly more expensive than UOB, with similar profitability but paying a slightly higher dividend yield.

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

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.

Note
1) Source: Northern Trust

Major transactions during the Quarter:

United States

Purchases:

Marriott International (£20.4m) – We initiated a new holding in Marriott International. Marriott owns an enviable collection of hotel brands which it franchises out to hotel developers and owners. In exchange for the use of its hotel brand names, such as Marriott and Ritz-Carlton, Marriott collects royalties on hotel stay expenditure. We value this capital-light model and the long-term tailwinds of people's wish to travel.

Sales:

Honeywell (-£13.1m) – We continued to reduce the holding in Honeywell so that it has become an underweight position. We are not convinced that accelerated organic revenue growth will come as quickly as management is projecting.

Nike (-£12.9m) – We exited the holding of Nike in the quarter. Several years ago, Nike shifted its focus to sell more of its clothes and equipment through its own stores and eCommerce websites. It was felt that this would ensure an elevated buying experience for the consumer while improving Nike's margins. Unfortunately, with the benefit of hindsight, this allowed competitors to displace Nike in the wholesale channel. Greater competition is the new reality and so we elected to dispose of the holding at still a premium valuation.

Costco (-£12.3m) – Costco's earnings valuation multiple continued to expand as trading remains resilient. We could no longer justify an overweight position and so reduced the holding to an underweight.

Europe (ex UK)

Purchases:

SAP (£11.5m) – The German software company is benefitting from its larger clients moving to the cloud and operational gearing should now start to boost margins.

Capgemini (£10.6m) – Buying on weakness and lower valuation. The sector is looking attractive as lower interest rates could mean that Capgemini's clients look to increase capex.

Sales:

Ageas (-£10.7m) – This was a small position in the insurance sector and so now looking to consolidate the positions in the sector.

Heineken (-£7.8m) – Looking to consolidate the names in the beverage sector and feel that with current valuation there are better opportunities elsewhere.

Adyen (-£7.5m) – The position was sold due to concerns around the company being able to meet its growth rates going forward.

ArcelorMittal (-£7.1m) – The Dutch steelmaker is one of the highest carbon companies in the portfolio and there is concern that capex will have to increase substantially into carbon capture projects to meet its carbon targets.

Dassault Systemes (-£5.7m) – Consolidating positions in the software sector with some of their peers seeing better growth metrics going forward.

Wacker Chemie (-£5.6m) – The company will be looking to increase capex as they start to develop high grade polysilicon for the chip industry and therefore shareholder returns could suffer.

Overseas Developed Markets Fund
at 30 September 2024

Asia Pacific (ex Japan)

Purchases:

Samsung Electronics (£10.7m) – Increased position as company softened into a mid-cycle lull in demand for memory. We believe it is supported by low valuations and whilst the overall sector will be supported by growing demand for more advanced memory products for AI and general purposes servers, Samsung could also benefit as its product catch up with SK Hynix and received qualification by Nvidia for use in its high-end GPU units.

SK Hynix (£5.3m) – Added exposure to SK Hynix on the back its leading memory position and expectations of further demand recovery whilst underpinned by attractive valuations.

Seatrium (£4.1m) – The leading Singaporean marine engineering group was added to the Fund due to its improving profitability supported by a large and rising orderbook as well as its position and technical capabilities to capture the ongoing need for offshore oil & gas production platforms and the rising capex needed for renewables as part of the global energy transition.

Sales:

None.

Japan

Purchases:

MatsukiyoCocokara (£1.8m) – Added to existing position in Japan's leading retail pharmacy and drugstore operator on attractive valuations and improving fundamentals.

Sales:

Recruit (-£2.1m) – Reduced our position in this increasingly online and tech-driven employment search company following outperformance and resulting higher valuations.

Shin-Etsu Chemical: (-£2.1m) – We trimmed our holdings in this blue-chip chemical manufacturer during the quarter following strong YTD performance and expectation that sales of semiconductor supply-chain-related products would begin to weaken.

Mitsubishi UFG Financial Group (-£1.7m) – We reduced our position in Japan's largest banking group as valuations began to look more appropriate.

Market Background
at 30 September 2024

In the third quarter, global equities posted a modest return of 0.3% in Sterling terms. This marks an unbroken streak of nine consecutive quarters of positive returns. In contrast, US Dollar returns for global equities were significantly stronger, gaining 6.4%. This disparity was largely due to the strength of Sterling, which appreciated just under 6% against the US Dollar and 1.8% against the Euro, resulting in more subdued returns when measured in our domestic currency.

The 6.4% return from global equities in US Dollar terms, along with consistently positive monthly figures, masked a surprisingly volatile period for equity markets. Towards the latter half of July, equity markets suffered a precipitous 8% decline, only to recover back to new highs by the end of September. It was a confluence of macro-economic and geopolitical factors that caused this underlying volatility and notable rotation in performance between sectors rather than any material operational or financial change in the companies themselves.

At the beginning of the quarter, the economic data from the US supported continued momentum in equity markets. Notably, the US reported one of its lowest inflation rates since 2021, with headline inflation falling to 3.0% from 3.3% in May. The stickier core inflation, which had seemed a material determinant of Federal Reserve's hawkish policy stance, dropped to 3.3% from a high of 3.9% at the start of the year. With inflation now less of an immediate threat, the focus has shifted to the health of the economy. However, in July, Jerome Powell refrained from cutting rates and issued a statement that was more hawkish than the market had anticipated. This delay likely contributed to short-term market volatility, as well as to the subsequent 0.5% cut in September, indicating that the Federal Reserve is on a clear path toward further rate reductions over the next 18 months.

The Fed's shift from hawkish to dovish, the dis-inversion of the yield curve, and the onset of a clear rate-cutting cycle prompted significant sector rotation in equity markets. Most notably, smaller companies outperformed; the Russell 2000, an index of US small-cap stocks, outpaced the larger-cap S&P 500 by nearly 3.5% over the quarter—the largest outperformance in over three years. Additionally, sectors like Real Estate and Utilities, which typically carry higher debt loads and are more sensitive to interest costs, emerged as the best performers. Within the utilities and real estate sectors, companies such as American Tower Corp (a cell tower operator), Welltower (a provider of senior living) and NextEra (a power generator and distributor) have all reported robust numbers over the past quarters, however it would be hard to use those solely to justify their re-ratings over the period.

In sharp contrast, whilst the unloved sectors had their time in the sun, the technology sector struggled to generate a positive return. Part of the mid-quarter weakness in equity markets could be attributed to the Magnificent 7 (7 of the largest US companies). Their elevated valuations are a clear concern for investors, which was further exacerbated by comments from the companies themselves. The issue has become their guidance on the scale of capital expenditure they had undertaken and anticipate to undertake in the ongoing scramble for dominance in the field of artificial intelligence. Mark Zuckerberg's recent remarks about the necessity of overinvesting to avoid being left behind underscored these concerns. Meta's overinvestment should be Nvidia's revenue growth, however moderating future expectations meant even Nvidia struggled over the quarter, breaking a seven quarter streak which has seen the company increase in value by a spectacular 9x.

The pain in equity markets was not restricted to the technology sector alone. Despite the escalating conflict in the Middle East (with around a fifth of the world's oil coming from the gulf regions), it was the energy sector which proved the weakest over the quarter. Despite the growing risk of supply disruption in the middle east, it has been the consistency and gradual increase in production from US combined with over-production by OPEC members such as Russia that has continued to undermine Saudia Arabia's attempts at stabilising the oil price. As a result, since hitting a peak at $91 in April, the oil price has continued to slip lower, dropping below $70 in September. Without exception, Hess, Chevron, Shell and Total all dropped over the quarter and have contributed to making the energy sector one of the worst performing sectors of the year.

Attributing the energy sector's struggles solely to supply issues would ignore the impact of a softer global growth backdrop. In July, the IMF projected a modest deceleration in global growth from 3.3% in 2023 to 3.2% in 2024, assuming a stable US, a recovering Europe, and a

Note
1) Source: Border to Coast

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Market Background at 30 September 2024

China that meets its 5.0% growth target. However, signs of softening growth in China, driven by a struggling property market, impacted consumer sentiment, despite strengths in manufacturing and exports. The third quarter showed little improvement, with Chinese PPI entering deflationary territory and CPI plateauing below 1%.

The slowdown in growth in China has reverberated through its trading partners. This is particularly visible in Europe, and especially Germany, where the slowdown in demand for companies such as Volkswagen, who sold just over 3 million cars in China last year is very apparent from their recently announced layoffs and factory closures. Having been the powerhouse for European growth, Germany's latest GDP growth figure of -0.1% paints a very different picture reinforced by a gradually increasing unemployment rate and pessimistic business expectations.

It is possible that some resolution may be found to China's problems with the announcement of a surprise stimulus package at the end of the quarter. Though we do not doubt the intent and the positive signalling from the Chinese Communist Party and the Peoples Bank of China, we do worry that the scale and impact of the stimulus could be mis-characterised. The market has been eager to view it as placing a floor to the struggling property and equity markets and lift the economy by spurring further investment. We do not doubt that these aims will be achieved to some degree however to place the stimulus in context, the additional 2trn yuan of bonds the government intends to issue amounts to 1.5% of GDP, certainly not insignificant, but hardly similar in scale to the 4trn yuan in 2009 that was closer to 30% of GDP at the time. We also wonder whether the required structural reform will be truly undertaken to ensure more than just a short-term recovery such as that experienced nearly a decade ago in 2015 which resulted in a short term bubble, then crash, in the Chinese A share market.

In Asia we would be remiss not to mention Japan. The weakness of the Yen followed by its swift reversal over the quarter was exacerbated by a strong rotation across sectors within the equity market. The market had largely been underpinned by companies such as TDK, Toyota or Renesas, exporters that were beneficiaries of a weak currency and the increasing desire of western companies to purchase goods from any country other than China. This rapidly reversed with the equity market experiencing a 25% peak to trough decline as investors worried about how closely the fortunes of their companies were tied to that of US technology companies, the changing US interest rate differential and their currency. Although the market rebounded in the latter half of the quarter, this trend raises caution. The markets concerns were further exacerbated by the announcement of Shigeru Ishiba as the replacement of Kishida following his decision not to run again as prime-minister and leader of the LDP. Ishiba's background as a conservative ex-defence minister with hawkish fiscal tendencies could mark a change in policy direction. However, we think this risk is overstated due to his history of taking a largely consensus driven approach.

Politics across the rest of the western world are not without their issues. As the 5th of November approaches, all eyes are on the US. Last quarter the Democratic convention and more importantly, Biden himself, recognised that he was no longer the best candidate they could field. With Kamala Harris stepping in to take his place the Democrats saw an immediate jump in the polls which were further strengthened by her strong performance in a televised debate. We advise caution when it comes to drawing conclusions as not only are the polls notoriously unreliable, but the margins are thin and the election hangs in the hands of a few swing states. While our portfolios are designed to endure beyond any single presidential cycle, a Harris presidency may be perceived as a less risky outcome, while a Trump victory could boost domestic US market sentiment in the short term

Europe is also of concern. As a result of Marine La Pen's ascendancy in France we are now faced with greater uncertainty in France. Macron has called on eurocrat Michel Barnier to step in as Prime minister and attempt to unite parties from opposing political spectrums. It is hard to see him as more than a lame duck however we worry the market implications could be greater than originally anticipated. Early suggestions of increased corporate tax rates on larger businesses as well as punitive taxes on capital returned to investors in the form of share buy backs are populist measures that are unlikely to be supportive of their domestic equity market.

The UK presents a contrasting scenario. The recent election resulted in a significant Labour majority, providing a mandate for growth. However, challenges persist, given the UK's fiscal

Note

1) Source: Border to Coast

deficit and high debt-to-GDP ratio. How the new government will deliver this growth in investment whilst respecting its election pledges is yet to be seen however the comparative stability has been rewarded by markets in the form of both the appreciation in the sterling and a long overdue recovery in the undervalued domestic equity market.

In conclusion, we are encouraged by signs the Chinese are attempting to reverse their faltering economy and believe it could have positive implications for Europe. We also think the US economy remains in good health and that there is a chance the gradual easing of interest rates by the Federal Reserve could result in the much desired soft landing. The risks remain focused around the concentration and high valuation of technology companies in the US and the unpredictability of geopolitics, in particular the current escalation of the conflict in the middle east. As a result, we remain optimistic that the equity markets should continue to deliver reasonable returns, but also take some comfort from our process of targeting high quality companies at reasonable valuations as a means of managing some of the ever present risks.

Note
1) Source: Border to Coast

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

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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

Appendix B

Quarterly Investment Report - 80237

For the Period 01 Jul 2024 to 30 Sep 2024

Middlesbrough Borough Council

Middlesbrough Borough Council

Report ID: 4296035.1 Published: 13 Oct 2024

Quarterly Investment Report - 80237
As of 30 Sep 2024
Middlesbrough Borough Council

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Accounting Summary (expressed in GBP)

As of 30 Sep 2024

Middlesbrough Borough Council

	Market Value 01 Jul 2024		Contributions	Withdrawals	Change in Market Value	Market Value 30 Sep 2024	
Passive Equity Portfolio							
North America Screened Index Equity Sub-Fund	51,126,081	7.66%	0	0	(81,257)	51,044,824	22.49%
Europe ex UK Screened Index Equity Sub-Fund	150,277,468	22.53%	0	115,000,000	(729,807)	34,547,661	15.22%
Japan Screened Index Equity Sub-Fund	125,622,027	18.83%	0	40,000,000	356,065	85,978,092	37.88%
Asia Pacific ex Japan Screened Index Equity Sub-Fund	340,038,916	50.98%	0	280,000,000	(4,655,419)	55,383,497	24.40%
Total	**667,064,491**	**100.00%**	**0**	**435,000,000**	**(5,110,417)**	**226,954,074**	**100.00%**

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Performance Summary (expressed in GBP)

As of 30 Sep 2024

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	0.08%	-0.16%	15.37%	24.01%	11.25%	13.75%	N/A	13.32%
FTSE NORTH AMERICA EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	0.04%	-0.27%	14.99%	23.39%	10.70%	13.32%	N/A	12.96%
Difference	**0.04%**	**0.11%**	**0.38%**	**0.62%**	**0.55%**	**0.43%**	**N/A**	**0.36%**
Total Returns (Net)	0.08%	-0.16%	15.35%	23.98%	11.23%	N/A	N/A	N/A
FTSE NORTH AMERICA EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	0.04%	-0.27%	14.99%	23.39%	10.70%	N/A	N/A	N/A
Difference	**0.04%**	**0.11%**	**0.36%**	**0.59%**	**0.53%**	**N/A**	**N/A**	**N/A**
Europe ex UK Screened Index Equity Sub-Fund								26 Sep 2018
Total Returns	-1.53%	0.22%	6.68%	14.99%	6.17%	7.94%	N/A	7.42%
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	-1.55%	0.20%	6.51%	14.87%	5.73%	7.65%	N/A	7.19%
Difference	**0.02%**	**0.02%**	**0.17%**	**0.12%**	**0.44%**	**0.29%**	**N/A**	**0.23%**
Total Returns (Net)	-1.53%	0.22%	6.67%	14.97%	6.15%	N/A	N/A	N/A
FTSE DEVELOPED EUROPE EX UK EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	-1.55%	0.20%	6.51%	14.87%	5.73%	N/A	N/A	N/A
Difference	**0.02%**	**0.02%**	**0.16%**	**0.10%**	**0.42%**	**N/A**	**N/A**	**N/A**
Japan Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	-1.96%	0.72%	7.12%	10.67%	3.18%	5.65%	8.86%	4.51%
FTSE JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	-2.10%	0.58%	6.80%	10.28%	2.76%	5.32%	8.69%	4.33%
Difference	**0.14%**	**0.14%**	**0.32%**	**0.39%**	**0.42%**	**0.33%**	**0.17%**	**0.18%**

Middlesbrough Borough Council

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
Total Returns (Net)	-1.96%	0.72%	7.10%	10.65%	3.16%	N/A	N/A	N/A
FTSE JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	-2.10%	0.58%	6.80%	10.28%	2.76%	N/A	N/A	N/A
Difference	**0.14%**	**0.14%**	**0.30%**	**0.37%**	**0.40%**	**N/A**	**N/A**	**N/A**
Asia Pacific ex Japan Screened Index Equity Sub-Fund								01 Jun 2001
Total Returns	1.18%	1.06%	3.15%	11.06%	1.23%	4.19%	6.81%	8.79%
FTSE DEV ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	1.19%	1.05%	3.41%	11.11%	1.14%	4.13%	6.75%	8.73%
Difference	**-0.01%**	**0.01%**	**-0.26%**	**-0.05%**	**0.09%**	**0.06%**	**0.06%**	**0.06%**
Total Returns (Net)	1.18%	1.05%	3.14%	11.04%	1.21%	N/A	N/A	N/A
FTSE DEV ASIA PACIFIC EX JAPAN EX CONTROVERSIES EX CW EX TOB EX TC(10%) INDEX	1.19%	1.05%	3.41%	11.11%	1.14%	N/A	N/A	N/A
Difference	**-0.01%**	**0.00%**	**-0.27%**	**-0.07%**	**0.07%**	**N/A**	**N/A**	**N/A**

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

R-Factor^{TM} Summary

As of 30 Sep 2024

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	75.94	75.95	-0.01
ESG	76.45	76.47	-0.02
Corporate Governance	46.48	46.49	-0.01

Source: SSGA Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

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	408	99.76%	99.97%
Total Number of Securities in Portfolio	409		

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Fund R-Factor Profile

Not Available	0.03%
Laggard	0.11%
Underperformer	0.92%
Average Performer	4.04%
Outperformer	18.25%
Leader	76.66%

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Novo Nordisk A/S Class B	4.07%	4.06%	0.00%	76.56
ASML Holding NV	3.66%	3.66%	0.01%	83.52
Nestle S.A.	2.90%	2.90%	0.00%	81.57
SAP SE	2.80%	2.80%	0.01%	86.71
Novartis AG	2.63%	2.63%	0.00%	90.12
Roche Holding Ltd Dividend...	2.48%	2.48%	0.00%	76.62
LVMH Moet Hennessy Louis...	2.11%	2.11%	0.00%	72.25
Siemens Aktiengesellschaft	1.69%	1.68%	0.01%	81.28
Schneider Electric SE	1.57%	1.57%	0.00%	96.14
TotalEnergies SE	1.47%	1.46%	0.00%	82.55

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Top 5 R-Factor Ratings

Danone SA	0.51%	0.51%	0.00%	100
Aena SME SA	0.18%	0.17%	0.01%	99.09
Teleperformance SE	0.07%	0.07%	0.00%	97.36
Intesa Sanpaolo S.p.A.	0.76%	0.76%	0.00%	96.71
Schneider Electric SE	1.57%	1.57%	0.00%	96.14

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Bottom 5 R-Factor Ratings

CTS Eventim AG & Co. KGa...	0.06%	0.07%	-0.01%	15.70
L E Lundbergforetagen AB...	0.05%	0.05%	0.00%	27.61
Industrivarden AB Class A	0.05%	0.05%	0.00%	34.12
Industrivarden AB Class C	0.06%	0.07%	0.00%	34.12
Brunello Cucinelli S.p.A.	0.04%	0.04%	0.00%	35.36

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

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 30 Sep 2024

Europe ex UK Screened Index Equity Sub-Fund

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

Climate Metrics	Portfolio	Benchmark	Difference Versus Benchmark
Carbon Intensity (Direct + Indirect)	170.76	170.05	0.42%
Weighted Average Carbon Intensity (Direct + Indirect)	138.81	138.63	0.13%
Total Reserves Carbon Emissions	72.62	72.29	0.46%
Scope 1+2 Carbon Emissions	3,882,676.21	3,877,551.94	0.13%
TCFD Total Carbon Emissions**	49,441.27*	N/A	N/A
TCFD Carbon Footprint	56.02	56.06	-0.07%
TCFD Carbon Intensity	138.56	138.29	0.20%
TCFD Weighted Average Carbon Intensity (WACI)	82.67	87.23	-5.23%
Brown Revenue %	2.89	2.88	0.35%
Green Revenue %	2.12	2.11	0.47%

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.

Stewardship Profile

As of 30 Sep 2024

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	Q2 2024
Number of Meetings Voted	365
Number of Countries	18
Management Proposals	7,007
Votes for	90.65%
Votes Against	9.35%
Shareholder Proposals	129
With Management	97.67%
Against Management	2.33%

Source: SSGA as of 30 Jun 2024

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	0
1	0
2	5
3	9
4	10
5	13
6	11
7	2
8	0
9	0
10	0
10+	0
Not Available	359
Total	**409**

Source: Factset/SSGA. Holdings as of 30 Sep 2024, Factset data as of 31 Aug 2024.

R-Factor™ Summary

As of 30 Sep 2024

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	67.47	67.45	0.02
ESG	65.96	65.93	0.03
Corporate Governance	64.62	64.62	0.00

Source: SSGA Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

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	558	98.07%	98.98%
Total Number of Securities in Portfolio	569		

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Fund R-Factor Profile	
Not Available	1.02%
Laggard	0.52%
Underperformer	3.60%
Average Performer	11.84%
Outperformer	29.13%
Leader	53.89%

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Apple Inc.	6.89%	6.77%	0.12%	88.14
Microsoft Corporation	6.52%	6.51%	0.02%	76.31
NVIDIA Corporation	5.79%	5.81%	-0.02%	72.29
Amazon.com Inc.	3.52%	3.57%	-0.05%	61.28
Meta Platforms Inc Class A	2.55%	2.54%	0.01%	70.72
Alphabet Inc. Class A	1.99%	1.97%	0.02%	68.36
Alphabet Inc. Class C	1.68%	1.66%	0.02%	68.36
Broadcom Inc.	1.59%	1.61%	-0.01%	57.89
Tesla Inc.	1.48%	1.48%	0.00%	58.08
Eli Lilly and Company	1.45%	1.44%	0.01%	64.31

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Top 5 R-Factor Ratings				
HP Inc.	0.07%	0.07%	0.00%	100
CNH Industrial NV	0.02%	0.02%	0.00%	89.55
Healthpeak Properties Inc.	0.03%	0.03%	0.00%	88.46
Apple Inc.	6.89%	6.77%	0.12%	88.14
First Solar Inc.	0.05%	0.06%	0.00%	87.29

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Bottom 5 R-Factor Ratings				
Live Nation Entertainment In...	0.04%	0.04%	0.00%	19.24
Constellation Software Inc.	0.13%	0.13%	0.00%	20.23
HEICO Corporation	0.03%	0.02%	0.00%	26.56
HEICO Corporation Class A	0.03%	0.03%	0.00%	26.56
Builders FirstSource Inc.	0.05%	0.05%	0.00%	26.87

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

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 30 Sep 2024

North America Screened Index Equity Sub-Fund

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

Climate Metrics	Portfolio	Benchmark	Difference Versus Benchmark
Carbon Intensity (Direct + Indirect)	162.85	162.06	0.49%
Weighted Average Carbon Intensity (Direct + Indirect)	104.47	104.72	-0.24%
Total Reserves Carbon Emissions	93.22	93.18	0.04%
Scope 1+2 Carbon Emissions	5,602,117.31	5,606,140.60	-0.07%
TCFD Total Carbon Emissions**	89,411.34*	N/A	N/A
TCFD Carbon Footprint	24.98	25.01	-0.12%
TCFD Carbon Intensity	83.24	83.20	0.05%
TCFD Weighted Average Carbon Intensity (WACI)	73.77	74.20	-0.58%
Brown Revenue %	3.79	3.79	0.00%
Green Revenue %	3.96	3.97	-0.25%

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.

Stewardship Profile

As of 30 Sep 2024

North America Screened Index Equity Sub-Fund

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

Stewardship Profile	Q2 2024
Number of Meetings Voted	483
Number of Countries	12
Management Proposals	5,879
Votes for	93.43%
Votes Against	6.57%
Shareholder Proposals	480
With Management	88.54%
Against Management	11.46%

Source: SSGA as of 30 Jun 2024

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	0
1	7
2	32
3	157
4	168
5	65
6	18
7	6
8	0
9	0
10	0
10+	0
Not Available	116
Total	**569**

Source: Factset/SSGA. Holdings as of 30 Sep 2024, Factset data as of 31 Aug 2024.

R-Factor™ Summary

As of 30 Sep 2024

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	64.39	64.53	-0.14
ESG	62.49	62.63	-0.14
Corporate Governance	67.75	67.74	0.01

Source: SSGA Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

What is R-Factor?

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

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Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	476	98.14%	99.75%
Total Number of Securities in Portfolio	485		

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Fund R-Factor Profile

Not Available	0.25%
Laggard	1.45%
Underperformer	4.96%
Average Performer	16.37%
Outperformer	35.04%
Leader	41.93%

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Toyota Motor Corp.	4.57%	4.57%	0.00%	78.02
HitachiLtd.	2.54%	2.54%	0.00%	79.30
Sony Group Corporation	2.53%	2.53%	0.00%	78.20
Mitsubishi UFJ Financial Gr...	2.50%	2.49%	0.00%	62.36
Keyence Corporation	2.02%	2.02%	0.00%	47.80
Mitsubishi Corporation	1.79%	1.79%	0.00%	61.85
Recruit Holdings Co. Ltd.	1.77%	1.77%	0.00%	69.62
Shin-Etsu Chemical Co Ltd	1.73%	1.73%	0.00%	65.81
Sumitomo Mitsui Financial...	1.72%	1.72%	0.00%	63.13
Tokyo Electron Ltd.	1.69%	1.68%	0.00%	77.76

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Top 5 R-Factor Ratings

Bridgestone Corporation	0.47%	0.47%	0.00%	88.69
Ricoh Company Ltd.	0.13%	0.13%	0.00%	85.25
TOTO Ltd	0.12%	0.12%	0.01%	85.07
Daido Steel Co. Ltd.	0.03%	0.04%	0.00%	83.84
Kao Corporation	0.49%	0.49%	0.00%	83.70

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Bottom 5 R-Factor Ratings

COSMOS Pharmaceutical C...	0.04%	0.04%	0.00%	16.57
Relo Group Inc.	0.03%	0.03%	0.00%	16.84
Rorze Corporation	0.03%	0.03%	0.00%	17.90
Sankyo Co. Ltd.	0.06%	0.05%	0.01%	17.98
Ship Healthcare Holdings In...	0.03%	0.03%	0.00%	18.22

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

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 30 Sep 2024

Japan Screened Index Equity Sub-Fund

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

Climate Metrics	Portfolio	Benchmark	Difference Versus Benchmark
Carbon Intensity (Direct + Indirect)	165.17	164.89	0.17%
Weighted Average Carbon Intensity (Direct + Indirect)	121.71	121.35	0.30%
Total Reserves Carbon Emissions	19.22	19.12	0.52%
Scope 1+2 Carbon Emissions	2,521,889.27	2,522,932.04	-0.04%
TCFD Total Carbon Emissions**	45,763.94*	N/A	N/A
TCFD Carbon Footprint	80.13	79.20	1.17%
TCFD Carbon Intensity	101.42	100.18	1.24%
TCFD Weighted Average Carbon Intensity (WACI)	77.29	77.43	-0.18%
Brown Revenue %	1.65	1.63	1.23%
Green Revenue %	3.84	3.91	-1.79%

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.

Stewardship Profile

As of 30 Sep 2024

Japan Screened Index Equity Sub-Fund

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

Stewardship Profile	Q2 2024
Number of Meetings Voted	391
Number of Countries	1
Management Proposals	4,782
Votes for	92.91%
Votes Against	7.09%
Shareholder Proposals	85
With Management	94.12%
Against Management	5.88%

Source: SSGA as of 30 Jun 2024

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	111
2	66
3	23
4	5
5	2
6	0
7	0
8	0
9	0
10	0
10+	0
Not Available	200
Total	**485**

Source: Factset/SSGA. Holdings as of 30 Sep 2024, Factset data as of 31 Aug 2024.

R-Factor™ Summary

As of 30 Sep 2024

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	64.87	64.93	-0.06
ESG	64.67	64.72	-0.05
Corporate Governance	52.49	52.57	-0.08

Source: SSGA Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

What is R-Factor?

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

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Fund Coverage	Count	Percent of Total Securities	Percent of Total Market Value
R-Factor Securities Coverage	358	98.08%	99.77%
Total Number of Securities in Portfolio	365		

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Fund R-Factor Profile

Not Available	0.23%
Laggard	2.03%
Underperformer	3.72%
Average Performer	16.80%
Outperformer	36.24%
Leader	40.98%

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Top 10 Positions	Fund Weight	Benchmark Weight	Difference	R-Factor Rating
Samsung Electronics Co. Lt...	7.66%	7.64%	0.02%	80.19
Commonwealth Bank of Aus...	5.38%	5.40%	-0.02%	87.94
AIA Group Limited	3.44%	3.46%	-0.02%	70.39
CSL Limited	3.27%	3.29%	-0.02%	71.38
National Australia Bank Limi...	2.75%	2.76%	-0.02%	73.30
Westpac Banking Corporati...	2.61%	2.62%	-0.02%	72.15
SK hynix Inc.	2.46%	2.45%	0.00%	63.46
ANZ Group Holdings Limite...	2.17%	2.18%	-0.02%	72.48
DBS Group Holdings Ltd	2.04%	2.06%	-0.02%	67.02
Macquarie Group Ltd.	1.93%	1.94%	-0.02%	65.73

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Top 5 R-Factor Ratings

City Developments Limited	0.07%	0.07%	0.00%	89.83
Commonwealth Bank of Aus...	5.38%	5.40%	-0.02%	87.94
Swire Properties Limited	0.07%	0.07%	0.00%	83.43
GPT Group	0.23%	0.23%	0.00%	82.24
Dexus	0.19%	0.19%	0.00%	81.18

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

Bottom 5 R-Factor Ratings

Paradise Co. Ltd	0.01%	0.01%	0.00%	10.84
ALTEOGEN Inc.	0.36%	0.36%	0.00%	12.53
Celltrion Pharm Inc.	0.03%	0.03%	0.00%	17.17
Washington H. Soul Pattins...	0.20%	0.20%	0.00%	19.51
Kum Yang Co. Ltd.	0.05%	0.05%	0.00%	19.95

Source: Factset/SSGA. Holdings as of 30 Sep 2024, R-Factor data as of 31 Aug 2024.

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 30 Sep 2024

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

Climate Metrics	Portfolio	Benchmark	Difference Versus Benchmark
Carbon Intensity (Direct + Indirect)	233.97	233.71	0.11%
Weighted Average Carbon Intensity (Direct + Indirect)	164.34	163.63	0.43%
Total Reserves Carbon Emissions	16.89	16.36	3.24%
Scope 1+2 Carbon Emissions	3,637,508.84	3,701,188.56	-1.72%
TCFD Total Carbon Emissions**	25,331.90*	N/A	N/A
TCFD Carbon Footprint	66.16	65.97	0.29%
TCFD Carbon Intensity	160.46	159.33	0.71%
TCFD Weighted Average Carbon Intensity (WACI)	129.40	130.79	-1.06%
Brown Revenue %	3.08	3.02	1.99%
Green Revenue %	1.83	1.84	-0.54%

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.

Stewardship Profile

As of 30 Sep 2024

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	Q2 2024
Number of Meetings Voted	112
Number of Countries	9
Management Proposals	980
Votes for	85.71%
Votes Against	14.29%
Shareholder Proposals	20
With Management	70%
Against Management	30%

Source: SSGA as of 30 Jun 2024

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

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

Gender Diversity

Women on Board	Number of Securities
0	1
1	8
2	27
3	29
4	19
5	0
6	1
7	0
8	0
9	0
10	0
10+	0
Not Available	280
Total	**365**

Source: Factset/SSGA. Holdings as of 30 Sep 2024, Factset data as of 31 Aug 2024.

Relationship Management Team

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Important Information

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

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

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

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

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

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

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

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

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

- Carbon Intensity (Direct + 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.

BORDER TO COAST UK LISTED EQUITY FUND

ESG & CARBON REPORT

Q3 2024

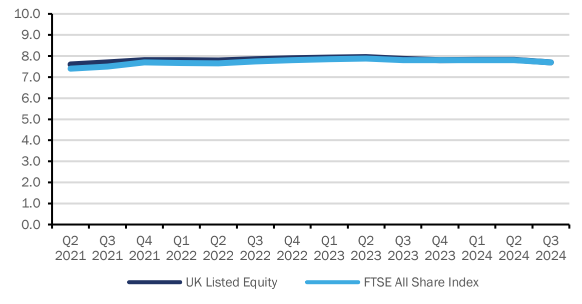
MSCI ESG RATING

AA

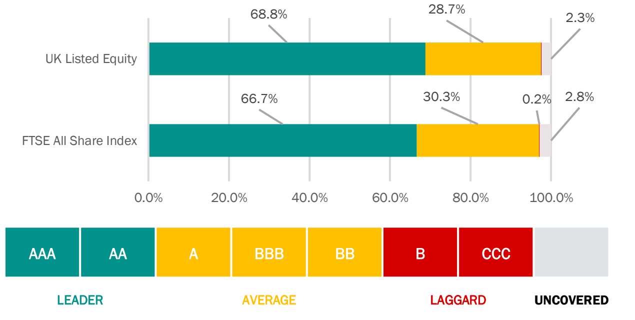
PENSIONS PARTNERSHIP

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

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating	Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
Unilever	5.4%	+0.4%	AAA [1]	Glencore	1.8%	-0.4%	BBB [1]
Relx	3.1%	+0.4%	AAA [1]	Shell	6.8%	+0.4%	A [1]
Diageo	2.6%	+0.2%	AAA [1]	Rio Tinto	2.2%	-0.1%	A [1]
National Grid	2.5%	+0.4%	AAA [1]	BP plc	2.1%	-0.6%	A [1]
SSE	1.2%	+0.4%	AAA [1]	Compass group	2.0%	+0.3%	A [1]

Quarterly ESG Commentary

- The Fund's overall ESG score is consistent with the previous quarter. The Fund remains above benchmark with no material change in either the Fund's or benchmark's overall ESG score.
- One notable change in the ESG rating of the Fund's holdings is Haleon, the Fund's second lowest ESG rated issuer at Q2 was upgraded by MSCI to an A rating. Haleon is this quarter's feature stock.

Feature Stock: Haleon

Haleon formed from a combination of the consumer healthcare divisions of GlaxoSmithKline, Novartis and Pfizer, ~~that~~ was spun out from GlaxoSmithKline in 2022. The company is one of the largest global consumer healthcare businesses with leading ~~global~~ market positions across pain relief, respiratory health and digestive health, plus significant market share in oral health. Its many global brands include Sensodyne, Aquafresh, Theraflu, Voltaren, Panadol and Centrum. The consumer healthcare market continues to see attractive growth despite shorter term pressures on consumer spending, with Haleon growing ahead of its peer group and the wider Consumer Staples universe. Strong free cash generation has seen a material reduction in balance sheet debt after its separation from GSK.

Since MSCI initiated coverage on Haleon in October 2022 with a BB rating, its ESG rating has seen progressive improvement through to the most recent upgrade to an A-rating in August 2024, driven primarily by improvements in ~~quality~~ management quality, with Haleon also seen as leading global peers in corporate governance. Areas for improvement include the oral care business where the majority of palm oil is from certified sources but remains potentially exposed to reputational risk from de-forestation and could also benefit from more specific timeframes around sustainable packaging adoption. GSK's recently announced settlement with the majority of remaining Zantac claimants (product discontinued but formerly sold through its consumer healthcare division) may support a further improvement in Haleon's ESG rating in future.

[1]Source: MSCI ESG Research 30/09/2024

BORDER TO COAST
UK LISTED EQUITY FUND

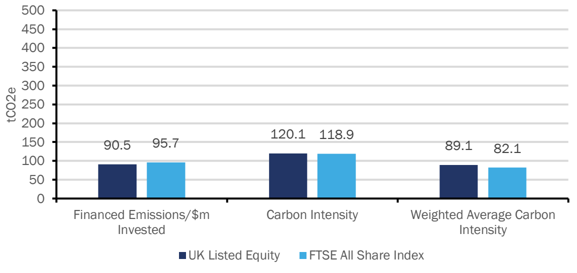
ESG & CARBON REPORT

Q3 2024

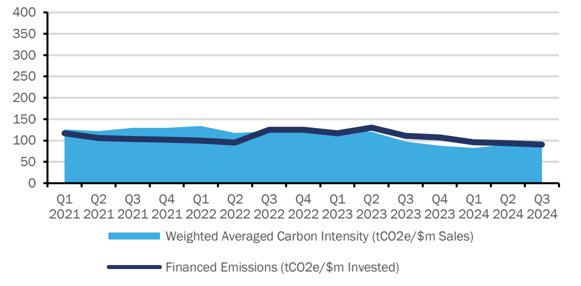
MSCI ESG RATING
AA

PENSIONS PARTNERSHIP

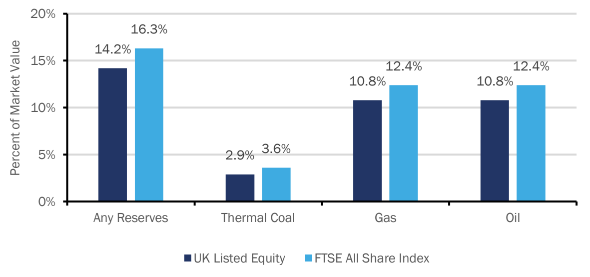
Carbon Emissions and Intensity[1]



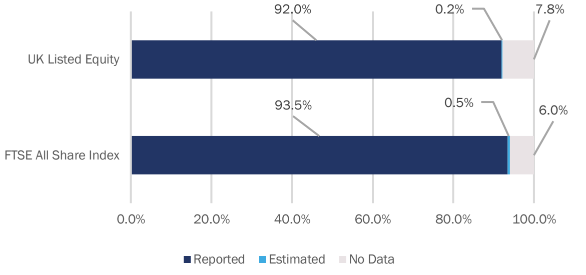
Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



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



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Shell	6.8%	+0.4%	35.0% [1]	Yes	4
BP	2.1%	-0.6%	9.8% [1]	Yes	4*
Rio Tinto	2.2%	-0.1%	9.3% [1]	Yes	4
easyJet	0.5%	+0.3%	8.4% [1]	No	3
Glencore	1.8%	-0.4%	8.3% [1]	Yes	4

Quarterly Carbon Commentary

- The Fund saw marginal changes across all emissions metrics. The Fund remains below benchmark for financed emissions. Larger positions in Rio Tinto and National Grid alongside an increase in Shell's carbon intensity raised the Fund's carbon intensity marginally above benchmark.
- The Fund continues to be higher than the benchmark on Weighted Average Carbon Intensity (WACI). The Fund's active positions in Shell, easyJet and Intercontinental Hotels Group are the main contributors to WACI being higher than the benchmark.

Feature Stock: BP

BP continues to transition from an international oil and gas company to an integrated energy company, although recently some alternative energy projects including biofuel refinery, clean hydrogen and carbon capture and storage projects have been dropped. Shareholder returns are being prioritized, with a total distribution yield of over 12% including quarterly share buybacks of $1.75bn, and renewed guidance for a further $14bn of buybacks over 2024-25. Gearing remains higher than peers and the elevated shareholder distributions appear less sustainable should energy prices continue to soften in the face of slowing demand. As such we have recently been reducing our holding in BP and ended the quarter with a larger underweight position relative to our benchmark.

BP continues to be one of the Fund's largest carbon emitters and therefore recent reports that it may be considering reducing its emission reduction ambitions are disappointing . At BP's AGM in 2022 shareholders gave an overwhelming mandate to target emission reductions of 35-40% by 2030. BP subsequently scaled this back to 25-30% in response to evolving global energy markets following Russia's invasion of Ukraine. The recent reports suggest BP may be reviewing its commitment once again, raising concerns the company may not be able to meet its medium-term emission reduction targets. BP is ESG A-rated by MSCI, a rating that has been stable since it was upgraded from BBB 3 years ago, with MSCI noting BP leads global peers on corporate governance.

[1]Source: MSCI ESG Research 30/09/2024

Issuers Not Covered [1]		
Reason	ESG (%)[1]	Carbon (%)[1]
Company not covered	2.1%	6.0%
Investment Trust / Funds	0.2%	1.8%

Important Information

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

[1]Source: MSCI ESG Research 30/09/2024

BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

ESG & CARBON REPORT

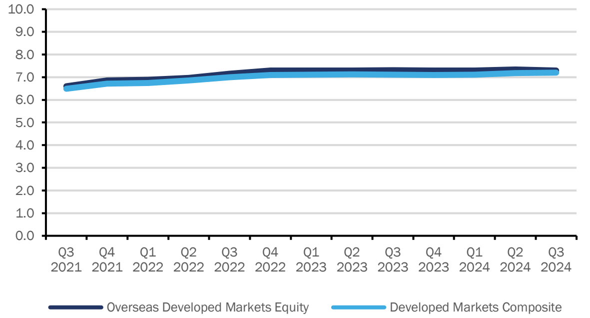
Q3 2024

MSCI ESG RATING
AA

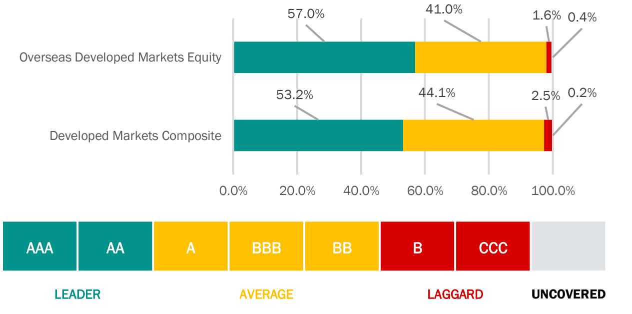
PENSIONS PARTNERSHIP

	End of Quarter Position [1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		Fund has an equal or better *Weighted ESG Score* than the benchmark.
Overseas Developed Markets Equity	AA [1]	7.3 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
Developed Markets Composite	AA [1]	7.2 [1]			Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]



MSCI ESG Weightings Distribution[1]



Highest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating	Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
NVIDIA	2.9%	+0.4%	AAA [1]	Hyundai Motor	0.4%	+0.3%	CCC [1]
Novo Nordisk	1.7%	+0.5%	AAA [1]	HPSP	0.1%	+0.1%	CCC [1]
ASML	1.6%	+0.5%	AAA [1]	Meta Platforms	0.9%	-0.2%	B [1]
Schneider Electric	1.0%	+0.5%	AAA [1]	Hyundai Mobis	0.1%	+0.1%	B [1]
SAP	1.0%	+0.2%	AAA [1]	Jardine Matheson	0.1%	+0.1%	B [1]

Quarterly ESG Commentary

- The Fund's weighted ESG score has remained consistent since Q4 2022 and remains above the benchmark .
- The Fund holds a larger proportion of ESG leaders and lower proportion of ESG laggards compared to the benchmark, driving the Fund's score above the benchmark.

Feature Stock: Meta

Meta is the world's leading social media company, with approximately 4 billion monthly active users across its suite of platforms. Historically, the company has benefited from strong digital advertising revenue growth (advertising is 99% of group income). At a more mature phase now, digital advertising has been more directly exposed to a slowing economy.

Historically, Meta has faced challenges with its ESG practices. The 2018 Cambridge Analytica Scandal raised significant concerns about Meta's data privacy and security habits. Since then, Meta has invested $5.5 billion in a data privacy risk management programme, embedded greater privacy measures into its products, and enhanced board-level oversight to ensure compliance with data protection laws. Another event that caused MSCI to downgrade Meta to a "CCC" rating in 2022 was due to the perceived impact of its efficiency programme between 2022 and 2023, leading to 21,000 job cuts. However, greater efficiency has arguably unleashed greater productivity at Meta that has benefitted shareholders and energised remaining employees.

Despite Meta's Board of Directors being majority independent, governance concerns persist due to Mark Zuckerberg's 57% voting power via a dual-class share structure and his role as CEO and Chairman of the Board. The rationale behind the dual-class share structure was to safeguard Meta from potential hostile takeovers, but it theoretically gives Zuckerberg full control of the company. Since Mark Zuckerberg's wealth is closely tied to Meta's success, there is confidence that he will likely act in the best interests of minority voting shareholders.

[1]Source: MSCI ESG Research 30/09/2024

BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

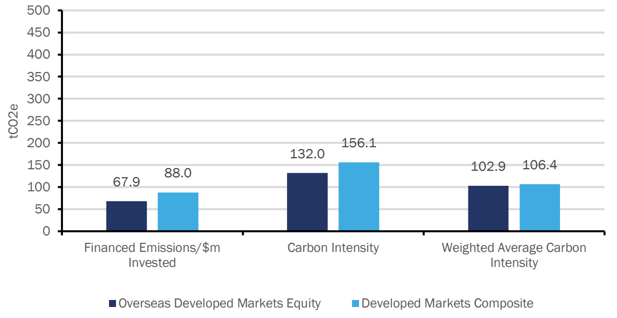
ESG & CARBON REPORT

Q3 2024

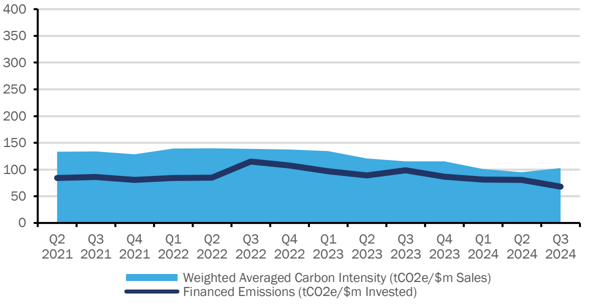
MSCI ESG RATING

AA

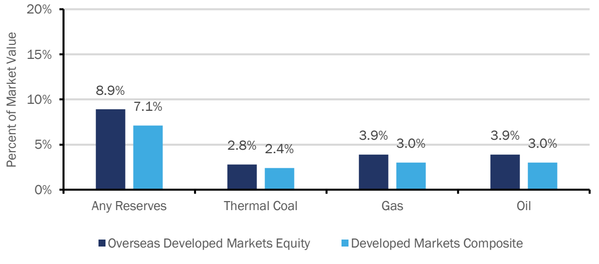
Carbon Emissions and Intensity[1]



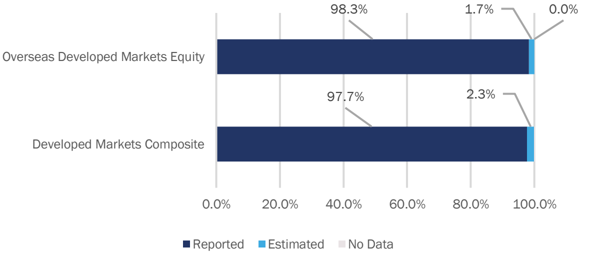
Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



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



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
RWE	0.3%	+0.2%	10.4% [1]	Yes	4
POSCO	0.2%	+0.1%	8.6% [1]	Yes	4
Holcim	0.3%	+0.2%	7.3% [1]	Yes	4
Rio Tinto	0.3%	+0.2%	4.1% [1]	Yes	4
Kansai Electric Power Company	0.2%	+0.2%	3.5% [1]	No	3

Quarterly Carbon Commentary

- The Fund saw a 16% decrease in financed emissions and 12% decrease in carbon intensity. The Fund's WACI relative to benchmark has marginally improved .
- The material change to the Fund's emissions profile is due to the exit from ArcelorMittal, the Fund's second largest contributor to financed emissions in Q2 . ArcelorMittal is a carbon intensive company and has not been replaced by positions in similarly intensive companies.

Feature Stock: Kansai Electric Power Company

Japan's third largest power supplier, the Kansai Electric Power Company (KEPCO) generates and distributes electricity in western Honshu (the main island of Japan) to approximately 20 million inhabitants or 16% of the Japanese population. KEPCO has higher exposure to nuclear than competitors. The Fund invested in KEPCO as Japan is positioning nuclear as a core short- to medium-term energy solution.

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

[1]Source: MSCI ESG Research 30/09/2024

Issuers Not Covered [1]		
Reason	ESG (%)[1]	Carbon (%)[1]
Company not covered	0.2%	0.0%
Investment Trust/ Funds	0.2%	0.0%

Important Information

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

[1]Source: MSCI ESG Research 30/09/2024

BORDER TO COAST EMERGING MARKETS EQUITY FUND

ESG & CARBON REPORT

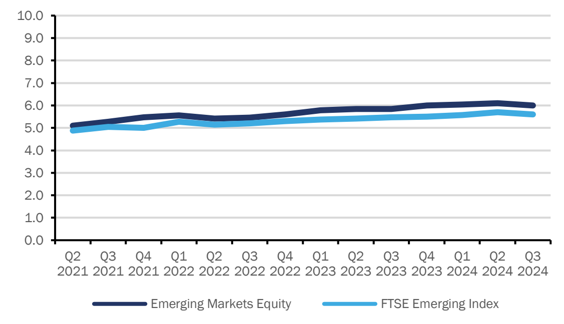
Q3 2024

MSCI ESG RATING

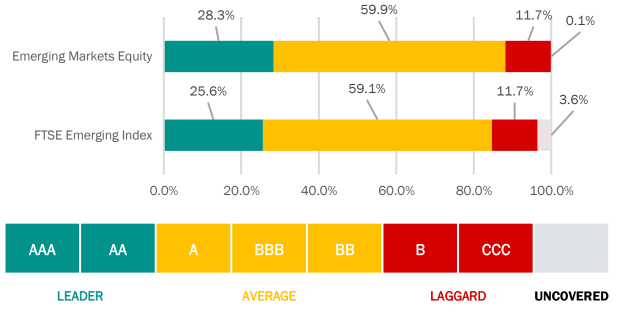
A

	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.
Emerging Markets Equity	A [1]	6.0 [1]	(green)	(amber)	Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
FTSE Emerging Index	BBB [1]	5.6 [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]				Lowest ESG Rated Issuers [1]			
	% Portfolio Weight	**% Relative Weight**	**MSCI Rating**		**% Portfolio Weight**	**% Relative Weight**	**MSCI Rating**
Taiwan Semiconductor	10.2%	+1.3%	AAA [1]	Jiangsu Hengli Hydraulic	0.5%	+0.5%	CCC [1]
Wuxi Biologics	<0.1%	-0.1%	AAA [1]	PetroChina	0.7%	+0.7%	B[1]
HDFC Bank	2.9%	+1.5%	AA [1]	PDD Holdings	0.6%	-0.5%	B[1]
HCL Technologies Limited	1.5%	+1.2%	AA [1]	SITC International	0.5%	0.5%	B[1]
Kasikorn Bank	1.5%	+1.5%	AA [1]	Jindal Steel and Power Limited	0.5%	+0.4%	B [1]

Quarterly ESG Commentary

- Despite a slight reduction in the Fund's overall ESG score the Fund remains above benchmark. This is primarily driven by the large active position in Taiwan Semiconductor, an ESG leader.
- Jiangsu Hengli Hydraulic remains the only CCC rated company held by the Fund. PDD Holdings, a new position for the Fund in the quarter, became one of the Fund's lowest rated ESG issuers in the quarter. PDD Holdings is this quarter's feature stock.

Feature Stock: PDD Holdings

PDD Holdings Inc. is a multinational commerce company that is focused on opportunities in the digital economy. The company has built a network of sourcing, logistics, and fulfillment capabilities that support its underlying businesses. PDD combines a social-commerce concept with a strong emphasis on supply chain efficiency that provides consumers with value-for-money products. Under this model the company is one of the fastest growing internet companies in China with 90% YoY revenue growth in 2023. PDD's domestic business is expected to grow at 15% YoY over the next 5 years, driven by market share gain through its strong value-for-money proposition. PDD's global business Temu has seen significant growth since its inception in 2022. PDD's domestic and global growth make it an attractive holding.

The two major areas of ESG risk for PDD come from the company's supply chain and data management. The company's extensive logistics and delivery network results contributes to a substantial carbon footprint. As the company continues to grow, growing emissions need to be managed to avoid regulatory risks and adverse public opinion. Ensuring fair labour practices throughout its supply chain is another crucial action to prevent reputational harm and potential legal issues.

PDD manages large volumes of consumer information, making it vulnerable to data breaches and privacy concerns. PDD's management of this complex and evolving global regulatory landscape needs to be a key focus as it continues to grow.

[1]Source: MSCI ESG Research 30/09/2024

BORDER TO COAST EMERGING MARKETS EQUITY FUND

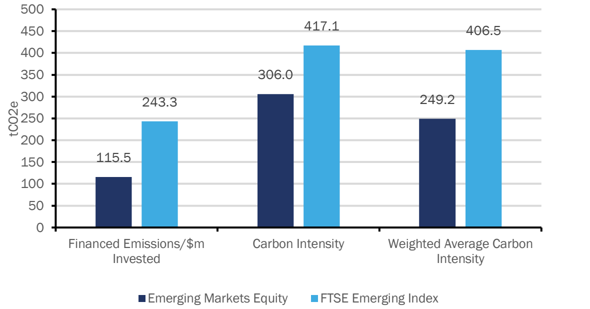
ESG & CARBON REPORT

Q3 2024

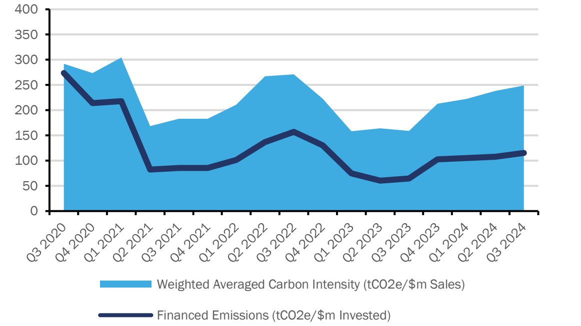
MSCI ESG RATING **A**

PENSIONS PARTNERSHIP

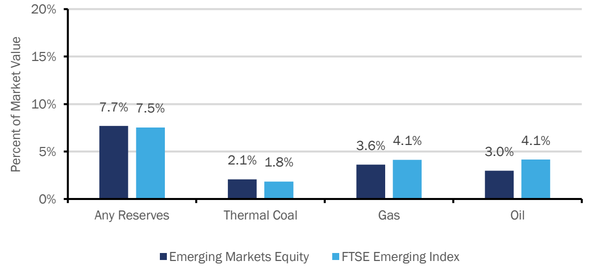
Carbon Emissions and Intensity[1]



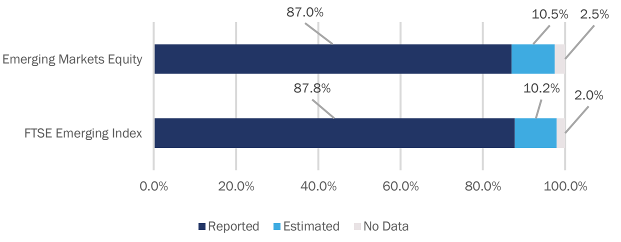
Carbon Trends[1]



Weight of Holdings Owning Fossil Fuel Reserves[1]



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



Largest Contributors to Financed Emissions[1]

	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Grasim Industries	1.7%	+1.7%	47.7% [1]	No	N/A
Jindal Steel and Power Limited	0.5%	+0.5%	6.6% [1]	No	3
Qatar Gas Transport Company	0.9%	+0.8%	6.6% [1]	No	N/A
PetroChina	0.7%	+0.7%	4.2% [1]	Yes	3
Grupo Traxion	0.4%	+0.4%	3.6% [1]	No	N/A

Quarterly Carbon Commentary

- The Fund remains materially below the benchmark across all metrics; carbon emissions, carbon intensity and Weighted Average Carbon Intensity ("WACI").
- The Fund saw a 7% increase in financed emissions driven by an increased position in Grasim Industries, the Fund's largest contributor to emissions, and a new position in Jindal Steel and Power. Jindal Steel and Power is now the Fund's second highest contributor to emissions. Jindal Steel and Power is the Fund's feature stock this quarter.

Feature Stock: Jindal Steel and Power

Jindal Steel and Power (JSP) is the fourth largest crude steel producer in India. JSP achieves a similar EBITDA/tonne as Tata Steel, which is the largest and most profitable steel company in India, by having both a high proportion of value-added products in the sales mix and significant backward integration into coal, energy, and logistics. JSP's movement up the product value chain and backward integration is attractive as it drives further efficiencies, expand margins and return on capital. Steel in India is interesting with high consumption growth expected over the coming years. In turn the government of India has an active industrialisation policy in support of domestic production for domestic need. JSP is an attractive holding based on its' backwards integration, growing consumer demand and government market support.

JSP is targeting both a reduction in carbon emissions by 35% by 2030, via long-term renewable power contracts, and to reach net-zero by 2047. JSP has several capex projects to meet these targets including the development of a coal gasification plant in Angul. This is the largest in the world and provides a synthesis gas that consists of more than 50% hydrogen which reduces the fuel's carbon intensity. JSP are developing two additional gasification plants in addition to a heat recovery system to improve energy efficiency. JSP is exploring options to shift from coal-based power to renewable energy over the coming years.

[1]Source: MSCI ESG Research 30/09/2024

Issuers Not Covered		
Reason	ESG (%) [1]	Carbon (%) [1]
Company not covered	5.0%	2.0%
Investment Trust/ Funds	0.0%	0.5%

Important Information

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[1]Source: MSCI ESG Research 30/09/2024

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 8

PENSION FUND COMMITTEE REPORT

11 DECEMBER 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

GOVERNANCE POLICIES REVIEW

1. PURPOSE OF THE REPORT

1.1 To provide Members with updated versions of a number of governance policies for comment / noting as appropriate.

2. **RECOMMENDATION**

2.1 That Members note the report and provide any comments in respect of the updated policies.

3. **FINANCIAL IMPLICATIONS**

3.1 There are no specific financial implications arising from this report.

4. UPDATED GOVERNANCE POLICIES

4.1 Most of the Pension Fund's governance policies are required to be formally updated every three years. At the last review, in December 2021, an overarching review of Local Government Pension Scheme (LGPS) governance had been expected for over a year, as a follow-on from work carried out on behalf of the Scheme Advisory Board. This review, which was expected to introduce the "Good Governance" proposals, has not yet taken place but governance issues fund and pool level are a key element of the Government's recently issued LGPS (England and Wales) 'Fit for the Future' consultation.

4.2 The latest consultation is expected to mean further guidance on LGPS governance will be published in the New Year. In addition, the Fund is due to be working with a different pensions administrator from June 2025. Consequently, this is a 'light touch' review of the Fund's governance policies, as further changes are likely to be required for some of them during 2025.

4.3 The following documents have been reviewed and updated (where necessary) based on the existing regulations and guidance:

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

4.3 The documents are enclosed as appendices A to H. Most of the changes made have been minor and cosmetic.

5. NEXT STEPS

5.1 The revised governance policies will take immediate effect, subject to any comments from the Committee.

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

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Teesside Pension Fund

Governance Policy and Compliance Statement 2024

Governance Policy and Compliance Statement– Administering Authority

Middlesbrough Council ('the Council') is the Administering Authority of the Teesside Pension Fund ('the Fund') and administers the Local Government Pension Scheme on behalf of participating employers.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Compliance Statements setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State. It also requires the Authority to keep the statement under to review and to make revisions as appropriate and where such revisions are made to publish a revised statement.

Aims and Objectives

The Council recognises the significance of its role as Administering Authority to the Fund on behalf of its stakeholders which include:

- Over 80,000 current and former members of the Fund, and their dependants
- Over 140 employers within the Fund
- Local taxpayers within the council areas participating in the Teesside Pension Fund and taxpayers nationally who contribute to funding some of the major Fund employers.

In relation to the governance of the Fund, our objectives are to ensure that:

- All staff and Pension Fund Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
- All Teesside Pension Board Members have the necessary knowledge and understanding required for them to carry out their (oversight and assistance) role.
- The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties.
- All relevant legislation is understood and complied with.
- The Fund aims to be at the forefront of best practice for LGPS funds.
- The Fund manages Conflicts of Interest appropriately.

Structure

The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to local people. The framework under which the Pension Fund is administered is described below.

Pension Fund Committee

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

In its role as the administering authority, the 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 Committee's specific roles as outlined in the Council's Constitution are shown in Appendix B. No matters relating to the Council’s responsibilities as an employer participating within the Fund are delegated to the Pension Fund Committee.

The Pension Fund Committee is composed of 15 members as outlined below:

- Nine Councillors of Middlesbrough Council, determined by the Council.
- One Councillor from each of Hartlepool Borough Council, Stockton Borough Council and Redcar & Cleveland Borough Council.
- One representative of the other Scheme Employers in the Teesside Pension Fund appointed in accordance with procedures agreed by the Chief Finance Officer and Monitoring Officer.
- Two representatives of the scheme members of the Teesside Pension Fund, appointed in accordance with procedures agreed by the Chief Finance Officer and Monitoring Officer.

Named substitutes are permitted providing they satisfy the knowledge and skills policy of the Fund.

Voting rights are held by all members including the scheme member representatives other than where any are employees of Middlesbrough Council.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties; meetings are open to members of the public who are welcome to attend. However, there may be occasions when members of the public are excluded from meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

Officers

Under the Council's Constitution the Chief Finance Officer has an overarching responsibility for “ensuring lawfulness and financial prudence of decision making” and is “responsible for the administration of the Council’s financial affairs”. This includes the Council’s role as Administering Authority for the Teesside Pension Fund.

In other words, the Chief Finance Officer has a statutory responsibility for the proper financial administration of the Teesside Pension Fund, in addition to that of Middlesbrough Council.

Border To Coast Pensions Partnership (Asset Pooling)

At its meeting on the 15th February 2017, Middlesbrough Council approved its participation, acting as the Administering Authority for the Teesside Pension Fund, in the Border to Coast Pensions Partnership ("Border to Coast") asset pooling arrangement as the Council's approach to pooling the Fund's assets to satisfy the Government's requirements to pool assets with the goal of reducing investment related costs. At the same meeting, the Council also agreed to create Border to Coast Pensions Partnership Limited, an Authorised Contractual Scheme Operator to provide the required services for the (at that time) twelve Partner Funds in Border to Coast.

The following are responsibilities delegated by the Council relating to its participation in Border to Coast. These are in addition to those mentioned in part (f) of the Teesside Pension Fund Committee responsibilities as outlined in Appendix B.

- The Mayor (or whomever he decides to nominate) is the nominated person to exercise the Council's rights as a shareholder in Border to Coast Pensions Partnership Limited and be its representative at shareholder meetings, on behalf of the Teesside Pension Fund. The responsibilities are as set out in the Shareholders Agreement, Articles, Inter Authority Agreement and any other agreements entered into and include, but are not limited to the areas outlined in Appendix C.
- The Chairman (or Vice Chairman in their absence) of the Teesside Pension Fund Committee is the nominated representative of the Council on behalf of Teesside Pension Fund on the Border to Coast Pension Partnership Joint Committee, noting that the Joint Committee shall not making binding decisions on the matters in the Terms of Reference but may make recommendations to each Authority to individually determine.
- The Chief Finance Officer is:
    - The nominated officer to meet and resolve any Deadlock Situation as per Clause 10 of the Shareholder Agreement.
    - The nominated officer to consider and resolve any Dispute as per Clause 13 of the Inter Authority Agreement.

Pension Board

With effect from 1 April 2015, each Administering Authority was required to establish a local Pension Board to assist them with

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

Such Pension Boards are not local authority committees - as such the Constitution of Middlesbrough Council does not apply to the Pension Board unless it is expressly referred to in the Board's terms of reference. The Teesside Pension Board was established by Middlesbrough Council on 1st April 2015 and the full terms of reference of the Board can be found on the Council's website at this link. The key points are summarised below.

Role of the Pension Board

The Pension Board is providing oversight of the matters set out above and, accordingly, the Pension Board is not a decision-making body in relation to the management of the Fund but instead makes recommendations to assist in such management. The Fund's management powers and responsibilities which have been, and may be, delegated by the Council to committees, sub-committees and officers of the Council, remain solely the powers and responsibilities of those committees, sub-committees and officers including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and investment managers.

Membership of the Pension Board

The Board consists of six voting members, which includes three Employer Representatives and three Scheme Member Representatives.

Meetings

The Pension Board must meet at least twice a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. In practice, the Pension Board has typically met four times a year.

The Pension Board is administered in the same way as a Committee of the Council and, as such, members of the public may attend and papers will be made public in the same was as described above for the Pension Fund Committee.

Policy Documents

There are a number of documents, other than this and the Constitution as previously described, which are relevant to the Governance and management of the Pension Fund. Brief details of these are listed below and the full copies of all documents can either be found on the Teesside Pension Fund Website https://www.teespen.org.uk/ or by writing to the address given at the end of this document.

Governance Compliance Statement

This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This is attached as Appendix A and shows where the Fund is compliant or not compliant with best practice and (if applicable) any reasons why it may not be fully compliant.

Funding Strategy Statement

The Funding Strategy Statement forms part of the framework for the funding and management of the Fund. It sets out how the Fund calculates contribution rates and how money will be collected from employers to meet the Fund's obligations. The Funding Strategy Statement (FSS) is drawn up by the Administering Authority in collaboration with the Fund's actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Fund.

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2016 require pension fund administering authorities to prepare, maintain and publish a statement of the principles governing their decisions on the investment of the pension fund.

The main areas covered in the Investment Strategy Statement (ISS) are as follows:

- a requirement to invest Fund money in a wide variety of investments;
- an assessment of the suitability of particular investments and types of investments;
- the approach to risk, including the ways in which risks are to be assessed and managed;
- the approach to pooling investments, including the use of collective investment vehicles and shared services;
- the policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- the policy on the exercise of the rights (including voting rights) attaching to investments.

The ISS also sets out the maximum percentage of the total value of all investments of Fund money that will be invested in particular investments or classes of investment.

The ISS does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the Council within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

The Council must consult such persons as it considers appropriate as to the proposed contents of its investment strategy, these persons are (typically) the Committee, including officers and advisors, and the Fund employers.

The Council must review and if necessary revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions.

The Council must invest, in accordance with its investment strategy, any Fund money that is not needed immediately to make payments from the Fund.

Training Policy

Middlesbrough Council has a Training Policy which has been put in place to assist the Fund in achieving its governance objectives and all Pension Fund Committee members, Pension Board members and senior officers are expected to continually demonstrate their own personal commitment to training and to ensuring that the objectives within that Training Policy are met.

To assist in achieving these objectives, the Teesside Pension Fund aims to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes

as well as any other LGPS specific guidance relating to the knowledge and skills of Pensions Fund Committee members, Pension Board members or pension fund officers which may be issued from time to time.

Members of the Pension Fund Committee, Pension Board and officers involved in the management of the Fund will receive training to ensure that they meet the aims of the Training Policy with training schedules drawn up and reviewed on at least an annual basis.

Conflicts of Interest Policy

Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy how any such conflicts or potential conflicts are to be managed.

Teesside Pension Fund's Conflict of Interest Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund whether directly or in an advisory capacity. The Policy is established to guide the Pension Fund Committee members, Pension Board members, officers and advisers. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

Annual Report and Accounts

As part of the financial standing orders it is the duty of the Chief Financial Officer to ensure that record keeping and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - Statement of Recommended Practice. The financial statements summarise the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pension Fund Committee and the Audit Committee and incorporated in the Statement of Accounts for the Council. The Annual Report provides additional information about the Fund to supplement the financial information within the accounts. Full copies of the Annual Report and Accounts are distributed to employers in the Fund and other interested parties and a copy placed on the Council's website: Annual report and statement of accounts | Middlesbrough Council

Risk Management Policy

The 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.

The Administering Authority 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.

Procedures for Reporting Breaches of the Law

This document sets out the procedures to be followed by certain persons involved with the Teesside Pension Fund, in relation to reporting breaches of the law to the Pensions Regulator.

Middlesbrough Council, as Administering Authority, has delegated responsibility for the implementation of these procedures to the Head of Pensions Governance and Investments.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

The Procedure document applies, in the main, to:

- all members of the Pension Fund Committee and the Local Pension Board
- all senior officers involved in the management of the Fund including the Chief Finance Officer, Monitoring Officer and Head of Pensions Governance and Investments and their teams.
- any professional advisers and third party suppliers including auditors, actuaries, independent advisers, third party administrators, legal advisers and fund managers
- officers of employers participating in the Fund who are responsible for pension matters.

Communication Policy

This document sets out the communications policy of the administering authority and sets out the strategy for ensuring that all interested parties are kept informed of developments in the Fund. This helps to ensure transparency as well an effective communication process for all interested parties, with a particular focus on engagement with scheme members and employers of the Fund.

Pension Administration Strategy and Employer Guide

In order to assist with the management and efficient running of the Pension Fund, the Pension Administration Strategy encompassing administrative procedures and responsibilities for the Fund for both the Administering Authority and Employing Authorities has been made available to employers within the Fund, having been developed following consultation. This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and is integral to the effective management of the Fund and the payment of benefits to scheme members.

Discretions Policies

Under the LGPS regulations, the Council, as the Administering Authority of the Fund, has a level of discretion in relation to a number of areas of policy. The Administering Authority reviews these policies as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power.

Monitoring Governance of the Teesside Pension Fund

The Fund's governance objectives will be monitored as follows:

Objective	**Monitoring Arrangements**
All staff and Pension Fund Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.	• A Training Policy is in place and regularly reviewed (in line with timescales in the document). • On-line training resource is available for all Committee and Board members, • Compare and report attendance at training / use of training resources events, as outlined in the Fund's Training Policy.
The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties.	• All meetings of the Pension Fund Committee and Teesside Pension Board are open to the public and publicised on the Council Website. • All Committee and Board meeting agendas, reports and minutes, with the exception of reserved matters, are published on the Council website in accordance with the Council's required timescales. • The Administering Authority has a communication plan that sets out how it will communicate with members and other relevant parties.
All relevant legislation is understood and complied with	• The Governance of the Fund is considered by both the External and Internal Auditors. All External and Internal Audit Reports are reported to Committee. • The Administering Authority maintains a log of all breaches of the law in accordance with the Fund's breaches procedure. • The Pension Board prepares and publishes an annual report which may include comment on compliance matters.
The Fund aims to be at the forefront of best practice for LGPS funds.	• Officers, Pension Fund Committee and Pension Board Members will maintain their knowledge of LGPS legislation and best practice, measured as per the first objective. • The Administering Authority will respond to government LGPS consultations and other consultations that have an impact on the LGPS.
The Fund manages Conflicts of Interest appropriately	• A Conflicts of Interest Policy is in place and regularly reviewed (in line with timescales in the document). • A Conflict of Interest log is in place, where all potential and actual conflicts are recorded and managed as required by the Conflicts of Interest Policy.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The Pension Fund Committee will monitor these and other key risks and consider how to respond to them.

- Changes in Pension Fund Committee membership, Pension Board membership and/or key officers resulting in loss of continuity and potentially diminishing knowledge and understanding.
- Changes in government/legislative requirements meaning insufficient time allocated to ongoing management, either at Pension Fund Committee meetings or as part of key officers' duties.
- Ineffective delegation of duties and/or presentation of Pension Fund Committee items resulting in insufficient time spent on key matters.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee members, Board members and/or other key officers resulting in a poor standard of decision making and/or monitoring.
- Conflicts of interest not being appropriately managed by Committee members, Board members and/or key officers.

Approval, Review and Consultation

This Governance Policy and Statement was reviewed at the Teesside Pension Fund Committee meeting on 11th December 2024. It will be formally reviewed and updated at least every three years or sooner if the governance arrangements or other matters included within it merit reconsideration.

Contact Information

Further information on the Teesside Pension Fund can be found as shown below:

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Website: https://www.teespen.org.uk/

Middlesbrough Council Website: https://www.middlesbrough.gov.uk/ (Minutes, Agendas, etc.)

Appendix A

Teesside Pension Fund Governance Compliance Statement

Best Practice (from latest Statutory Guidance issued December 2008)	Compliant? With explanation where relevant.
A. STRUCTURE	
a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	**Fully Compliant** The management of the administration of benefits and strategic management of fund assets are delegated by the Council to the Pension Fund Committee.
b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	**Fully Compliant** Representatives covering most employers and scheme members are Co-opted Members of the Pension Fund Committee and have voting rights. The Pension Board, although not a formal secondary committee, also includes representatives of scheme members and employers.

Best Practice (from latest Statutory Guidance issued December 2008)	Compliant? With explanation where relevant.
c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**Not Applicable** There is no formal secondary committee or panel. However it is worth noting that the Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate. All Pension Board minutes are circulated around Pension Fund Committee members are soon as they are available as well as being included in Pension Fund Committee reports.
d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	**Not Applicable** No secondary committee or panel exists.

Best Practice (from latest Statutory Guidance issued December 2008)	Compliant? With explanation where relevant.
B. REPRESENTATION	
a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:- i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).	**Fully Compliant** The Pension Fund Committee includes the following Co-opted Members: • an employer representative covering all employers • two scheme member representatives (representing all categories of scheme member) The Fund also has independent investment advisers who regularly attend meetings. It has a range of other expert advisors, such as the Fund Actuary, who attend on an ad-hoc basis. The Pension Board, although not a formal secondary committee, also includes representatives of scheme members and employers.

Best Practice (from latest Statutory Guidance issued December 2008)	Compliant? With explanation where relevant.
b. That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	**Fully Compliant** All Pension Fund Committee members, including Co-opted Members, are treated equally with full opportunity to contribute to the decision making process and with unrestricted access to papers and training, and with full voting rights. The only exception is if any are employees of Middlesbrough Council, as they are not legally permitted to have voting rights on a committee of the Council. There is no formal secondary committee or panel. However it is worth noting that the Pension Board members are entitled to attend all Pension Fund Committee meetings and are invited to participate.
C. SELECTION AND ROLE OF LAY MEMBERS	
a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	**Fully Compliant** This is highlighted via induction training for members on joining the Pension Fund Committee (also for Pension Board members) and through ongoing training and participation in meetings.
b. That at the start of any meeting committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	**Fully Compliant** We recognise that potential conflicts of interest can arise between a Committee member's existing personal and professional roles and Committee business. The Fund has a Conflicts of Interest Policy outlining the process for identifying and managing actual and potential conflicts of interest. Declarations of interest form a part of every Committee agenda.

Best Practice (from latest Statutory Guidance issued December 2008)	Compliant? With explanation where relevant.
D. VOTING	
a. The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	**Fully Compliant** The Council's Constitution and the Fund's Governance Policy and Compliance Statement make it clear that all Pension Fund Committee members have equal voting rights, other than any employees of Middlesbrough Council (for legal reasons).
E. TRAINING / FACILITY TIME / EXPENSES	
a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	**Fully Compliant** The Fund has a Training Policy that applies to all Pension Fund Committee members, Pension Board members and officers. Training is delivered through several avenues including: • An initial induction for new Pension Fund Committee and Pension Board Members when an individual training plan will be developed • On-going training through written reports or presentations at Committee meetings • Conferences and seminars. The actual costs and expenses relating to approved training are met directly or can be reimbursed from the Teesside Pension Fund. Some members of the Pension Committee and Board receive payments for attendance at meetings (including training events) as detailed within the Middlesbrough Council Members' Remuneration Scheme and the Pension Board terms of reference.

Best Practice (from latest Statutory Guidance issued December 2008)	Compliant? With explanation where relevant.
b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	**Fully Compliant**
c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	**Fully Compliant** A log of individual Member training is maintained. In addition, the Fund has adopted the CIPFA Knowledge and Skills Framework and has a Fund specific Training Policy.
F. MEETINGS (FREQUENCY/QUORUM)	
a. That an administering authority's main committee or committees meet at least quarterly.	**Fully Compliant** The Pension Fund Committee meets five times a year – once every quarter with an additional meeting to consider the draft annual report and accounts.
b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	**Not Applicable** No secondary committee or panel exists.
c. That an administering authority who do not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	**Not Applicable** Lay members are included in the Pension Fund Committee.

Best Practice (from latest Statutory Guidance issued December 2008)	Compliant? With explanation where relevant.
G. ACCESS	
a. That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	**Fully Compliant** All Members of the Pension Fund Committee have equal access to papers. In addition, all Pension Board members have access to the same papers.
H. SCOPE	
a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	**Fully Compliant** The remit of the Pension Fund Committee covers all Fund matters, including administration, communications, funding, investments and governance. The Pension Board provides further opportunity for these matters to be considered
I. PUBLICITY	
a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	**Fully Compliant** The Fund publishes a detailed Annual Report, newsletters for active and pensioner members. In addition all Pension Fund Committee and Board agendas, reports and minutes are available to view on the Middlesbrough Council website (other than exempt items).

Appendix B

Teesside Pension Fund Committee Responsibilities

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 extant Local Government Pension Scheme Regulations, HM Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.

b) Ensuring robust risk management arrangements are in place.

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

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

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

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

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

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

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

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

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

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

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

ii. Undertake the role of Authority in relation to the 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 funds administrator, independent professional advisers and AVC provider.

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

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

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

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

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

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

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

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

Appendix C

Border to Coast Pensions Partnership Limited ('Border to Coast' / 'the Company') Shareholder Responsibilities of the Mayor

The Mayor (or whomever he decides to nominate) is the nominated person to exercise the Council's rights as a shareholder in Border to Coast and be its representative at shareholder meetings, on behalf of the Teesside Pension Fund. The responsibilities are as set out in the Shareholders Agreement, Articles, Inter Authority Agreement and any other agreements entered into and include, but are not limited to the areas shown below.

a) To serve a written notice on the Board of the Company to cease to be a Shareholder in the Company
b) To vote on matters, including the reserved matters in Schedule 1 of the Shareholder Agreement as replicated below:

Reserved Matters

PART A – Matters for approval by all of the Shareholders (unanimous consent required)

1. subject to Financial Conduct Authority (FCA) rules, extend the activities of the Company outside the scope of the Business or close down any operation of the Business;
2. subject to FCA rules, give any guarantee or indemnity outside the ordinary course of the Business to secure the liabilities of any person or assume the obligations of any person (other than a wholly owned subsidiary) (e.g. guaranteeing a lease that does not relate to the Business of the Company);
3. subject to FCA rules and save for any Permitted Contract, enter into or vary any contracts or arrangements with any of the Shareholders or any person with whom any shareholder is connected (whether as director, consultant, shareholder or otherwise) on terms which could give preferential rights to a specific Shareholder. For the purposes of this paragraph a "Permitted Contract" means any advisory or management agreement that puts into effect services to be provided to a Shareholder as a customer of the Company that are approved under the Strategic Plan and, where applicable, the agreement is on materially the same terms that have been agreed with any other Shareholder that is a recipient of the same services;
4. enter into any agreement not in the ordinary course of the Business and/or which is not on an arm's length basis;
5. enter into or vary any agreement for the provision of consultancy, management or other services by any person which will, or is likely to result in, the Company being managed otherwise than by its directors;
6. change the name of the Company;
7. pass a resolution or present a petition to wind up the Company or apply for an administration order or any order having similar effect in a different jurisdiction in relation to the Company unless in any case the Company is at the relevant time unable to pay its debts within the meaning of section 123 Insolvency Act 1986;

8. reduce or cancel any share capital of the Company, purchase its own shares, hold any shares in treasury, allot or agree to allot, whether actually or contingently, any of the share capital of the Company or any security of the Company convertible into share capital, grant any options or other rights to subscribe for or to convert any security into shares of the Company or alter the classification of any part of the share capital of the Company (in each case other than as expressly permitted by this Agreement and/or the Articles where no prior consent shall be required including, without limitation, pursuant to either clause 4 (Finance & Regulatory Capital) and/or clause 16 (Consequences of Breach) and/or Article 26 of the Articles (Issue of Shares and Pre-Emption Rights));
9. other than as expressly permitted by this Agreement and/or the Articles, redeem or buy any existing Shares or otherwise reorganise the share capital of the Company;
10. admit any person as a member of the Company or an investor in the Border to Coast pool;
11. enter into any partnership, joint venture or profit sharing arrangement with any person (excluding entering into any investment or investment vehicle);
12. save in the event of a Required Amendment, alter any of the provisions of the Articles or any of the rights attaching to the Shares. For the purposes of this paragraph a “Required Amendment” means any amendment to the Articles that is either (i) required pursuant to a direct request from the FCA; or (ii) the Company has received written advice from its legal advisers that a change to the Articles is required to comply with FCA rules;
13. amalgamate or merge with any other company or business undertaking;
14. sell, lease (as lessor), license (as licensor), transfer or otherwise dispose of any of its material assets otherwise than in the ordinary course of the Business;
15. commence or settle any claim, proceedings or other litigation brought by or against Border to Coast, except (i) in relation to debt collection (not exceeding £500,000) in the ordinary course of the Business and (ii) in relation to any investment related claims or proceedings relevant to the investment sub-funds or other collective investment vehicles established by Border to Coast; or (iii) in respect of non-material claims, proceedings or other litigation which involve actions for losses of less than £1,000,000 or such lower amount as the Company and the Shareholders may determine from time to time;
16. take out any third party loan(s) in respect of Border to Coast which (in aggregate) exceed the sum of £5,000,000;
17. form any subsidiary of Border to Coast, or acquire any shares in any other company, whether through subscription or transfer, such that the company concerned becomes a subsidiary of Border to Coast; other than where such action is taken in accordance with the Strategic Plan;
18. determine the composition, governance arrangements and limits of authority of any and all subsidiaries of Border to Coast in such a way that will not invalidate the continued application to Border to Coast of the "Teckal exemption" codified under Regulation 12 of the Public Contracts Regulations 2015;
19. make any capitalisation, repayment or other distribution of any amount standing to the credit of any reserve of the Company or pay or declare any dividend or other distribution to the Shareholders;

20. register the transfer of Shares on the replacement of any Shareholder as the administering authority of an LGPS fund pursuant to clause 15.1.5.

PART B – Matters for approval by a Shareholder Majority[1] only

1. enter into or materially vary any licence or other similar agreement relating to intellectual property to be licensed to or by the Company which is otherwise than in the ordinary course of the Business;
2. appoint or remove the auditors of the Company;
3. alter the Company's accounting reference date;
4. make any significant change to any of the Company's accounting or reporting practices other than conforming with any changes made to the accounting standards adopted by the Company;
5. any proposal to not table the annual accounts of the Company at the Company's annual general meeting;
6. approve the remuneration policy for any directors from time to time and to assist in the approval of the policy the Company will provide such information to support the Shareholders in exercising their authority with respect to the reserved matter as may be reasonably required and at all times in line with good remuneration disclosure practice in the United Kingdom, including but not limited to the UK Corporate Governance Code, and shall confirm indications of remuneration amounts implied under the policy;
7. establish any pension scheme (i.e. for employees of the Company);
8. incur in any financial year any item or series of items of capital expenditure including finance leases (but excluding operating leases) of more than £5,000,000 (unless provided for in the Strategic Plan);
9. enter into or vary any operating lease either as lessor or lessee, of any plant, property or equipment of a duration exceeding 5 years or involving aggregate premium and annual rental payments in excess of £500,000 (unless provided for in the Strategic Plan or such other amount as the Company and the Shareholders may determine from time to time);
10. approval of any conflict or potential conflict of interest any director may have which would preclude him or her from being included in the quorum of any meeting of the directors;
11. appointment of the Chair and any director, any alternate director (who is not at the time a director of the Company) and including, for the avoidance of doubt any subsequent Chair in accordance with the Companies Act 2006 or otherwise;
12. removal of any director and, for the avoidance of doubt, the Chair in accordance with the Companies Act 2006 or otherwise; and
13. approving and adopting a Strategic Plan (including the Annual Budget) and / or amending any such plan.

[1] Defined as the holders of 66.6% or more of the A shares from time to time. With eleven Partner Funds a Shareholder Majority means agreement from at least eight.

Teesside Pension Fund

Training Policy 2024

TRAINING POLICY

Introduction

This is the Training Policy of the Teesside Pension Fund (the Fund), which is managed and administered by Middlesbrough Council. It details the training strategy for those involved in the management of the Fund.

The Training Policy is established to aid Pension Fund Committee members, local Pension Board members and senior officers in performing and developing in their individual roles, with the ultimate aim of ensuring that the Fund is managed by individuals who have the appropriate levels of knowledge and skills.

Aims and Objectives

Middlesbrough Council recognises the significance of its role as Administering Authority to the Teesside Pension Fund.

In relation to knowledge and skills of those managing the Fund, the Administering Authority's objectives are to ensure that:

- the Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and expertise, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme (LGPS) and wider pensions landscape.

- those persons responsible for governing the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.

All Pension Fund Committee members, local Pension Board members and senior officers to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives, the Fund will aim to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and the Pensions Regulator's (TPR's) Code of Practice.

To whom this Policy Applies

This Training Policy applies to all members of the Pension Fund Committee and the local Pension Board, including scheme member and employer representatives. It also applies to all managers of the Teesside Pension Fund and the Section 151 Officer.

Less senior officers involved in the daily management of the Fund will also be required to have appropriate knowledge and skills relating to their roles, which will be determined and managed by the Head of Pensions Governance and Investments.

Advisers to the Fund are also expected to be able to meet the objectives of this Policy.

Officers of employers participating in the Fund who are responsible for pension matters are also encouraged to maintain a high level of knowledge and understanding in relation to LGPS matters, and Middlesbrough Council will provide appropriate training for them.

CIPFA and tPR Knowledge and Skills Requirements

CIPFA Knowledge and Skills Framework and Code of Practice

In January 2010 CIPFA launched technical guidance for pension committees and non-executives in the public sector within a knowledge and skills framework. The Framework set the skill set for those responsible for pension scheme financial management and decision making.

Subsequently, in July 2015 CIPFA launched technical guidance for local pension board members by extending the existing knowledge and skills frameworks in place. This Framework sets the skill set to enable pension board members to properly exercise their functions under Section 248a of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013.

The Code of Practice and Framework were updated and revised versions were published in July 2021.

The Framework covers eight areas of knowledge and skills identified as the core requirements:

- Pensions legislation and guidance
- Pensions governance
- Funding strategy and actuarial methods
- Pension administration and communications
- Pensions financial strategy, management, accounting, reporting and audit standards
- Investment strategy, asset allocation, pooling, performance and risk management
- Financial markets and products
- Pension services procurement, contract management and relationship management

CIPFA's Code of Practice recommends (amongst other things) that administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework (or an alternative training programme);
- recognise that effective management, governance and decision making for the LGPS can only be achieved where those involved have the necessary knowledge and skills;
- ensure that the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme);
- report how these arrangements have been put into practice each year; and
- delegate responsibility for implementing the Code of Practice to the appropriate officer.

The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 (PSPA13) requires Pension Board members to:

- be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- have knowledge and understanding of the law relating to pensions and any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.

These requirements have been incorporated and expanded on within TPR's Code of Practice which came into force in March 2024.

Application to the Teesside Pension Fund

Middlesbrough Council fully supports the use of the CIPFA Knowledge and Skills Framework, and TPR's Code of Practice and adopts the principles they set out. This Training Policy highlights how the Administering Authority will strive to achieve those principles through use of a rolling Training Plan together with regular monitoring and reporting.

The Teesside Pension Fund Training Plan

Middlesbrough Council recognises that attaining, and then maintaining, relevant knowledge and skills is a continual process for Pension Fund Committee members, local Pension Board members and senior officers, and that training is a key element of this process. Middlesbrough Council will develop a rolling Training Plan based on the following key elements:

Individual Training Needs

Training needs analysis used for the main roles of Pension Fund Committee members, Pension Board members and senior officers customised appropriately to the key areas in which they should be proficient. Training will be required in relation to each of these areas as part of any induction and on an ongoing refresher basis.

Hot Topic Training

The Training Plan will be developed to ensure appropriately timed training is provided in relation to hot topic areas, such as a high risk area or an area of change for the Fund. This training may be targeted at specific roles.

General Awareness

Pension Fund Committee members, Pension Board members and senior officers are expected to maintain a reasonable knowledge of ongoing developments and current issues, which will allow them to have a good level of general awareness of pension related matters appropriate for their roles and which may not be specific to the Fund.

The training requirement analysis will be focus on an individual's training needs i.e. a Pension Fund Committee member, a Pension Board member or the specific role of the officer, but will also look to ensure that collectively the Committee and Board have the skills needed to carry out their respective roles.

Training will be delivered through a variety of methods including:

- In-house training provided by officers and/or external providers
- Training as part of meetings (e.g. Pension Fund Committee and Pension Board meetings) provided by officers and/or external advisers
- External training events
- Circulation of reading material
- Attendance at seminars and conferences offered by industry-wide bodies
- Attendance at meetings and events with the Fund's investment managers and advisers
- Access to on-line training, such as the LGPS On-line Learning Academy or equivalent, and the Pensions Regulator's training.
- Access to the Middlesbrough Council website where useful Fund specific material is available

In addition, Fund officers and advisers are available to answer any queries on an ongoing basis including providing access to materials from previous training events.

Initial Information and Induction Process

On joining the Pension Fund Committee, the Pension Board or on appointment as a Senior Officer of the Teesside Pension Fund, a new member, officer or adviser will be provided with copies of or links to the following documentation to assist in providing a basic understanding of the Fund:

- An Introduction to the Local Government Pension Scheme (Welcome Pack for Committee and Board members prepared by Teesside Pension Fund officers)
- The members' guide to the Local Government Pension Scheme (LGPS)
- The latest Actuarial Valuation report
- The Annual Report and Accounts, which incorporate:
  - The Funding Strategy Statement
  - The Governance Policy and Compliance Statement
  - The Statement of Investment Principles including the Fund's statement of compliance with the LGPS Myners Principles
  - The Communications Policy
  - The Administration Strategy
- This Training Policy

In addition, an individual training plan will be developed to assist each member, Pension Board member or officer in achieving their identified individual training requirements within six months of those requirements being identified.

Monitoring Knowledge and Skills

In order to identify whether the objectives of this policy are being met, the Administering Authority will compare and report on attendance at training based on the following:

- Individual Training Needs – ensuring refresher training on the key elements takes place for each individual at least once every three years.
- Hot Topic Training – attendance by at least 75% of the required Pension Fund Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group

of Pension Fund Committee members, Pension Board members or senior officers depending on the subject matter.
- General Awareness – each Pension Fund Committee, Pension Board member or officer attending at least one day each year of general awareness training or events.
- Induction training – ensuring areas of identified individual training are completed within six months.

Key Risks

The key risks to the delivery of this Policy are outlined below. The Pension Fund Committee, with the assistance of the Pension Board, will monitor these and other key risks and consider how to respond to them.

- Changes in Pension Fund Committee and/or Pension Board membership and/or senior officers potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee Members, Pension Board Members and/or other senior officers resulting in a poor standard of decision making and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided is not an acceptable standard.

Reporting

A report will be presented to the Pension Fund Committee on an annual basis setting out:

- The training provided / attended in the previous year at an individual level
- The results of the measurements identified above.

This information will also be included in the Fund's Annual Report and Accounts.

At each Pension Fund Committee and Pension Board meeting members will be provided with details of forthcoming seminars, conferences and other relevant training events.

Costs

All training costs related to this Training Policy are met directly by the Teesside Pension Fund.

Approval, Review and Consultation

This Training Policy was presented to the Teesside Pension Fund Committee meeting on 11 December 2024. It will be formally reviewed and updated at least every three years or sooner if the training arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Training Policy, please contact:

Nick Orton, Head of Pensions Governance and Investments

Middlesbrough Council
Fountain Court, 119 Grange Road
Middlesbrough, TS1 2DT

Email: nick_orton@middlesbrough.gov.uk
Telephone: 01642 729040

Teesside Pension Fund

Conflicts of Interest Policy 2024

Introduction

Conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an Elected Member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Also, any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy of the Teesside Pension Fund (the Fund), which is managed by Middlesbrough Council. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Fund, whether directly or in an advisory capacity.

This Conflicts of Interest Policy is established to guide the Pension Fund Committee members, local Pension Board members, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

Aims and Objectives

In relation to the governance of the Fund, the Administering Authority's objectives are to ensure that:

- all staff and Pension Fund Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is open in all its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund is at the forefront of best practice for LGPS funds
- all Conflicts of Interest are managed appropriately

The identification and management of potential and actual conflicts of interest is therefore integral to the Administering Authority achieving its governance objectives.

To whom this Policy Applies

This Conflicts of Interest Policy applies to all members of the Pension Fund Committee and the Pension Board, including scheme member and employer representatives. It applies to all members of the Teesside Fund Management Team and the Director of Finance (Section 151 Officer).

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.

The Head of Pensions Governance and Investments will monitor potential conflicts for less senior officers involved in the daily management of the Fund and highlight this Policy to them as appropriate.

This Policy also applies to all advisers and suppliers to the Fund, whether advising the Pension Board, Pension Fund Committee or Fund officers, in relation to their role in advising or supplying the Fund.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and Additional Voluntary Contributions (AVC) providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Administering Authority on any conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

There are a number of overriding requirements relating to the management of potential or actual conflicts of interest for those involved in LGPS funds which are included in legislation or guidance. These are summarised in Appendix 1.

Other Administering Authority Requirements

Individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:

- Pension Fund Committee Members who are required to adhere to the Middlesbrough Council Members' Code of Conduct
- local Pension Board Members who are required to adhere to the Middlesbrough Council Members' Code of Conduct
- employees who are required to adhere to the Middlesbrough Council Employees' Code of Conduct
- advisers who are expected to have their own policies or protocols.

Further information is provided in Appendix 2.

What is a Conflict or Potential Conflict and how will they be managed?

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by Middlesbrough Council, and
- at the same time, has:
  - a separate personal interest (financial or otherwise) or
  - another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in Appendix 3.

Middlesbrough Council will encourage a culture of openness and transparency and will encourage individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

Middlesbrough Council will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance should an actual conflict of interest materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pension Fund Committee meeting)

- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)

Provided that the Administering Authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, Middlesbrough Council shall endeavour to avoid the need for an individual to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

Minor Gifts

For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items (subject to a notional maximum value of £50 per item and an overall maximum value of £100 from an individual company per event) obtained at events such as conferences, training events, seminars, and trade shows, that are offered equally to all individuals attending the event do not need to be declared. Pension Fund Committee members should, however, be aware that they may be subject to lower limits and a separate notification procedure in the Middlesbrough Council Members' Code of Conduct.

Responsibility

The Administering Authority for the Teesside Pension Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Head of Pensions Governance and Investments is the designated individual for ensuring the procedure outlined below is adhered to.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

Operational procedure for officers, Pension Fund Committee members and Pension Board members

What is required	How this will be done
Step 1 - Initial identification of interests which do or could give rise to a conflict.	On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same or similar to that included in Appendix 4. The information contained in these declarations will be collated into the Pension Fund's Register of conflicts of

	interest in a format the same or similar to that included in Appendix 5.
Step 2 - Ongoing notification and management of potential or actual conflicts of interest	At the commencement of any Pension Fund Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the Fund's Register of conflicts of interest. Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chairman and the Head of Pensions Governance and Investments prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chairman, in consultation with the Head of Pensions Governance and Investments, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter. If such a conflict is identified outside of a meeting the notification must be made to the Head of Pensions Governance and Investments and where it relates to the business of any meeting, also to the Chairman of that meeting. The Head of Pensions Governance and Investments, in consultation with the Chairman where relevant, will consider any necessary action to manage the potential or actual conflict. Where information relating to any potential or actual conflict has been provided, the Head of Pensions Governance and Investments may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on how to address any identified conflicts. Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest.
Step 3 - Periodic review of potential and actual conflicts	At least once every 12 months, the Head of Pensions Governance and Investments will provide to all individuals to whom this Policy applies a copy of the Fund's Register of conflicts of interest. All individuals will complete a new Declaration of Interest (see

	Appendix 4) confirming that their information contained in the Register is correct or highlighting any changes that need to be made to the declaration. The updated Register will then be circulated by the Head of Pensions Governance and Investments to all individuals to whom it relates.

Conduct at Meetings

There may be occasions / circumstances when a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Pension Fund Committee meeting, and that this will be recorded in the minutes.

Operational procedure for advisers

Although this Policy applies to all of the key advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead, all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to the Head of Pensions Governance and Investments in relation to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to Middlesbrough Council as Administering Authority
- notify the Head of Pensions Governance and Investments immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the Fund’s Register of conflicts of interest.

Monitoring and Reporting

The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request to the Head of Pensions Governance and Investments.

In order to identify whether the objectives of this Policy are being met the administering authority will review the Register of conflicts of interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

Key Risks

The key risks to the delivery of this Policy are outlined below all of which could result in an actual conflict of interest arising and not being properly managed. The Head of Pensions Governance and Investments will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting.

Costs

All costs related to the operation and implementation of this Policy will be met directly by Teesside Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

Approval, Review and Consultation

This Conflicts of Interest Policy was presented to the Teesside Pension Fund Committee meeting on 11 December 2024. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

Nick Orton, Head of Pensions Governance and Investments

Middlesbrough Council
Fountain Court, 119 Grange Road
Middlesbrough, TS1 2DT

Email: nick_orton@middlesbrough.gov.uk
Telephone: 01642 729040

Legislative and Related Context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the administering authority) must be satisfied that a local pension board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires local pension board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue (see below).

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each administering authority to satisfy itself that local pension board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to administering authorities and local pension boards. There is also guidance relating to the creation of local pension boards including a section on conflicts of interest on the Scheme Advisory Boards website. This Conflicts of Interest Policy has been developed having regard to that guidance.

The Pensions Act 2004

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

The Localism Act 2011

Chapter 7 of this Act requires councillors to comply with the code of conduct of their local authority and that code of conduct must be consistent with the Seven Principles of Public Life (considered further below). In addition the Act requires that the code of conduct must include provisions requiring the disclosure and registration of pecuniary interests and interests other than pecuniary interests.

The Seven Principles of Public Life

Otherwise known as the 'Nolan Principles', the seven principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service
- local government
- the police
- the courts and probation services
- non-departmental public bodies
- health, education, social and care services

The principles also apply to all those in other sectors that deliver public services.

Many of the principles are integral to the successful implementation of this Policy. The principles are as follows:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership.

Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Other Administering Authority Requirements

Pension Fund Committee Members

In addition to the requirements of this Policy, Pension Fund Committee members and co-opted members are required to adhere to the Middlesbrough Council Members' Code of Conduct which includes requirements in relation to the disclosure and management of pecuniary and other interests.

Local Pension Board Members

In addition to the requirements of this Policy, Local Pension Board members are required to adhere to Parts 30 - 32 of the Terms of Reference of the Local Pension Board. This includes the following requirements:

30. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

31. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

32. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Board Secretary, with the assistance of the Monitoring Officer if required, shall ensure that any potential conflict is effectively managed in line with both the requirements of the Board's conflicts policy and the requirements of the Code (the Pensions Regulator's Code of Practice No 14: governance and administration of public service pension schemes).

Employees

In addition to the requirements of this Policy, officers of Middlesbrough Council are required to adhere to the Middlesbrough Council Code of Conduct for Employees which includes requirements in relation to aiming to avoid conflicts of interests and declaring them in writing should they occur.

Advisers

The Administering Authority appoints its own advisers. There may be circumstances where these advisers are asked to give advice to Middlesbrough Council or other scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Teesside Pension Fund and on which advice is required. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so. Where the Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pension Fund Committee or Fund officers as long as there is no conflict of interest between the two roles. The key advisers are all expected to have their own policies or protocols on how conflicts of interest will be managed in their relationships with their clients, and these should have been shared with Middlesbrough Council.

Examples of Potential Conflicts of Interest

a) An elected member on the Pension Fund Committee is asked to provide views on a funding strategy which could result in an increase in the employer contributions required from the employer he or she represents.

b) A member of the Pension Fund Committee is on the board of a Fund Manager that the Committee is considering appointing.

c) An officer of the Fund or member of the Pension Fund Committee accepts a dinner invitation from a firm that has submitted a bid as part of a tender process.

d) An employer representative on the Local Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Local Pension Board is reviewing the standards of service provided by that company.

e) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.

f) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Finance Director, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Fund Committee, which, if agreed, would result in a material reduction in the recharges to the Council from the Fund.

g) Officers of the Fund are asked to provide a report to the Local Pension Board or Pension Fund Committee on whether the administration services should be outsourced which, if it were to happen, could result in a change of employer or job insecurity for the officers.

h) An employer representative employed by the administering authority and appointed to the pension board to represent employers generally could be conflicted if he or she only acts in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.

i) A Fund adviser is party to the development of a strategy which could result in additional work for their firm, for example, delegated consulting of fund monies or providing assistance with monitoring the covenant of employers.

j) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Fund Committee or Local Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Fund Committee or Local Pension Board.

Declaration of Interests relating to the management of the Teesside Pension Fund administered by Middlesbrough Council

I, [insert full name], am:

Tick as appropriate

- an officer involved in the management ☐
- a Pension Fund Committee Member ☐
- a Pension Board Member ☐

of the Teesside Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under the Teesside Pension Fund Conflicts of Interest Policy. I have put "none" where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest (please list and continue on a separate sheet if necessary):

1. *Relating to me*
   a. *Responsibilities relating to an employer in the pension fund*

   b. *Membership of the LGPS (not technically a conflict, can be declared for transparency)*

   c. *Other (see examples)*

2. Relating to family members or close colleagues

a. Responsibilities relating to an employer in the pension fund

b. Membership of the LGPS (not technically a conflict, can be declared for transparency)

c. Other (see examples)

Undertaking:

I declare that I understand my responsibilities under the Teesside Pension Fund Conflicts of Interest Policy. I undertake to notify the Monitoring Officer of any changes in the information set out above.

Signed ____ Date _______________________

Name (CAPITAL LETTERS) ____

Appendix 5

Teesside Pension Fund - Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by Middlesbrough Council, the Administering Authority.

Date identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified(1)	Action taken(2)	Follow up required	Date resolved

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(1) E.g. verbal declaration at meeting, written conflicts declaration, etc.

(2) E.g. withdrawing from a decision making process, left meeting

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Appendix D

Teesside Pension Fund

Risk Management Policy 2024

Risk Management Policy

Introduction

This is the Risk Management Policy of the Teesside Pension Fund ("the Fund"), part of the Local Government Pension Scheme ("LGPS") managed and administered by Middlesbrough Council ("the Administering Authority"). The 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.

The Administering Authority recognises that 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 Administering Authority 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 Administering Authority 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.

To whom this Policy Applies

This Risk Management Policy applies to all members of the Pension Fund Committee and the local Pension Board, including both scheme member and employer representatives. It also applies to senior officers involved in the management of the Fund.

Less senior officers involved in the daily management of the Fund are also integral to managing risk for the Fund, and will be required to have appropriate understanding of risk management relating to their roles, which will be determined and managed by the Head of Pensions Governance and Investments.

Advisers and suppliers to the Fund are also expected to be aware of this Policy, and assist officers, Committee members and Board members as required, in meeting the objectives of this Policy.

Aims and Objectives

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 and
- the Pensions Act 2004 and the Pensions Regulator's Code of Practice as they relate to managing risk.

Risk Management Philosophy

The Administering Authority recognises that it is not possible or even desirable to eliminate all risks. For example, the Fund's investment strategy shows a strong preference for growth assets, which involves accepting a level of risk. Accepting and actively managing risk is therefore a key part of the risk management strategy for the Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in light of the Administering Authority's risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained
- adopt a system that will enable the Fund to anticipate and respond positively to change
- minimise loss and damage to the Fund and to other stakeholders who are dependent on the benefits and services provided
- make sure that any new areas of activity (new investment strategies, joint-working, framework agreements etc.), are only undertaken if the risks they present are fully understood and taken into account in making decisions.

The Administering Authority also recognises that risk management is not an end in itself; nor will it remove risk from the Fund or the Administering Authority. However it is a sound management technique that is an essential part of the Administering Authority's stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

CIPFA and The Pensions Regulator's Requirements

CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 relating to the requirement to have internal controls in public service pension schemes.

> ***"249B Requirement for internal controls: public service pension schemes***
>
> *(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—*
>
> > *(a) in accordance with the scheme rules, and*
> >
> > *(b) in accordance with the requirements of the law.*
>
> *(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.*
>
> *(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."*

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which they encourage governing bodies (i.e. administering authorities in the LGPS) to employ a risk based approach to assessing the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's guidance states that

"Internal controls refer to all the following:

- the arrangements and procedures to be followed in the administration and management of the scheme
- the systems and arrangements for monitoring that administration and management, and
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

Before designing internal controls, the governing body should identify risks, record them, review them regularly, and evaluate them. The evaluation of risks will help the governing body to determine which risks require internal controls to be put in place to reduce their incidence and impact.

The governing body should design internal controls which ensure that the scheme is administered and managed in accordance with the requirements of the law and the scheme rules. The scheme's internal controls should also:

- include a clear separation of duties for those performing them, and processes for escalation and decision-making
- require the exercise of judgement, where appropriate, in assessing the risk profile of the scheme and in designing appropriate controls.
- The governing body should then make sure that their internal controls are documented.

A scheme's internal controls should be reviewed:

- in line with the timescales for own risk assessments for the governing body, who are required to carry out such assessments,
- at least annually for governing bodies of public service pension schemes

However, the review of controls can be staggered if they address different areas of a scheme's operations or governance."

Further key points from the Pensions Regulator's guidance include:

"It is not necessary, nor possible, to eliminate all risks from a pension scheme. For example, some investment risks may be accepted by the governing body in their desire to seek greater returns.

The governing body should decide what internal controls are appropriate to mitigate the key risks they have identified and how best to monitor them. They should exercise judgement, both in assessing the scheme risk profile and in designing appropriate controls to mitigate such key risks.

The legal responsibility for internal controls always rests with the governing body, even if functions or activities are delegated to advisers or service providers."

Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

Application to the Teesside Pension Fund

The Administering Authority adopts the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to the Fund. This Risk Policy highlights how the Administering Authority strives to achieve those principles through use of risk management processes and internal controls incorporating regular monitoring and reporting.

Responsibility

The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the Head of Pensions Governance and Investments is the designated individual for ensuring the process outlined below is carried out, subject to the oversight of the Pension Fund Committee.

However, it is the responsibility of each individual covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

The Teesside Pension Fund Risk Management Process

The Administering Authority'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:

1. 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.

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises managed by the Pension Fund Committee
- performance measurement against agreed objectives
- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers and other stakeholders
- informal meetings of senior officers or other staff involved in the management of the Fund
- liaison with other organisations, regional and national associations, professional groups, etc.
- legal determinations, including from the Pensions Ombudsman, Pensions Regulator and court cases

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

2. Risk Analysis & Evaluation

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, as illustrated in Middlesbrough Council's Risk Matrix on the next page.

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

Risk/Impact Type	**Impact**				
Financial	<£0.1m	£0.1m - £0.5m	£0.5m - £1m	£1m - £3m	>£3m
Reputation	No publicity	Adverse internal publicity	Local media coverage	National media < 3 day coverage	National media > 3 day coverage
Health and Safety	No/minor injury	Superficial injuries, minor cuts and bruises, nuisance and irritation, ill health leading to temporary minor disability	Occupational deafness, dermatitis, allergy, WRULDs, RSIs, VWF, ill health leading to permanent minor disability. HSE Enquiry	Amputations, permanent loss of eyesight, major fractures, poisonings and gassings, severe/multiple/fatal injuries Long term disability or need for redeployment	Multiple fatalities
Data		Business critical information compromised	Serious breach of information confidentiality	Temporary loss of business critical information	Indefinite loss of business critical information
Staff Morale	Passing Problem, Days	Short term issue (weeks)	Staff morale – longer term issue (months)	Staff morale – significant problem (>12 months)	Staff morale – major breakdown/loss of staff confidence or management authority
Business Targets	Occasional missing of business targets by more than 20%	Frequent missing of business targets by more than 30%	Frequent missing of business targets by more than 40%	Frequent missing of business targets by more than 50%	Frequent missing of all business targets
Operational	Operational inconvenience not affecting quality of service	Service disruption causing operational inconvenience for up to 12 hours	Service interrupted and/or work area unusable, necessitating temporary working arrangements for up to 24 hours	Services curtailed for up to 48 hours and/or areas beyond the directorate affected	Services curtailed for more than 48 hours
Partnership	Weak partnerships – general inconvenience only	Weak partnerships – minor issues readily overcome	Significant weakness in partner relationships	Unreliable partner(s) in contracts	Partnership performance so bad needs dissolving
Legal		Minor out-of-court settlement	Civil action – no defence	Class action	Criminal prosecution – no defence

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.

3. Risk Response

The Head of Pensions Governance and Investments will review the extent to which the identified risks are covered by existing internal controls and determine whether any further action is required to control the risk, including reducing the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can be taken, Pension Fund Committee approval may be required where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- **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.

4. Risk Monitoring & Review

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pension Fund Committee. In monitoring risk management activity, the Committee will consider 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.

5. 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.

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.

As a matter of course, the local 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 local 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 could also be included in the Council's Risk Register.

Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pension Fund Committee will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pension Fund Committee and/or local Pension Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources are available to satisfactorily assess or take appropriate action in relation to identified risks

- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified.
- Conflicts of interest or other factors lead to a failure to identify or assess risks appropriately

Costs

All costs related to this Risk Policy are met directly by the Fund.

Approval, Review and Consultation

This Risk Policy will presented to the Teesside Pension Fund Committee meeting on 11 December 2024. It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Risk Policy, please contact:

Nick Orton, Head of Pensions Governance and Investments

Middlesbrough Council
Fountain Court, 119 Grange Road
Middlesbrough, TS1 2DT

Email: nick_orton@middlesbrough.gov.uk
Telephone: 01642 729040

Further information on the Teesside Pension Fund can be found at:
www.teespen.org.uk.

Teesside Pension Fund

Procedure for Reporting Breaches of the Law (2024)

Reporting Breaches Procedure

Introduction

This document sets out the procedures to be followed by certain persons involved with the Teesside Pension Fund ("the Fund"), the Local Government Pension Scheme managed and administered by Middlesbrough Council, in relation to reporting breaches of the law to the Pensions Regulator.

Middlesbrough Council, as Administering Authority, has delegated responsibility for the implementation of these procedures to the Head of Pensions Governance and Investments.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

This Procedure document applies, in the main, to:

- all members of the Pension Fund Committee and the Local Pension Board
- all senior officers involved in the management of the Fund including the Chief Finance Officer, Monitoring Officer, Head of Pensions Governance and Investments and any members of their teams.
- any professional advisers and third-party suppliers including auditors, actuaries, independent advisers, third party administrators, legal advisers and fund managers
- officers of employers participating in the Fund who are responsible for pension matters.

The next section clarifies the full extent of the legal requirements and to whom they apply.

Requirements

Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme
- a member of the pension board of a public service pension scheme
- a person who is otherwise involved in the administration of an occupational or personal pension scheme
- the employer in relation to an occupational pension scheme
- a professional adviser in relation to such a scheme
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,

to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
(b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

The Pensions Regulator's Code of Practice

Practical guidance in relation to this legal requirement is provided in The Pensions Regulator's Code of Practice including in the following areas:

- implementing adequate procedures
- judging whether a breach must be reported
- submitting a report to The Pensions Regulator
- whistleblowing protection and confidentiality.

Application to the Teesside Pension Fund

Middlesbrough Council has developed this procedure which reflects the guidance contained in The Pensions Regulator's Code of Practice in relation to the Fund and this document sets out how the Council will strive to achieve best practice through use of a formal reporting breaches procedure.

Training on reporting breaches and related statutory duties, and the use of this procedure is provided to Pension Fund Committee members, Pension Board members and key officers involved with the management of the Fund on a regular basis. Further training can be provided on request to the Head of Pensions Governance and Investments.

The Teesside Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Fund.

It aims to ensure individuals responsible are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

1. Clarification of the law

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004: www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996: www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations): www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013: www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various): http://www.lgpsregs.org/timelineregs/Default.html (pre 2014 schemes) http://www.lgpsregs.org/index.php/regs-legislation (2014 scheme)
- The Pensions Regulator's Code of Practice:

https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/general-code-of-practice.ashx

In particular, individuals should refer to the section on 'Reporting to TPR', and, within this, for information about reporting late payments of employee or employer contributions, the section of the Code on 'Reporting payment failures'.

Further guidance and assistance can be provided by the Head of Pensions Governance and Investments, as long as requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

2. Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred.

Where the individual does not know the facts or events, it will usually be appropriate to check with the Head of Pensions Governance and Investments at Middlesbrough Council, a member of the Pension Fund Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3. Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

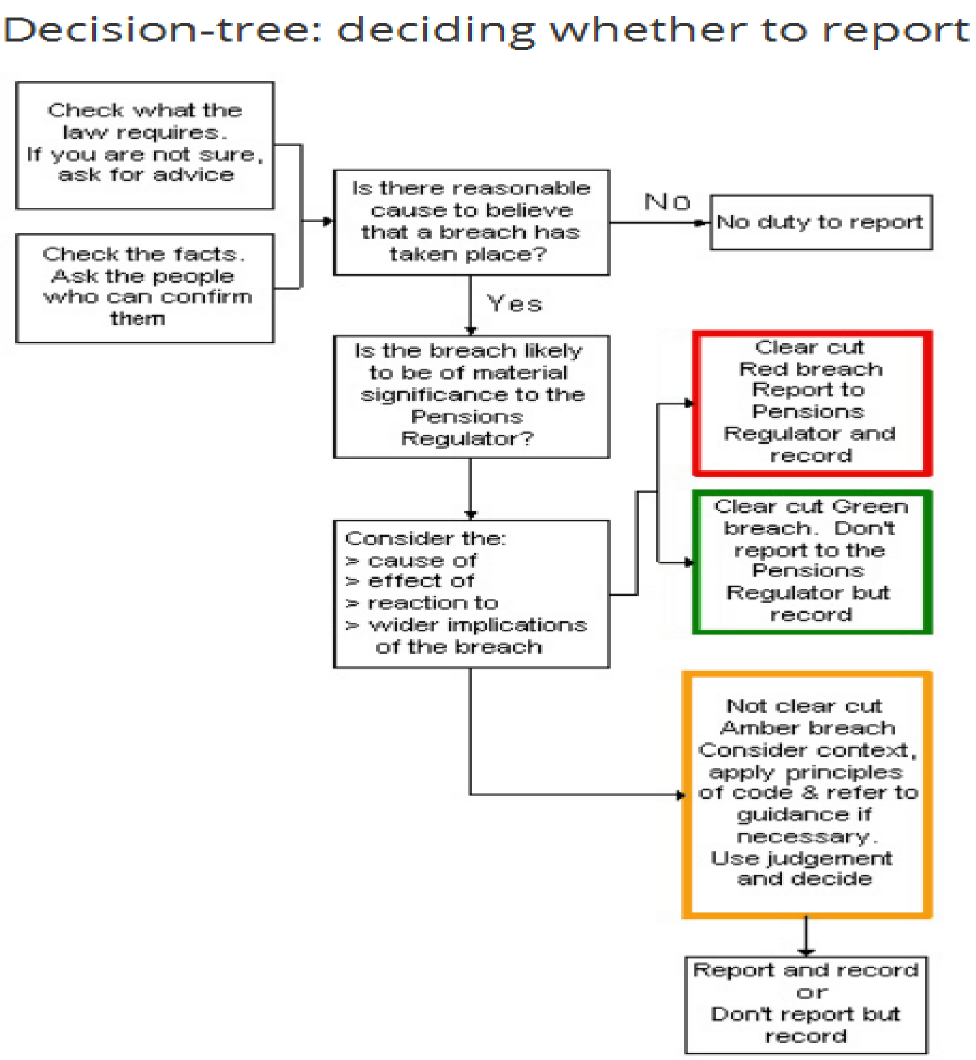
- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach.

Individuals may also request the most recent breaches report from the Head of Pensions Governance and Investments, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore needs to be reported.



4. Referral to a level of seniority for a decision to be made on whether to report

Middlesbrough Council has designated an officer (the Head of Pensions Governance and Investments) to ensure this procedure is appropriately followed. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate.

If breaches relate to late or incorrect payment of contributions or pension benefits, information the matter should be highlighted to the Head of Pensions Governance and Investments at the earliest opportunity to ensure the matter is resolved as a matter of urgency.

Individuals must bear in mind, however, that the involvement of the Head of Pensions Governance and Investments is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The potential reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to the Head of Pensions Governance and Investments if doing so would alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in the case of a more serious breach.

5. Dealing with complex cases

The Head of Pensions Governance and Investments may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases, information on which will be retained by Middlesbrough Council, or via discussions with those responsible for maintaining the records. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the Local Government Association (LGA)) - http://www.local.gov.uk/our-support/workforce-and-hr-support/local-government-pensions).

If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Committee or Board meeting.

6. Timescales for reporting

The Pensions Act and The Pensions Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not wait for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

7. Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary.

The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

8. Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Middlesbrough Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports submitted to The Pensions Regulator to the Head of Pensions Governance and Investments. Records of unreported breaches should also be provided to the Head of Pensions Governance and Investments as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Fund Committee meeting, and this will also be shared with the Pension Board.

Reporting a breach

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary a written report can be preceded by a telephone call.

Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Teesside Pension Fund)
- description of breach(es)
- any relevant dates
- name, position and contact details
- role in connection to the scheme
- employer name or name of scheme manager (the latter is Middlesbrough Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator
- scheme address (provided at the end of this procedures document)
- scheme manager contact details (provided at the end of this procedures document)
- pension scheme registry number (PSR – 10171072)
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so.

If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

Reporting to Pension Fund Committee

A report will be presented to the Pension Fund Committee on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those not reported, with the associated dates.
- in relation to each breach, details of what action was taken and the result of any action (where not confidential)
- any future actions for the prevention of the breach in question being repeated

- new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings).

An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

Review

This Reporting Breaches was approved at the Teesside Pension Fund & Investment Panel (later renamed as the Teesside Pension Fund Committee) meeting on 28th June 2017. It will be kept under review and updated as considered appropriate by the Head of Pensions Governance and Investments. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Nick Orton, Head of Pensions Governance and Investments

Middlesbrough Council
Fountain Court, 119 Grange Road
Middlesbrough, TS1 2DT

Email: nick_orton@middlesbrough.gov.uk
Telephone: 01642 729040

Further information on the Teesside Pension Fund can be found as shown below:

Teesside Pension Fund website: www.teespen.org.uk.

Appendix A – Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- Acting, or failing to act, in deliberate contravention of the law.
- Dishonesty.
- Incomplete or inaccurate advice.
- Poor administration, i.e. failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement

- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- Misappropriation of assets, resulting in scheme assets not being safeguarded
- Other breaches which result in the scheme being poorly governed, managed or administered

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix B - Traffic light framework for deciding whether or not to report

Middlesbrough Council recommends those responsible for reporting to use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:

Red

Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.

Amber

Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.

Green

Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance.

These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link

http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx

Appendix C – Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

*New breaches since the previous meeting should be highlighted

Teesside Pension Fund

Communication Policy

Administering the Local Government Pension Scheme

December 2024

Contents

1. Introduction

Middlesbrough Council (the "administering authority") is responsible for the local administration of the Fund, which is part of the Local Government Pension Scheme ("the LGPS"). Operationally, the administration of the Fund is partly outsourced to a third-party administrator (currently XPS Administration), and partly carried out by Council staff. The third-party administrator's staff and Council staff work together to provide a seamless service to scheme employers and members, and as such effective communication between the two organisations is vitally important.

This policy sets out the Fund's intentions regarding engagement with its stakeholders and has been produced to meet the requirements of the LGPS Regulations 2013.

Our communications are accurate and accessible as expected by the Pensions Regulator. We communicate to our stakeholders in an understandable and clear way with this in mind.

2. Who we communicate with?

The Key Stakeholders for the Fund are:

- Scheme Members and their representatives
- Prospective Scheme members
- Scheme Employers
- Prospective Scheme Employers
- Pension Fund Committee and Pension Board members
- Pension Fund Staff

Other Interested Organisation:

- The Fund Actuary
- Investment Advisors and Managers
- Border to Coast Pensions Partnership Limited (the asset pooling company)
- Asset Custodian
- AVC Provider
- Fund Solicitor
- Government Departments
- Scheme Advisory Board and Advisors to the Pension Fund

3. Key Objectives

The objectives are:

- To inform stakeholders regularly around the administration and management of the Fund

- Communicate in a clear, concise manner
- Promote the Scheme as a valuable benefit and provide sufficient information to educate members to help them to make informed decisions about their benefits.
- Ensure we use the most appropriate means of communication, taking into account the different needs of different stakeholders
- Regularly evaluate the effectiveness of communications and shape future communications appropriately for example through greater use of technology to provide up to date and timely information

4. Methods of Communication

Communicating to Scheme Members:

Communication	When	How
Scheme Literature	Permanently Available	Website
Telephone Helpline	Available during working hours	Telephone
Website	Permanently Available	Website
Annual benefit statements / Pension Saving Statements	Annually	Online, Paper
Outlook & At Ease	Bi-Annually	Online, Paper
Pensioner Pay Slip	Monthly	Online, Paper
Member Self Service	Permanently Available	Online
Member Pension Awareness Sessions	As Required	Via Employer, delivered by Employer Liaison Team

Communication to Scheme Employers:

Communication	When	How
Employer Bulletins	As Required	Email
Technical Updates	As Required	Email
Website	Permanently Available	Website
Employer Training	As Required	Via Employer, delivered by Employer Liaison Team

Employer Guide	Permanently	Website
Employer Annual Conference	Annually	Face to Face
Pensions Administration Strategy	Permanently Available	Website
Charging Policy	Permanently Available	Website
Admission Agreements Guide	Permanently Available	Website
Academies Guide	Permanently Available	Website

Communicating with Pension Fund Committee and Pension Board:

Communication	When	How
Committee Papers	Quarterly	Website / Email / Paper
Workshops	As Required	Face to Face
Board Reports	Quarterly	Website / Email / Paper
3rd Party Training	As Required	Face to Face

5. Monitoring and Reporting

To manage expectations and meet regulatory requirements we will evaluate the effectiveness of our communications by the methods listed below:

- Satisfaction Surveys
- Assess compliments and complaints
- Report and reviews by the Local Pension Board

In order to continually develop we plan to:

- Increase the use of Member Self Serve
- Produce and simplify the annual benefit statements
- Actively review letter content to benefit members and employers
- Continuously update the website
- Continuously update guides and policies
- Increase communication and information we provide to employers

6. Overview of Communications

The below are the other key documents available on our website relating to the administration and governance of the fund:

- Administration Strategy
- Charging Policy
- Employers Guide
- Annual Report and accounts
- Investment Strategy Statement
- Funding Strategy Statement
- Internal Dispute Resolution Procedure

7. Further Information

Any enquiries in relation to the day to day communications with scheme members and employers of the Fund should be sent to:

Graeme Hall
XPS Administration
PO Box 340
Middlesbrough
TS1 2XP

E-Mail: pensionsunit@xpsgroup.com
Telephone: 01642 030693

Any other enquiries in relation the Fund's communications or the principles or content of this Policy should be sent to:

Nick Orton,
Middlesbrough Council,
Head of Pensions, Governance and Investments,
Fountain Court,
119 Grange Road
Middlesbrough,
TS1 2DT

E-mail: Nick_Orton@middlesbrough.gov.uk
Telephone: 01642 729040

Teesside Pension Fund

Pensions Administration Strategy

Administering the Local Government Pension Scheme

December 2024

Contents

1. Purpose and Intent of Strategy

The LGPS is a statutory scheme, established by an Act of Parliament. The Local Government Pension Scheme Regulations 2013 provide the conditions and regulatory guidance surrounding the production and implementation of Administration Strategies.

Whilst this document is a statement of strategy prepared in line with the requirements of the Local Government Pension Scheme Regulations it is not intended to be a prescriptive document other than to outline legislative requirements.

In delivering this Administration Strategy, the Administering Authority has a number of specific objectives, as follows;

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records and ensure data is protected and has authorised use only.

To achieve these objectives we rely on the good will of all stakeholders; be they employer, administrator, scheme member or professional adviser.

This Strategy outlines how the Administering Authority will achieve these objectives, including the level of service the Administering Authority aims to provide to scheme members and employers, as well as the role employers will need to play in providing that quality of service.

It is recognised that the aims and objectives in this Strategy are ambitious in some cases, and meeting these is dependent on the implementation of some changes in the existing ways of working.

Whilst we can, if required, resort to financial penalties, we will only do so as a final measure. From our point of view, as the administering authority, it is critically important that our focus is on building and maintaining strong relationships with the employers of the Fund.

2. Review of the Strategy

Middlesbrough Council (the "Administering Authority") is responsible for the local administration of the Fund, which is part of the Local Government Pension Scheme (“the LGPS”). Operationally, the administration of the Fund is partly outsourced to a third party administrator (XPS Administration), and partly carried out by Council staff. The third party administrator's staff and Council staff work together to provide a seamless service to scheme employers and members. It is for that reason that references to Administering Authority in this document are not separated out between the Council and administrator.

The administering authority will review this policy statement annually and make revisions as are considered appropriate.

In subsequent reviews or when making revisions to this policy, the administering authority will consult with its employing authorities. Subsequent revisions will be published, and copies made available to each employing authority and to the Secretary of State.

This Pension Administration Strategy does not supersede any contractual arrangements between the Administering Authority and the administrators or between the Administering Authority and the employers. However, is it intended to complement such arrangements and provide greater clarity in relation to each party's role and responsibilities.

This Strategy applies to all existing employers in the Fund, and all new employers joining the Fund. The Statement sets out the expected levels of administration performance of both the Administering Authority and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

3. Levels of Performance

Overriding legislation, including The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended), dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. Further, the LGPS itself sets out a number of requirements for the Administering Authority or employers to provide information to each other, to scheme members and to prospective scheme members, dependants, other pension arrangements or other regulatory bodies. In addition to the legal requirements, local performance standards have been agreed which cover all aspects of the administration of the Fund. In many cases these go beyond the overriding legislative requirements.

We will keep these levels of performance under review to reflect changing expectations and legislation and all locally agreed performance standards will be monitored on an ongoing basis by the administering authority.

The Fund introduced a Charging Policy from April 2022 to be used where necessary from the financial year 2022/23 onwards.

4. Responsibilities and Duties of Employers

The following are responsibilities of the Employer:

- To decide any rights or liabilities of any person under the LGPS (for example, what rate of contributions a person pays and whether or not a person is entitled to any benefit under the scheme) as soon as is reasonably practicable*
- To formally notify that person of the decision in relation to their rights or liabilities in writing as soon as is reasonably practicable (including a decision where a person is not entitled to a benefit and why not), including information about their internal dispute resolution procedure
- To inform the Administering Authority of all such decisions made
- To provide the Administering Authority with such information it requires so it can carry out its functions including, within three months of the end of each Scheme year**, the following information in relation to any person who has been an active member of the scheme in the previous year:
    - i. name and gender
    - ii. date of birth and national insurance number
    - iii. a unique reference number relating to each employment in which the employee has been an active member
    - iv. in respect of each individual employment during that year:
    - v. the dates during which they were a member of the scheme
    - vi. the normal pensionable pay received and employee contributions paid
    - vii. the pensionable pay received and employee contributions paid whilst there was any temporary reduction in contributions
    - viii. the normal employer contributions paid
    - ix. any additional employee or employer contributions paid
    - x. any Additional Voluntary Contributions paid by the employee or employer
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to employer decisions (or a lack of a decision)***

*And at the latest within 1 month of the need for a decision

**Note that, in practice, the Administering Authority will require this information by a specific date as outlined in the Service Level Agreement in order to meet statutory deadlines on benefit statements. This will be less than the three month basis mentioned above

***Note that, in practice, employers in the Teesside Pension Fund may not use the same person to consider stage 1 IDRP complaints as used by the Administering Authority

5. Responsibilities of the Teesside Pension Fund

- To decide the amount of benefits that should be paid, including whether the person is entitled to have any previous service counting towards this for LGPS purposes, as soon as is reasonably practicable
- To formally notify that person of the decision in relation to the amount of their benefits in writing as soon as is reasonably practicable, including a statement showing how they are calculated and information about their internal dispute resolution procedure
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to Administering Authority decisions (or a lack of a decision)
- To appoint a person to consider complaints under stage 2 of the internal dispute resolution procedure (which covers both employer and Administering Authority decisions or lack of decisions)
- To provide on request any information to an employer about a complaint under the internal dispute resolution procedure that may be required by an employer
- Regulation 59(1) enables an LGPS Administering Authority to prepare a written statement ("the pension administration strategy") to assist in delivering a high-quality administration service to its scheme members and other interested parties, by setting out local standards which often go beyond the minimum requirements set out in overriding legislation as outlined above, and which the Administering Authority and employers should comply with. The statement can contain such of the matters mentioned below as they consider appropriate:-
- Procedures for liaison and communication with the relevant employers in their Fund.
- The establishment of levels of performance which the Administering Authority and the employers are expected to achieve in carrying out their functions under the LGPS by-
    - i. the setting of performance targets;
    - ii. the making of agreements about levels of performance and associated matters; or
    - iii. such other means as the Administering Authority consider appropriate;
- Procedures which aim to secure that the Administering Authority and the employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication by the Administering Authority and the employers to each other of information relating to those functions.
- The circumstances in which the Administering Authority may consider giving written notice to an employer on account of that employer's unsatisfactory performance in carrying out its functions under the LGPS Regulations when measured against the desired levels of performance.

- The publication by the Administering Authority of annual reports dealing with—
    i. the extent to which the Administering Authority and the employers have achieved the desired levels of performance, and
    ii. such other matters arising from its pension administration strategy as it considers appropriate
- Such other matters as appear to the Administering Authority to be suitable for inclusion in that strategy.

Regulation 59(2)e allows an Administering Authority to recover additional costs from an employer where they are directly related to the poor performance of that employer. Where this situation arises the Administering Authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

In addition, regulation 59(6) also requires that, where a pension administration strategy is produced, a copy is issued to each of their relevant employers as well as to the Secretary of State. It is a requirement that, in preparing or revising any pension administration strategy, that the Administering Authority must consult its relevant employers and such other persons as it considers appropriate.

Both the Administering Authority and employers must have regard to the current version of the pension administration strategy when carrying out their functions under the LGPS Regulations.

6. Contribution Rates and Administration Costs

The members' contribution rates are fixed within bands by the regulations. The Fund will notify employers of these rates each year.

Employers' contribution rates are determined by a triennial valuation process.

Employers are required to pay contributions to secure the solvency of their part of the Fund and meet their liabilities over an agreed term.

The Fund is valued every three years by the Fund actuary. The actuary balances the assets and liabilities in respect of each employer and assesses the contribution rate and, where applicable, the deficit amount for each employer.

Employer contribution rates and, where applicable, the deficit amounts apply for three years. If the Fund undertakes work specifically on behalf of an employer, the employer will be charged directly for the cost of that work as detailed in the Fund Charging Policy.

7. Liaison and Communications

The delivery of a high quality, cost effective administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

Employing authorities must nominate a pension liaison officer to deal with certain enquiries from the administering authority. Key responsibilities of a Pensions Liaison Officer are:

- to act as a conduit for communications to appropriate staff within the employer – e.g. Human Resources, Payroll teams, Directors of Finance;
- to ensure that standards and levels of service are maintained;
- to ensure that details of all nominated representatives and authorised signatures are correct, and to notify the administration unit of any changes immediately;
- to arrange distribution of communications literature such as scheme guides, packs, newsletters and promotional material as and when required;
- to inform the administration unit of any alternative service arrangements required to ensure equitable member access, addressing the diverse needs of the membership;
- to assure data quality and ensure the timely submission of data to the Fund; and
- to assist and liaise with the Fund on promotional activities that aim to increase, where appropriate, the Scheme membership and knowledge in the overall benefits of the Scheme.

The administering authority will maintain a schedule of all employing authority contact officers and ensure that all pension administration staff utilise the contact details provided by the employer.

The administering authority will maintain a Pension Fund website with a dedicated employers’ area. This will include:

- General guidance and information on procedures for administering the Local Government Pension Scheme;
- Employer bulletins used to communicate current issues pertaining to the Scheme;
- Copies of all standard forms to be used by employers when providing information to the pensions unit;
- Copies of all publications issued by the Pension Fund including newsletters, scheme guides and factsheets and details of legislative changes

The administering authority will comply with the Communication Strategy Statement in its dealings with stakeholders of the Fund.

8. Further Information

Any enquiries in relation to the day to day communications with scheme members and employers of the Fund should be sent to:

Graeme Hall
XPS Administration
PO Box 340
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Any other enquiries in relation the Fund's communications or the principles or content of this Strategy should be sent to:

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Teesside Pension Fund

Charging Policy

Administering the Local Government Pension Scheme

December 2024

Contents

9. Introduction

The Administering Authority will work closely with all employers to assist them in understanding all statutory requirements, whether they are specifically referenced in the Local Government Pension Scheme (LGPS) Regulations, in overriding legislation, or in this Administration Strategy however the LGPS regulations provide the pension Fund with the ability to recover costs from an employer.

This policy details the Teesside Pension Fund's ability to charge employers where necessary and should be read alongside the Pensions Administration Strategy.

10. Approach to Managing Employer Performance

The Fund and the employers will ensure that all functions and tasks are carried out to agreed standards.

The Fund will monitor performance against the Administration Strategy and will liaise with employers if any concerns arise.

Where the Administering Authority wishes to recover any additional costs it will give written notice stating:-

- The reasons in their opinion that the employer's level of performance contributed to the additional cost
- The amount the Administering Authority has determined the employer should pay
- The basis on which this amount was calculated, and
- The provisions of the Pensions Administration Strategy relevant to the decision to give notice.

Employers must make both Employee and Employer contributions to the Fund each month. All monies due must be cleared in the Fund's bank account by the 19th of each month (or the last working day before where the 19th is not a working day) following the month the contributions relate to.

Where continuous issues occur and no improvement is demonstrated by the employer further action will be taken as detailed in this policy.

11. Charging Policy

The Fund has the ability to charge where necessary for the chasing of outstanding information if poor performance occurs on a regular basis and is detailed in the steps below:

- Original request (no charge)
- Initial chaser will be issued 10 working days after the original request if no response is received and this can activate the first charge.
- Two further chasers will be issued 10 working days apart and a charge can incur for each.
- If no response is received within 10 working days in regards to the three chasers the case will; then be escalated to the Employer Liaison Team who will contact to discuss an improvement plan.

Employers will receive a contribution spreadsheet at the start of each financial year which sets out the payment and accompanying information due. The Fund will chase any late payments and/or documentation, one month after the due date the first charge will be activated and each subsequent month where payment or information is still outstanding the charges will be applied as per the grid in section 4 below.

The Employer Liaison Team will monitor the frequency of charges and where significant volumes occur the team will contact the employer and offer support and guidance.

The Employer Liaison Team will work with the employer to find the cause and agree the following:

- Training Requirements
- Measurable improvement plan
- Timescales
- Regular contact with Employer Liaison Team to provide updates against the improvement plan

If performance does not improve and it affects the Fund's ability to perform its statutory functions, the Fund can report the employer to the Pensions Regulator.

This policy is in place to use if needed from the financial year 2022/23 onwards.

12. Charging Grid

Item	Charge
Monthly contributions Charge for late payment Charge for late submission of supporting documentation	*The following charges will apply for each full month the file is delayed beyond it's due date *£100 per file plus a daily interest surcharge for the period the payment is outstanding of 1% above the bank base rate *£100 per file
Accounting IAS19/FRS102 valuations	Professional fees recharged where late information is provided by the employer. Cost will be notified prior to work starting
Actuarial & legal advice Actuarial & legal advice for admission bodies and academy conversions, exit valuations, bonds and mergers	Professional fees recharged. Cost will be notified prior to work starting
Year End Failure to submit year end file by 30 April (charged by the number of pensionable members) 1 - 99 100 - 999 1,000 - 1,999 2,000 - 4,999 5,000 - 9,999 10,000 + Missing Starter and Leaver information	*The following charges can apply for each full month the file is delayed beyond 30 April *£50.00 per file *£100.00 per file *£200.00 per file *£300.00 per file *£400.00 per file *£500.00 per file **£5.00 per record
Data Post information: chase for missing or incorrect information where one request has already been made e.g. hours, service etc.	£5.00 per record, per chase
Starter information Chase for missing information where one request has already been made	£5.00 per record, per chase

Item	Charge
Employer estimate Chase for missing information or incorrect information to be corrected where one request has already been made	£5.00 per record, per chase
Notification of Retirement Chase for missing form where one request has already been made	£5.00 per record, per chase
Death in service Chase for missing leaver form where one request has already been made	£10.00 per record, per chase
Leaver form Chase for missing form where one request has already been made	£10.00 per record, per chase
Employer Authorisation (ill health and redundancy/efficiency) Request for missing employer authorisation	£10.00 per record, per chase

i-Connect Charges (Note: i-Connect is the software that XPS is introducing to employers which will allow monthly provision of the pension information that is currently typically provided at the financial year-end)

i-Connect Failure to use i-Connect to submit monthly data (charged by the number of pensionable members held on the Fund's database)	£5.00 per record charged at year end
Failure to submit monthly data by the agreed deadline. A charge will apply for each full month the file is delayed beyond its due date **Number of pensionable members** 1 – 99 100 - 999 1,000 - 1,999 2,000 - 4,999 5,000 - 9,999 10,000 +	£50.00 per file £100.00 per file £200.00 per file £300.00 per file £400.00 per file £500.00 per file

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Teesside Pension Fund Officers' Scheme of Delegations

Delegation of Functions to Officers by Pension Fund Committee December 2024

Key:
PFC – Pension Fund Committee
CFO – Chief Finance Officer (Section 151 Officer and Deputy Section 151 Officer)
HPGI – Head of Pensions Governance and Investments
FA – Fund Actuary
IA – Investment Advisors

Function delegated to PFC	**Further Delegation to Officer(s)**	**Delegated Officer(s)**	**Communication and Monitoring of Use of Delegation**
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.	Authority to vary asset allocation beyond the short term asset allocation as currently in place (generally agreed at the each PFC).	CFO or HPGI, in consultation with IAs.	Detailed monitoring at PFC
	Implementing investment deals within specified limits (in accordance with the Fund's Investment Strategy Statement and the agreed short term asset allocation range).	See appendix 1	Detailed monitoring at PFC
In relation to Borders to Coast Pooling Collaboration arrangements: • Appointing Middlesbrough Council's officers to the Officer Operations Group.	The appointed members of the Officer Working Group	HPGI	Detailed monitoring at PFC

Function delegated to PFC	**Further Delegation to Officer(s)**	**Delegated Officer(s)**	**Communication and Monitoring of Use of Delegation**
In relation to Borders to Coast Pooling Collaboration arrangements: • Undertake the role of Authority in relation to the Inter Authority Agreement.	All matters included in the Inter Authority Agreement as being responsibilities of officers	HPGI	Detailed monitoring at PFC
Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, independent professional advisers and AVC provider.	Ongoing monitoring and suspension of Fund Managers (note formal termination remains a PFC responsibility)	CFO or HPGI, in consultation with IAs as appropriate	Detailed monitoring at PFC
Agreeing the terms and payment of bulk transfers into and out of the Fund.	Agreeing the terms and payment of bulk transfers into and out of the Fund where there is a bulk transfer of staff from the Fund. Exceptions to this would be where: • there is a dispute over the transfer amount or • it relates to a significant transfer relating to: ○ one employer (equivalent to over 15% of its liabilities) or ○ the Fund as a whole up (equivalent to over 2% of the Fund's liabilities).	CFO or HPGI	Ongoing reporting to PFC for noting

Function delegated to PFC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
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.	Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies relating to employers with liabilities up to a level of 2% of the total Fund's liabilities. 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.	CFO or HPGI.	Ongoing reporting to PFC for noting
Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses to significant matters where the consultation timescale does not provide sufficient time for a draft response to be approved by PFC.	HPGI or CFO, subject to agreement with Chairman and Deputy Chairman (or either, if only one available in timescale)	PFC advised of consultation via e-mail (if not already raised previously at PFC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PFC for noting.
	Agreeing the Administering Authority responses where the consultation is not significant e.g. a small number of operational matters.	HPGI or CFO	Ongoing reporting to PFC for noting

Function delegated to PFC	**Further Delegation to Officer(s)**	**Delegated Officer(s)**	**Communication and Monitoring of Use of Delegation**
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.	Implementation of the requirements of the CIPFA Code of Practice	HPGI or CFO	Regular reports provided to PFC and included in Annual Report and Accounts.
Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund	Making minor changes to existing strategies, statutory compliance statements, policies and procedures. These will still be required to be considered by the PFC in line with the period stated in that document.	HPGI or CFO	Ongoing reporting to PFC for noting
The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pension Fund Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Fund Committee.	Other urgent matters as they arise	HPGI or CFO, subject to agreement with Chairman and Deputy Chairman (or either, if only one is available in timescale)	PFC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PFC.
	Other non-urgent matters as they arise	Decided on a case by case basis	As agreed at PFC and subject to monitoring agreed at that time.

Appendix 1

Limitations on Implementing Investment Deals

i) The Pensions Investment team typically have responsibility for allocated investment asset classes. These are determined, from time to time, by the Deputy Head of Pensions – Investments.

ii) Dealing limits take two forms. A stock limit is the total value of purchases or sales (or commitments) in a stock on any one day. A floor limit is the total value of all transactions (or commitments) in any one day. These limits are (£ millions):

	Stock Limit				Floor Limit
	Equities	**Bonds**	**Property**	**Pooled Funds**	**Total**
Level 1					
Head of Pensions Governance and Investments	40	40	30	50	50
Deputy Head of Investments - Pensions	20	20	30	25	50
Level 2					
Pensions Officer – Investments	10	15	20	20	30
Trainee Investment Manager	2	N/A	N/A	5	10

Individual managers cannot exceed their limits without the prior approval of the Head of Pensions Governance and Investments or the Deputy Head of Pensions – Investments, who can approve transactions up to their own limits. Any transactions above those limits can only be approved by the Section 151 Officer or the Deputy Section 151 Officer.

All limits both stock limits and floor limits, can only be varied, in writing, by the Section 151 Officer or Deputy Section 151 Officer with any such variation reported to the Pension Fund Committee.

TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 9

PENSION FUND COMMITTEE REPORT

11 DECEMBER 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

National Knowledge Assessment Outcome

1. PURPOSE OF THE REPORT

1.1 To report to Members the outcome of the National Knowledge Assessment recently undertaken by Teesside Pension Board and Pension Fund Committee members, and to discuss a potential training plan to address gaps in knowledge identified by the assessment.

2. RECOMMENDATIONS

2.1 That Members note and discuss this report and agree that:

- A focused training plan, as suggested in Appendix A, should be developed and delivered to Committee and Board members.
- The Head of Pensions Governance and Investments will develop this plan in consultation with the Chair and Vice Chair, and will look to gain insight and support from Border to Coast Partner Funds (and the company itself) where possible, to understand what training approaches and methods have been most successful at other LGPS funds.
- A training budget set at £50,000 a year is maintained to allow external companies and individuals to be commissioned to assist with this training where appropriate.
- Expenditure on external training will be determined by the Head of Pensions Governance and Investments in consultation with the Chair and Vice Chair.

3. FINANCIAL IMPLICATIONS

3.1 The proposed budget of £50,000 (or just under £2,400 per Committee and Board member) if agreed, will be set aside to fund external training, this will be recharged to the Fund’s governance costs and will be reviewed annually.

4. BACKGROUND

4.1 The Local Government Pension Scheme (LGPS) Regulations 2013 were amended in line with requirements introduced by the Public Service Pensions Act 2013 for all public service pension schemes to establish a pension board. Under the LGPS Regulations, each LGPS administering authority had to set up a Local Pension Board with effect from 1 April 2015.

4.3 In order to fulfil this function, and to comply with the requirements of the overriding regulations and legislation, the Board needs to have and maintain appropriate knowledge and understanding of the LGPS and pensions in general, In particular (as set out in the Board's Terms of Reference: a member of the Board **must be conversant with**:

- the legislation and associated guidance of the Local Government Pension Scheme (LGPS), and
- any document recording policy about the administration of the LGPS that is adopted by the Teesside Pension Fund.

a member of the Board **must have knowledge and understanding of** –

- The law relating to pensions, and
- Any other matters which are prescribed in regulations.

4.4 The Board is a reviewing and scrutiny body, whereas the Pension Fund Committee retains the decision-making power relating to all the Pension Fund's activities including investment, administration and governance. Nevertheless there is currently no legal requirement for Committee members to have a specific level of knowledge and understanding in relation to pensions or investments in general or the Local Government Pension Scheme in particular. However, the expectation is that this anomaly will soon end as the Government's LGPS (England and Wales) 'Fit for the Future' consultation includes proposals that when enacted will mean Pension Fund Committee members will be legally required to have a similar level of knowledge and understanding to that currently required of Board members.

5. KNOWLEDGE ASSESSMENT

5.1 Actuarial and consultancy firm Hymans Robertson developed a knowledge assessment tool which is used by LGPS Funds to help assess the knowledge and understanding of their local pension boards and pension fund committees. It is a multiple-choice assessment over 8 areas (6 questions in each area) testing the knowledge of Pension Board and Committee members against the requirements set in legislation, along with the recommended knowledge levels produced by The Pensions Regulator and CIPFA.

5.2 The 8 topic areas are:

- Committee Role and Pensions Legislation
- Pensions Governance
- Pensions Administration
- Pensions Accounting and Audit Standards
- Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial Markets and Product Knowledge

- Actuarial Methods, Standards and Practices

5.2 Hymans Robertson describe their knowledge assessment tool as follows:

"The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. Rather, the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the recently launched Pensions Regulator's (TPR) General Code of Practice."

5.3 The Committee and the Board participated in the knowledge assessment recently and a summary of the main outcomes is included in this report. As well as giving an indication of individual strengths and weaknesses, more importantly this type of assessment helps identify any areas where collectively the Board and the Committee require development. This will allow more targeted training to be developed and delivered.

6. ASSESSMENT PROCESS

6.1 Nine out of fifteen Pension Fund Committee Members and three out of six Board Members participated in the assessment. This represents a collective participation rate of just over 57%.

6.2 Each respondent was given the same set of questions on the eight topic areas listed in paragraph 5.2 above.

Under each subject heading, there were 6 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct. This builds a picture of the knowledge levels of each individual member in each of the topics, and identifies overall levels of knowledge in each area.

6.3 Consultants Hymans Robertson analysed the outcome and as well as providing each participant with individual scores and feedback collated the information into a report. The report is enclosed at Appendix A.

7. OUTCOME AND NEXT STEPS

7.1 The outcome of the Knowledge Assessment was discussed with the Board at its 25 November 2024 meeting, which agreed that a training programme should be developed which Committee which Board members could participate in.

7.2 The report identifies a number of areas where the Committee and Board would benefit from additional training. Hymans Robertson included further suggestions in Appendix A in relation to developing a training plan, focussing on the gaps identified in the Knowledge Assessment.

7.3 One of the areas identified where there was a more significant training need was in "Actuarial Methods, Standards and Practices". This will be covered, in part, by a presentation from the Fund actuary during this meeting and could be addressed through additional, more targeted, training.

7.4 All Committee and Board members already have access to the Hymans Robertson LGPS Online Learning Academy (LOLA) which includes a series of short videos providing information and training covering all the areas listed in paragraph 5.2 above: https://www.hymans.co.uk/services/lgps-online-learning-academy/

7.5 The confirmation of a specific training budget allows more flexibility on how training can be delivered. A budget of £50,000 representing just under £2,400 per Committee and Board member is proposed, with any expenditure subject to discussion and agreement with Chair and Vice Chair as well as appropriate use of procurement processes and procedures.

7.6 The Head of Pensions Governance and Investments will develop a training plan in consultation with the Chair and Vice Chair, and will look to gain insight and support from Border to Coast Partner Funds (and the company itself) where possible, to understand what training approaches and methods have been most successful at other LGPS funds.

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

TEL NO.: 01642 729040

Appendix A

HYMANS ROBERTSON

2024 LGPS National Knowledge Assessment

Teesside Pension Fund

Overview

This National Knowledge Assessment (NKA) allows a direct insight into the knowledge and skills of their key decision makers and oversight body.

Participants answer a series of questions covering a broad spectrum of topics, for which they should be familiar to effectively perform their role. Based on their responses, a score is recorded for each member, and also collectively for both the Committee and Board.

This information can be incredibly valuable in helping shape and plan training sessions at both group and individual level.

This report includes benchmarking against the results of all other participating Funds. The assessment will help your Fund assess and report on the Knowledge and Skills of Committee and Board members, demonstrating they're meeting the requirements laid out in The Pensions Regulator's General Code of Practice.

Background

The Teesside Pension Fund agreed to participate in the NKA using our online assessment. This report provides an overview of the participants' results broken down into 8 key areas.

The online assessment opened in September, and there were weekly progress updates provided to the Fund confirming participation levels.

Each participant received their individual results report following completion of the assessment.

A national report will be produced aggregating all participating Fund's results.

The questions posed in the assessment are split into 3 categories:

- Technical questions
- Roles and responsibilities
- Decision making

Technical questions, made up around two thirds of the questions. The remaining questions were split between the categories of Roles and Responsibilities as well as Decision Making. This helps to provide more in-depth analysis of the results and provides further context to the proposed training plans.

The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. Rather, the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the recently launched Pensions Regulator's (TPR) General Code of Practice.

Why Does this Matter?

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme as decision makers.

To execute their roles effectively, Committee members must be able to address all relevant topics such as investment matters, issues concerning pension funding, pension administration and governance. All topics which require a level of knowledge and understanding from the Committee.

Similarly, the Pension Board members must have a sound knowledge of these topics in order to be able to offer critical challenge in the oversight of Fund decisions.

The Assessment

The members of the Teesside Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 9 respondents from the Committee and 3 respondents from the Board.

Each respondent was given the same set of 48 questions on the 8 areas below:

Section	Names
Section 1	Committee Role and Pensions Legislation
Section 2	Pensions Governance
Section 3	Pensions Administration
Section 4	Pensions Accounting and Audit Standards
Section 5	Procurement and Relationship Management
Section 6	Investment Performance and Risk Management
Section 7	Financial Markets and Product Knowledge
Section 8	Actuarial Methods, Standards and Practices

Under each subject heading, there were 6 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct.

Participants were also given the option of selecting “I have no knowledge of this area”, where they were unsure.

This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

Results

The responses for all members who participated have been collated and analysed. For each section we have shown:

• The average score for each of the 8 subject areas, for both the Committee and Board.

• Results split by the categories of “**technical**”, “**roles and responsibilities**” and “**decision making**”.

• Each score compared with the results of the previous assessment taken by the fund, to show growth or regression in each area.

• Engagement levels for both the Committee and Board and how these levels rank against other LGPS funds.

• The most requested topics for training.

Based on the results and the responses received from participants, we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other “next steps” to consider.

Overall Results

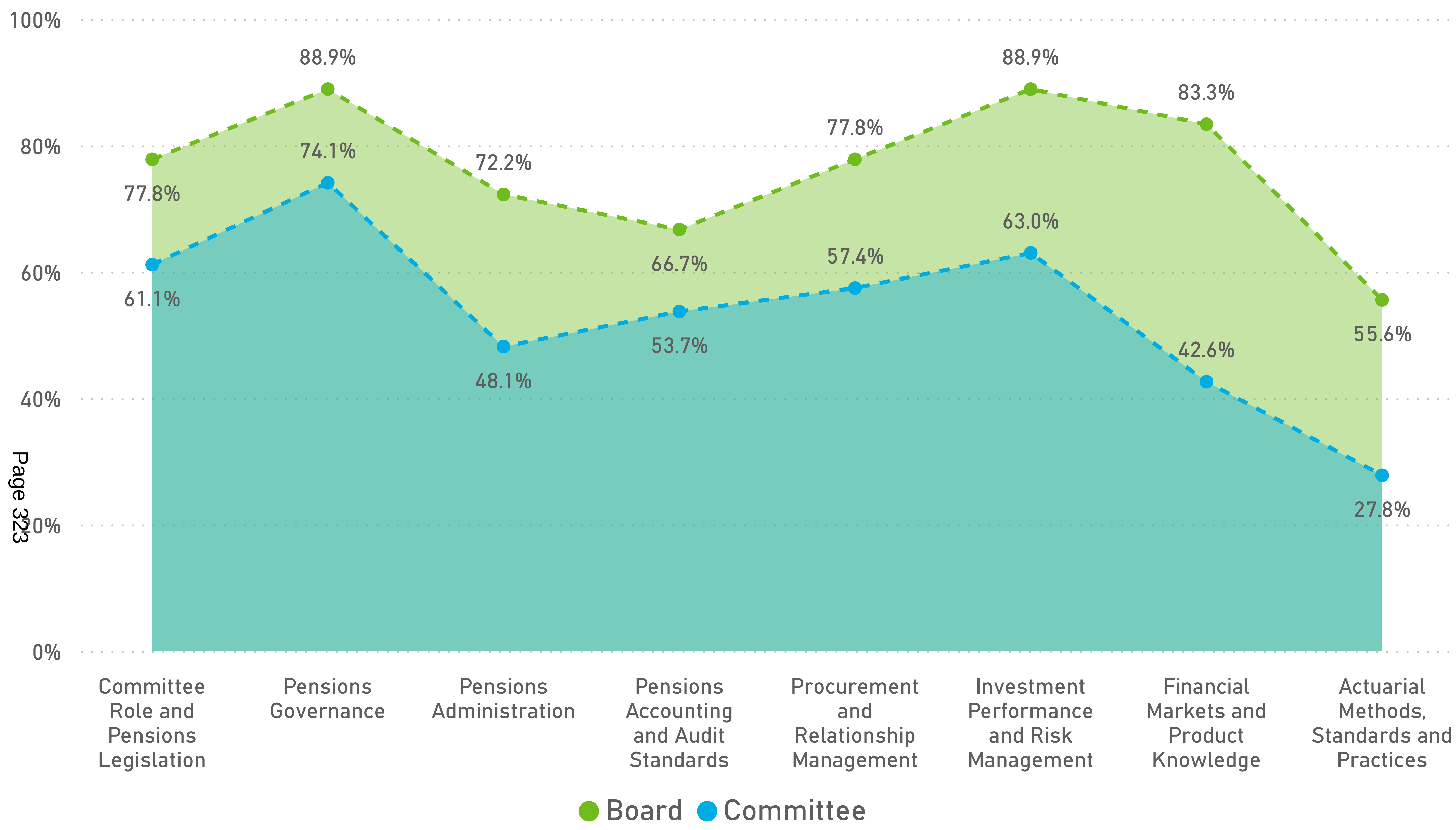
The chart on the right shows how the overall average score for your Fund compares with that of all other funds who took part in the Assessment. The “score” shown is the average score of all participating Committee and Board members from each Fund.

Teesside Pension Fund ranked 17th out of 19 Funds

For each of the assessment’s 8 areas we have shown the results of both the Committee and Board.

There is also a summary showing the average scores across all sections for the Committee and Board.

Average Score for Board & Committee



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For each of the assessment's 8 areas we have shown the results of both the Committee and Board.

These have been shown in the order in which the sections appeared in the survey.

There is also a summary showing the average scores across all sections for the Committee and Board.

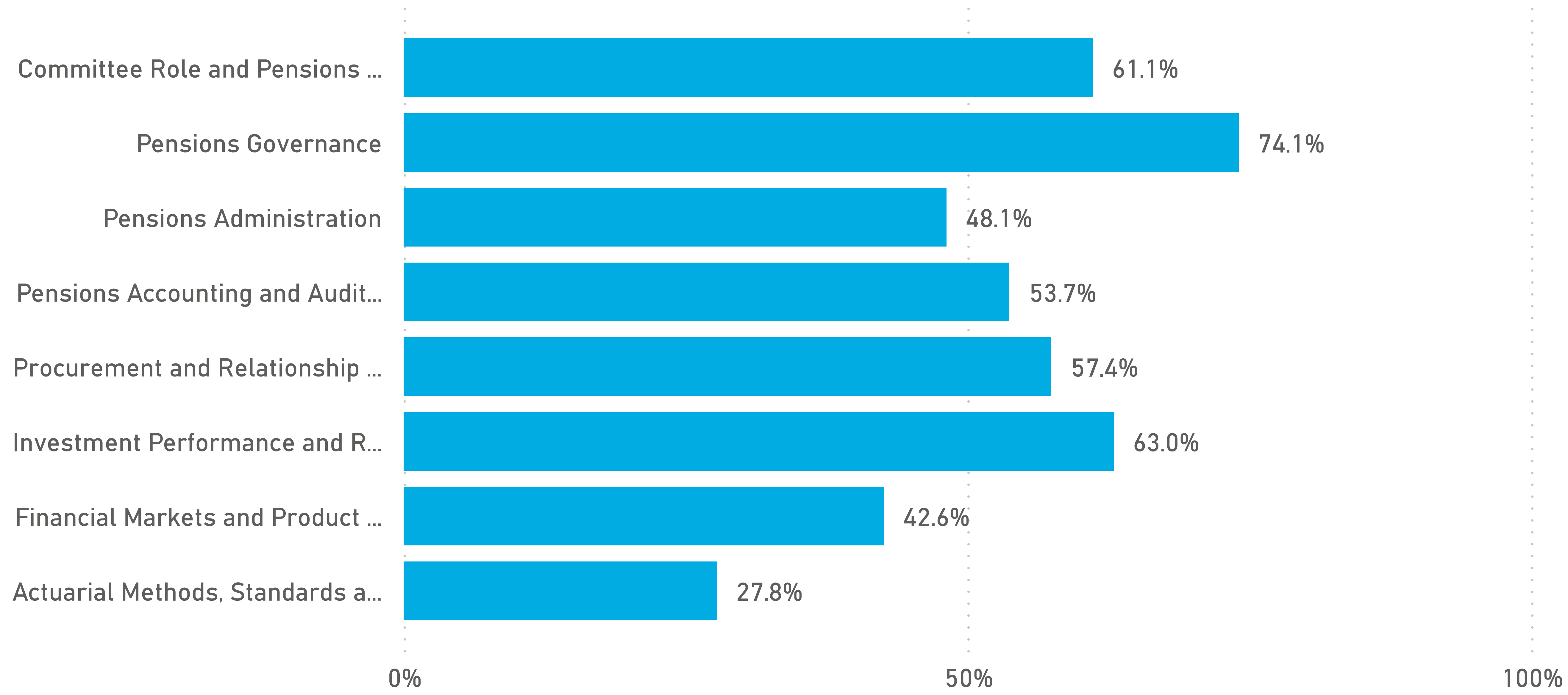
- The performance of the Board (average overall score of 76.4 %) was stronger than that of the Committee (average overall score of 53.5 %).
- The performance for the Committee and Board diverged the most in the Financial Markets and Product Knowledge section, when Board were 40.7 % higher than the Committee.
- The Committee performed most strongly in the areas of Pensions Governance and Investment Performance and Risk Management.

The Board areas of strongest knowledge were Pensions Governance and Investment Performance and Risk Management.

Commitee

The results show that Pensions Governance and Investment Performance and Risk Management have the highest levels of knowledge. But the areas to focus any specific training on might be Actuarial Methods, Standards and Practices as well as Financial Markets and Product Knowledge for the Committee.

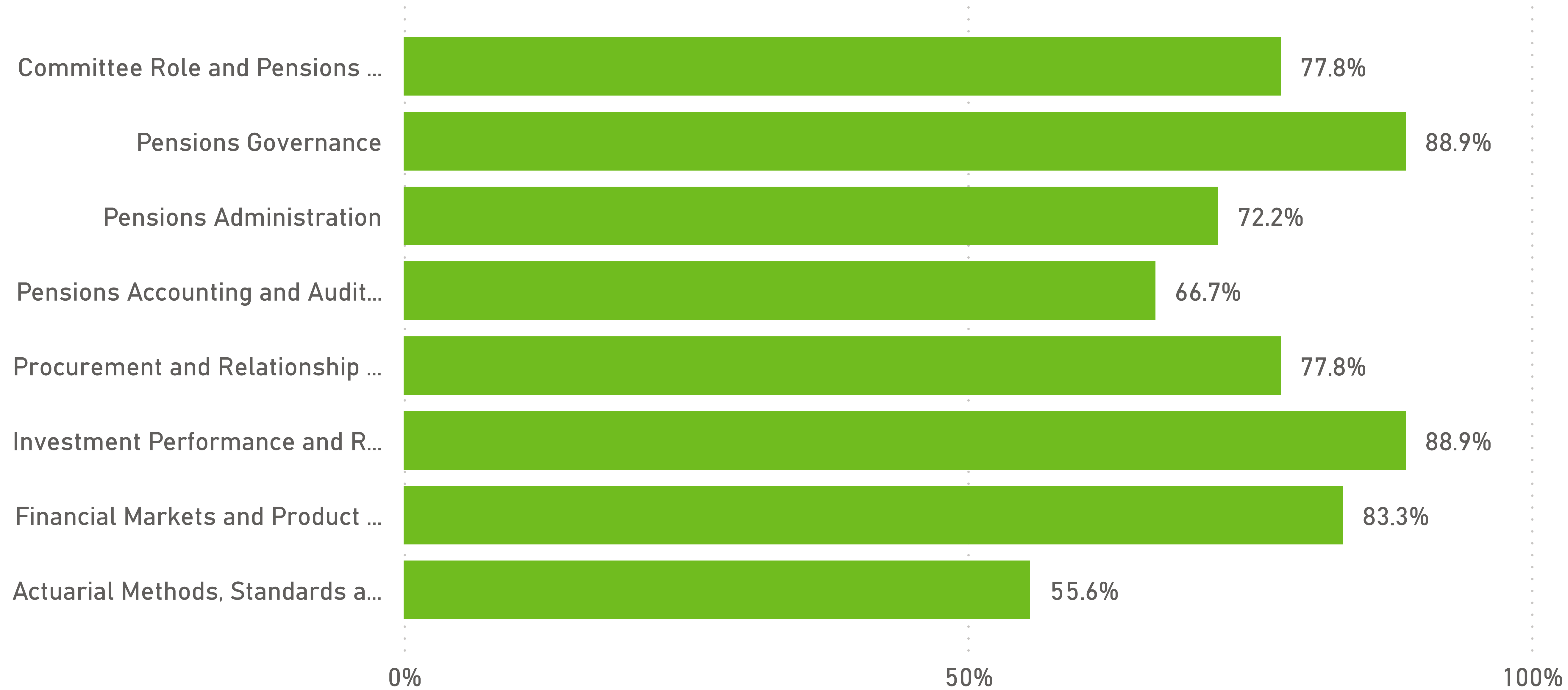
In general, the Committee's performance was reasonably strong. There are areas which could be improved on with focused training as outlined above.



Local Pension Board

The results show that Pensions Governance and Investment Performance and Risk Management have the highest levels of knowledge, but the areas to focus any specific training on might be Actuarial Methods, Standards and Practices and also Pensions Accounting and Audit Standards for the Board.

The next step would be to try and develop the knowledge of the lower scoring areas. You might already have a training plan in place, in which case we recommend using these results to tailor the specific training support ensuring it aligns with your priorities.



Benchmarking

As this assessment is being conducted at a national level across numerous LGPS funds, we are able to provide details of how your Fund's results compare to those across the average of all funds who have taken part to date.

We've provided a comparison of the results for both your Fund's Committee and Board, versus the average scores nationally for each group. This gives an idea of the knowledge levels across these groups, relative to the national average.

The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

It's pleasing to see that the areas of Pensions Governance and Investment Performance and Risk Management scored well for the Committee.

It's clear that there are some areas where knowledge levels are lower, and these areas would be a sensible focus of training for the Committee.

Similarly, from the Board chart it can be seen that the highest scoring areas were Pensions Governance and Investment Performance and Risk Management.

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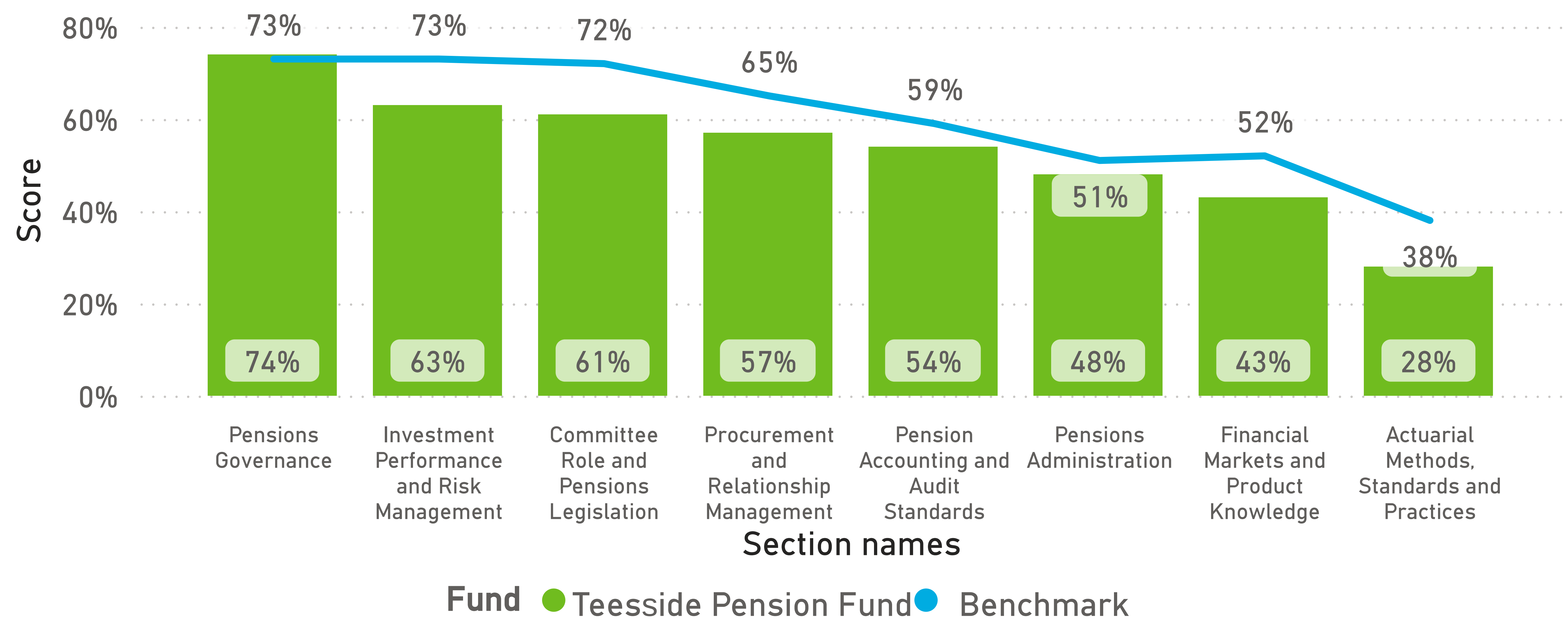
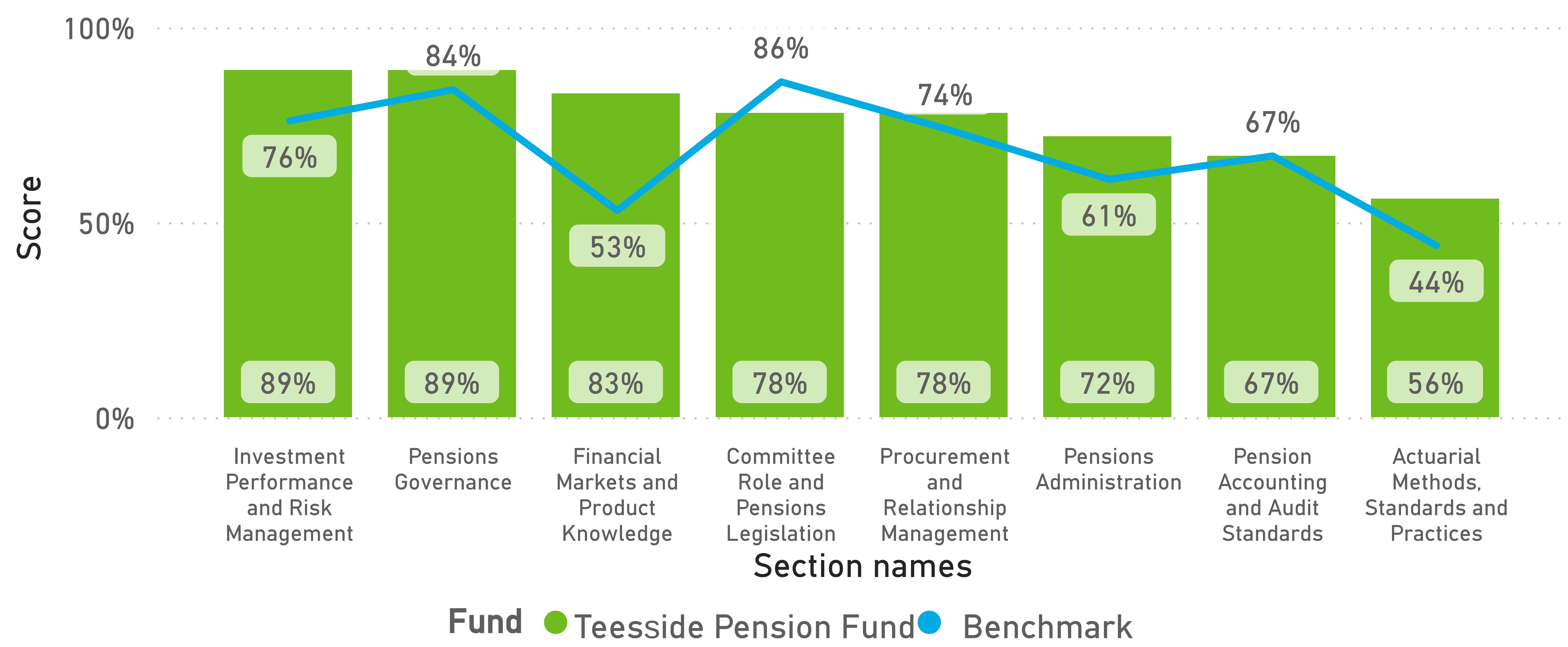
Committee Score vs Benchmark



Board Score vs Benchmark



Commentary on results

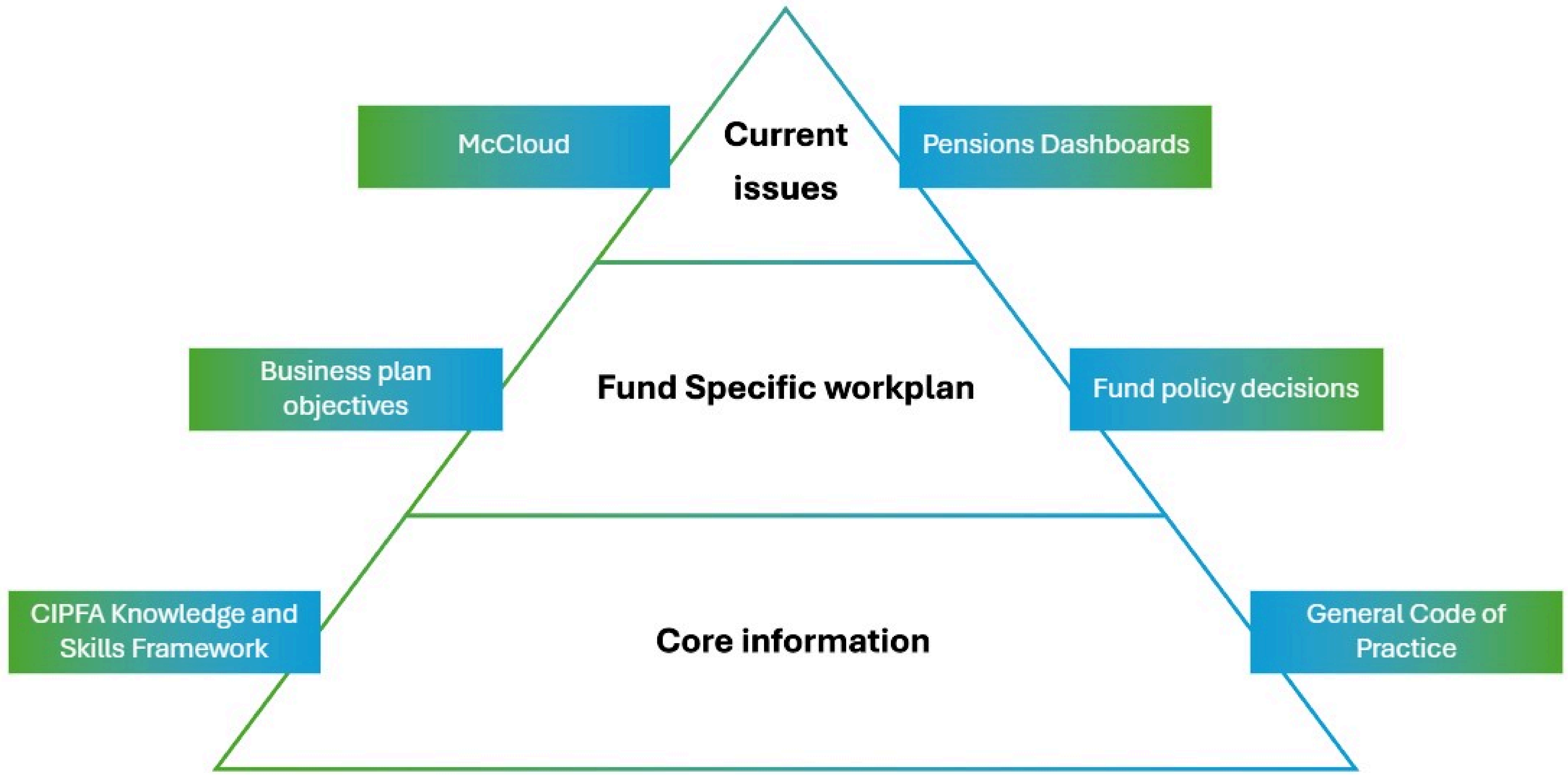
It's encouraging that 12 participants from your Fund took part in the assessment. Overall, the results were positive and it's clear that there are areas of greater knowledge levels as well as areas in which knowledge should be developed over time.

We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience.

The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board, is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective.

Many funds have implemented training plans that follow the pyramid diagram of LGPS training areas. Fundamentally, a plan based on this example pyramid would provide a LGPS fund with a robust training program for its Committee and Board.



Further Analysis

In order to gain further insight into the knowledge and understanding, the questions posed covered 3 distinct areas. These were:

- **Technical** – 66% of questions
- **Decision Making** – 17% of questions
- **Roles and responsibilities** – 17% of questions

The purpose of this was to drill deeper into the collective understanding of these categories, and to provide further analysis on which areas to target when creating training plans. The following chart shows the average score for each of these sections, for the Committee and Board combined.

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The scores across these 3 areas were similar, but the lowest scoring area was Roles & Responsibilities.

Some next steps to consider are:

Decision making – A review of the Fund's decision-making procedures, and updating/creating a decision-making matrix, and sharing this with the Committee and Board to ensure visibility of the role of each group in across a broad spectrum of potential decisions.

Roles and responsibility – A specific training session covering the roles and responsibilities of different parties covering different points in the annual cycle of the Fund. This could include preparation of annual report, annual benefit statements, business planning and investment performance reviews for example. It would also be good to cover more niche topics such as the IDRP process, review of suppliers and cyber risk.

Technical – The majority of the questions in the assessment were technical and related to core areas of knowledge and skills for Committee and Boards. We would expect the Fund's training strategy and training plan to reflect requirements here.

Collective Knowledge

It is not just the overall average scores which are important, we realise that you need to be aware of the collective knowledge of your members. All Committee and Board members will bring different experience and perspectives, and will feel more comfortable providing challenge in areas they are more knowledgeable in. As such, the spread of detailed knowledge in each subject is important.

For this reason we feel it is important to understand how many members scored highly in each of the topics, to provide an insight into the breadth of knowledge across topics. Where a Committee or Board have individuals with high knowledge levels in each of the topics, you can feel more assured that members will be able to provide challenge or guidance to the rest of the group, as and when required.

A well rounded Committee or Board will have a number of members scoring highly in each topic. To measure this, we have analysed the number of members who correctly answered at least 5 of the 6 questions in each topic. The assumption is that these members are particularly knowledgeable in these areas, and can lead the group in these topics. This is shown in the chart below.

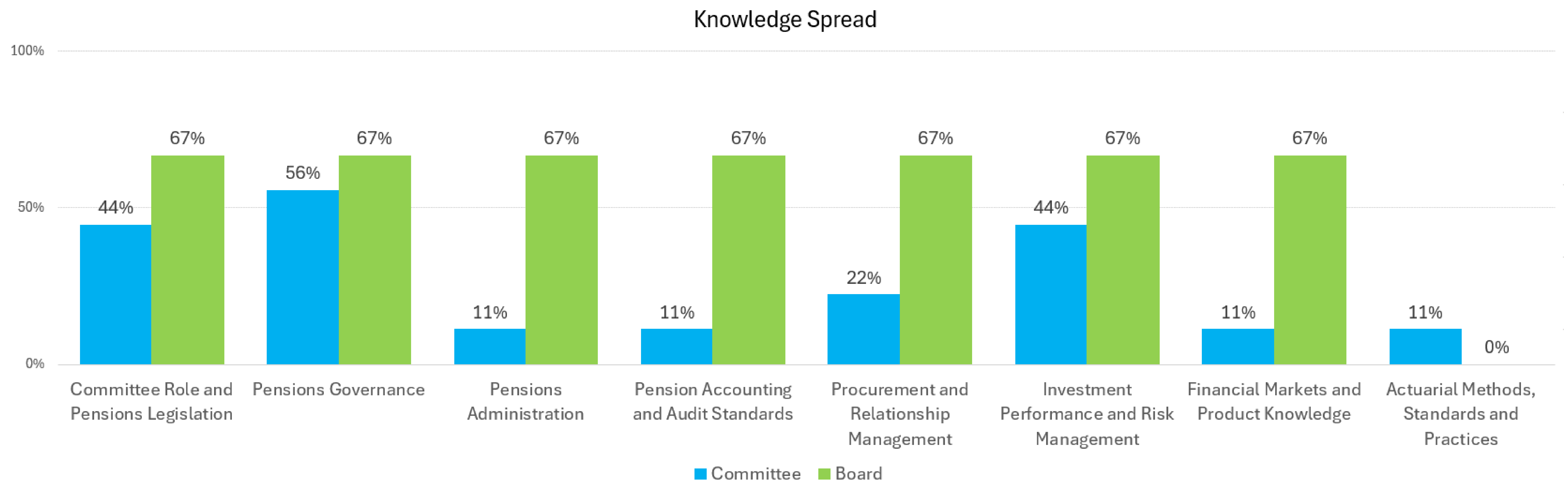
It is also important that it is not just the same individuals who score highly in each topic. A spread of individuals with detailed knowledge across different topics, is more likely to create an effective Committee or Board.

Methodology

We have analysed the number of members who correctly answered 5 or 6 questions in at least one topics. This gives an indication of the spread of knowledge.

For the Committee there were 6 members who scored highly in at least 1 topic. There were 3 Board members who scored highly in at least 1 topic.

This is a positive result, as you would hope that most members would have specialist, detailed knowledge in at least one subject area



Engagement

One of the key areas that we recommend funds focus on is Committee and Board training engagement.

With the ever-increasing pace of change in the pensions and investments world, engagement is critical to maintaining strong collective knowledge. There is an expectation that they need not only be willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members.

The chart below shows the breakdown of the total number of participants from the Teesside Pension Fund, as a proportion of those who could have responded.

Role	Participants	Sum of Possible Participants	Participation Rate
Board	3	6	50%
Committee	9	15	60%
Total	**12**	**21**	**57%**

That 12 participants from your Fund took part in the assessment is encouraging. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them.

Their level of engagement is a key driver of this. Overall engagement seems to be at a good level; however, it is important to maintain this. The combination of in-person, online and hybrid meetings might be one way of achieving this.

One of the biggest challenges in this area is how to improve engagement. The move to online learning and tackling topics in bitesize chunks can help.

The way in which information is shared with the Committee and Board can also promote engagement.

There have been moves by some funds to issuing short timely bulletins and newsletters to increase training knowledge and engagement, which we very much encourage.

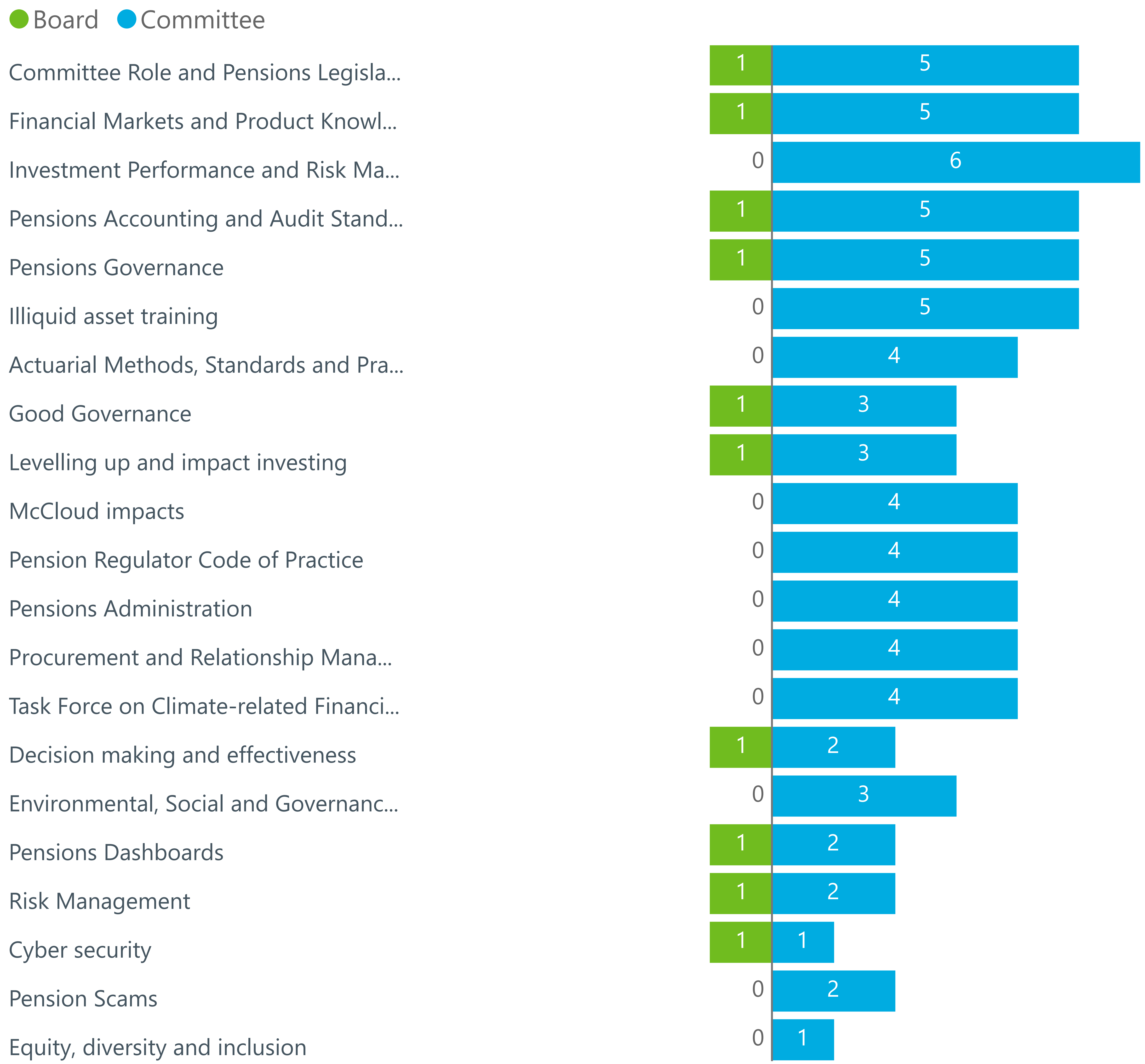
Training Feedback from Participants

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on.

There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

The table on the right summarises the areas in which members indicated training would be beneficial.

Training requirements



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Training plan

Based on the results from this assessment, we have prepared the adjacent training sources that you may wish to adopt or include as part of your training plans.

This has been prepared based on what we believe would be most valuable to your Fund at the current moment.

The intention is to make the planning and delivery of these sessions more efficient for the Fund.

You may want to create separate plans for the Board and Committee - further *tailoring* the training plan to their distinct priorities.

We would be happy to discuss the options for delivery of any of these training sessions. Hymans can support in the preparation of this suite of sessions.

As detailed on the page '**Commentary on results'**, we recommend that training plans include elements on:

- Core information
- Fund specific workplan
- Current issues / Hot topics

The key output for your Fund is to have a clear training plan and the delivery dates (or delivery vehicle i.e. training paper) set aside for these sessions.

Feedback from participants

We also asked the participants to provide comments on the areas they would most appreciate training in. Based on these comments, the most requested areas for training were the Committee Role and Pensions Legislation as well as Financial Markets and Product Knowledge.

More detail is shown in the chart on the previous page.

Training Sources

Recommended LGPS Online Learning Academy Modules & Videos

We offer an on-demand package of training videos covering the majority of the topics contained within this assessment. These videos provide the key details we would expect members to be familiar with in each of the topics. We recommend that the Committee focus on Modules 7 and 8. The Board may wish to focus on modules 4 and 8.

Webinar Library

We have a bank of webinars available. Some webinars which might prove useful to help develop knowledge in the lower scoring areas would be:

- Managing risk in the LGPS - a spotlight on administration risk
- LGPS 2022 Valuation - the big picture
- Navigating the 2024 LGPS accounting disclosures

Training Sessions

There are also some in-person training sessions we can deliver which may be of interest to Committee and Board member based on both the results of this assessment and their individual training requests. These include:

- TPR's general code of practice
- Pension scams
- McCloud
- The role of the Actuary

If you would like access to any of the above or to discuss training plans and/or training strategy, please get in touch.

Next Steps

Based on the results, we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the Fund's officers and results shared with the Committee and Board.
- Set up a **structured training plan** or adjust the existing training plan for the next 18 months covering the main areas highlighted in this report.
- Plan for the **delivery** of training over the immediate 6-month period following these results and communicate that intention with the Committee and Board.
- Consider the most **pressing** training requirements in the coming months. Importantly, look at the **frequency** of training engagement with your Committee and Board.
- **Assess** the tools available to the Fund to assist with training, and whether any new methods should be deployed.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose.

We will be producing a national LGPS report on the results of these assessment, which will aid Scheme Advisory Board LGPS training discussions.

A copy of this will be made available to the Fund when that report is complete.

If you wish to discuss the contents of this report further, please get in touch.

Prepared by Hymans Robertson LLP.

Alan Johnson

LGPS Governance, Administration and Projects (GAP) Consultant

Calum Robertson

Trainee LGPS Governance, Administration and Projects (GAP) Consultant

Reliances and Limitations

This report has been prepared for the Teesside Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as of November 2024.

Agenda Item 10

HYMANS ROBERTSON

Teesside Pension Fund Committee Meeting

Page 335

Morven Galloway

Julie Baillie FFA C.Act

11 December 2024

Agenda Item 10

HYMANS ROBERTSON

Introduction to funding

How the Fund works

Collect money
(contributions)

Invest money
(its assets)

Pay money out
(benefits)

Contributions and investment returns fund all the benefits

Role of the Actuary

Cessation valuations

Accounting valuations

Bulk transfer/ outsourcing calculations

New employer calculations

Triennial valuation

Individual member calculations

Funding strategy statement

Risk management

Middlesbrough Council
Administering Authority

Other ad hoc advice

Page 338

Why do we do a valuation?

- Calculate employer contribution rates
- Compliance with legislation
- Analyse actual experience vs assumptions
- Review Funding Strategy Statement
- Part of continual ‘health check’ on fund solvency

The triennial valuation is key for risk management for the Fund

How we do the valuation

Inputs	Actuary's models	Primary outputs
Data for lots of members		Ratio of assets held against benefits promised to date **"Funding level"**
Financial assumptions		Estimated cost of future benefit accrual **"Primary Contribution Rate"**
Demographic assumptions		
LGPS benefit structure		Estimated cost to fund benefits promised to date **"Secondary Contribution Rate"**

HYMANS ROBERTSON

What has happened since 2022?

2022 valuation results

Page 342

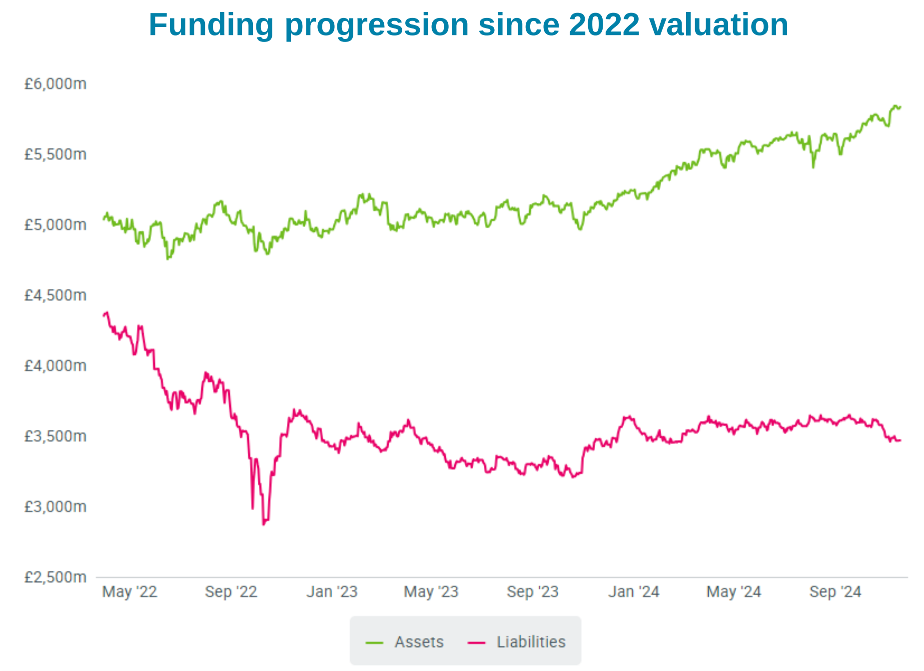
Solvency

Funding Level **116%**

Average Employer Rates

19.7%	**Primary Rate**
-4.9%	**Secondary Rate**
14.8%	**Total Rate**

What has happened since 2022?



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General insights

- Funding has improved since 2022
- Assets returns have been positive
- Rising interest rates & high inflation
- Higher expected return on the Fund's assets

Employers will see variation based on their own circumstances

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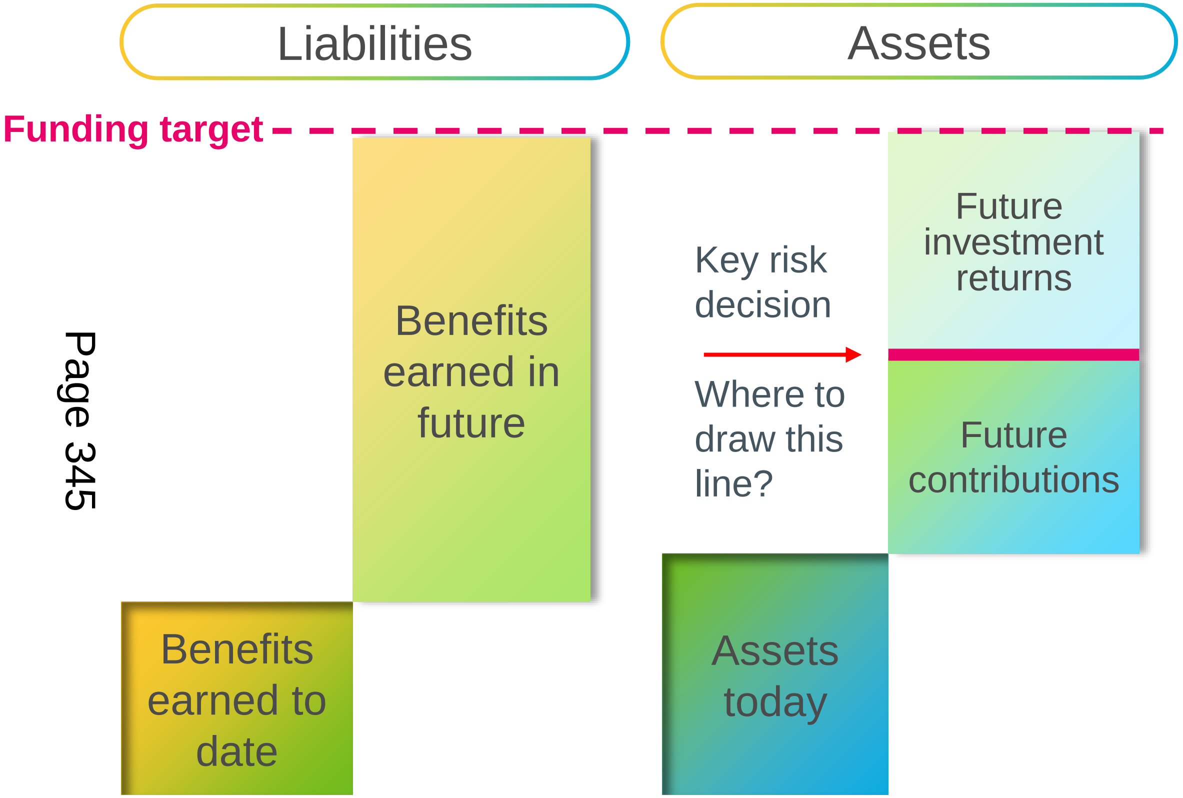
HYMANS ROBERTSON

What does this mean for 2025?

Key funding decision



General insights

- Funding level is 'past service' only
- Majority of benefits yet to be earned
- Balance future contributions vs investment risk

Focus on balancing employer affordability with long-term sustainability

Ongoing learning

What is LOLA*?

- Launched in 2021
- Video-on-demand learning plan covering:
  - Core requirements of the Pension Regulator’s General Code of Practice
  - Chartered Institute of Public Finance and Accountancy's Knowledge and Skills Framework

8

Core modules with current issue videos

1300+

Platform Users

50%

Almost half of all LGPS funds utilise the training platform

* LGPS Online Learning Academy

Why online?

Online training has lots of benefits, including the ability to access materials on demand and to easily include fund-specific training.

Monitor and record
Simple to monitor and record participant progress

Hot topics
Regular hot topic videos spark discussion and support decision-making

Jargon buster
A helpful jargon buster includes relevant links for each module

Monthly reporting
Monthly reports can be produced for each member and Fund

What is covered?

- **Module 1 -** Committee Role and Pensions Legislation
- **Module 2 –** Pensions Governance
- **Module 3 –** Pensions Administration
- **Module 4 –** Pensions Accounting and Audit Standards
- **Module 5 –** Procurement and Relationship Management
- **Module 6 –** Investment Performance and Risk Management
- **Module 7 –** Financial Markets and Product Knowledge
- **Module 8 –** Actuarial Methods, Standards and Practices

Current Issues

- Understanding Cost Sharing
- Understanding McCloud
- Pensions Dashboard
- Understanding Goodwin
- Introduction to Cyber Risk
- GAD Section 13
- Climate Change and TCFD
- McCloud Consultation - June 2023
- SAB and HM Treasury Cost Cap Mechanisms
- Next Steps on Investment (England & Wales) Consultation overview
- Next Steps on Investment (England & Wales) Consultation response
- A Brief Introduction to Taskforce on Nature-related Financial Disclosures
- McCloud Recent Developments

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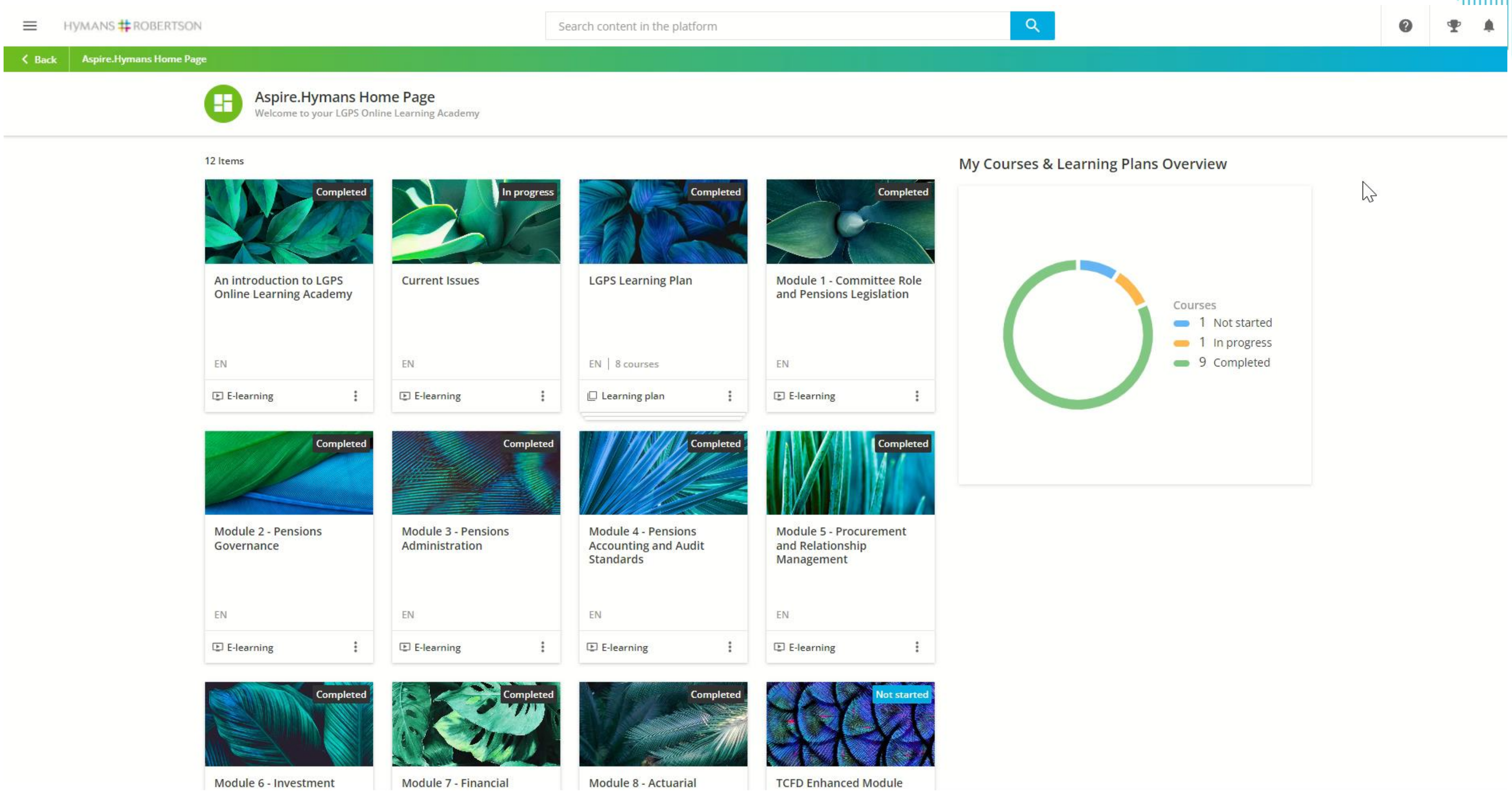
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Search content in the platform
Back
Aspire.Hymans Home Page
Aspire.Hymans Home Page
Welcome to your LGPS Online Learning Academy
12 Items
Completed
An introduction to LGPS Online Learning Academy
EN
E-learning
In progress
Current Issues
EN
E-learning
Completed
LGPS Learning Plan
EN | 8 courses
Learning plan
Completed
Module 1 - Committee Role and Pensions Legislation
EN
E-learning
Completed
Module 2 - Pensions Governance
EN
E-learning
Completed
Module 3 - Pensions Administration
EN
E-learning
Completed
Module 4 - Pensions Accounting and Audit Standards
EN
E-learning
Completed
Module 5 - Procurement and Relationship Management
EN
E-learning
Completed
Module 6 - Investment
Completed
Module 7 - Financial
Completed
Module 8 - Actuarial
Not started
TCFD Enhanced Module
My Courses & Learning Plans Overview
Courses
1 Not started
1 In progress
9 Completed

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Thank you

Thank you

Important Information
This material is provided as general information for illustration purposes only. It is not a definitive analysis of the subject(s) covered, is not a substitute for specific professional advice and should not be relied upon. It contains confidential information belonging to Hymans Robertson LLP (HR) and should not be disclosed to any third party without prior consent from HR, except as required by law.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 11

TEESSIDE PENSION FUND COMMITTEE REPORT

11 DECEMBER 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

Border to Coast Responsible Investment Policy, Corporate Governance & Voting Guidelines and Climate Change Policy

1 PURPOSE OF THE REPORT

1.1 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.

2 RECOMMENDATION

2.1 That Members note and approve the changes made to the Border to Coast documents – relevant extracts are included as Appendices A, B and C to this report.

3 FINANCIAL IMPLICATIONS

3.1 There are no particular financial implications arising from this report.

4 BACKGROUND

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

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

4.2 To allow a practical and consistent approach to pooled investments, Border to Coast developed a Responsible Investment (RI) Policy and a Corporate Governance and Voting Guidelines document for all its Partner Funds to approve that applies across all the investments it holds on their behalf. In 2021, Border to Coast also introduced a standalone Climate Change Policy. The latest version of all three documents (as approved at the 13 December 2023 Pension Fund Committee) can be found on Border to Coast's website at the following link: https://www.bordertocoast.org.uk/publications/?_sfm_publication_document_type=Responsible%20Investment%20Policies

4.3 The Responsible Investment Policy, Corporate Governance & Voting Guidelines and Climate Change Policy are reviewed annually or when material changes need to be made. The annual review process commenced in summer to ensure any revisions are in place ahead of the 2025 proxy voting season.

4.4 Border to Coast has worked with its voting and engagement partner Robeco to update the documents, using the International Corporate Governance Network (IGCN) Global Governance Principles and to reflect market best practice. The Policies have also been reviewed against asset managers and asset owners considered to be RI leaders. A gap analysis has also been undertaken against the Investor Group on Climate Change (IIGCC) Net Zero Voting Guidelines.

4.5 As agreed with Partner Funds earlier in the year, Border to Coast has undertaken a 'light touch' review this year. The only material proposed change to highlight is a change on voting in relation to deforestation as a climate change issue. The revised documents have been through an approval process at Border to Coast and Border to Coast's Joint Committee has recommended they be presented to all Partner Fund's for approval.

5. POLICY CHANGES PROPOSED

5.1 This year's review has been 'light touch'. However, it also reflects minimal suggested improvements from Robeco and resulting from asset owner and asset manager assessments. All changes are shown as track changes in the attached Appendices.

5.2 The exclusion approach has been reviewed as part of this annual review, with no changes proposed.

5.3 One area that was identified where Border to Coast has less explicit policy than peers is on the issue of nature/biodiversity, with some asset managers and asset owners disclosing specific policies or approaches. Aviva and Church of England are members of the Finance Sector Deforestation Action (FSDA) initiative and have a 2025 target to "eliminate agricultural commodity-driven tropical deforestation from our portfolio."

5.4 Border to Coast's current activity on biodiversity centres on company engagement, including dedicated Robeco engagement programmes, integration into Border to Coast's Waste and Water and Climate Change engagement themes, and support for the Investor Policy Dialogue on Deforestation Initiative (IPDD). Border to Coast has also commenced quarterly monitoring of external manager activity on biodiversity. Border to Coast has no explicit voting policy, engagement theme, or integration of risk specific for nature/biodiversity.

5.5 This year's proposed changes relate to voting and deforestation as a climate change issue and are reflected in revisions to the Voting Guidance and Climate Change Policy. This supports progress on nature/biodiversity as a larger theme and addresses the absence of related voting policy.

6. RI POLICY – KEY CHANGES

6.1 The proposed amendments to the RI policy are highlighted in the table below.

Section	Page	Type of Change	Rationale
5.2 Private markets	5	Amendment	Updated to remove 'believes' and clarify that ESG risk forms part of the risk management framework.
5.4 Real estate	6	Amendment	Updated following fund launches and ESG scorecard.

7. VOTING GUIDELINES - KEY CHANGES

7.1 Last year, Robeco introduced voting policy in relation to deforestation, which Border to Coast did not adopt at the time. This year's assessment of best practice asset owners and asset managers' voting policies identifies deforestation as a gap in Border to Coast voting policy. Brunel and Aviva have specific deforestation voting policy, which take the same approach as Robeco.

7.2 The only material proposed change to voting policy this year relates to deforestation as a climate change issue, mirroring Robeco's approach.

7.3 Regulatory pressures on companies to curb deforestation are increasing, with the EU agreeing regulation which will require companies to conduct due diligence on commodity imports to ensure they are deforestation free. It is now widely recognised that deforestation can result in the loss of market access, more expensive financing, stranded assets, regulatory costs, and reputational risk.

7.4 To give a sense of policy impact, if these changes had been introduced for the 2024 AGM season, Border to Coast would have voted against the Chair of the Sustainability Committee (or most appropriate agenda item) at seven companies with high exposure to deforestation risk commodities and inadequate policies. Only one holding was subject to a shareholder proposal requesting mitigation of deforestation risk in 2024, which Border to Coast supported. Adding specific wording to the policy to support such resolutions formalises our current approach.

7.5 The proposed amendments to the Voting Guidelines are highlighted in the table below.

Section	Page	Type of Change	Rationale
Shareholder proposals	12	Addition	General stance on proposals requesting mitigation of deforestation risk.
Climate change	13	Addition	Stance on companies with high exposure to deforestation risk commodities.

8. CLIMATE CHANGE POLICY - KEY CHANGES

8.1 The Climate Change Policy has been reviewed by Robeco and Border to Coast's RI Team has compared it against those of other asset managers and asset owners including Brunel, RLAM, Aviva, and Church of England, to determine developments across the industry.

8.2 The Robeco review states "Overall, it is a very well-developed policy, covering all relevant areas and components"

8.3 The changes are detailed below and primarily relate to voting policy on deforestation.

Section	Page	Type of Change	Rationale
2.1 Our views and beliefs on climate change	3	Amendment	Correction regarding the objective of the Paris agreement
3.1 Our ambition – Net Zero	5	Amendment	Correction regarding 1.5C target
6.1 Our approach to engagement	10	Addition	General stance on proposals requesting mitigation of deforestation risk. Stance on companies with high exposure to deforestation risk commodities.

9. IMPACT ASSESSMENT

9.1 Any financial implications are in respect of implementation and fulfilment of the policies. The cost of implementing the new voting policy on deforestation is negligible. Based on the 2024 AGM season, Border to Coast would need to write to circa seven companies to advise of votes against management.

10. NEXT STEPS

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

CONTACT OFFICER: Nick Orton, Head of Pensions Governance & Investments

TEL NO: 01642 729040

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Extracts showing proposed amendments

Responsible Investment Policy

5.2. Private markets

ESG risk forms an integral part of the overall risk management framework for private market investment.

5.4. Real Estate

Border to Coast manages Real Estate investments through both direct properties and indirect through investing in real estate funds. For real estate funds, a central component of the fund selection/screening process is an assessment of the General Partner and Fund/Investment Manager's Responsible Investment and ESG approach and policies.

A Responsible Investment framework has been developed for Real Estate to ensure the integration of ESG factors throughout the investment process. This covers the stages of selection, appointment and monitoring and a feedback loop to report performance and review processes. It includes pre-investment, post-acquisition and post-investment phases. An ESG scorecard has been developed tailored to the direct or indirect property fund, monitoring key performance indicators such as energy performance measurement, flood risk and rating systems such as GRESB (formerly known as the Global Real Estate Sustainability Benchmark), and BREEAM (Building Research Establishment Environmental Assessment Method). For direct real estate, the RI Policy will be implemented through ESG strategies embedded into the asset management plans of individual properties; this is to ensure a perpetual cycle of review and improvement against measurable standards.

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Extracts showing proposed amendments

Corporate Governance & Voting Guidelines

Shareholder Proposals

We will assess shareholder proposals on a case-by-case basis. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

Shareholder proposals are an important tool to improve transparency. Therefore, we will, when considered appropriate, support resolutions requesting additional reporting or reasonable action that is in shareholders' best interests on material business risk, ESG topics, climate risk and lobbying.

We will generally vote in favour of shareholder proposals that are aligned with the objectives of the Paris climate agreement, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.

We will generally vote in favour of shareholder proposals that ask companies to mitigate deforestation risks, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.

Climate change

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. We believe it is vital we fully understand how companies are dealing with this challenge, and feel it is our duty to hold the boards of our investee companies to account.

Our primary objective from climate related voting and engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reach net zero by 2050 or sooner. The areas we consider include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD disclosures and scenario planning; scope 3 emissions and the supply chain; capital allocation alignment, climate accounting, a just transition and exposure to climate-stressed regions.

For companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the Transition Pathway Initiative ('TPI'), the Climate Action 100+ ('CA100+') Net Zero Benchmark and the Urgewald Global Coal Exit List. We use TPI scores and will vote against the Chair (or relevant agenda item) where companies are scored 2 or lower, and for Oil and Gas companies scoring 3 or lower, unless more up to date information is available. Where a company covered by CA100+ Net Zero Benchmark fails indicators of the Benchmark, which includes a net zero by 2050 (or sooner) ambition, short, medium and long-term emission reduction targets, and decarbonisation strategy, we will also vote against the Chair of the Board.

Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change and not covered by the industry benchmarks.

Where management put forward a ‘Say on Climate’ resolution, we will vote against the agenda item if, following our analysis, we believe it is not aligned with the Paris Agreement.

We expect companies that have high exposure to deforestation risk commodities (palm oil, soy, beef, and timber, paper and pulp) to take action to address those risks within their operations and supply chains. For companies that have such exposure, but either don’t have adequate policies and processes in place to reduce their impact or are involved in severe deforestation-linked controversies, we will oppose the re-election of the Chair of the Sustainability Committee (or most appropriate agenda item). Assessments of the quality of mitigating actions are based on external benchmarks such as the Forest500.

Banks will play a pivotal role in the transition to a low carbon economy, and we will therefore be including the sector when voting on climate-related issues. We will assess banks using the IIGCC/TPI framework and will vote against the Chair of the Sustainability Committee, or the agenda item most appropriate, in the case where we have significant concerns regarding the bank’s transition plans to net zero.

We support a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. Therefore, in the interests of a just transition we will assess the implications when considering our voting decisions on a case-by-case basis.

Extracts showing proposed changes

Climate Change Policy

2.1 Our views and beliefs on climate change

Recognising the existential threat to society that unmitigated climate change represents, in 2015, the nations of the world came together in Paris and agreed to limit global warming to well below 2ºC and to pursue efforts to limit the temperature increase to 1.5ºC. A key part of the Paris Agreement was an objective to make finance flows consistent with a pathway towards low GHG emissions and climate resilience. This recognises the critical role asset owners and managers play, reinforcing the need for us and our peers to drive and support the pace and scale of change required.

3.1 Our ambition – Net Zero

Our climate change strategy recognises that there are financially material investment risks and opportunities associated with climate change which we need to manage across our investment portfolios. We have therefore committed to a net zero carbon emissions target by 2050 at the latest for our assets under management, in order to align with efforts to limit temperature increases to 1.5ºC.

6.1 Our approach to engagement

In particular, we are currently focusing on the following actions:

- When exercising our voting rights for companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the TPI, CA 100+ Net Zero Company Benchmark and the Urgewald Global Coal Exit List. Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change. Our voting principles are outlined in our Corporate Governance & Voting Guidelines. We are also transparent with all our voting activity and publish our quarterly voting records on our website.

- We will generally vote in favour of shareholder resolutions that are aligned with the objectives of the Paris climate agreement, taking a ‘comply or explain’ approach, publicly disclosing our rationale if we vote against.

- We will vote against management ‘Say on Climate’ resolutions that are not aligned with the Paris climate agreement.

- For companies that have high exposure to deforestation risk commodities (palm oil, soy, beef, and timber, paper and pulp), but either don't have adequate policies and processes in place to reduce their impact or are involved in severe deforestation-linked controversies, we will oppose the re-election of the Chair of the Sustainability Committee (or most appropriate agenda item). Assessments of the quality of mitigating actions are based on external benchmarks such as the Forest500.

- We will generally vote in favour of shareholder proposals that ask companies to mitigate deforestation risks, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.

- We will co-file shareholder resolutions at company AGMs on climate risk disclosure, emission reduction targets, transition plans, and lobbying, after conducting due diligence, that we consider to be of institutional quality and consistent with our Climate Change Policy.

- Engage with companies in relation to business sustainability, disclosure of climate risk and to publish greenhouse gas emissions reduction targets in line with the TCFD recommendations.

- Engage with the largest emitters across our portfolios on transition plans and science aligned capital expenditure plans.

- Engage with the banking sector as it plays a pivotal role in the transition to a low-carbon economy.

- Engage with our largest portfolio emitters and all fossil fuel companies and banks subject to votes against management due to failure to meet our climate policies.

- Support a Just Transition through collaboration with other investors and consider in our engagement and voting.

- Work collaboratively with other asset owners in order to strengthen our voice and make a more lasting impact for positive change. Engagement is conducted directly, through our engagement partner and through our support of collaborations. We also expect our external asset managers to engage with companies on climate-related issues.

- Implementing our net zero stewardship strategy developed using IIGCC's Net Zero Stewardship Toolkit.

- Use carbon footprints, the TPI toolkit, CA100+ Net Zero Company Benchmark, SBTi along with other data sources to assess companies and inform our engagement and voting activity. This will enable us to prioritise shareholder engagement, set timeframes and monitor progress against our goals.

BORDER TO COAST
PENSIONS PARTNERSHIP

TEESSIDE PENSION FUND

Border to Coast

Teesside Pensions Committee - December 2024

Agenda Item 12

YOUR INVESTMENTS WITH BORDER TO COAST

LISTED INVESTMENTS AS AT 30TH SEPTEMBER 2024

Listed Investments	Value (as at 30/09/2024)	Value % of Total Assets
UK Listed Equity	£594m	20.3
Overseas Developed Markets	£2,096m	71.7
Emerging Markets Equity	£233m	8.0

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

MACRO OUTLOOK – Q3 2024

What has Changed?

- The **Fed surprised markets** with its jumbo rate cut of 0.5%.
- **China released a series of fiscal and monetary measures** to boost ailing economy.
- **Further escalation** of the conflict in the wider region of the **Middle East**.

What has stayed the same?

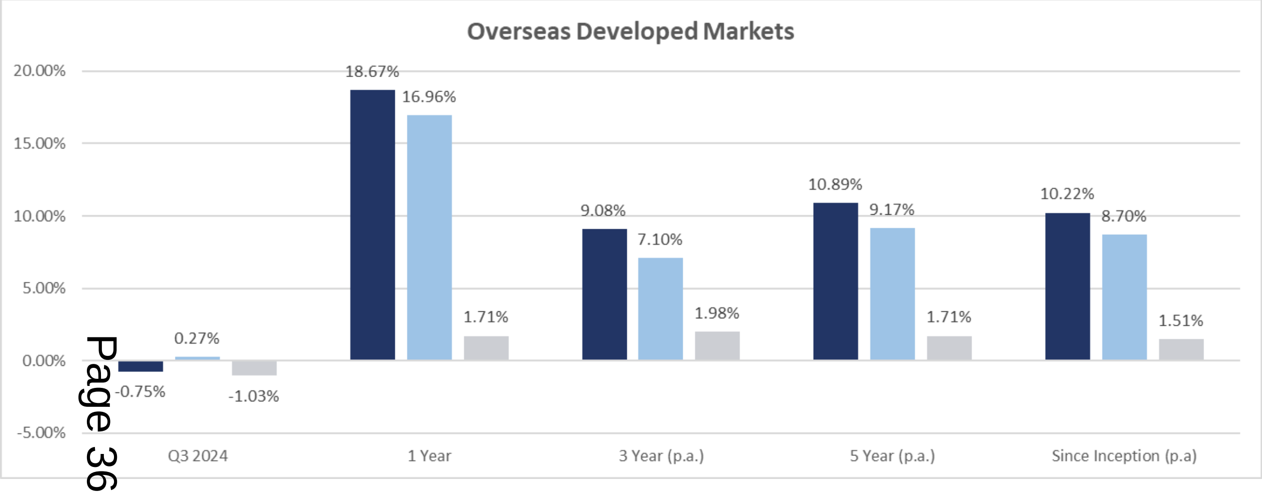
- **Blowout US employment** report reinforces economic resilience.
- **Resilient Q3 2024 Earnings** with supporting fundamentals.
- **AI narrative** continues to be the primary driver of market performance.

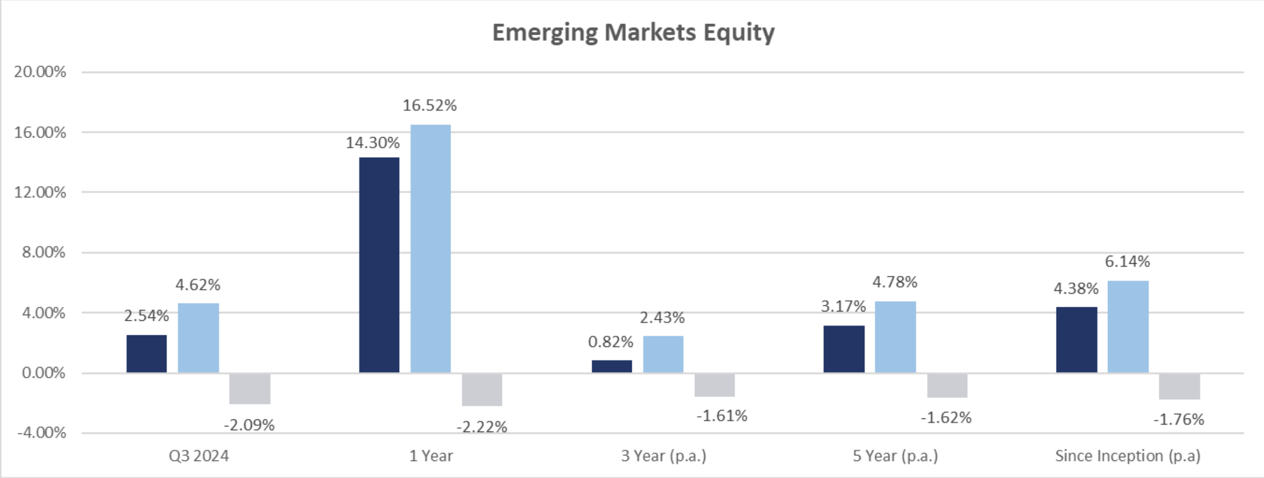
What are we watching?

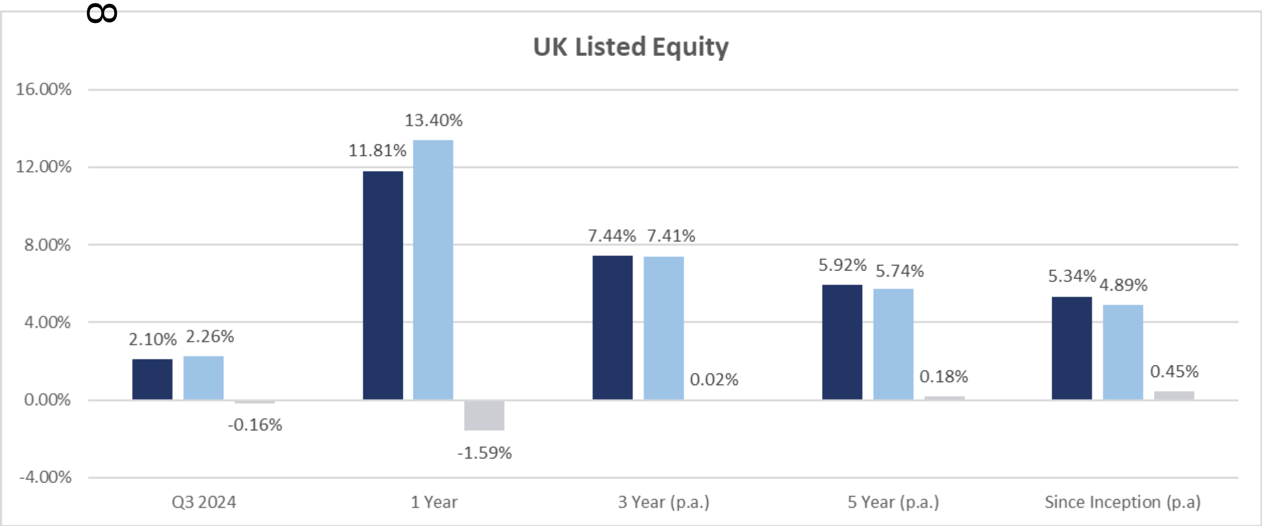
- **US Presidential Elections** could lead to increase market uncertainty given diverging policy views.
- **Commodity prices** given China stimulus and wider conflict in the Middle East.

Source: Border to Coast, Global Market Outlook, Q3 2024

LISTED INVESTMENTS – PERFORMANCE TO Q3 2024







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 as at 30th September 2024

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

PRIVATE EQUITY: SUMMARY

Private Equity	Key Metrics - 28 Jun 2024
Target IRR	10%
Series 1 IRR	15.2%
Series 1 TVPI	1.33x

Series 1A	30 Sept 2024	28 Jun 2024
Capital Committed	99.7%	99.7%
Capital Drawn	86.5%	85.8%
Capital Distributed[1]	24.1%	22.7%

Series 1B	30 Sept 2024	28 Jun 2024
Capital Committed	99.1%	99.1%
Capital Drawn	78.6%	75.8%
Capital Distributed[1]	10.5%	7.8%

Series 1C	30 Sept 2024	28 Jun 2024
Capital Committed	100.0%	100.0%
Capital Drawn	67.4%	60.1%
Capital Distributed[1]	0.2%	0.2%

Series 2A	30 Sept 2024	28 Jun 2024
Capital Committed	99.8%	99.8%
Capital Drawn	26.1%	23.0%
Capital Distributed[1]	0.0%	0.0%

Series 2B	30 Sept2024	28 Jun 2024
Capital Committed	99.0%	99.0%
Capital Drawn	11.1%	9.5%
Capital Distributed[1]	0.4%	0.2%

Source: Allbourne / Private Monitor
[1]Including Recallable Distributions.

INFRASTRUCTURE: SUMMARY

Infrastructure	Key Metrics - 28 Jun 2024
Target IRR	8%
Series 1 IRR	8.5%
Series 1 TVPI	1.19x

Series 1A	30 Sept 2024	28 Jun 2024
Capital Committed	98.7%	98.7%
Capital Drawn	87.4%	84.6%
Capital Distributed[1]	16.2%	15.8%

Series 1B	30 Sept 2024	28 Jun 2024
Capital Committed	98.7%	98.7%
Capital Drawn	71.7%	67.1%
Capital Distributed[1]	4.4%	3.7%

Series 1C	30 Sept 2024	28 Jun 2024
Capital Committed	100.0%	100.0%
Capital Drawn	82.7%	79.7%
Capital Distributed[1]	13.3%	12.6%

Series 2A	30 Sept 2024	28 Jun 2024
Capital Committed	99.7%	99.7%
Capital Drawn	52.1%	49.1%
Capital Distributed[1]	1.5%	1.2%

Series 2B	30 Sept 2024	28 Jun 2024
Capital Committed	99.9%	99.9%
Capital Drawn	25.6%	23.1%
Capital Distributed[1]	0.1%	0.0%

Source: Allbourne / Private Monitor
[1]Including Recallable Distributions.

CLIMATE OPPORTUNITIES: SUMMARY

Series 2	30 Sept 2024	28 Jun 2024
Target IRR	8%	
Capital Committed	99.9%	99.9%
Capital Drawn	44.4%	40.5%
Capital Distributed[1]	5.8%	0.9%

Source: Allbourne / Private Monitor
[1]Including Recallable Distributions.

EQT INFRASTRUCTURE V – EDGECONNEX

Investment Date	August 2021
Realisation Date	To close Q4 2024
Business	Datacentres and adjacent services.
Sector	Digital
Location	US/global
Ownership (Peak)	100% (across Funds IV + V)
Invested Amount	€770m
Proceeds	$360m net proceeds expected to Fund V

Business Overview and Sourcing

- EdgeConnex is a global provider of custom-build data center solution.
- The business is a developer and owner of data centres and an integrated provider of adjacent solutions (cloud, data infrastructure services).
- EdgeConnnex works closely with its customers to provide the scalable capacity, power, and connectivity they need to meet the growing demands of their business and their end users.
- EQT identified EdgeConnex as presenting a strong greenfield opportunity given its development pipeline and relationships with customers seeking capacity expansion

Strategy and Execution

- EQT's investment helped fund development work to bring new sites into operations and add more to pipeline.
- At acquisition EdgeConnex included 40 sites (across operational and development assets) in 33 markets.
- Today EdgeConnex has 80 sites across 50 different markets, having delivered meaningful growth, and providing significant diversification.
- The site footprint has been expanded across new geographies, including Asia, Latin America and new areas of Europe.
- This partial sell down enables to EQT to derisk the original capital invested and provides additional capital to deliver next phase of capacity and customer growth.
- Business expansion is on plan and the partial sale benefits from high valuations. Sectoral tailwinds are expected to continue for several years (data usage, capacity issues for data centers, demand for services), supporting ongoing expansion.

Partial exit

- Sold 11% stake to Sixth Street for 3.0x MOIC, 52% IRR gross
- Sixth Street are a financial investor with property and digital asset expertise who are seen as bringing complementary benefits to the business alongside EQT.
- Expected to return $360m to Fund V investors once completed in Q4

EQT

edgeconnex®

BORDER TO COAST UPDATE

LGPS REFORM AT MANSION HOUSE

In her speech on 14 November, the Chancellor provided an update on the Pensions Review, with a focus on the LGPS.

We are now working closely with Partner Funds and the Joint Committee on a collaborative response to the consultation on LGPS reform, due on 16 January, and on the pool submission setting out our collective plan to deliver the required pooling standards, due on 1 March.

ENGAGING FOR A LIVING WAGE

All workers should earn a decent wage with dignity and – following Border to Coast's own accreditation as a Living Wage Employer – we have joined the Good Work Coalition. The group engages with FTSE350 retail companies on paying the Living Wage to all employees, including third party staff. We continue to actively engage companies with high exposure to labour-intensive operations to promote sustained, inclusive growth with productive and decent work for all.

THE POWER OF PARTNERSHIP

We were delighted that our collective endeavours were recognised at the LAPF Investment awards. Border to Coast won Pool Achievement of the Year, Sustainable Investment Strategy (Climate), and were highly commended for Best Approach to RI. The joint initiative #LGPSJobs won LGPS Promotional Initiative, while SYPA won 'Investment Innovation'. Our Climate Change Report was recognised by Pensions for Purpose and Surrey won the 'Impact Investing Principles Adopter'. Congratulations all


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

RESPONSIBLE INVESTMENT UPDATE

Border to Coast

Teesside Pensions Committee - December 2024

RESPONSIBLE INVESTMENT UPDATE

- ESG Integration
- Active Ownership
- Industry Engagement
- Reporting and Governance

ESG INTEGRATION

CLIMATE RISKS, OPPORTUNITIES AND NET ZERO

Page 378

BORDER TO COAST'S NORMALISED FINANCED EMISSIONS WERE

58% BELOW

2019 LEVELS AHEAD OF OUR TARGET OF A

53% REDUCTION

BY 2025

£8bn

INVESTED IN CLIMATE SOLUTIONS VIA OUR EQUITY AND FIXED INCOME PORTFOLIOS

WE ARE ENGAGING WITH COMPANIES REPRESENTING

68%

OF THE EMISSIONS COVERED BY OUR NET ZERO ROADMAP, AN INCREASE OF 20 COMPANIES FROM LAST YEAR

38%

OF OUR FINANCED EMISSIONS ARE EMITTED BY COMPANIES CONSIDERED TO BE ALIGNED OR ALIGNING WITH NET ZERO

OUR PARTNER FUNDS HAVE COMMITTED

£2.6bn

TO OUR CLIMATE OPPORTUNITIES OFFERING

Source: Border to Coast

ACTIVE OWNERSHIP

ENGAGEMENT, VOTING – AND WATER COMPANIES INITIATIVE

Responsible for **£52.3bn** of investments

1,052 meetings voted

1,962 engagements

Proportion of environmental shareholder proposals supported **76%**

Page 379

Awarded Best Climate Change Policy Statement

Retained signatory status to the **UK Stewardship Code**

Published first **PROXY VOTING** AGM Report

13,406 resolutions voted

Yorkshire Water given green light for wetland to reduce sewage discharges

By Tony Gardner

Comment

Published 10th Sep 2024, 12:30 BST

Source: Border to Coast / BBC

INDUSTRY ENGAGEMENT

ENGAGEMENT VS DIVESTMENT – AND POLICY ACTION

Mobilising pension capital for net zero

a policy blueprint for the UK

READ OUR RECOMMENDATIONS FOR POLICY REFORM

IFM Investors

in collaboration with

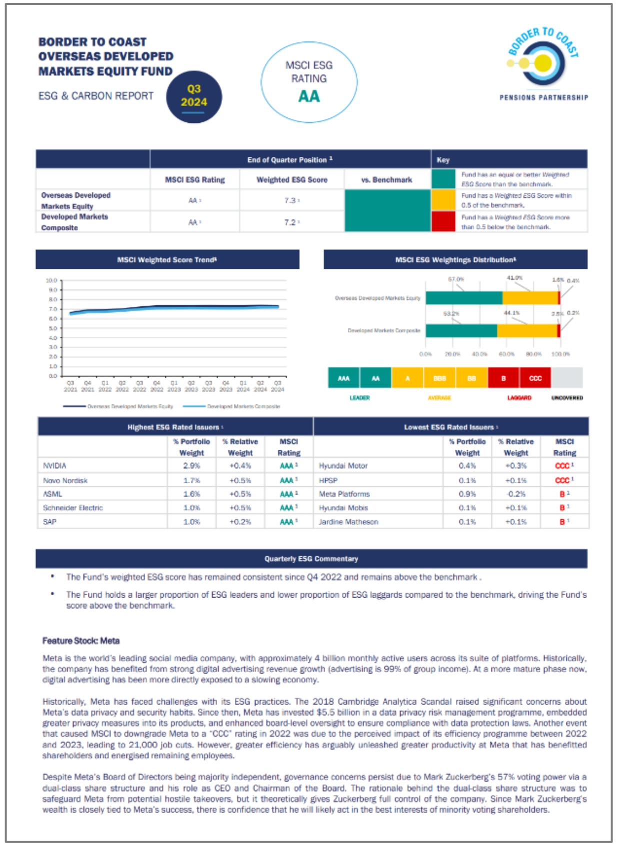
Border to Coast Pensions Partnership · LGPS Central Limited · nest · nespf · Pensions and Lifetime Savings Association · USS · aware super · CareSuper · cbus · HESTA · HOSTPLUS · Rest

Source: Border to Coast / IFM

REPORTING AND GOVERNANCE

WORKING BETTER TOGETHER

Page 381



BORDER TO COAST OVERSEAS DEVELOPED MARKETS EQUITY FUND

ESG & CARBON REPORT

Q3 2024

MSCI ESG RATING AA

BORDER TO COAST PENSIONS PARTNERSHIP

	End of Quarter Position [1]			Key	
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark		Fund has an equal or better *Weighted ESG Score* than the benchmark.
Overseas Developed Markets Equity	AA [1]	7.3 [1]			Fund has a *Weighted ESG Score* within 0.5 of the benchmark.
Developed Markets Composite	AA [1]	7.2 [1]			Fund has a *Weighted ESG Score* more than 0.5 below the benchmark.

MSCI Weighted Score Trend[1]

MSCI ESG Weightings Distribution[1]

Highest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating	Lowest ESG Rated Issuers [1]	% Portfolio Weight	% Relative Weight	MSCI Rating
NVIDIA	2.9%	+0.4%	AAA [1]	Hyundai Motor	0.4%	+0.3%	CCC [1]
Novo Nordisk	1.7%	+0.5%	AAA [1]	HPSP	0.1%	+0.1%	CCC [1]
ASML	1.6%	+0.5%	AAA [1]	Meta Platforms	0.9%	-0.2%	B [1]
Schneider Electric	1.0%	+0.5%	AAA [1]	Hyundai Mobis	0.1%	+0.1%	B [1]
SAP	1.0%	+0.2%	AAA [1]	Jardine Matheson	0.1%	+0.1%	B [1]

Quarterly ESG Commentary

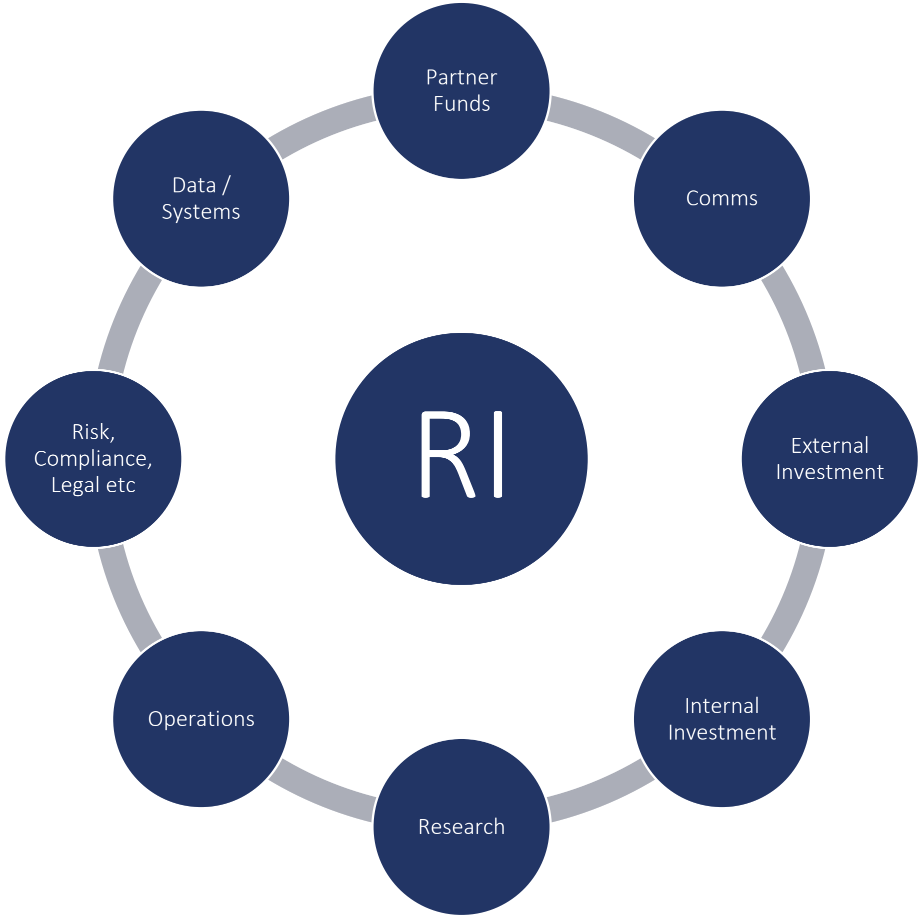
- The Fund's weighted ESG score has remained consistent since Q4 2022 and remains above the benchmark .
- The Fund holds a larger proportion of ESG leaders and lower proportion of ESG laggards compared to the benchmark, driving the Fund's score above the benchmark.

Feature Stock: Meta

Meta is the world's leading social media company, with approximately 4 billion monthly active users across its suite of platforms. Historically, the company has benefited from strong digital advertising revenue growth (advertising is 99% of group income). At a more mature phase now, digital advertising has been more directly exposed to a slowing economy.

Historically, Meta has faced challenges with its ESG practices. The 2018 Cambridge Analytica Scandal raised significant concerns about Meta's data privacy and security habits. Since then, Meta has invested $5.5 billion in a data privacy risk management programme, embedded greater privacy measures into its products, and enhanced board-level oversight to ensure compliance with data protection laws. Another event that caused MSCI to downgrade Meta to a "CCC" rating in 2022 was due to the perceived impact of its efficiency programme between 2022 and 2023, leading to 21,000 job cuts. However, greater efficiency has arguably unleashed greater productivity at Meta that has benefitted shareholders and energised remaining employees.

Despite Meta's Board of Directors being majority independent, governance concerns persist due to Mark Zuckerberg's 57% voting power via a dual-class share structure and his role as CEO and Chairman of the Board. The rationale behind the dual-class share structure was to safeguard Meta from potential hostile takeovers, but it theoretically gives Zuckerberg full control of the company. Since Mark Zuckerberg's wealth is closely tied to Meta's success, there is confidence that he will likely act in the best interests of minority voting shareholders.



Source: Border to Coast

BORDER TO COAST PENSIONS PARTNERSHIP

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 13

PENSION FUND COMMITTEE REPORT

11 DECEMBER 2024

DIRECTOR OF FINANCE – DEBBIE MIDDLETON

Government Consultation - LGPS (England and Wales) Fit for the future

1. PURPOSE OF THE REPORT

1.1 To inform Members of the consultation issued by the Government intended to make the Local Government Pension Scheme (LGPS) in England and Wales 'fit for the future', outline some key points from that consultation, how the Teesside Fund could be impacted and the timetable and process for responding to the consultation, and

1.2 To ask Members to agree that the Head of Pensions Governance and Investments (in consultation with the Chair and Vice Chair) can draft and submit a consultation response on behalf of the Fund / the Council as administering authority for the Fund.

2. RECOMMENDATIONS

2.1 That Members note this report and agree that

a) The Head of Pensions Governance and Investments (in consultation with the Chair and Vice Chair) should draft and submit a consultation response on behalf of the Fund / the Council as administering authority for the Fund.
b) The Head of Pensions Governance and Investments will work with Border to Coast and its other Partner Funds to provide an agree collective response to the consultation on behalf of Border to Coast and its Partner Funds.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications resulting from this report.

4. BACKGROUND

4.1 The government confirmed on 4 September 2024 that it was carrying out a pensions review which it described as follows:

> "The Chancellor has launched a landmark pensions review to boost investment, increase saver returns and tackle waste in the pensions system. The Chancellor has appointed the Minister for Pensions to lead the review. The review will focus on defined contribution workplace schemes and the Local Government Pension Scheme."

4.2 The Government issued a ‘call for evidence’ focusing on the following three topics some questions under those topics related to defined contribution schemes others purely related to the LGPS and some potentially covered both:

- Scale and consolidation
- Costs vs Value
- Investing in the UK

In addition, the document referred to the consultation carried out by the previous Government last year and stated:

> “Asset pooling policy in the Local Government Pension Scheme in England & Wales (LGPS) was consulted on in 2023. In addition to the below request for evidence, the review will engage extensively on next steps with regard to LGPS consolidation, with funds, pools and representative groups including the LGA and trade unions.”

4.3 There was a three-week deadline for responses. The Head of Pensions Governance and Investments worked with colleagues in Border to Coast and its Partner Funds to produce a response that emphasised:

- The benefits of scale provided by the Fund’s participation in Border to Coast
- The extent to which the Fund already invests in the UK

And considered whether potential pool or fund consolidation would of itself lead to greater investment in UK assets, as the call for evidence seemed to imply.

5. GOVERNMENT CONSULTATION

5.1 On 14 November 2024 Chancellor of the Exchequer Rachel Reeves announced as part of her Mansion House speech that she was:

> “publishing the interim report of the Pensions Investment Review. It sets out our plans to create Canadian and Australian style-“megafunds” to power growth in our economy… underpinned by a clear commitment to legislate for these changes for the first time in the Pension Scheme Bill next year.”

and that the Government would “legislate on measures to consolidate the Local Government Pension Scheme… and require that the 86 Local Government Pension Scheme administering authorities consolidate all their assets into 8 pools.”

5.2 This was followed by the publication of a set of documents including a consultation “Local Government Pension Scheme (England and Wales): Fit for the future” which closes on 16 January 2025.

5.3 Links to all documents are on this page: https://www.gov.uk/government/collections/pensions-investment-review-interim-report-consultations-and-evidence

Links to the separate documents are as follows:

LGPS Consultation - https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future
The full text of this consultation document is also attached as Appendix A.

Interim Report - https://www.gov.uk/government/publications/pensions-investment-review-interim-report

Evidence base - https://www.gov.uk/government/publications/pension-fund-investment-and-the-uk-economy

(Also, not directly relevant to the LGPS – **Defined Contribution Pension Scheme Consultation**) - https://www.gov.uk/government/consultations/pensions-investment-review-unlocking-the-uk-pensions-market-for-growth

5.3 Some significant points from the consultation include:

- LGPS Pool companies will need to be regulated by the Financial Conduct Authority (FCA) and able to offer internal management (Border to Coast is already FCA regulated and offers internal management in some asset classes)
- Funds/Administering Authorities will need to transfer all their listed assets to their Pool by 31 March 2025 (we are on course to achieve this) and will be expected to transfer legacy assets to the management of the Pool by 31 March 2026 (this is the date suggested in the consultation by which pooling should be 'complete'). This is challenging – the Pool company would need to develop the capacity to manage our legacy assets (and the legacy assets of Border to Coast's other ten Partner Funds) quickly. This timescale also affects our standalone UK property portfolio.
- Pool companies will be expected to be the principal source of investment advice to Funds/Administering Authorities. Strategic Asset Allocation can still be set at Fund level but only within strictly defined parameters. For example, Funds could choose how much to allocate to equities but seemingly could not determine whether that was internally or externally managed, or what geographical region the equities are invested in. There is some ambiguity around this however: Funds will still be able to determine, at a top level, "return objectives, risk tolerances, investment preferences, constraints and limitations" – this could potentially include a preference for passive to active management, internal or external investment (linked to risk and return parameters) and willingness to accept currency or specific geographical area risk. Proposed roles and responsibilities of the Pool and Administering Authority are set out in the following diagram from paragraph 32 of the consultation document:

Figure 1: The roles and responsibilities of the Administering Authority versus the pool

	Task	Impact on overall investment outcome of the fund	AA Role	Pool role	Definitions
Strategy	Investment objectives	High	Decide	Advise	Return objectives, risk tolerances, investment preferences, constraints and limitations, and the approaches to local investment and responsible investment.
	Strategic asset allocation		Decide (optional)	Advise/ Decide	Long-term, stable allocation based on overall investment objectives and risk tolerance
Implementation	Tactical asset allocation		Monitor	Decide	Adjustments to the asset mix, such as in respect of geographic allocation, consistent with the asset allocation strategy.
	Investment manager selection		Monitor	Decide	Appointment of external (or in-house) managers of specific investment mandates
	Stock selection		Monitor	Decide	Choosing individual investment opportunities based on detailed analysis of the opportunity
	Investment stewardship		Monitor	Decide	Engagement with the invested companies in line with Investment Objectives.
	Cashflow management	Low	Monitor	Decide	Management of the disinvestment (or investment of contributions) in collaboration with administrators and Fund Actuary

- Paragraph 37 of the consultation further defines what investment choices an Administering Authority would be restricted to, as shown on the following page:

37. The government invites views on templates which best meet the objectives described above noting the range in possible approaches, and particularly invites views on the following template:

Table 2: template for strategic asset allocation

Asset class	Strategic asset allocation (%)	Tolerance range (±%)
Listed equity		
Private equity		
Private credit		
Property / Real estate		
Infrastructure		
Other alternatives		
Credit (i)		
UK Government bonds		
Cash (ii)		

(i) Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds
(ii)For the purposes of this table this refers to cash held by the pool. AAs would still be expected to hold cash for the purpose of paying benefits outside the pool.

- Funds/Administering Authorities will be expected to set a target allocation to 'local investments' and to work with their local (Mayoral) Combined Authority to identify local investment opportunities. Pools would be expected to develop and provide due diligence expertise in relation to local investments.
- The proposals from the 2001 Good Governance review will be adopted, including: Pension Committee members would be required to have appropriate knowledge and skills.
- Funds/Administering Authorities would be required to appoint an independent pension professional to act as an adviser (or potentially sit as a voting member of the Committee).

5.4 We are working with our Border to Coast Partner Funds to draft a collective response to the consultation. It is also important to respond separately on behalf of the Fund, both to amplify the Border to Coast consultation response and to emphasise any issues particularly relevant to our Fund.

6. NEXT STEPS

6.1 If the Committee agrees to the recommendations set out above, consultation responses will be drafted and submitted as set out in section 2. The Committee has the opportunity to provide any suggestions in relation to the Fund's consultation response at this meeting or, over the next few weeks, through feedback to the Chair or Vice Chair.

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

TEL NO.: 01642 729040

GOV.UK

Ministry of Housing,
Communities &
Local Government

Open consultation

Local Government Pension Scheme (England and Wales): Fit for the future

Published 14 November 2024

Applies to England and Wales

Contents

This publication is available at https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future/local-government-pension-scheme-england-and-wales-fit-for-the-future

Scope of the consultation

Topic of this consultation

This consultation seeks views on proposals relating to the investments of the Local Government Pensions Scheme (LGPS). It covers the areas of asset pooling, UK and local investment and governance.

Scope of this consultation

The Ministry of Housing, Communities and Local Government (MHCLG) is consulting on proposals for new requirements on LGPS administering authorities.

Geographical scope

This consultation applies to England and Wales.

Impact assessment

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

Basic information

Body responsible for the consultation

Ministry of Housing, Communities and Local Government

Duration

This consultation will last for 9 weeks from 14 November 2024 to 16 January 2025.

Enquiries

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

How to respond

Please respond by completing an [online survey (https://consult.communities.gov.uk/local-government-pensions/fit-for-the-future)](https://consult.communities.gov.uk/local-government-pensions/fit-for-the-future). You can also access the online survey by scanning the following QR code:

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

Alternatively, please send postal responses to:

> LGF Pensions Team
> Ministry of Housing, Communities and Local Government
> 2nd Floor
> Fry Building
> 2 Marsham Street
> London
> SW1P 4DF

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

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

1. Introduction

1. In July 2024 the government launched a landmark Pensions Review of workplace defined contribution (DC) pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The UK has the third largest stock of pension assets in the world. It is crucial that those assets are invested effectively, to provide security in retirement. Pension funds are also critical as a major source of domestic investment. That is why the Pensions Review has been set up with the twin objectives of improving pension outcomes and increasing investment in the UK.

2. The LGPS is fully funded with good investment returns and has achieved many successes in recent years. These include the establishment of LGPS asset pools as strong regional investment managers, thanks to the commitment and hard work of people across the scheme. But few in the scheme would disagree that pooling has not delivered to its full potential and that change is needed to ensure that the scheme continues to perform in the long term in the best interests of members, employers, local communities and the wider UK economy.

3. The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. The government is now consulting on proposals to put the LGPS on a clearer, firmer trajectory to scale and consolidation, as well as measures to improve scheme governance and investment. Together these proposals seek to provide long-term clarity and sustainability, putting the scheme on the strongest possible footing for the future.

4. The LGPS is one of the world's largest funded pension schemes, managing the pensions of 6.7m members and investing £392 billion worldwide, as at March 2024. Its scale makes it a significant investor with the potential to boost growth across the country, while delivering its core duty to make long-term stable returns to pay the pensions of those who have delivered vital local services. At present, however, the scheme does not reach its full potential as an investor and engine of growth due to the fragmented nature of the scheme, and inconsistent standards of governance.

5. Since 2015, the 86 administering authorities (AAs) have come together in 8 groups of their own choosing to move towards managing their investments through 8 LGPS asset pools. The previous Government consulted on proposals to accelerate and expand the pooling of LGPS assets, to increase investment in local projects , and ambitions to grow investment in unlisted equity. The responses to that consultation, along with responses to the recent Pensions Review Call for Evidence and engagement undertaken with LGPS stakeholders have informed the proposals in this consultation. The government is grateful to those who have contributed their views.

6. In August 2024 the Chancellor of the Exchequer met with leaders of Canadian pension schemes. The Canadian model has key strengths including the integration of investment advice, consistent delegation and in-house investment management, which enhance control over investments and reduce reliance on external managers. The model's governance structures ensure accountability and strategic alignment with long-term goals. Importantly, the consolidation of multiple pension funds under a unified governance framework has proven effective in achieving economies of scale and optimising resource allocation. Their model has demonstrated robust performance, setting an example globally. In developing proposals the Pensions Review has taken valuable learnings from the Canadian model.

7. The proposals will complement key Government growth programmes aimed at creating an attractive pipeline of investment opportunities such as the National Wealth Fund and the British Growth Partnership. This is the first step to drive greater alignment and coherence across the UK's public finance institutions, enabling a more strategic and impact focused approach to mobilising capital. The Pensions Review will therefore use its next stage to consider whether further interventions may be needed by the government to ensure that these reforms are benefiting UK growth.

8. This consultation seeks views on proposals to strengthen the management of LGPS investments in 3 areas:

Reforming the LGPS asset pools by mandating certain minimum standards deemed necessary for an optimal and consistent model in line with international best practice. The minimum standards proposed are:

- AAs would be required to fully delegate the implementation of investment strategy to the pool, and to take their principal advice on their investment strategy from the pool;
- pools would be required to be investment management companies authorised and regulated by the Financial Conduct Authority (FCA), with the expertise and capacity to implement investment strategies;
- AAs would be required to transfer legacy assets to the management of the pool.

Boosting LGPS investment in their localities and regions in the UK, by requiring AAs to:

- set out their approach to local investment in their investment strategy including a target range for the allocation and having regard to local growth plans and priorities,

- to work with local authorities, Combined Authorities, Mayoral Combined Authorities, Combined County Authorities and the Greater London Authority to identify local investment opportunities; in Wales, AAs would work with relevant Corporate Joint Committees on their proposed economic development priorities and plans, and with local authorities more broadly to identify investment opportunities.
- to set out their local investment and its impact in their annual reports.

Pools would be required to conduct suitable due diligence on potential investments and make the final decision on whether to invest.

Strengthening the governance of both LGPS AAs and LGPS pools in the following ways, building on the recommendations of the Scheme Advisory Board (SAB) in their 2021 Good Governance Review:

- committee members would be required to have the appropriate knowledge and skills.
- AAs would be required to publish a governance and training strategy (including a conflicts of interest policy) and an administration strategy, to appoint a senior LGPS officer, and to undertake independent biennial reviews to consider whether AAs are fully equipped to fulfil their responsibilities.
- pool boards would be required to include representatives of their shareholders and to improve transparency.

9. The following chapters describe the government's proposals in more detail and provide the rationale behind them. Chapter 2 sets out proposals regarding asset pooling, Chapter 3 sets out proposals regarding UK and local investment, and Chapter 4 sets out proposals on governance. Finally, Chapter 5 sets out our initial assessment of potential equalities impacts and invites views.

10. Government has received representations on the issue of LGPS fund mergers. The government recognises that fund mergers can incur significant costs and risk. Nonetheless, a number of LGPS funds have successfully merged on a voluntary basis and the government encourages administering authorities to consider whether there would be benefit in merging with another fund, taking into account final decisions on the reforms proposed in this consultation.

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

2. LGPS pooling

Background

12. Following the publication of guidance on the pooling of LGPS assets in 2015, the 86 AAs came together in groups of their own choosing to establish 8 asset pools. As of 31 March 2024, £178 billion (45%) of LGPS assets were invested through these pools, with a further £107 billion (27%) of assets managed by the pools outside of pool investment vehicles.

13. The scale and expertise of the asset pools have delivered a step change in the expertise, capacity and resilience of the LGPS. This has enabled AAs to diversify their portfolios significantly, and to manage assets more efficiently, at reduced risk. AAs have been able to use the pools to invest in asset classes they would previously not have had the expertise or capacity to invest in, particularly in private markets. The pools have supported their partner funds by delivering investments, reporting and engagement that meets the AA's requirements on responsible investment, and which individual funds may not have had capacity to pursue by themselves. As a result, since their inception the pools have reported that they have delivered net savings of £870 million, against total costs of £675 million.

14. Examples of the benefits of scale since the inception of asset pooling in the LGPS in 2015 have included:

- Lower fees: pooling has allowed for access to complex asset classes at lower rates of management fees. For example, the cumulative net savings of Local Pension Partnership (LPP) to 31 March 2024 amounted to over £200 million. A significant proportion of these savings derives from their use of direct internal management including private market mandates such as the GLIL direct infrastructure vehicle, which is able to provide access to the asset class at a lower fee rate than comparable private sector asset managers.
- Enhanced investment opportunities: pooling allows for more sophisticated investment in diverse and large-scale projects that individual funds might not be able to access. For example, Border to Coast have launched a UK Opportunities private markets programme, which has recently committed £48.5 million to build onshore solar and wind farms as well as battery storage. The investment will develop 4 wind farms in Scotland with further sites in the pipeline. LGPS Central has introduced substantial growth funds with a focus on sustainable investing, including an internally managed £5.2 billion climate factor fund which invests in publicly listed companies targeting lower carbon emissions.
- Improved efficiencies and resilience: pooling has allowed for expertise and capacity to be shared including on reporting, and the development of in-house management of assets ('internal management') with associated lower costs, by LPP, LGPS Central and Border to Coast.

15. Most respondents to the Pensions Review Call for Evidence were positive about LGPS pooling as a concept, and thought that it was delivering scale, diversification of assets and cost savings. More than half of responses also recognised greater collaboration between funds in the same pool since pooling's introduction.

16. In addition to the evidence from LGPS pooling to date, the Pensions Review has established a broader evidence base on the benefits of investing at scale, including through analysis of international comparators such as Canadian pension schemes. The Pensions and Lifetime Savings Association found that schemes between £25 billion and £50 billion assets under management (AUM) had strong governance and could more easily invest in productive finance directly. Going further, a report by JP Morgan analysing Australian superfunds showed how funds of more than £50 billion AUM were able to drive down costs through internal management. A report by NMG consulting, which compared seven LGPS pools to eleven international comparators, also showed the benefits of economies of scale materialising once a pool reaches more than £80 billion AUM.

17. These analyses are consistent with the responses to the recent Call for Evidence which demonstrated wide support and agreement that scale leads to greater economies, efficiencies and reduced risks, as well as enabling greater expertise and diversification in investments which can importantly deliver better long-term returns for scheme members. Academic research (https://www.top1000funds.com/wp-content/uploads/2024/05/CEM-BBFS_JPM2021_CanadianModelQuantitativePortrait.pdf) also suggests the model deployed by Canadian pensions schemes, including the integration of advice, consistent delegation and in-house investment management, is able to generate 0.4% a year of additional returns vs their international competitors. Taken together, the findings of the analytical work of Phase 1 of the review suggest a clear link between scale and both asset diversification and lower costs. This is set out in further detail in the Pension fund investment and the UK economy paper (https://www.gov.uk/government/publications/pension-fund-investment-and-the-uk-economy) published alongside the Pensions Review Interim Report (https://www.gov.uk/government/publications/pensions-investment-review-interim-report).

18. In the light of the evidence set out above the government has considered the current position of LGPS pooling. The 8 pools each have different models: 5 are standalone FCA-authorised investment management companies ('LGPS pool companies'), 2 have an outsourced model that relies on external providers, and one has a model in which a joint committee provides oversight, but the partner funds retain management of most assets. As shown in Table 1 below the pools vary in their capability to provide advice and/or internally manage assets, in their number of partner funds, the total assets held by those partner funds and the degree to which those assets

have been pooled. The table below distinguishes between assets that are invested in pooled vehicles, and those that are managed by the pool but have not been transferred to a pooled vehicle. Assets invested via the pool are distributed across a number of separate sub-funds designed to meet different investment objectives, each with one or more investment managers, and the pools also vary in the number of sub-funds that have been established.

19. As Table 1 shows, some of the pools have made very limited progress transferring assets from partner funds to the pool. Others have created large numbers of sub-funds, often with multiple sub-funds for the same asset class, which reduces the potential benefits of scale. Although each of these models has reported successes to date, they are not equal in their ability to continue to develop to meet future challenges.

Table 1: Overview of existing LGPS pooling models.

	Model (Ownership, capability, services)	Number of partner funds (AAs)	Total fund assets (includes cash) (£bn)	Assets invested in pooled vehicles (£bn/%) (i)	Total Assets managed by pool (£bn/%) (ii)	Number of pooled sub-funds (iii)
ACCESS	Joint Committee management Fully outsourced investment management provider	11	64.6	32.7 (51%)	44.7 (69%)	30
Border to Coast	Partner/shareholder FCA regulated Internal management Developing advisory	11	63.7	37 (58%)	45.3 (71%)	17
Brunel	Partner/shareholder FCA regulated External management only	10	40.3	32.2 (80%)	34.7 (86%)	27
LGPS Central	Partner/shareholder FCA regulated Internal management Developing advisory	8	61.4	19.7 (32%)	27.5 (45%)	26
Local Pensions Partnership (LPP) (iv)	Partner/shareholder Advisory FCA regulated Internal management Administrator	3	23	21.9 (95%)	23 (100%)	10
London CIV	Partner/shareholder FCA regulated External management only Developing advisory	32	50.8	17.2 (34%)	31.6 (62%)	24

	Model (Ownership, capability, services)	Number of partner funds (AAs)	Total fund assets (includes cash) (£bn)	Assets invested in pooled vehicles (£bn/%) (i)	Total Assets managed by pool (£bn/%) (ii)	Number of pooled sub-funds (iii)
Northern LGPS (v)	Joint Committee management Two pooled investment vehicles – GLIL infrastructure and NPEP private equity	3	61.4	3.7 (6%)	59 (96%)	2
Wales	Joint Committee management Fully outsourced investment management provider	8	25	13.3 (53%)	18.5 (74%)	10

(i) Assets invested in pooled vehicles reflects those assets that are managed via the pool's sub-funds, which are shared investment vehicles across the partner LGPS funds.
(ii) Assets managed by the pool also includes additional investments specific to an individual partner fund, including legacy investments in closed-end fund vehicles being managed to maturity on the fund's balance sheet by the asset pool.
(iii) This treats multiple vintages as the same sub-fund.
(iv) These figures are in respect of LPPI's three partner funds only.
(v) Although Northern LGPS report 96% of partner funds' assets as being under pool management, the Government's understanding is that this refers to oversight by the pool committee of investment management and decisions made by the pension committees of the individual AAs.

20. The government's view is that pools with outsourced models, or pooling of some private markets assets only, have delivered significant savings and diversification to date but are not well placed to deliver for the future while retaining their current model. They lack the substantial in-house expertise, capacity and resilience provided on a non-profit basis by the LGPS pool companies. In addition, the pool companies that have - or are in a position to develop - in-house investment management capabilities should benefit from significantly lower costs compared to the use of external private sector investment managers, given existing experience within the LGPS. Some existing expertise formerly within larger funds has already been transferred to the pools, and other AAs have capacity and expertise that could be more widely shared.

21. The government believes that, to deliver successfully for members and employers, all the pools will need to develop further as powerful global and local investors, able to deliver strong performance, value for money and resilience over the long term. The proposals set out below draw on the evidence and experience of the advantages and disadvantages of the range of models built up over the 5 years since all the pools became operational.

Proposals - Optimising pooling for the future

22. For the LGPS to adapt to future challenges and maximise its success the government believes that all funds and pools need to adopt an operating model that meets the following minimum standards:

- AAs would remain responsible for setting an investment strategy for their fund, and would be required to fully delegate the implementation of that strategy to the pool;
- AAs would be required to take principal advice on their investment strategy from the pool;
- Pools would be required to be established as investment management companies authorised and regulated by the FCA, with the expertise and capacity to implement investment strategies;
- AAs would be required to transfer legacy assets to the management of the pool;
- Pools would be required to develop the capability to carry out due diligence on local investments and to manage such investments.

23. The first 4 proposals are set out in more detail below, with the final proposal covered in Chapter 3. These measures build on the strengths of the asset pools established over the last decade and would allow for funds and pools to operate with clarity and efficiency over the long-term.

Requirement that implementation of the investment strategy is fully delegated to the pool

24. At present, AAs set the investment strategy for their fund including setting the strategic asset allocation to meet requirements on diversification and suitability of investments to meet liabilities, as well as describing the approach to pooling and responsible investment, in line with statutory guidance. This gives AAs the most significant influence on returns, as the strategy is the key factor in the difference in net returns between portfolios, while implementation decisions such as manager selection play a much smaller role.

25. Since AAs were invited to form pools in 2016, guidance has set out that the selection of external fund managers and the implementation of the investment strategy should be delegated to the pool, in order to streamline decision making, reduce the number of external managers and deliver reduced fees. In practice, AAs have adopted a range of approaches as shown by the table above, ranging from full delegation to no or very limited delegation, and from significant alignment of investment strategies to no alignment. Many AAs continue to set tactical asset allocation and select investment managers.

26. Limited delegation to the pool has prevented the delivery of the full benefits of scale and resulted in continuing duplication of effort across funds in the same pool. Pension committees may focus on manager selection and detailed asset allocation, when they may not have the skills and experience to be discerning and challenging clients of advice. A more efficient model would be for these decisions to be delegated to the asset pool with the capability and expertise to assess options and make robust decisions on behalf of the pension committee. Further, if funds are unable to reach agreement on manager selection, this can result in multiple similar sub-funds being created in a single pool for a similar purpose, and a consequent reduction in scale.

27. The government's view is that full, effective and consistent delegation of strategy implementation is needed to ensure the benefits of scale and ensure that decisions are taken at the appropriate level by people best placed to make those decisions. This would require clarity on the roles and responsibilities of the AA and their pool as further set out below.

28. The government is proposing that AAs retain responsibility for setting a high-level investment strategy for their fund, defined as an investment strategy consisting of:

- the high-level investment objectives including on:
- funding, for example funding level, return, risk, income and stability of contributions
- environmental, social and governance (ESG) matters and responsible investment
- local investments, with a target range (further discussed in chapter 3)
- If the AA wishes to do so, a high-level strategic asset allocation – although the government believes that expertise in the pools makes them best placed to set the strategic asset allocation and that funds may wish to delegate this to the pool.

29. This proposal draws on good practice in board-level governance, as found in overseas comparators and closer to home, the balance of responsibilities of the Universities Superannuation Scheme trustee and in house investment manager. The key is that decision-

makers focus their efforts where these will have greatest impact. This approach has become widespread across trust-based pension schemes, where fiduciary management employs those best equipped to make the strategic and implementation decisions.

30. Setting the investment objectives and determining the strategic asset allocation are the most impactful investment decisions for a pension fund as they have the greatest bearing on the investment return achieved by the fund overall. These decisions lay the foundation for the entire investment strategy, guiding how capital is allocated across different asset classes to balance risk and return. By clearly defining the financial goals and establishing a long-term asset mix, these steps ensure that the portfolio is aligned with the fund's objectives, ultimately driving its sustainability and stability. The government considers that this proposal would allow the AA to ensure that the investment strategy is appropriate to deliver its funding requirements and to pay pensions over the long term, and is therefore sufficient to satisfy its fiduciary duty.

31. Implementation of this high-level investment strategy would be fully delegated to the pool to ensure that decisions are made by experienced investment professionals, and to give the pools flexibility to set tactical asset allocation, define sub-funds, manager selection, cashflow management, and decisions to buy sell or hold individual holdings, as required to meet the high-level objectives and strategic asset allocation set by the strategy. To achieve the full benefits of scale it would be important for AAs and their pools to work together on alignment of their approaches to ESG and responsible investment matters, to achieve a common approach.

32. The proposed roles and responsibilities of the pool and AA are summarised in Figure 1 below:

Figure 1: The roles and responsibilities of the Administering Authority versus the pool

	Task	Impact on overall investment outcome of the fund	AA Role	Pool role	Definitions
Strategy	Investment objectives	High	Decide	Advise	Return objectives, risk tolerances, investment preferences, constraints and limitations, and the approaches to local investment and responsible investment.
	Strategic asset allocation		Decide (optional)	Advise/ Decide	Long-term, stable allocation based on overall investment objectives and risk tolerance
Implementation	Tactical asset allocation		Monitor	Decide	Adjustments to the asset mix, such as in respect of geographic allocation, consistent with the asset allocation strategy.
	Investment manager selection		Monitor	Decide	Appointment of external (or in-house) managers of specific investment mandates
	Stock selection		Monitor	Decide	Choosing individual investment opportunities based on detailed analysis of the opportunity
	Investment stewardship		Monitor	Decide	Engagement with the invested companies in line with Investment Objectives.
	Cashflow management	Low	Monitor	Decide	Management of the disinvestment (or investment of contributions) in collaboration with administrators and Fund Actuary

Figure 1: The role and responsibilities of the Administering Authority versus the pool - accessible version

Task	Strategy or Implementation	Impact on overall investment outcome of the Fund	Administering Authority role	Pool role	Definitions
Investment objectives	Strategy	High	Decide	Advise	Return objectives, risk tolerances, investment preferences, constraints and limitations, and the approaches to local investment and responsible investment.
Strategic asset allocation	Strategy	High	Decide or Monitor	Advise or Decide	Long-term, stable allocation based on overall investment objectives and risk tolerance
Tactical asset allocation	Implementation	Med	Monitor	Decide	Adjustments to the asset mix, such as in respect of geographic allocation, consistent with the asset allocation strategy.
Investment manager selection	Implementation	Med	Monitor	Decide	Appointment of external (or in-house) managers of specific investment mandates
Stock selection	Implementation	Med	Monitor	Decide	Choosing individual investment opportunities based on detailed analysis of the opportunity
Investment stewardship	Implementation	Low	Monitor	Decide	Engagement with the invested companies in line with Investment Objectives.
Cashflow management	Implementation	Low	Monitor	Decide	Management of the disinvestment (or investment of contributions) in collaboration with

Task	Strategy or Implementation	Impact on overall investment outcome of the Fund	Administering Authority role	Pool role	Definitions
					administrators and Fund Actuary

33. Where AAs choose to set a strategic asset allocation, the government's view is that this should be limited to either setting target ranges either for growth and income assets, or for a small number of broad asset classes. There are differences between funds in their membership, proportion of non-statutory employers, maturity, cashflow and funding, and the government expects the pools to consider these features in their operation. But the government does not consider that these justify or require asset allocation below this level, in addition to the investment objectives. In response to feedback during engagement on the need for clarity and consistency, the government proposes stipulating in guidance that funds would need to record their strategic asset allocation in the Investment Strategy Statement, based on a template. This would support pension committees in establishing a strategic asset allocation and also provide a coherent and consistent framework for pools to implement at scale.

34. The government has considered a range of options for the level of involvement AAs should have in any strategic asset allocation, from full delegation to the pool, to setting ranges for growth and income assets, to setting allocations to a wide range of detailed asset classes. Government recognises the range of approaches currently in place within the LGPS, and in other comparable schemes, which may include fewer asset classes and wider asset class definitions than those listed below. This includes dividing the allocation into 2 categories – growth and matching assets.

35. The proposed template aims to strike a balance between on the one hand, ensuring investment decisions are made by those with appropriate professional expertise and avoiding loss of scale that can arise from AAs requiring a detailed asset allocation, and on the other hand, allowing AAs to take local decisions on high level asset allocation and recognising their fiduciary duty.

36. AAs would have the option of completing the template themselves or allowing the pool to choose an appropriate allocation in line with their investment strategy. The AA's objectives for local investment would be captured in the high-level investment objectives. Any strategic asset allocation set by the AA would therefore not include an explicit asset class for local investment, which in practice may be invested across private equity, credit, property or other asset classes. The asset classes in the template are and would be expected to remain, different from the requirements of national data collection, which are set and collected for a different purpose.

37. The government invites views on templates which best meet the objectives described above noting the range in possible approaches, and particularly invites views on the following template:

Table 2: template for strategic asset allocation

Asset class	Strategic asset allocation (%)	Tolerance range (±%)
Listed equity		
Private equity		
Private credit		
Property / Real estate		

Asset class	Strategic asset allocation (%)	Tolerance range (±%)
Infrastructure		
Other alternatives		
Credit (i)		
UK Government bonds		
Cash (ii)		

(i) Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds
(ii)For the purposes of this table this refers to cash held by the pool. AAs would still be expected to hold cash for the purpose of paying benefits outside the pool.

Requirement for principal advice on investment strategy to be taken from or through the pool

38. Under these proposals, the AA's responsibility in respect of investments is to set the investment strategy. At present investment advice may be sought from investment consultants, with each AA using their own. Whilst it is recognised advice needs to be bespoke, there may be duplication and inefficiency across a pool and AAs may receive divergent advice from the same providers without clear justification, which inhibits asset pooling.

39. The government proposes that AAs should be required to take principal advice on their investment strategy from their pool. This would ensure that advice is provided on a consistent basis, tailored to individual AA's requirements, and free from competing interests given that the pools exist solely to serve the AAs. The requirement for AAs to have an independent adviser or committee member would equip them to challenge the pool's advice in the majority of circumstances, however it is recognised that in exceptional circumstances AAs may wish to seek additional advice from external investment advisers to help them test the advice given to them by the pool.

40. Not all pools have the existing capability to provide advice to the AAs. Full advisory capability, or the means to share advisory capability across pools, would need to be developed over time. In the meantime, the government expects that pools would seek to procure advice on behalf of their partner funds. The government's intention would be to set out a timeline for this, subject to the outcome of this consultation.

Requirement that LGPS pools are established as investment management companies, regulated and authorised by the FCA

41. Currently, 5 of the 8 pools are established as FCA authorised investment management companies, with their partner AAs as their sole shareholders and clients. As set out above the government's view is that this model has clear advantages over other approaches. It provides in-house expertise, capacity and resilience on a non-profit basis and the ability to provide, share or develop in-house investment management to reduce costs. FCA authorisation and supervision provides vital assurance to members and employers that very large pools of capital will be properly managed. It also provides a basis for the development of capabilities to provide advice to AAs on investment strategies and to assess and manage the local investments that the government's proposals envisage.

42. The government therefore proposes that all pools should be established as investment management companies, with the full range of expertise and capacity to deliver the following requirements as envisaged by our proposals:

- Implementation of the investment strategies of their partner AAs, including any strategic asset allocation

- Provision of advice on investment strategies
- Management of legacy assets
- Due diligence on local opportunities and management of such investments.

All such companies would require FCA authorisation for regulated activities. They would need to meet the threshold conditions for authorisation and demonstrate that staff have relevant skills and competence.

43. Government's expectation is that pools will develop capabilities to deliver the implementation of investment strategies through in-house investment management in time. This approach has been demonstrated to have favourable outcomes when also combined with asset pooling at scale. Where it is thought to be inefficient to deliver a mandate in-house, pools should consider partnering with other LGPS asset pools or third-party investment managers to deliver select mandates.

44. The government recognises that this proposal would represent a substantial challenge for all pools whatever their starting point. For the 5 pools which already constitute investment management companies, most will need to develop new capabilities to deliver in all these areas, in particular building capacity on local investment and providing advice on investment strategies to funds. There will be costs involved in building capacity and expertise, offset by reduced costs for AAs.

45. This will be a substantial undertaking for all pools, especially those 3 which have adopted other models. The government believes that this step change in the investment framework of the LGPS creates an opportunity for increasing effective scale and encourages all pools to carefully consider all options in that light. These may include establishing a new pool company, merging with another pool, or becoming a client of another pool company for some or all services required. Depending on the approach chosen, there will be set up and ongoing costs. But as has been demonstrated by existing asset pools using a pooling company model, these costs should be recouped through savings in reduced investment management fees. Pools will need to consider which route is most viable and efficient over the expected timescale (discussed below).

46. The government encourages pool mergers and sharing of services where this provides a more efficient route to the required standard. As part of their proposal, each pool will be expected to demonstrate why a merger with another pool, or use of existing capability in an established pool company, would not be a more cost effective or otherwise more preferable approach to achieving compliance with the reform proposals. For the avoidance of doubt, Government is not seeking to use this process to move to a single pool for all AAs.

Requirement to transfer legacy assets to the management of the pool

47. In November 2023 the previous government set out its expectation (https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments/outcome/local-government-pension-scheme-england-and-wales-next-steps-on-investments-government-response) that AAs should pool all listed assets as a minimum, by March 2025, on a comply or explain basis. Transition of all assets was expected to be considered in this timeframe given pooling of illiquid investments may offer the greatest opportunities for reducing savings combined with higher returns.

48. The present government, alongside its announcement of the Pensions Review (https://www.gov.uk/government/news/chancellor-vows-big-bang-on-growth-to-boost-investment-and-savings), signalled that it would consider legislating to mandate pooling if insufficient progress towards the March 2025 deadline was made. Many AAs have made significant progress on pooling assets, but there remains significant variation with the percentage invested in pooled vehicles ranging from 6% to 95% as of March 2024, and total assets under pool management ranging from 45% to 100%. The government is aware that AAs have been considering how they can transition further assets by the deadline, and will take progress into account when making final decisions on reforms.

49. The government's view remains that in order to deliver the full benefits of scale AAs would need to transfer 100% of their invested assets to their pool with no new investments being made

outside the pool, including local assets. However, the government recognises that transferring legacy assets into pooled vehicles may incur unnecessary costs in the short term, including for termination of long-term contracts.

50. For these reasons legacy assets are already managed by some pools with the assets remaining in the ownership of the AA rather than in pooled vehicles. This ensures that:

- staff with the appropriate specialist skill sets are only required at the pool level, where their expertise can be shared across the pool and free up capacity at the AA;
- reporting across an AA's entire portfolio can be consolidated;
- pools can assess the merits and risks of all investments, with AAs able to hold them to account for all outcomes; and
- decisions on whether to hold to investments to maturity, rollover long-term contracts or invest elsewhere would rest with the pool - taking account of the objectives of the AA's investment strategy - rather than with the AA which may be influenced by the legacy investment manager or investment consultant.

51. The government therefore proposes that, in line with previous communications, AAs should be required to transfer any remaining listed assets invested outside the pool to pooled vehicles managed by their pool, and further, to transfer legacy illiquid investments to the management of their pool.

52. The pools would be required to develop and maintain capacity and expertise to manage all legacy assets which will often be unlisted illiquid investments. This would include management of risk and asset valuations. As pools vary in the capacity and expertise that they currently have to take on this role, the government seeks views on what steps would need to be taken to develop this capacity.

Question 1

Do you agree that all pools should be required to meet the minimum standards of pooling set out above?

Question 2

Do you agree that the investment strategy set by the administering authority should include high-level investment objectives, and optionally, a high-level strategic asset allocation, with all implementation activity delegated to the pool?

Question 3

Do you agree that an investment strategy on this basis would be sufficient to meet the administering authority's fiduciary duty?

Question 4

What are your views on the proposed template for strategic asset allocation in the investment strategy statement?

Question 5

Do you agree that the pool should provide principal investment advice on the investment strategies of its partner AAs? Do you see that further advice or input would be necessary to be able to consider advice provided by the pool – if so, what form do you envisage this taking?

Question 6

Do you agree that all pools should be established as investment management companies authorised by the FCA, and authorised to provide relevant advice?

Question 7

Do you agree that AAs should be required to transfer all listed assets into pooled vehicles managed by their pool company?

Question 8

Do you agree that administering authorities should be required to transfer legacy illiquid investments to the management of the pool?

Question 9

What capacity and expertise would the pools need to develop to take on management of legacy assets of the partner funds?

Implementation

53. The government believes that reforming pooling in this way would deliver the full benefits of scale to the benefit of members employers and taxpayers. Subject to the outcomes of this consultation, the government will consider legislating to require in law the pool minimum standards set out above, including transition or management of all assets.

54. The King's Speech (https://www.gov.uk/government/speeches/the-kings-speech-2024) set out plans for a Pension Schemes Bill in this session of Parliament. The Bill provides an opportunity to introduce any primary legislation required to implement outcomes from the Pensions Review, with any necessary secondary legislation and guidance updated when parliamentary time allows.

55. In advance of this, asset pools, working with their partner AAs, are invited to submit a separate proposal, in addition to their response to this consultation, setting out how they would deliver the proposed pooling model and complete the transfer of all assets including legacy assets. Proposals will need to include their view of the costs, timeline and potential barriers and solutions. Government will continue to work closely with pools ahead of proposals being submitted, and expects pools to be working closely and collaboratively in doing so.

56. The government is proposing an indicative timeline to move to the new model of March 2026. Government expects each pool to consider and provide submissions on the viability of meeting this timescale. This is broadly aligned with the point at which reviews of investment strategy would be completed following the 2025 actuarial valuations, and takes account of the timescale over which the Financial Conduct Authority (FCA) may consider applications for investment management companies and authorisation to provide investment advice. Pools working with their partner AAs are invited to comment on the viability of meeting this timeline.

57. Each pool is invited to demonstrate a clear path to meeting the requirements outlined in this consultation document. In these reports pools will be expected to provide clear evidence that they are able to capture the advantages of managing investments at very large scale, such as by being able to invest cost effectively or directly, and at scale, in alternative asset classes such as unlisted infrastructure and private equity.

58. We will expect proposals to be submitted by 1 March 2025. This will provide 15 weeks for pools and AAs to consider how these could be delivered if required.

Question 10

Do you have views on the indicative timeline for implementation, with pools adopting the proposed characteristics and pooling being complete by March 2026?

Other developments

Collaboration and specialisation

59. Some pools are already developing significant investment specialisms and share expertise between pools. This would be expected to increase as the pools mature and adapt to the model outlined above. The government encourages pools to consider how they could collaborate with each other in areas where they have specialisms – for example through joint investment vehicles such as the London Fund (London CIV and LPP) and GLIL (LPP and Northern).

60. Government understands that many asset pooling companies were established under the vertical exemption to public procurement as within the 2023 Procurement Act, previously known as the 'Teckal' exemption as set out in regulation 12 of the Public Contracts Regulations 2015. Engagement has indicated that there are differing views in AAs and pools on the degree to which this is a barrier to greater collaboration between pool. Government welcomes views on this issue and any other barriers to collaboration between pools.

61. Collaboration between pools could deliver many of the benefits of additional scale and avoid duplication. In addition, collaboration could avoid competition between pools driving up costs for investments in the same specialist asset classes. Areas where specialisation or collaboration may be particularly attractive include alternative investments including private equity, private debt and venture capital, as well as infrastructure and investment in specific local or regional investments.

Scale and regional alignment

62. The government has considered whether any additional reforms are needed to the existing pools to redraw them along regional lines. It is recognised that there are factors at play, other than eventual pool size, when considering which funds should collaborate together in a pool. In particular, the Wales Pension Partnership operates within a devolved nation and has separate partnerships with the Welsh Corporate Joint Committees. It may therefore make sense for Welsh LGPS funds to continue in a separate pool.

63. The existing pools differ in that some bring together AAs from geographically contiguous areas, whereas elsewhere the partner AAs are geographically scattered but share other similarities. This reflects their origins, developing out of existing collaborations or through AAs collaborating with other like-minded partners. There are benefits to regionally defined pools in that the partner funds have a mutual interest in local investment and can typically build on existing strong working relationships, for example in Wales. However, other pools have demonstrated that shared geography is not the only determinant of success, provided there are strong partnerships and a shared commitment to collaborate and compromise to deliver shared goals. Chapter 3 sets out proposals to strengthen the role of the pools in local investment. For these reasons, the government does not consider it necessary to redraw pooling arrangements along geographic lines where this alignment does not already exist.

Role in administration

64. In the longer-term, the government is interested to hear views as to whether there is a role for the pools in the administration of the LGPS, or whether there could be greater collaboration and cooperation between funds on administration issues, for example shared service arrangements and the training of officers, councillors, and pension board members.

Question 11

What scope is there to increase collaboration between pools, including the sharing of specialisms or specific local expertise? Are there any barriers to such collaboration?

Question 12

What potential is there for collaboration between partner funds in the same pool on issues such as administration and training? Are there other areas where greater collaboration could be beneficial?

3. Local investment

65. Growth is the number one mission of this government. Through the growth mission, the government is restoring economic stability, increasing investment and reforming the economy to drive up prosperity and living standards across the UK. The government will invest in transport, including schemes like East West Rail, kickstart the delivery of 1.5 million homes, support new industries and job creation, and back innovation through research and development funding. In total, the government will spend 2.6% of GDP on public sector net investment on average over the Parliament, with an increase of over £100 billion in capital investment over the next 5 years.

66. In addition to the Pensions Review, the government is supporting UK investment in several ways. It has created the National Wealth Fund, which is expected to catalyse over £70 billion of private investment, and has set out plans for a modern Industrial Strategy to support investment in growth sectors. The British Business Bank will create a new vehicle, the British Growth Partnership, to crowd-in UK pension fund and other institutional investment into venture capital funds and innovative businesses, supported by a cornerstone government investment. The Budget outlined plans to reform how the government delivers infrastructure, including the planned publication of a 10-year infrastructure strategy, the establishment of the National Infrastructure and Service Transformation Authority and ambitious planning reform.

67. This is the first step to drive greater alignment and coherence across the UK's public finance institutions, enabling a more strategic and impact focused approach to mobilising capital. The Pensions Review will therefore use its next stage to consider whether further interventions may be needed by the government to ensure that these reforms are benefiting UK growth. Investing in local communities

68. The LGPS already invests approximately 30% of its assets in the UK, as part of its duty to invest to pay pensions. The government believes that as an institutional investor the LGPS can make a distinctive contribution to UK and local growth, building on its local role and networks, through increasing its long-term investment in local communities. Many AAs have already deeply embedded these wider considerations into their investments. It is in the interest of the 6.7 million hard-working LGPS members that LGPS investments support the prosperity and wellbeing of their local communities, just as members did through their working lives. LGPS investments can both pay pensions and unlock growth in local communities.

69. There are other aims which AAs may wish to pursue, including boosting UK economic growth and taking into account other environmental, social and governance (ESG) issues. These may contribute to the government's key missions including making Britain a clean energy superpower and accelerating to net zero is one of the key missions of the government. This consultation focusses on local investment by LGPS funds.

The roles of AAs and pools

70. AAs are already committed investors in projects which support growth in their local areas. These are investments which, in addition to being suitable pensions investments and generate good returns, have external benefits which support the AA's local area. But it is recognised that identifying and assessing the suitability of local investments requires resource intensive due diligence, and AAs may not have the capacity to undertake this work. AAs may also be concerned about reputational and concentration risks. Funds must also navigate conflicts of interest if there

is a link between the employer authorities and the investments selected. These factors may limit local investments unnecessarily.

71. The pools can address many of the specific factors which make local investment harder for AAs to consider. Pools are in a position to provide central source of investment expertise to assess, commit to and manage local investments and do not face the same potential conflict of interests, as their role is serving the AAs. Pools create a degree of separation between AAs and their investments, reducing any reputational risk. For example, Border to Coast and Local Pensions Partnership have facilitated pool investment in local opportunities and worked closely with their partner AAs to identify local opportunities. The government recognises that pools currently have different approaches to local investment and vary in the extent to which they have the capability to assess and manage local investments, but it is the government's view that it is the pool which is in the best position to provide the central capability to carry out due diligence and manage local investments.

72. In addition, pools invest over a wider geographical area than AAs, reducing risks from under performing assets. But pools and AAs may both lack a comprehensive view of investment requirements and opportunities across a wider regional area, as set out in local growth plans. When fully implemented, local growth plans will act as a guide to investors seeking opportunities which support local growth and contribute to the National Industrial Strategy.

Proposals

73. With these considerations in mind, Government's view is that the right approach to increasing local investment brings together the distinctive strengths of AAs and pools and takes account of the role of Combined Authorities (CAs), Mayoral Combined Authorities (MCAs), Combined County Authorities (CCAs) and the Greater London Authority (GLA) in regional growth and development. The government wishes to see greater collaboration between AAs, pools and combined authorities of all types on local investment, for the long-term benefit of local areas, and believes that scheme members support the LGPS in making local investments.

74. For the purposes of this consultation, the term 'local investment' is used to include investments local to any of a pool's partner AAs, or investments in their region (or in Wales, for Welsh AAs). The government invites views on the appropriate definition of the term 'local investment' for reporting purposes.

Requirement to set out approach to local investment in the Investment Strategy Statement

75. AAs normally review their Investment Strategy Statements every 3 years following the triennial valuation of the fund. To ensure that local and wider investment priorities are fully considered by AAs as part of deciding their investment strategy, the government proposes a requirement in regulations for AAs to set out their high-level objective on local investment in their Investment Strategy Statement, including a target range for local investment as a proportion of the fund.

76. AAs would also be required to take account of local growth plans, including local economic priorities and specific investment requirements, in setting their investment strategies. For areas where there is no local growth plan, we would expect AAs to work closely with local authorities in their areas to identify local opportunities. In Wales, AAs would be required to take account of the economic development priorities and plans of the relevant Corporate Joint Committee (CJC) or Committees.

77. Our intention would be to include guidance on the new requirement in statutory guidance on investment strategy statements. This would include guidance on government's expectations on working with CAs, MCAs, CCAs, CJCs and other local authorities and Local Growth Plans to identify opportunities.

Requirement to work with combined authorities and similar bodies

78. AAs are well placed to draw on their knowledge of the local area and its changing circumstances, in identifying potential investment opportunities which may align with their investment strategies and with local growth plans or equivalent. The government therefore proposes setting new requirements for AAs to work with CAs, MCAs, CCAs or the GLA, or local authorities in other areas, with a view to identifying potential local investment opportunities for consideration by their pool. In Wales, AAs would be required to work with the relevant Corporate Joint Committee or Committees and with local authorities more broadly to identify investment opportunities. AAs would be expected to put forward opportunities they have identified to their pool at any time in the valuation period as they arise.

79. In line with the proposals set out in chapter 2, it would then be for the pools to make the final decision on whether to invest, and to manage all assets on behalf of their partner AAs including legacy and new local investments. Requirement for pools to carry out due diligence on potential local investments

80. The proposal above to require AAs to identify local investment opportunities to put forward to their pool means pools would need to have arrangements to receive proposals and conduct due diligence on projects. Pools may also be able to assist in developing some proposals into investable opportunities. For some pools this would be a significant development. But as set out above, it is the government's view that pools are in the best position to provide the necessary expertise and capacity.

81. The government therefore proposes a new requirement for pools to develop the capability to carry out due diligence on local investment opportunities. Pools would be expected to collaborate as necessary with their partner AAs, CAs, MCAs or CCAs, and other relevant authorities (including the GLA in London and Corporate Joint Committees in Wales) to support local investment. Some projects for which LGPS support would be considered may be inappropriate for pensions investment, or require disproportionate resources to assess and manage, but many should benefit from collaboration across AAs, pools and CAs.

Requirement to report annually on local investment

82. To ensure funds are accountable, the government is proposing that funds include in their annual report, as part of the report on the fund's investments, a report on the extent and impact of their local investments. This will increase transparency and allow members to see the locally important projects delivered thanks to LGPS investment.

83. Our intention would be to work with the SAB to include guidance on reporting of local investment reporting in statutory guidance on annual reports, and to consider how to reflect this new requirement in the Scheme Annual Report.

Question 13

What are your views on the appropriate definition of 'local investment' for reporting purposes?

Question 14

Do you agree that administering authorities should work with their Combined Authority, Mayoral Combined Authority, Combined County Authority, Corporate Joint Committee or with local authorities in areas where these do not exist, to identify suitable local investment opportunities, and to have regard to local growth plans and local growth priorities in setting their investment strategy? How would you envisage your pool would seek to achieve this?

Question 15

Do you agree that administering authorities should set out their objectives on local investment, including a target range in their investment strategy statement?

Question 16

Do you agree that pools should be required to develop the capability to carry out due diligence on local investment opportunities and to manage such investments?

Question 17

Do you agree that administering authorities should report on their local investments and their impact in their annual reports? What should be included in this reporting?

Implementation

84. The government proposes to set out new requirements in regulations. Our intention would be to work with the Scheme Advisory Board to include in new statutory guidance on pooling, and updated guidance on investment strategy statements and annual reports.

4. Governance of funds and pools

85. LGPS assets have more than doubled in the last decade, membership has increased by almost 50%, and there are now nearly 20,000 employers, so it is more important than ever that the scheme is effectively governed. Members and employers have a right to expect consistently high standards across the scheme with robust and resilient governance and administration in every AA.

86. There is evidence to suggest that good governance also has financial and wider benefits through a governance premium for well governed pension schemes which benefit from sustained and resilient returns compared to less well governed schemes. Well governed schemes are likely to be more effective and agile, and therefore better managing risk and picking up opportunities. Research from the Pensions Policy Institute (https://www.pensionspolicyinstitute.org.uk/media/t2djkxca/201702-bn89-db-the-role-of-governance.pdf) suggests that this premium could be as high as 2% greater returns a year. This benefit would be much greater than the cost of investment in improved governance.

87. The proposals set out below aim to enhance the capability of the LGPS as a well-governed institutional investor on a global scale, ensure it continues to deliver for members and employers.

Fund governance and reporting

88. The government's aim is to encourage continuous improvement across the scheme, combined with consistent standards on knowledge and understanding and improved reporting. The majority of our proposals are based on the recommendations submitted to MHCLG by the SAB in 2021 at the conclusion of their Good Governance project, which were strongly supported by respondents to the Call for Evidence.

89. In summary the government's proposals are:

- New requirements on AAs to:
  - appoint a senior LGPS officer who has overall delegated responsibility for the management and administration of the fund
  - participate in a biennial independent governance review and, if applicable, produce an improvement plan to address any issues identified.
  - prepare and publish a governance and training strategy (replacing the governance compliance statement), including a conflicts of interest policy, and

    - prepare and publish an administration strategy
    - improve accessibility of annual reports
- New requirements on knowledge and training for those involved in the management of LGPS funds

90. In addition to these proposals, the government is considering one further change, to require AAs to appoint an independent adviser.

Requirement to prepare a governance and training strategy

91. The government proposes that AAs should be required to prepare and publish a governance and training strategy to replace the governance and compliance statement. This new strategy would set out the AA's approach to governance, knowledge and training, representation, and conflicts of interest; and set out objectives and planned actions in these areas, to be reviewed at least once every valuation period. It would replace the governance compliance statement. Such actions could include a plan on how the AA aims to address gaps in knowledge and skills for committee members over a certain period, and how it might manage potential conflicts of interest between the local authority as administering authority and as an employer within the pension fund.

92. It is the government's view that the requirement to review this strategy at least once in each valuation period provides AAs with the flexibility to update it as required and will ensure the strategy is a live document. We are also proposing that as with the other strategies which AAs are required to prepare, AAs must have regard to statutory guidance on governance.

93. The government proposes that a conflict of interest policy must be included in this strategy. There is no current requirement for conflicts of interest policies to consider conflicts of interest for members serving on pension committees, or to cover conflicts between the AA and the employer. There may be specific conflicts that arise in managing a pension fund within the local authority environment and this may become more common as pools and partner AAs consider further local investment.

94. It is important that in a conflict of interest policy, AAs consider how they will recognise, manage, and mitigate all conflicts of interest. Requiring each AA to have a specific conflicts of interest policy within its governance and training strategy should ensure that AAs are taking proactive steps to mitigate the risks of conflicts not being addressed appropriately; by setting out how actual, potential, and perceived conflicts are addressed within the governance of the fund.

Requirement to identify a senior LGPS officer

95. The government's proposal is that every AA must have a single named officer (the senior LGPS officer) who has overall delegated responsibility for the management, strategy and administration of the fund. The senior officer would be identified within the AA's Governance and Training Strategy. The government recognises that management structures differ but expects that the role would be carried out by a Director, Assistant Director or Head of Service, i.e. at a level that is either already part of the senior leadership team or is comfortable operating in that environment. The senior officer would be expected to ensure that the LGPS function has sufficient resourcing to meet its duties, and so should be involved in the local authority's budget-setting process.

96. The senior officer would be a substantial role that will require significant time and energy. The expectation would be that the LGPS role would be the main priority for the senior officer. Senior officers should have authority and be able to set strategic direction. Officers reporting to the senior officer should be responsible for all LGPS functions.

97. The senior officer's role would be to lead delivery of the LGPS function under the direction of the AA or pensions committee. The government expects the senior officer's role to include the areas below, although this list is not intended to be exhaustive:

- providing advice to the pension committee and local pensions board

- developing the fund's strategic approach to funding, investment, administration, governance and communication;
- ensuring that risk management arrangements effectively identify and manage risks
- ensuring the fund is organised and managed to deliver statutory responsibilities and regulatory compliance, and meet service level agreements including timely and accurate pension payments
- ensuring that the role of the pension fund and LGPS matters are understood and represented by the AA's senior leadership
- working with other partner AAs and the pool company as appropriate

Requirement to prepare an administration strategy

98. Currently AAs may prepare an administration strategy but are not required to do so. Administration strategies must set out procedures relating to employer communication, administrative procedures, and administrative performance. There is currently no statutory guidance to assist fund in the preparation of this strategy, and while AAs must keep any administration strategy under review, there is no specific timeframe required.

99. The government believes that if AAs were required to prepare and maintain this strategy and have regard to guidance, this would increase consistency on how administrative matters are approached across the scheme (including in working with employers) and drive improvement in administration of pensions.

100. The government is therefore proposing that AAs should be required to prepare and publish an administration strategy and to have regard to statutory guidance in its preparation. The government is also proposing that AAs review this strategy at least once in every 3 years in line with the proposed requirement for other strategies; and that AAs should no longer be required to send the administration strategy to the Secretary of State upon publication, as this is no longer considered to be necessary.

Improving readability of annual reports

101. Each year AAs publish an annual report on management and financial performance, which includes fund accounts. It is a key document for members, employers and other stakeholders with an interest in the fund. The SAB uses the annual reports to compile the scheme annual report.

102. Currently the annual report is required to include the funding strategy, investment strategy and governance compliance statements in full. The readability and accessibility of the reports is reduced by the size and complexity of the combined document.

103. The government is therefore proposing that, in line with the LGPS in Scotland, funds should no longer be required to include the full texts of any strategy, including the governance and administration strategies we are proposing. It is the government's intention to work with the SAB to update guidance on annual reports to set out how funds should ensure accessibility and transparency for members, employers and others.

Requirement to participate in a biennial independent governance review

104. Under this requirement, each AA would participate in an independent governance review every 2 years, in order for administering authorities to receive assurance that they are meeting governance requirements. The review would need to be carried out by independent experts in the field with good understanding of the LGPS. The Secretary of State for MHCLG would reserve the right to commission reviews of specific funds where there is reason to believe the fund may not be equipped or resourced to fulfil its responsibilities.

105. Once complete, the draft report on the review would go to the senior LGPS officer, pensions committee and local pensions board. The pension committee would be required to add commentary and an action plan in the final report. This could include a range of actions including to seek peer support to address problems or to disseminate good practice. Administering authorities would be required to publish a summary of the final report and submit it to MHCLG.

106. The Scheme Advisory Board is developing a peer support offer including identifying experts already associated with the LGPS to be available to conduct the independent governance review and assess the report and action plan. In cases where the process was not successful at delivering change or peer support was not deemed a realistic way to address issues, it would be open to the Secretary of State to make use of powers under the Public Service Pensions Act 2013 and the Investment Regulations 2016 to issue a direction or to wind up a fund.

107. Government will be working closely with the Scheme Advisory Board and the Pensions Regulator on further detail of the review process and welcomes views on the format and assessment criteria that could be applied.

Requirements on knowledge and skills for those involved in the management of LGPS funds

108. There is an expectation that those responsible for making key decisions within LGPS funds, which provide benefits to millions and manage significant amounts of money, should have the right level of knowledge and training to carry out the functions of their role. In most cases in the LGPS, the role of scheme manager held by the AA is delegated to a pension committee, who are responsible for all key decisions related to the pension fund. Pension committees are composed largely of councillors, with a SAB survey (https://lgpsboard.org/images/CRC/12022024_Item6PaperD_Workstream_update.pdf) showing that 66% possess little or no knowledge of the LGPS prior to appointment. High turnover of committee members can in some cases compound the problem.

109. Currently, there are no statutory requirements for committee members and officers to maintain appropriate knowledge and skills specific to the LGPS or to undertake training of any kind. By contrast, members of the local pension board (which brings together union and employer representatives to assist the AA and committee), have a statutory duty to have appropriate knowledge and skills under s.248A of the Pensions Act 2004. Committees are required to take proper advice, but where there are gaps in the knowledge of and skills of committee members and officers, it may be difficult to ensure that this advice is tested and challenged appropriately.

110. The SAB survey showed strong support for higher standards of knowledge and understanding for pension committee members. A very large majority (90%) of respondents supported new guidance on minimum training requirements, and 67% agreed that requirements for pension committee members should be the same as for local pension board members.

111. The government therefore proposes to require that committee members, the senior officer and officers should have the appropriate level of knowledge and understanding for their roles, and that the requirements for pension committee members and local pension board members should be aligned. This change aims to ensure that those involved in the management of LGPS funds have the capability to carry out their duties as needed and can exercise the correct level of oversight on investments, governance, and administrative matters. This will include the knowledge and skills, for both officers and committee members, to challenge and test advisers and hold their pool to account.

112. The government is also proposing to require AAs to set out within their governance and training strategy how they will ensure that any committee, sub-committee, or officer will meet the new knowledge requirements. The government expects AAs to include their policy on training and assessment to meet this requirement. It is recognised that committee members and officers on appointment will possess different levels of relevant prior knowledge. The government therefore also proposes that the requirement on knowledge and understanding will apply to individuals within a reasonable period from taking up the role or appointment.

Role of independent adviser

113. In addition to requiring pension committee members to have appropriate knowledge and skills, the government is also considering how best to bring professional and independent expertise to pension committees to improve governance, improve scrutiny and challenge of advice and delivery, and advise on improvements.

114. One way in which this could be achieved would be to require pension committees to appoint an independent person who is a pensions professional, whether as a voting member of the pensions committee or as an adviser. The role would encompass supporting the committee on investment strategy, governance and administration. Those who were or might be involved in recommending specific investment products to the committee would not be eligible. We expect that suitable pensions professionals would have one or more of the following qualifications and experience:

- Qualifications from Pensions Management Institute (PMI) – the award in pension trusteeship, diploma in professional trusteeship, certificate in professional trusteeship, accreditation for professional trustees
- Member of, and accredited by, the Association of Professional Pension Trustees (APPT)
- Significant experience of pensions and/or investments

115. The small number of administering authorities with no pension committee could be required to have an independent person as adviser to the senior officer.

116. The government recognises that the aim may be achieved in a range of ways and invites views on the best approach.

Question 18
Do you agree with the overall approach to governance, which builds on the SAB's Good Governance recommendations?

Question 19
Do you agree that administering authorities should be required to prepare and publish a governance and training strategy, including a conflict of interest policy?

Question 20
Do you agree with the proposals regarding the appointment of a senior LGPS officer?

Question 21
Do you agree that administering authorities should be required to prepare and publish an administration strategy?

Question 22
Do you agree with the proposal to change the way in which strategies on governance and training, funding, administration and investments are published?

Question 23
Do you agree with the proposals regarding biennial independent governance reviews? What are your views on the format and assessment criteria?

Question 24
Do you agree with the proposal to require pension committee members to have appropriate knowledge and understanding?

Question 25
Do you agree with the proposal to require AAs to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met?

Question 26

What are your views on whether to require administering authorities to appoint an independent person as adviser or member of the pension committee, or other ways to achieve the aim?

Pool governance and reporting

117. Under the government's proposed reforms, all pools would need to move to the new minimum standards for pooling set out in chapter 2. Consistent high standards of governance for all the pools would be essential in delivering the full benefits to members and employers, providing assurance for the partner AAs that the pool is properly managed and ensuring that the AAs are able to hold the pools to account.

118. In summary the government proposes to require:

- Boards to include a representative or representatives of the group of partner AAs
- Requirement for pools to publish asset performance and transaction costs

Requirements on pool company board membership

119. The minimum standards on pooling set out in Chapter 2 would require boards of all pool companies to have the skills and experience appropriate to the leadership of an investment management company. Boards would meet the requirements for FCA authorisation including independent directors.

120. To ensure that shareholder AAs can hold the pool to account, it is important to include shareholder representation on the board. The government's proposal is that in addition to meeting the requirements of the FCA, boards should also include one or two representatives for the group of shareholder AAs, such as the chair of the shareholder committee or equivalent. These representatives would require the appropriate skills and training.

121. It will also be important to ensure that scheme members' views and interests are properly understood and taken into account by the pools. The government therefore invites views on the best way to achieve this.

Requirement to meet transparency and reporting standards

122. The government also wishes to introduce a greater level of consistency and transparency through reporting standards for pools. Currently, all pools publish annual reports and financial statements, while some go further and publish regular in-depth reports on responsible investment or separate reports which detail breakdowns of performance by sector, such as private markets. In order to achieve a greater level of accountability and to encourage greater efficiency, the government is proposing to add requirements for pools to improve transparency and reporting, including publication of performance and transaction costs.

123. The government is exploring what this could look like for pools, and welcome views on what data and reporting would be most useful for increasing transparency. It is our intention to set out in new pooling guidance how pools should ensure transparency and accountability to members, employers and others.

Question 27

Do you agree that pool company boards should include one or two shareholder representatives ?

Question 28

What are your views on the best way to ensure that members' views and interests are taken into account by the pools?

Question 29

Do you agree that pools should report consistently and with greater transparency including on performance and costs? What metrics do you think would be beneficial to include in this reporting?

Implementation

124. The government proposes to set out new requirements in regulations. Our intention would be to work with the Scheme Advisory Board to provide new statutory guidance on governance and training, on administration and on pooling and updated guidance on annual reports.

5. Equality impacts

Public sector equality duty

125. The Department's policies, guidance and procedures aim to ensure that the equalities impact of any decisions, new policies or policy changes upon groups with protected characteristics is properly considered, and that in formulating them the Department has had due regard to its obligations under the Public Sector Equality Duty at s.149(1) of the Equality Act 2010.

126. We have made an initial assessment and we believe our proposals on the LGPS in chapters 2 and 4 do not affect any particular groups with protected characteristics adversely, as there will be no change to member contributions or benefits as a result. There may be an indirect benefit to protected groups who live in disadvantaged areas which benefit from local investments.

Question 30

Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so, please provide relevant data or evidence.

Annex A: List of consultation proposals

Chapter 2: LGPS pooling

Proposal 1: Requirement on AAs to fully delegate the implementation of their investment strategy to their pool.

Proposal 2: Requirement on AAs to take their principal investment advice from the pool.

Proposal 3: Requirement for pools to be established as investment management companies authorised and regulated by the FCA, with the expertise and capacity to implement investment strategies.

Proposal 4: Requirement for AAs to transfer legacy assets to the management of their pool.

Chapter 3: Local investment

Proposal 5: Requirement on AAs to set out their approach to local investment, including a target range for investment, in their Investment Strategy Statement, and to have regard to local growth plans and local economic priorities in setting their investment strategy.

Proposal 6: Requirement on AAs to work with CAs, MCAs, CCAs, and local authorities in other areas to identify suitable local investment opportunities,

Proposal 7: Requirement for the pools to develop the capability to carry out due diligence on local investment opportunities.

Proposal 8: Requirement on AAs to include in their annual report a report on the extent and impact of their local investments.

Chapter 4: Governance of funds and pools

Proposal 9: Requirement to prepare and publish a governance and training strategy (replacing the governance compliance statement), including a conflicts of interest policy.

Proposal 10: Requirement to appoint a senior LGPS officer with overall delegated responsibility for the management and administration of the Scheme.

Proposal 11: Requirement to prepare and publish an administration strategy.

Proposal 12: Changes to the way in which strategies on governance and training, funding, administration and investments are published

Proposal 13: Requirement for AAs to participate in a biennial independent governance review and, if applicable, produce an improvement plan to address any issues identified.

Proposal 14: Requirement for pension committee members, the senior officer, and officers to have the appropriate level of knowledge and understanding for their roles, with requirements for pension committee members and local pension board members aligned.

Proposal 15: Requirement for AAs to set out within their government and training strategy how they will ensure that any committee, sub-committee, or officer will meet the new knowledge requirements within a reasonable period from appointment.

Proposal 16: Requirement for pension committees to include an independent person who is a pensions professional, whether as a voting member or as an adviser.

Proposal 17: Requirement for boards to include one or two representatives of shareholder AAs, such as the chair of the shareholder committee or equivalent.

Proposal 18: Requirement for pools to publish asset performance and transaction costs

Annex B: List of consultation questions

Chapter 2: LGPS pooling

Proposals
Question 1: Do you agree that all pools should be required to meet the minimum standards of pooling set out above?

Question 2: Do you agree that the investment strategy set by the administering authority should include high-level investment objectives, and optionally, a high-level strategic asset allocation, with all implementation activity delegated to the pool?

Question 3: Do you agree that an investment strategy on this basis would be sufficient to meet the administering authority's fiduciary duty?

Question 4: What are your views on the proposed template for strategic asset allocation in the investment strategy statement?

Question 5: Do you agree that the pool should provide investment advice on the investment strategies of its partner AAs? Do you see that further advice or input would be necessary to be able to consider advice provided by the pool – if so, what form do you envisage this taking?

Question 6: Do you agree that all pools should be established as investment management companies authorised by the FCA, and authorised to provide relevant advice?

Question 7: Do you agree that administering authorities should be required to transfer all listed assets into pooled vehicles managed by their pool company?

Question 8: Do you agree that administering authorities should be required to transfer legacy illiquid investments to the management of the pool?

Question 9: What capacity and expertise would the pools need to develop to take on management of legacy assets of the partner funds and when could this be delivered?
Implementation

Question 10: Do you have views on the indicative timeline for implementation, with pools adopting the proposed characteristics and pooling being complete by March 2026?

Other developments
Question 11: What scope is there to increase collaboration between pools, including the sharing of specialisms or specific local expertise? Are there any barriers to such collaboration?

Question 12: What potential is there for collaboration between partner funds in the same pool on issues such as administration and training? Are there other areas where greater collaboration could be beneficial?

Chapter 3: Local investment

Proposals
Question 13: What are your views on the appropriate definition of 'local investment' for reporting purposes ?

Question 14: Do you agree that administering authorities should work with their Combined Authority, Mayoral Combined Authority, Combined County Authority, Corporate Joint Committee or with local authorities in areas where these do not exist, to identify suitable local investment opportunities, and to have regard to local growth plans and local growth priorities in setting their investment strategy? How would you envisage your pool would seek to achieve this?

Question 15: Do you agree that administering authorities should set out their objectives on local investment, including a target range in their investment strategy statement?

Question 16: Do you agree that pools should be required to develop the capability to carry out due diligence on local investment opportunities and to manage such investments?

Question 17: Do you agree that administering authorities should report on their local investments and their impact in their annual reports? What should be included in this reporting?

Chapter 4: Governance of funds and pools

Fund governance

Question 18: Do you agree with the overall approach to governance, which builds on the SAB's Good Governance recommendations?

Question 19: Do you agree that administering authorities should be required to prepare and publish a governance and training strategy, including a conflict of interest policy?

Question 20: Do you agree with the proposals regarding the appointment of a senior LGPS officer?

Question 21: Do you agree that administering authorities should be required to prepare and publish an administration strategy?

Question 22: Do you agree with the proposal to change the way in which strategies on governance and training, funding, administration and investments are published?

Question 23: Do you agree with the proposals regarding biennial independent governance reviews? What are your views on the format and assessment criteria?

Question 24: Do you agree with the proposal to require pension committee members to have appropriate knowledge and understanding?

Question 25: Do you agree with the proposal to require AAs to set out in their governance and training strategy how they will ensure that the new requirements on knowledge and understanding are met?

Question 26: What are your views on whether to require administering authorities to appoint an independent person as adviser or member of the pension committee, or other ways to achieve the aim?

Pool governance

Question 27: Do you agree that pool company boards should include one or two shareholder representatives?

Question 28: What are your views on the best way to ensure that members' views and interests are taken into account by the pools?

Question 29: Do you agree that pools should report consistently and with greater transparency including on performance and costs? What metrics do you think would be beneficial to include in this reporting?

Chapter 5: Equality impacts

Question 30: Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

About this consultation

This consultation document and consultation process have been planned to adhere to the consultation principles (https://www.gov.uk/government/publications/consultation-principles-guidance) issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 and UK data protection legislation). In certain circumstances this may therefore include personal data when required by law.

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the information access regimes and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing Communities and Local Government will at all times process your personal data in accordance with UK data protection legislation and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included below.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not, or you have any other observations about how we can improve the process please contact us via the complaints procedure (https://www.gov.uk/guidance/contact-the-ministry-of-housing-communities-and-local-government).

Personal data

The following is to explain your rights and give you the information you are entitled to under UK data protection legislation.

Note that this section only refers to personal data (your name, contact details and any other information that relates to you or another identified or identifiable individual personally) not the content otherwise of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Ministry of Housing Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gov.uk or by writing to the following address:

> Data Protection Officer
> Ministry of Housing Communities and Local Government
> Fry Building
> 2 Marsham Street
> London
> SW1P 4DF

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

We will collect your IP address if you complete a consultation online. We may use this to ensure that each person only completes a survey once. We will not use this data for any other purpose.

Sensitive types of personal data

Please do not share special category (https://ico.org.uk/for-organisations/guide-to-data-protection/guide-to-the-general-data-protection-regulation-gdpr/lawful-basis-for-processing/special-category-data/#scd1) personal data or criminal offence data if we have not asked for this unless absolutely necessary for the purposes of your consultation response. By ‘special category personal data’, we mean information about a living individual’s:

- race
- ethnic origin
- political opinions
- religious or philosophical beliefs
- trade union membership
- genetics
- biometrics
- health (including disability-related information)
- sex life; or
- sexual orientation.

By ‘criminal offence data’, we mean information relating to a living individual’s criminal convictions or offences or related security measures.

3. Our legal basis for processing your personal data

The collection of your personal data is lawful under article 6(1)(e) of the UK General Data Protection Regulation as it is necessary for the performance by MHCLG of a task in the public interest/in the exercise of official authority vested in the data controller. Section 8(d) of the Data Protection Act 2018 states that this will include processing of personal data that is necessary for the exercise of a function of the Crown, a Minister of the Crown or a government department i.e. in this case a consultation.

Where necessary for the purposes of this consultation, our lawful basis for the processing of any special category personal data or 'criminal offence' data (terms explained under 'Sensitive Types of Data') which you submit in response to this consultation is as follows. The relevant lawful basis for the processing of special category personal data is Article 9(2)(g) UK GDPR ('substantial public interest'), and Schedule 1 paragraph 6 of the Data Protection Act 2018 ('statutory etc and government purposes'). The relevant lawful basis in relation to personal data relating to criminal convictions and offences data is likewise provided by Schedule 1 paragraph 6 of the Data Protection Act 2018.

4. With whom we will be sharing your personal data

MHCLG may appoint a 'data processor', acting on behalf of the Department and under our instruction, to help analyse the responses to this consultation. Where we do we will ensure that the processing of your personal data remains in strict accordance with the requirements of the data protection legislation.

5. For how long we will keep your personal data, or criteria used to determine the retention period

Your personal data will be held for 2 years from the closure of the consultation, unless we identify that its continued retention is unnecessary before that point.

6. Your rights, e.g. access, rectification, restriction, objection

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

a. to see what data we have about you

b. to ask us to stop using your data, but keep it on record

c. to ask to have your data corrected if it is incorrect or incomplete

d. to object to our use of your personal data in certain circumstances

e. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/ (https://ico.org.uk/), or telephone 0303 123 1113.

Please contact us at the following address if you wish to exercise the rights listed above, except the right to lodge a complaint with the ICO: dataprotection@communities.gov.uk or

> Knowledge and Information Access Team
> Ministry of Housing Communities and Local Government
> Fry Building
> 2 Marsham Street
> London
> SW1P 4DF

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making

9. Your personal data will be stored in a secure government IT system

We use a third-party system, Citizen Space, to collect consultation responses. In the first instance your personal data will be stored on their secure UK-based server. Your personal data will be transferred to our secure government IT system as soon as possible, and it will be stored there for 2 years before it is deleted.

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TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 14

PENSION FUND COMMITTEE REPORT

11 DECEMBER 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 William Bourne and Peter Moon are enclosed as Appendices A and B. Further comments and updates will be provided at the meeting.

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

TEL NO.: 01642 729040

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Appendix A

Independent Adviser's Report for Teesside Pension Fund Committee

William Bourne **27th November 2024**

Market Commentary

1. Three months ago I said that the environment remained reasonably benign for markets in general. I thought that growth would remain slow, especially in China, and suggested that a Trump victory would be the more disruptive to markets. Despite cuts in interest rates, I was worried that U.S. bond yields would test 5% at some point soon. In practice the U.S. S&P 500 index welcomed the clarity of the election result and what is perceived as a more pro-business Administration, and rose to a new high. Bond yields, after falling, rose to test the levels they reached in October 2022.

2. The U.K. budget, as expected, raised taxes on business substantially in order to fund current and future public investment. The Chancellor relaxed her fiscal rules slightly to allow more borrowing. One change has been to include LGPS assets and liabilities into the Government's 'assets' on which the calculations are done. Her hope is that over time the extra public investment will 'crowd in' (her phrase, not mine) private investment and generate growth.

3. Many commentators are sceptical that this will happen except in the very long-term, and note that the Office of Budget Responsibility's own forecasts are for growth below 2%. The key factor, as ever, is how wisely the extra money is spent.

4. She also has a narrow path to tread to avoid upsetting the bond markets, as she needs them to finance or refinance £300bn in the next financial year and about £1.5trillion over the next five years. The combination of higher bond yields following the budget and some expectation of a rate cut at the short end has been to return the bond yield to a more – if not yet completely - normal shape i.e. longer maturities yielding more than shorter ones.

5. In this context I note that the bond markets' expectation of inflation five years out, calculated as the difference between conventional and index linked yields on gilts of similar maturity, has jumped by about 60bps in the U.S. and 40bps in the U.K. They now stand at 2.5% and 3.5% respectively.

6. Donald Trump won a clear and resounding victory in the U.S. Presidential election. As the Republican Party also control the Senate and the House of Representatives, he has a mandate to implement his policies. The world can expect substantial trade tariffs, lower energy prices, and less willingness to be involved in external problems. For equity markets, the positives of cheaper energy, lower taxes, and less regulation are counterbalanced by the negative of protectionism.

7. We can also expect a relatively loose fiscal stance, though less financial support for Ukraine and Israel may partially compensate. This will also put upward pressure on U.S. bond yields, albeit the Federal Reserve will try to prevent them rising too high because of the impact of higher yields on the cost of servicing the U.S.'s debt. Higher U.S. bond yields are likely to be passed through to other markets.

8. Both the U.S. and the U.K. central banks cut rates by 25bps, though the tones used differed. The Bank of England suggested there will be further cuts, while the Fed. emphasised it wanted to tread carefully. The driving force behind these cuts is no longer the path of inflation, but softness in the global economy and the fragility of the financial system.

9. The Chinese economy continues to struggle despite a further US$1.4trn fiscal boost, the majority of which was debt forgiveness. The prospect of much higher U.S. tariffs will add a further headwind. Chinese producer prices have deflated over the past two years and CPI for 19 months. This is likely to be to keep inflation in the rest of the world down, at least in the short term.

10. Geo-political risk remains elevated, with the focus most obviously on what a Trump administration means for both the conflicts in Ukraine and Lebanon/Gaza.

11. The authorities continue, as they have done over the past 30 years, to use monetary policy as a salve for economic and financial market problems. However, the effectiveness of quantitative easing is reducing, which increases the risks for investors in the short to medium term. We should be prepared for lower returns and more volatility from our portfolio of assets.

12. The Government announced its detailed proposals for the LGPS and a consultation. They include a greater role for pools including strategic asset allocation, new requirements to work with local authorities (such as the Tees Valley Combined Authority) to finance local investment, and incorporating the recommendations of the 2021 Good Governance review.

13. Middlesbrough Borough Council will remain responsible for the administration of the fund, but there will be significant change in the Pension Fund Committee's responsibilities on the investment side. They will be restricted to setting the high level objectives and to local and ESG considerations. A deadline for pooling all assets by March 2026 has been set.

Investment report for Teesside Pension Fund December 2024

Political and economic outlook

It's been a busy and defining quarter in political and economic terms. Trump has been elected with a resounding victory in the US presidential election which may be an indication that the United States is not yet ready for a woman president let alone a black woman. The unpredictability of the president elect has no doubt raised uncertainty levels on the world stage. How much in practice he will be able to carry out in raising tariffs or stopping military aid for Ukraine remains in question.

I have just returned from South Korea where I visited a few companies to gauge their mood in the potential climate of higher tariffs and a more isolationist United States. There was clearly a heightened anxiety about the increased likelihood of North Korea making a play for South Korea. There was more uncertainty on the exact impact of a Trump tariff regime, mainly because companies were not sure the levels at which tariffs would be levied across countries. One thing was sure though they would be detrimental to business and the Korean economy and by implication the world economy.

SK hynix is a manufacturer of high quality semiconductors used in more advanced applications and is a major supplier to Nvidia, the pre-eminent Artificial Intelligence chip supplier with over 80% of the world market. When asked what would happen if Taiwan was invaded and Taiwan Semiconductor Manufacturing Company was unable to produce or export semiconductors. The response was stark that they would cease production immediately. Although this is common knowledge the fact that there is no alternative post globalisation would indicate that isolationism is not that easy a choice for the United States. In the face of a collapsing world economy (and its impact on the United States) it is likely that the United States would respond. For information Taiwan produces about 70% of the world's semiconductors and over 90% of the most advanced.

Instability seems to be the watchword in world politics. More extreme political parties and more intractable conflicts have left us with a more uncertain world than we've seen for quite some time.

Despite all the preparation the new Labour government has not got off to the seamless start it intended as a few political misjudgments have left them looking more like the previous administration than they would wish.

Additionally Rachel Reeves presented her long awaited budget. It contained a few surprises but in the main it was along the lines of previously leaked information. Increased taxes on corporations was the main revenue earner through raised employer National Insurance contributions. The aim of the budget was to raise the economic growth rate to provide a stable and growing revenue stream for the government. The immediate impact has been to make employment more expensive and these growth targets more difficult to achieve. Unless exogenous factors come into play it is hard to see the economy growing at the rate required by the chancellor's plans.

The independent Institute of Fiscal Studies has criticised both the Conservative and Labour parties for not being entirely straight with the electorate and suggested much tougher and radical plans for raising government finances needs to be considered. The alternative path is continuing higher taxation coupled with a reduction in public services. This is not a very attractive prospect given what the electorate have already been through under the last administration. Let us hope that this government, given his mandate, is at least able to be truthful and introduce the necessary policy responses to stabilise the government's finances and produce a more stable framework for growth.

At her Mansion House address the chancellor proposed reforms to the LGPS by amalgamating pools so that they more resembled the Canadian pension fund model.The aim is to promote a more effective investment regime. This initiative is doomed to failure because corporate governance in Canada is entirely different to that in the UK and increasing the size of the pools will just bring more of the same.

Markets

Trump's re-election has signaled a more uncertain and unpredictable environment which is likely to impair market returns over the medium term. I would expect markets to remain fairly flat over the next quarter or two. This implies the real interest rates will remain low and bond markets won't move much from their current levels. With inflation remaining subdued and little movement in interest rates index linked yields are expected to remain pretty stable.

Likewise equity markets are in a similar position with very little movement expected.

Similarly not much movement is expected in commercial property despite the improvement we've seen in the housing sector.

Funding in the alternative markets remains extremely tight although it has eased marginally. There is simply just not enough capital to easily fund the commitments that have already been made in this sector.

Essentially I expect a dull performance for most market areas.

Portfolio recommendation

My portfolio recommendation remains the same as last time and given the overcommitment to unquoted stocks is unlikely to change over the longer term.

Current quoted equity holdings should be used to finance attractive investment opportunities elsewhere when they arise.

For the time being the fund's emphasis on growth assets should be continued while assessing the impact on markets of the changed economic and political environment.

As previously recommended the funds cash levels should be sufficient to meet cash outflows over the medium term.

Peter Moon
2 December 2024

Agenda Item 15

TEESSIDE PENSION FUND
Q3 2024

CBRE

Quarterly Report
Prepared: 27 November, 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 of 30th November 2024, the portfolio comprised 34 properties located throughout the UK, with a combined value of £485.1m. This reflects an overall Net Initial Yield of 5.5%, and an Equivalent Yield of 5.88%.

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 91 demises and a total net lettable area of 2,751,651 sq ft.

The portfolio has a current gross passing rent of £28,613,928 per annum against a gross market rental value of £27,578,437 per annum.

The weighted average unexpired lease term is 8.9 years to the earlier of the first break or expiry and 9.6 years to expiry, ignoring break dates.

Fund Summary

Total Pension Fund Value (March 2024)	**£5,477m**
Real Estate Weighting (long term target allocation)	8.9% (10%)
Direct Portfolio Value (November 2024)	£485.1m

Direct Portfolio

Direct Portfolio Value (November 2024)	£485.1m
Number of Holdings	34
Average Lot Size	£14.3m
Number of Demises	91
Void rate (% of ERV) (Estimated UK Benchmark)	1.5% (7.0% – 9.0%)
WAULT to Expiry (break)	9.6 years (8.9 years)
Current Gross Passing Rent (Per Annum)	£28,613,928
Current Gross Market Rent (Per Annum)	£27,578,437
Net Initial Yield	5.5%
Reversionary Yield	5.3%
Equivalent Yield	5.88%

Portfolio Highlight (Q3 2024) – Verdant Regeneration, New Stanton Park

The Fund is currently negotiating a £25m Bridge Loan Facility to Verdant Regeneration Limited. The loan will aid the borrower with infrastructure and enabling works at the 176-acre site in Ilkeston, Derbyshire. On completion, the Fund's loan book will reach the current target allocation of £100m.

teesside pension fund

UK Economic Commentary

- Rachel Reeves delivered Labour's first budget under Sir Kier Starmer's premiership on 30th October 2024. As a priority, the Chancellor is looking to plug a c.£22m black hole in the current budget. The Government committed to not raising income tax, VAT or National Insurance in its election manifesto and therefore various forms of wealth taxation will be impacted.

- Recent figures released by the ONS show that UK GDP contracted from 0.7% to 0.5% from Q1 2024 to Q2 2024. However, annual GDP is up 0.5% from Q2 2023. Predictions for 2025 are slightly better, with GDP growth forecast to reach 1.2%.

- After a series of interest rate rises, the Bank of England's Monetary Policy Committee (MPC) voted to reduce the Bank Rate by 0.25 percentage points to 5% on July 31, 2024. Subsequently, on September 19, 2024, the MPC maintained rates at 5%. In November, a second cut took rates to 4.75%, with the Bank Rate expected to fall to 3.75% by the end of 2025.

- The Consumer Prices Index (CPI) rose by 1.7% in the 12 months to September 2024, down from 2.2% in August 2024. The largest downward contribution to the monthly change in the CPI annual rate came from transport, primarily falls in airfares and fuel prices.

- Additionally, the UK's unemployment rate decreased from 4.3% in January-March 2024 to 4.1% in May-July 2024. Job vacancies continue to fall, with approximately 857,000 vacancies in August 2024, a 15,000 decline from July 2024.

UK Real Estate Market Commentary

- The CBRE Index recorded an 'All Property' Total Return of 3.5% over the 12 months to September 2024, improving from the 2.0% Total Return recorded in the 12 months to June 2024 at the previous quarter date. The Index saw a capital fall of 2.2% over the same period to September 2024 – this was an improvement on the fall of 3.6% in the 12 months to June 2024.

- The largest decrease in capital values across the core traditional sectors over the 12 months to September 2024 continued to be observed in the Offices sector, with a fall of -7.6%. A quarter-on-quarter decrease indicates that the office sector is further moving towards stabilisation.

- All Retail assets saw a positive total return of 5.6% in the 12 months to September 2024. This was underpinned by an income return of 7.3%. The best sub-sector performer across the retail landscape over the last year was Shopping Centres, recording a total return of 6.7%. This was closely followed by All Retail Warehouses which recorded a total return of 6.4%.

- Positive capital value movements were seen in the industrial sector for the third consecutive quarter, with an increase of 1.4% seen across 'All Industrials' in the 12 months to September 2024. 'All Industrials South East' continues to perform strongly with an annual capital return of 2.1% and rental value growth of 6.2%.

- Pricing in the real estate market has largely stabilised with upward pressure starting to be seen in several sectors. Retail warehouses, food stores, industrial and budget hotels have all experienced inward yield shifts in Q3 2024. This is positive as the majority of the Fund's holdings are in these sectors.

- We expect continued polarisation with purchasers focusing on acquiring prime assets with strong underlying fundamentals.

- Our view remains that there will be more pain to come for secondary assets which are in over-supplied markets and require further refurbishment/capital expenditure.

- The interest rate fall in July was welcomed by investors, however, it has not improved market liquidity. Investment volumes in Q3 were well below historic market averages. Q4 is unlikely to result in a large uptick due to the aforementioned macro-factors.

Investments

Sales

The Fund made no disposals this quarter.

Acquisitions

The Fund made no acquisitions this quarter.

Direct Portfolio Analysis

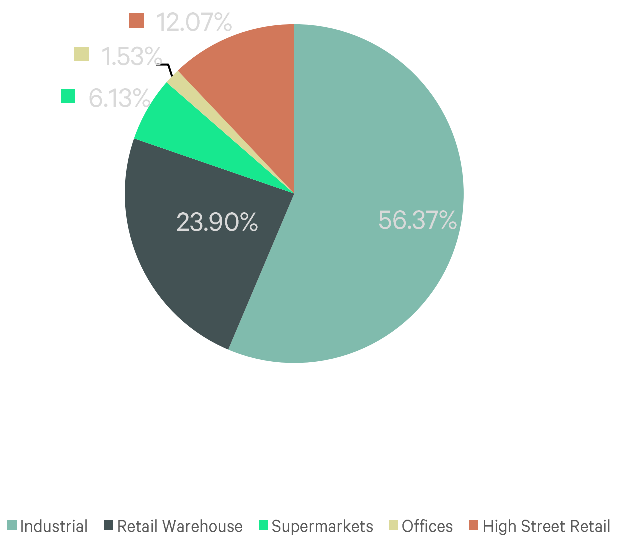
Top Ten Holdings (by Capital Value)

No.	Asset	Sector	Value	% of Direct Portfolio
1	WASHINGTON - Radial 64	Industrial	£50,300,000	10.4%
2	SWINDON - Symmetry Park	Industrial	£31,600,000	6.5%
3	LONDON - Long Acre	High Street Retail	£31,000,000	6.4%
4	ST ALBANS - Griffiths Retail Park	Retail Warehouse	£30,500,000	6.3%
5	THORNE – Capitol Park	Industrial	£29,100,000	6.0%
6	YEOVIL - Lysander Road	Industrial	£27,750,000	5.7%
7	BIRMINGHAM - Bromford Central	Industrial	£20,800,000	4.3%
8	GATESHEAD - Team Valley	Industrial	£20,200,000	4.2%
9	PARK ROYAL - Minerva Road	Industrial	£19,700,000	4.1%
10	TONBRIDGE – Tonbridge Retail Park	Retail Warehouse	£19,650,000	4.1%
		Total	**£280,600,000**	**57.8%**

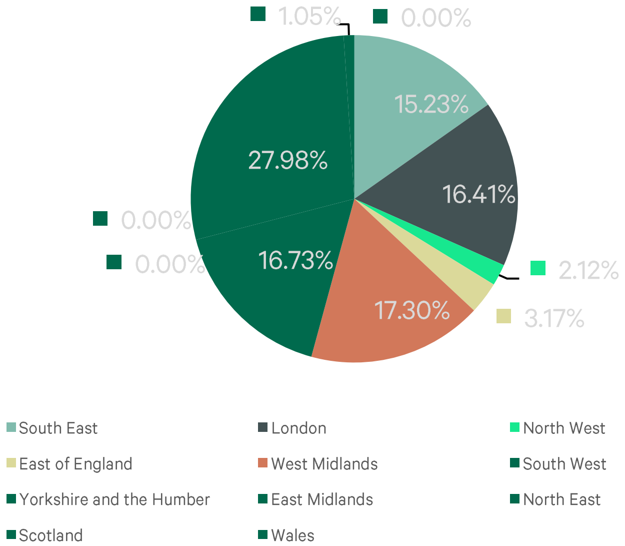
We will seek to extend the weighted average unexpired lease term (WAULT) of the portfolio, as well as diversifying the lease expiry profile.

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.

Sector Allocation (by Capital Value)



Geographical Allocation (by Capital Value)



Direct Portfolio Analysis (continued)

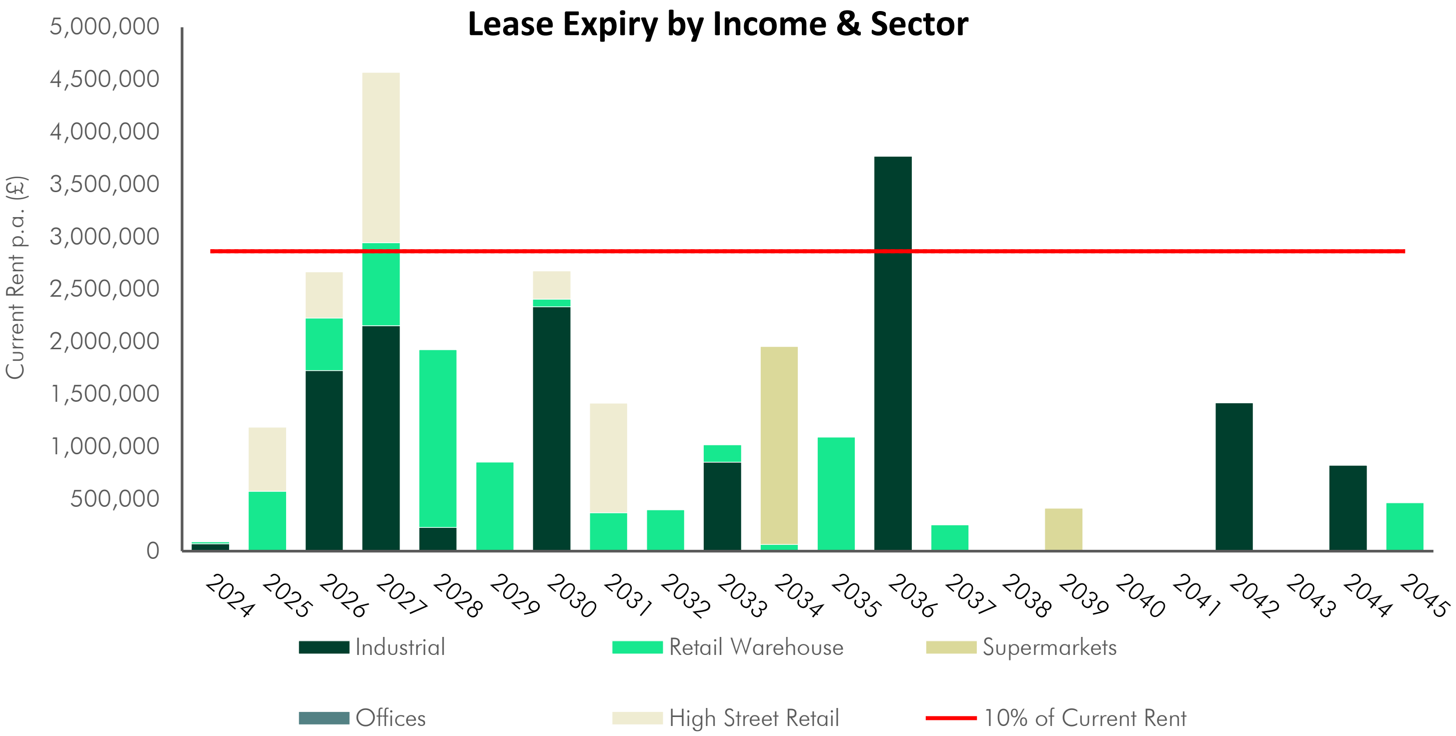
Top Ten Tenants (by Contracted Income)

The Portfolio has 91 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 Global Combat Systems Munitions Ltd	Industrial	1	£3,767,977	13.2%	86/100	Medium-Low Risk
2	B&Q Ltd	Retail	3	£2,084,211	7.3%	92/100	Medium-Low Risk
3	Iceland Food Limited	Industrial / Retail	2	£1,892,500	6.6%	60/100	Medium-High Risk
4	Leonardo UK Ltd	Industrial	1	£1,653,120	5.8%	95/100	Low Risk
5	Zara UK Limited	Retail	1	£1,580,000	5.5%	88/100	Medium-Low Risk
6	Omega Plc	Retail	1	£1,413,689	4.9%	92/100	Medium-Low Risk
7	Unipart Logistics Limited	Industrial	1	£1,077,000	3.8%	78/100	Medium-Low Risk
8	Royal Mail Group Limited	Industrial	1	£1,074,000	3.8%	19/100	High Risk
9	Libra Textiles Ltd	Industrial	1	£1,050,000	3.7%	93/100	Medium-Low Risk
10	Halycon Fine Art Ltd	Industrial	1	£848,628	3.0%	85/100	Medium-Low Risk
			Total	**£16,441,125**	**57.5%**		

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 23 – Dec 24			3 Year (p.a.) Dec 21 – Dec 24			5 Year (p.a.) Dec 19 – Dec 24		
	TPF	Index	Variance	TPF	Index	Variance	TPF	Index	Variance
Income Return	5.77%	5.81%	-0.04%	5.41%	5.38%	+0.03%	5.49%	5.49%	+0.00%
Capital Return	-0.08%	-2.21%	-2.13%	-0.38%	-3.66%	+3.29%	1.67%	-2.77%	+4.43%
Total Return	5.69%	3.48%	+2.20%	5.22%	1.54%	+3.68%	7.37%	2.58%	+4.79%

* 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

Wolseley, Units 1-3 Acre Road Reading – November 2024

The Fund has agreed terms to renew the Lease with Wolseley UK Limited on Unit A, 1-3 Acre Road, Reading. The term is for an additional 5 years at an increased rent of £70,450 per annum (£12.50 per sq ft). The lease is in the process of being documented with completed expected by the end of November 2024.

Carpetright, Tonbridge – November 2024

The tenant recently entered Administration. The Fund has entered into letting discussions with a prospective tenant with lease terms currently being negotiated.

BAE, Washington – November 2024

The Fund has agreed terms for a reversionary lease with BAE Systems plc. The term will be extended until December 2042, and the break clause moved out to December 2037. The rent will be reviewed annually at a fixed uplift of 3% pa. In return for the extension, the Fund will provide 3 months rent-free to the tenant. The lease is expected to complete by the end of 2024.

M&S, Congleton – November 2024

M&S currently occupies unit A1 at Congleton. The tenant has a lease expiry in June 2025. The Fund is currently negotiating an early lease renewal with the tenant.

Barclays, Exeter – November 2024

Barclays are currently in occupation of 1-3 Bedford Street with a lease expiry in June 2025. The Fund is currently in lease renewal negotiations to further extend their longstanding tenancy within the unit.

Charity Bank, Congleton – November 2024

The Fund is agreeing a short-term licence with a charity to allow the installation of a clothing bank in the car park. The bank will enable residents within the catchment to dispose of textiles and clothing, and will contribute to reducing local wastage.

Portfolio Arrears Update – As at 27 November 2024

The table below details the collection statistics for Q3 2024. Rent due for the quarter totalled £6,074,994.35, of which £5,645,616.03 has been collected, reflecting a difference of £429,378.32.

Collection Milestones	Rent Due 29/09/2024	Quarter Date 29/09/2024	Week 1 06/10/2024	Week2 13/10/2024	Week 3 20/10/2024	Week 4 27/10/2024	After 22/07/2024	Difference
Total (£)	6,074,994	4,040,782	1,157,226	325,450	0	19,969	102,189	429,378
Collection Target (%)			92.0%	96.0%	98.0%	99.0%		
Total Collections (%)		66.5%	85.6%	90.9%	90.9%	91.2%	92.9%	

The rent collection across the entire portfolio in the previous three quarters has reflected the following.

September 2024 – 92.9%
June 2024 – 98.9%
March 2024 – 98.4%

The total Collectable Arrears on the entire portfolio is £396,464 as at 30th November 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
- Tenants that are insolvent

Below is a summary of the top ten tenants with the greatest arrears.

B&Q plc (St Albans) – Total arrears of £108,123 (27.3% of the collectable arrears). This mainly relates to the third monthly instalment of the September 2024 quarter's rent, which we are continuing to chase.

Halcyon Fine Art Group Holdings Limited (Sovereign Park) – Total arrears of £89,371 (22.5% of the collectable arrears). This relates solely to the back dated rent following settlement of the outstanding rent review.

Stark Building Materials UK Limited (Bromford Central) – Total arrears of £60,318 (15.2% of the collectable. arrears). Most of these arrears relate to the interim rent charge. This sum is being collected by Freeth's, following agreement of the dilapidation settlement.

B&Q plc (Arbroath) – Total arrears of £24,564 (6.2% of the collectable arrears). This relates solely to service charge arrears and a dispute over charges. These arrears are being discussed as part of the lease renewal negotiations.

Shoe Zone Retail Limited (Congleton) – Total arrears of £22,945 (3.1% of the collectable arrears). This mainly relates to the two quarter's rent, which we continue to chase.

Halfords Limited (Dorchester) – Total arrears of £18,241 (4.6% of the collectable arrears). This mainly relates to the monthly instalments of the September 2024 quarter's rent, which we are continuing to chase.

River Island Fashion Limited (Lincoln) – Total arrears of £10,777 (2.7% of the collectable arrears). This relates mainly to the minor misallocation of rent. We are working with the tenant to resolve this.

Iceland Foods Limited (Swindon) – Total arrears of £8,631 (2.2% of the collectable arrears). This relates to the recharge of the head landlord's service charge. The tenant has queried these charges, which we are seeking to resolve.

Hobbycraft Trading Limited (Cirencester) – Total arrears of £8,305 (2.1% of the collectable arrears). This relates mainly to the third monthly instalment of the September 2024 quarter's rent, which we are continuing to chase.

Tesco Stores Limited (Stow on the Wold) - Total arrears of £7,218 (1.8% of the collectable arrears). This relates to an underpayment of the September quarter's rent following the implementation of the annual RPI uplift.

Lending Update

Debt Investment Portfolio	Sector	Loan Limit	Drawn Balance	Interest Rate	Fully Drawn Income p.a.	Maturity	LTV	ICR
Chester Greyhound	Retail	£19.28m	£19.28m	3.70%	£0.71m	Nov-25	59.1%	2.94x
St Arthur Homes	Affordable Housing	£25.37m	£15.37m	5.40%	£1.37m	Nov-26	55.0%	1.34x
Preston East	Industrial & Logistics	£16.17m	£16.17m	5.21%	£0.84m	Jun-27	55.4%	1.76x
Bordon	Industrial & Logistics	£11.30m	£11.02m	5.54%	£0.63m	Jun-29	52.5%	1.57x
TOTAL CURRENT		**£72.1m**	**£61.8m**	**4.92%**	**£3.55m**		**55.9%**	**1.99x**

As at 30 September 2024, the Fund had four committed loans, of which £61.8m of the combined £72.1m limits had been drawn. These loans produce a blended return of 4.92%. In the period, the St Arthur Homes loan was increased by £11.5m to fund the refinance of an additional 153 stabilised shared ownership properties over the course of the loan term. The pricing, at 2.25% over the 3 year SONIA swap rate, increased the blended pricing on the St Arthur loan to 5.4%.

The Bank of England base rate was cut by 25bps to 5.0% in August following evidence that inflation and other key indicators were stabilising. SONIA 3 year swap rates adjusted downwards by c.50bps in the quarter.

Pipeline has remained strong throughout 2024. The Preston East loan increase to refinance Unit 3 at the same location and the new Verdant Regeneration opportunity were progressing well at end Q3. Upon successful completion of these loans, the target TPF £100m allocation to lending will have been deployed.

The enduring higher interest rate environment continues to produce strong risk-adjusted return opportunities, improving the blended return across the loan portfolio. Swap rates have fluctuated within a c.80bps range in 2024, but at end Q3 2024 the 3 and 5 year swap rates are within 16bps of the same rates on 31 Jan. CBRE remains confident in deploying further funds into similarly strong lending transactions with returns in the 5.0-7.0% range should Teesside wish to consider increasing the allocation, which we would recommend doing to take advantage of the compelling risk-return metrics available.

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 £19.3m since completion. On 22nd July 2024, Carpetright, a tenant at the scheme, went into administration. The Borrower is now working through a new asset management plan to replace the tenant, which we will continue to monitor and provide updates on as it progresses.
- St Arthur Homes: : A £25.4m loan secured against a portfolio of 329 shared ownership units (an increase of 153 on the existing 176 units following the £11.5m refinance in July).
- Preston East: A £16.2m loan secured against 3x long-let, Grade A logistics units near Preston. An additional small ~£3m increase to refinance the fourth and final unit at the was due to close imminently at the end of Q3.
- Bordon: An £11.33m loan secured against a fully let logistics unit in Bordon, Hampshire with a WAULT >14 years. The loan closed in June 2024.

Titan Investors – Bordon, Hampshire

Titan Investors – Preston East Unit 3, Preston

Responsible Investment Initiatives

Environmental, Social, and Governance (ESG) criteria are increasingly prominent in investment decision-making and will influence the attractiveness of investments going forward. CBRE will ensure that responsible investment is 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. As the importance of ESG grows, we will expand upon these with portfolio-level principles and asset-specific initiatives.

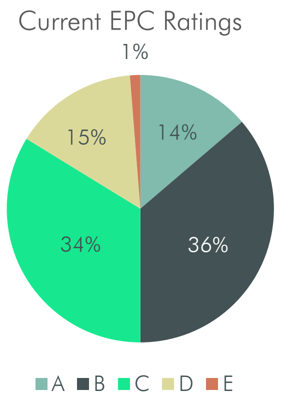
Environmental – sustainable factors will continue to play a part in the definition of 'prime' real estate, and buildings that don't meet the increasingly competitive standards are likely to become obsolete faster. Occupiers will demand that their buildings adhere to the highest environmental standards.

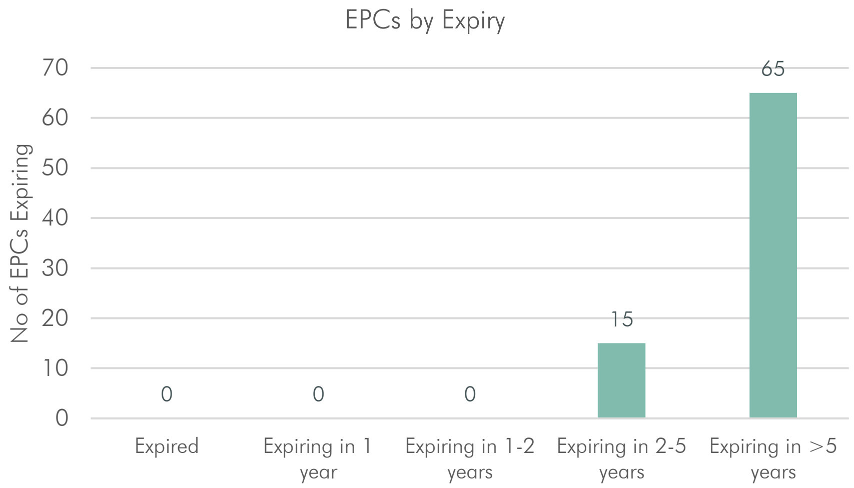
Social - real estate's impact on the local community and on a company's workforce are becoming equally important. Buildings that contribute positively to the world are, therefore, likely to be more resilient than those that do not, and as such, are likely to benefit from increased occupier demand, leading 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 regulations 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 16

PENSION FUND COMMITTEE REPORT

11 DECEMBER 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 Group

Teesside Pension Fund

Performance Delivery Report

Pension Fund Committee on 11th December 2024

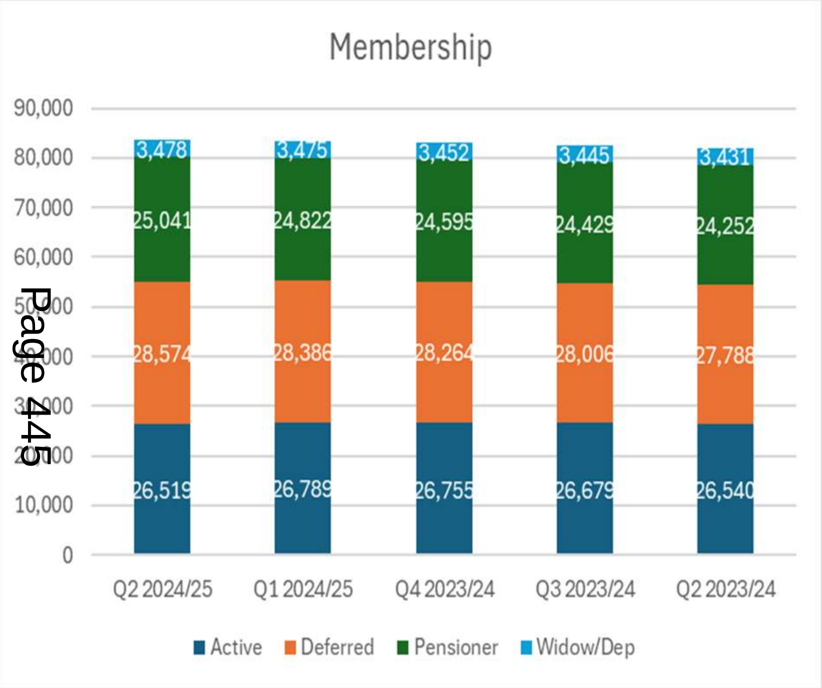
Contents

Items requiring a decision or attention are marked in the report with this logo

XPS Group

Highlights

Membership numbers



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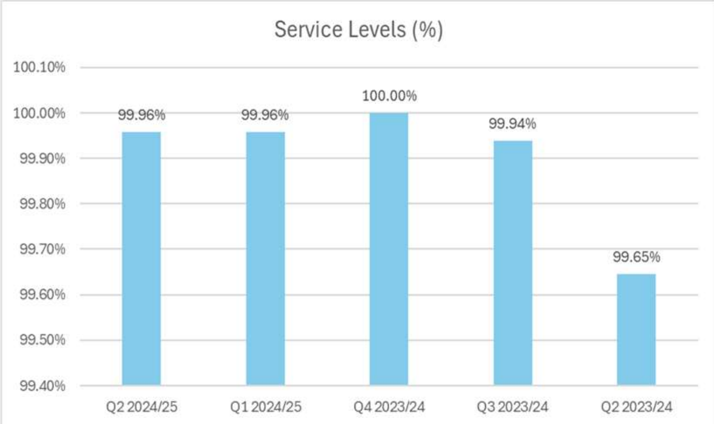
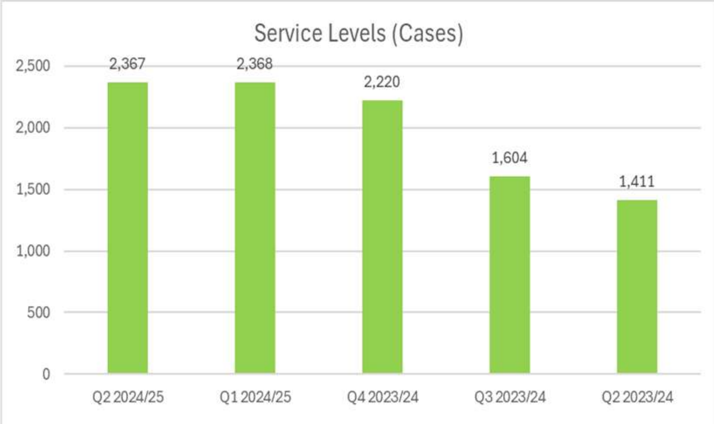
Service levels





XPS Group

Headlines

Members

Membership

– Membership continues to steadily increase

Scheme and Legislative

Annual Benefit Statements

– Active and Deferred Benefit statements were issued by the legislative deadlines

Key items

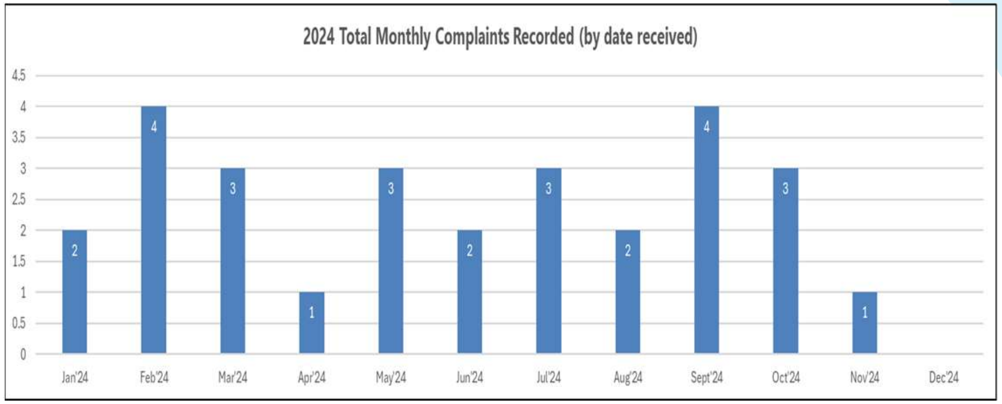
– SLA: 99.96%

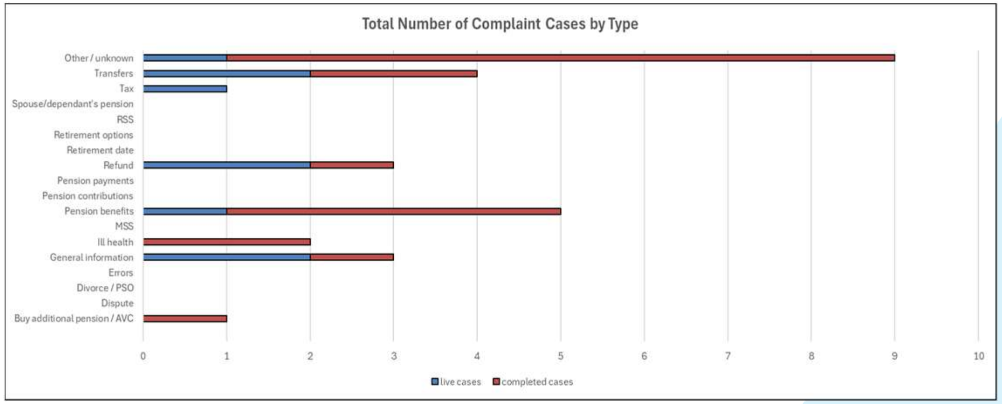
– Total membership is 83,612 members

Errors and complaints

Complaint type	Live cases	Completed cases	Total
Buy additional pension/AVC	0	1	**1**
Dispute	0	0	**0**
Divorce/PSO	0	0	**0**
Errors	0	0	**0**
General information	2	1	**3**
Ill Health	0	2	**2**
MSS	0	0	**0**
Pension benefits	1	4	**5**
Pension contributions	0	0	**0**
Pension payments	0	0	**0**
Refund	2	1	**3**
Retirement date	0	0	**0**
Retirement options	0	0	**0**
RSS	0	0	**0**
Spouse/dependant's pension	0	0	**0**
Tax	1	0	**1**
Transfers	2	2	**4**
Other/unknown	1	8	**9**
Total	**9**	**19**	**28**

Open IDRP Description	Open Ombudsman Cases
General Dispute (General Dispute) – Stage 1 General Dispute (General Dispute) – Stage 2	Mistake made in retirement quote





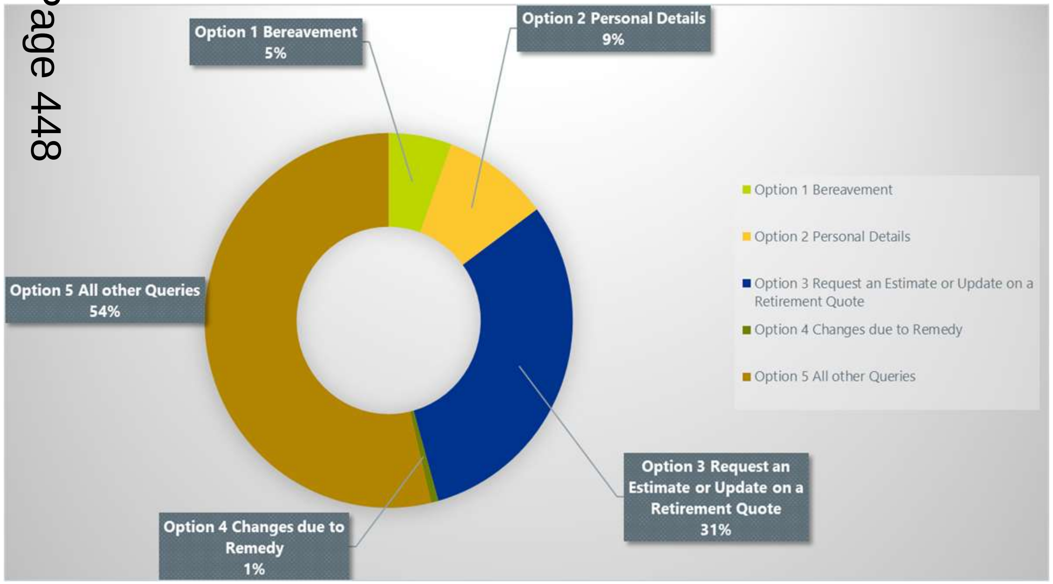
Member engagement – telephony

Telephone calls (Q1)

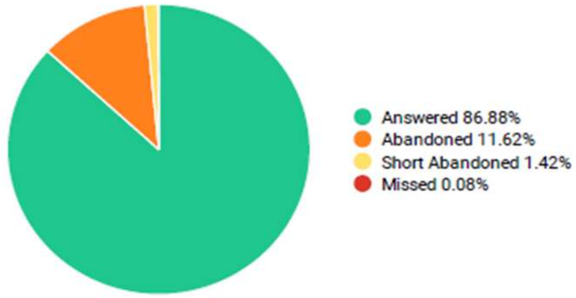
Total calls	Answered calls	Abandoned calls	Short Abandoned calls	Missed Calls
4,999	4,343	581	71	4

Average wait time	Average duration	Average abandon time
4 min 03 secs	12 min 48 secs	6 min 22 secs

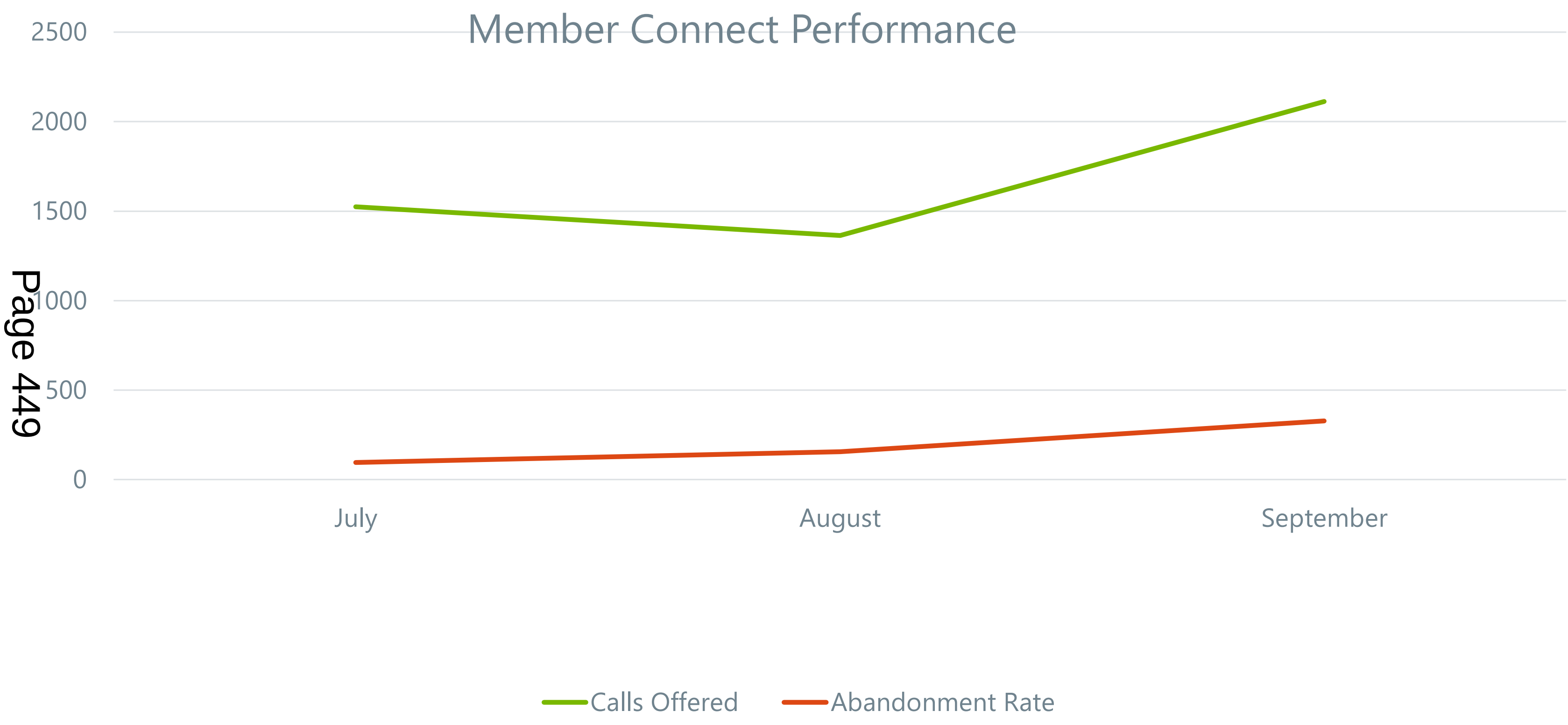
Breakdown of Member Selection:



Performance Summary:



Member Connect Performance 2024



Member engagement – telephony

Summary of Performance

Highlights

Member Connect took over calls from admin on 22.04.2024.

July

- Increase in calls from 1413 in June to 1524 in July. Average wait time increased by 56 seconds and average duration increased by 29 seconds.
- Call trends due to Tax queries and general requests.
- 338 referral calls made to this hunt group in total with 325 (96.15%) of these answered. 1 of these calls was from another area of the business. An average wait time to get through of 00:00:47 with the longest wait time of 00:04:09.

August

- Decrease in calls from 1524 in July to 1363 in August. Average wait time increased by 1 min and 29 seconds and average duration increased by 1 min and 37 seconds.
- Call trends due to Updates and general requests.
- 274 referral calls made to this hunt group in total with 269 98.18%) of these answered. 1 of these calls was from another area of the business. An average wait time to get through of 00:00:42 with the longest wait time of 00:05:09.

September

- Increase in calls from 1363 in August to 2112 (749) in September. With wait time increasing from 00:03:38 to 00:05:51. Average handling time increased by 00:02:16.
- Call trends due to Updates and general requests and ABS queries on the back of these being issued at the end of August.
- In September, 330 referral calls made to this hunt group in total with 326 (98.79%) of these answered. 1 of these calls was from another area of the business. An average wait time to get through of 00:00:30 with the longest wait time of 00:03:20.

Key Achievements / Challenges

Weekly two-way feedback still in place to help support the onboarding of calls to my team and to update training documents with any process changes.

Administration team finish at 16:30 on a Friday which means any calls which need a referral between 16:30 – 17:00 are tasked as a callback.

August

- ABS statements were sent via post to 20,602 Active members and 20636 Deferred members at the end of August. We are anticipating higher call volumes in September.

September

- ABS statements were issued to 20,602 Active members and 20,636 Deferred Members at the end of August which is reflected in the increase in call volumes in September.

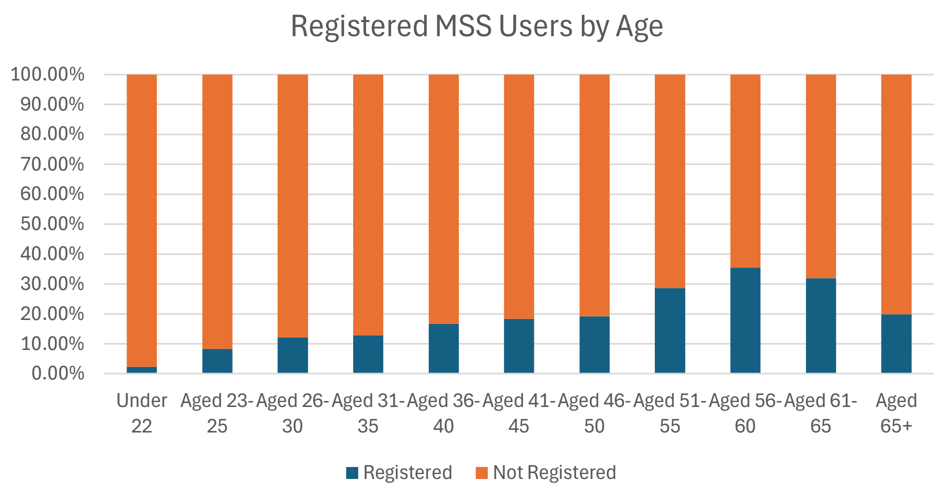
Member engagement

Teesside Pension Fund Website Traffic

Member engagement – Member Self Service

Status	Not Registered	Registered	Total	% Uptake
Active	18,736	5,120	23,856	21.46%
Deferred	17,533	1,973	19,506	10.11%
Pensioner	18,750	2,789	21,539	12.95%
Widows/Dependants	3,355	31	3,386	0.92%
	58,374	**9,913**	**68,287**	**14.52%**

Age Group	Not Registered	Registered
Under 22	97.67%	2.33%
Aged 23-25	91.65%	8.35%
Aged 26-30	87.86%	12.14%
Aged 31-35	87.14%	12.86%
Aged 36-40	83.33%	16.67%
Aged 41-45	81.60%	18.40%
Aged 46-50	80.75%	19.25%
Aged 51-55	71.34%	28.66%
Aged 56-60	64.55%	35.45%
Aged 61-65	68.03%	31.97%
Aged 65+	80.14%	19.86%



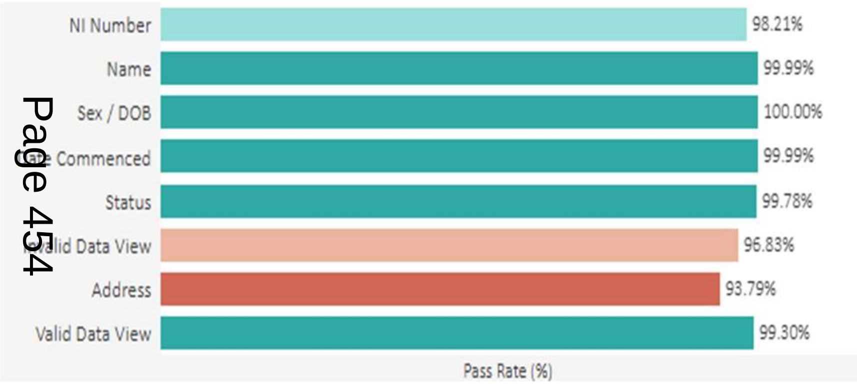
Membership

Membership	Period Ending 30/09/2024	Period Ending 30/06/2024	Period Ending 31/03/2024	Period Ending 31/12/2023
Active Members				
Total at period start	**26,789**	**26,755**	**26,679**	**26,540**
New Starters	480	722	884	950
New Leavers	547	494	643	690
Retirements	197	186	163	111
Death	6	8	2	10
Total at period End	**26,519**	**26,789**	**26,755**	**26,679**
Deferred Members				
Total at period start	**28,386**	**28,264**	**28,006**	**27,788**
New Deferred	430	357	527	500
New Leavers	74	56	87	72
Retirements	162	172	174	197
Death	6	7	8	13
Total at period End	**28,574**	**28,386**	**28,264**	**28,006**
Pensioner Members				
Total at period start	**28,297**	**28,047**	**27,874**	**27,683**
New Retirements	359	358	339	312
New Dependents	54	60	64	74
Notified (need further details)	11	4	9	1
Death/cessation	180	164	221	194
Total at period End	**28,519**	**28,297**	**28,047**	**27,874**
Total membership at period end	**83,612**	**83,472**	**83,066**	**82,559**

Data Quality

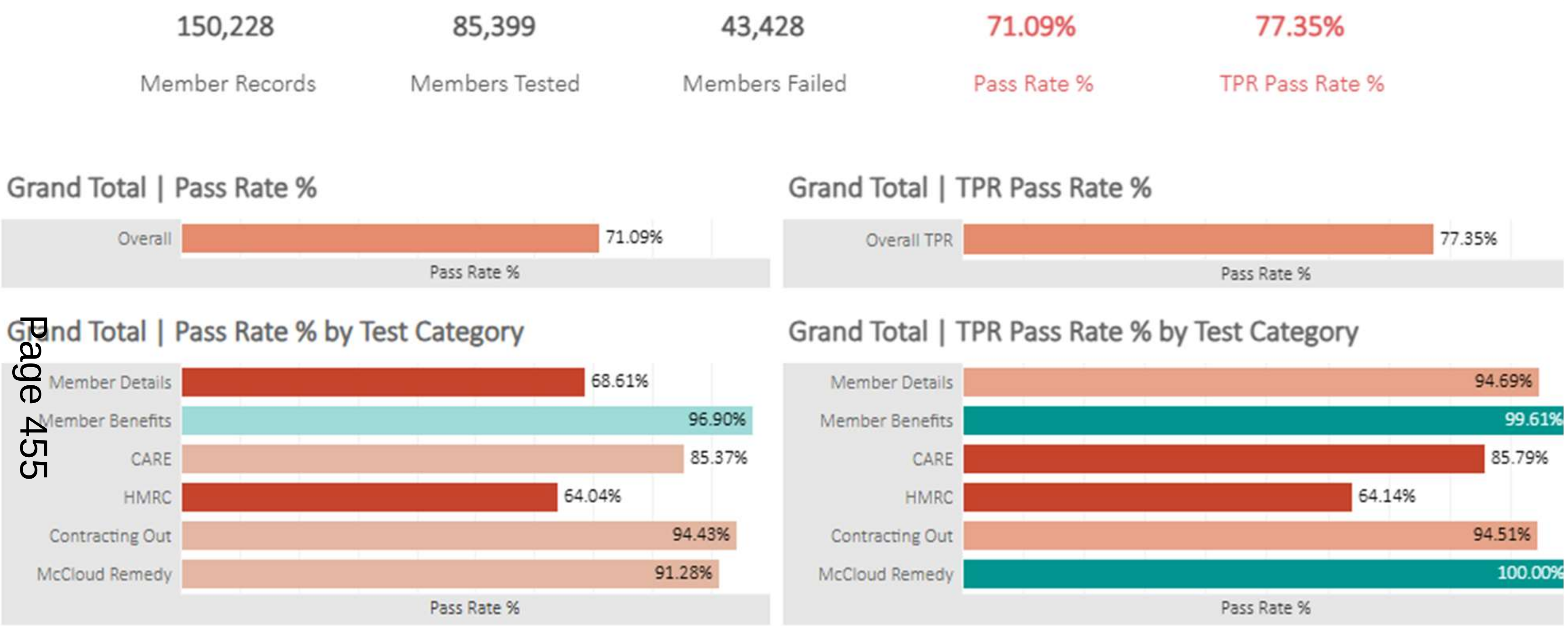
109,984	99,665	90.6%	95.8%
Members Tested	Members Passed All Tests	Pass Rate %	TPR Pass Rate %

Pass Rate % by Test Category



TPR Pass Rate % by Test Category

Data Quality



Regulations and Guidance

The King's Speech 2024 - Following the general election on 4 July 2024, the State Opening of Parliament took place on 17 July 2024 and the King's Speech set out the Government's plans and priorities for the first parliamentary session. Of potential interest is the Bill on Audit Reform and Corporate Governance. This could be a potential vehicle for separation of pension fund from host authority audit in England, as is already the case for LGPS funds in Scotland and Wales. The Board called for this in a letter to MHCLG in August 2022. The idea was supported by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW) and the Levelling Up Select Committee in the last Parliament. The Board was previously assured that its recommendation would be taken forward once a suitable legislative vehicle had been identified.

Court of Appeal dismisses Virgin Media appeal

On 25 July 2024, the Court of Appeal dismissed the appeal in the Virgin Media Ltd v NTL case. The High Court had previously ruled that:

- amendment of pension scheme rules in respect of Section 9(2B) rights were void unless the scheme actuary certified that the scheme still met the contracting-out adequacy test
- this applied to rights built up before and after the change in rules
- all amendments are affected by the ruling, not just those that have a negative impact on section 9(2B) rights.

The appeal concerned the second bullet point only, and the Court of Appeal upheld the High Court's ruling. The ruling will apply to the LGPS and that HM Treasury is currently assessing the implications for all public service pension schemes**.**

Updated flexible retirement guidance On 16 August 2024, MHCLG issued updated flexible retirement guidance. This replaces the guidance dated 28 April 2016 and is effective immediately. The guidance includes a revised methodology for calculating Death Grants.

Regulations and Guidance

Pensions review – call for evidence

On 4 September 2024, the government published a call for evidence to inform the first phase of the pensions review. The review aims to boost investment, increase pension pots and tackle waste in the pensions system, focusing on defined contribution workplace schemes and the LGPS. The first phase of the review is looking at measures to accelerate asset pooling and increasing investment in 'productive finance' in the UK by LGPS funds. The LGA submitted a response on behalf of the LGPC before the call for evidence closed on 25 September 2024. The response to the call for evidence is located on the SAB website. The second stage of the pensions review is expected to look at the issue of pensions adequacy and fairness, such as the gender pensions gap.

The Local Government Pension Scheme (Information) Regulations 2024 (SI 2024/880) have been laid before Parliament and will come into force on 23 September 2024 and will be backdated to 01/10/2023:

These remove the requirement for LGPS administering authorities to include estimated calculations relating to the McCloud remedy in members' annual benefit statements for the 2023/24 scheme year.

LGPS statistics for 2023/24 published

On 24 October 2024, the Ministry for Housing, Communities and Local Government (MHCLG) published the LGPS statistics for England and Wales: 2023 to 2024. Highlights include:

- total expenditure of £17.1 billion, an increase of 11.9 per cent on 2022/23
- total income of £20.7 billion, an increase of 19.3 per cent on 2022/23 5
- employer contributions of £10.5 billion, an increase of 24.6 per cent on 2022/23 - this reflects early payment of employer contributions following the triennial valuation
- employee contributions of £3.0 billion, an increase of 8.3 per cent on 2022/23
- the market value of LGPS funds on 31 March 2024 was £391.5 billion, an increase of 9.0 per cent since 31 March 2023
- 99,505 retirements in 2023/24, an increase of 6.3 per cent on the number of retirements in 2022/23.

September 2024 CPI rate announced

On 16 October 2024, the Office for National Statistics announced the Consumer Price Index (CPI) rate of inflation for September 2024 as 1.7 per cent.

Regulations and Guidance

Club transfers – extension of 12-month time limit

On 24 October 2024, the Cabinet Office emailed public sector pension scheme stakeholders regarding the 12 month time limit for Club transfers. This communication stated that if administering authorities need to extend the 12 month time limit for a club transfer due to the McCloud Remedy, this is deemed as an exceptional circumstance and the deadline can be extended if both schemes agree.

The Pensions (Abolition of LTA Charge etc) (No 2) & (No 3) Regulations 2024

On 7 and 9 October 2024, the Pensions (Abolition of Lifetime Allowance Charge etc) (No 2) Regulations 2024 and the Pensions (Abolition of Lifetime Allowance Charge (No 3) Regulations 2024 were laid. Both sets of regulations will come into force on 18 November 2024 and have effect from the tax year 2024/25.

The regulations amend the Taxes Management Act 1970, the Income Tax Earnings and Pensions Act 2003, the Finance Act 2004 and secondary legislation. The changes include:

- minor corrections relating to LTA protections
- new provisions covering Transitional Tax-Free Amount Certificates (TTFAC) and the calculation to determine the value of member's benefits when paying a Trivial Commutation Lump Sum (TCLS).

Appendix 1 - Service Level Reports

The table below shows our performance against the Service Level Agreement during the reporting period plus historic Service Levels to show a full 12 months for comparison.

Period	Cases completed	Cases completed within target	Cases completed outside target	%age within target
October	529	528	1	99.8%
November	586	586	0	100.0%
December	489	489	0	100.0%
Quarter 3 2023/24	**1,604**	**1,603**	**1**	**99.9%**
January	582	582	0	100.0%
February	742	742	0	100.0%
March	896	896	0	100.0%
Quarter 4 2023/24	**2,220**	**2,220**	**0**	**100.0%**
Year - Total	**6,518**	**6,512**	**6**	**99.9%**
April	805	805	0	100.0%
May	718	718	0	100.0%
June	845	844	1	99.9%
Quarter 1 2024/25	**2,368**	**2,367**	**1**	**100.0%**
July	776	776	0	100.0%
August	776	775	1	99.9%
September	815	815	0	100.0%
Quarter 2 2024/25	**2,367**	**2,366**	**1**	**100.0%**
October	860	859	1	99.9%

Appendix 1 - Service Level Reports

KPR Requirements

				Jul-24				Aug-24				Sep-24				Oct-24			
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	Within Target	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Within Target	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Within Target	ACTUAL PERFORMANCE LEVEL (APL)	Average Case Time (days)	Number of Cases	Within Target
All new entrant processed within twenty working days of receipt of application.	Monthly	20	98.50%	100.00%	2.16	292	292	100.00%	1.43	332	332	100.00%	2.00	321	321	100.00%	2.19	335	335
Transfer Values - To complete the process within one month of the date of receipt of the request for payment.	Monthly	20	98.50%	100.00%	7.62	32	32	100.00%	6.25	24	24	100.00%	5.95	39	39	100.00%	5.40	50	50
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%	100.00%	4.87	30	30	100.00%	4.96	24	24	100.00%	4.83	12	12	100.00%	4.76	17	17
Merged Estimate Of Benefits and Deferred Benefits	Monthly	10	98.25%	100.00%	4.85	376	376	100.00%	4.92	261	261	100.00%	4.80	302	302	99.73%	4.80	368	367
Pension costs to be recharged monthly to all employers.	Monthly		98.75%	100.00%	N/A	N/A		100.00%	N/A	N/A	N/A	100.00%	N/A	N/A		100.00%	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	45,535	98.75%	N/A	N/A	N/A		87.71%	N/A	26,030	22,832	N/A	N/A	N/A		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%	100.00%	2.91	46	46	99.26%	4.17	135	134	100.00%	3.83	141	141	100.00%	4.94	90	90
Pay eligible pensioners a monthly pension on the dates specified by the Council.	Monthly		100.00%	100.00%	N/A	N/A		100.00%	N/A	N/A	N/A	100.00%	N/A	N/A		100.00%	N/A	N/A	
All calculations and payments are correct.	Monthly		98.75%	100.00%	N/A	N/A		100.00%	N/A	N/A	N/A	100.00%	N/A	N/A		100.00%	N/A	N/A	

Appendix 2 – Annual Benefit Statement

The table below shows our performance in issuing the Annual Benefit Statements to Active members:

Total Active membership at 31/03/2024	26,649	100.00%
Due ABS	26,030	97.68%
Not Due ABS	619	2.32%
Due - Produced	22,832	87.71%
Due - Not Produced	3,198	12.29%
Due - Totals	26,030	100.00%

Not Produced - Detail	Number	% of Not Produced
Missing Care pay	2,923	91.40%
Status change post ABS Run	111	3.47%
Exclude benefit calculation indicator set	1	0.03%
Other	163	0.71%
Total	3,198	100.00%

Not Due ABS - Detail	Number	% of Not Due
Status change pre ABS RUN	619	100.00%

Appendix 3 – Administration Team

Key contacts		
Laura Pelmear	Client Relationship Manager	laura.pelmear1@xpsplc.com

Other contacts		
Salima Durrant	Service Delivery Manager	Salima.Durrant@xpsplc.com
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