

**TEESSIDE PENSION FUND COMMITTEE**

A meeting of the Teesside Pension Fund Committee was held on Wednesday 11 December 2024.

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

**ALSO IN ATTENDANCE:** W Bourne (Independent Adviser), P Moon (Independent Adviser)  
D Knight (Border to Coast), T Manuel (Border to Coast)  
A Owen (CBRE), R Quinn (CBRE), G Rutter (CBRE)  
M Rutter (Ernst Young),  
J Baillie (Hymans Robertson)  
L Pelmeear (XPS)

**OFFICERS:** N Orton, C Jones and D Middleton

**APOLOGIES FOR ABSENCE:** Councillors D Branson, T Furness and S Hill

24/39 **WELCOME AND FIRE EVACUATION PROCEDURE**

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

24/40 **DECLARATIONS OF INTEREST**

Name of Member	Type of Interest	Item / Nature of Business
Councillor Beall	Non-Pecuniary	Member of Teesside Pension Fund
Councillor Coupe	Non-Pecuniary	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

24/41 **MINUTES - TEESSIDE PENSION FUND COMMITTEE - 25 SEPTEMBER 2024**

The minutes of the meeting of the Teesside Pension Fund Committee held on 25 September 2024 were taken as read and approved as a correct record.

24/42 **FINAL AUDIT RESULTS REPORTS - YEAR ENDING 31 MARCH 2022 AND YEAR ENDING 31 MARCH 2023**

A report was presented by Ernst & Young (EY) which summarised the audit conclusion in relation to the audit of Teesside Pension Fund for 2021/22. The audit was designed to express an opinion on the 2021/22 financial statements and addressed current statutory and regulatory requirements. The report contained the findings of EY, related to the areas of audit emphasis, their views on Teesside Pension Fund's accounting policies and judgements and material internal control findings.

The report identified key areas of focus for the audit of the Pension Fund's financial statements, and set out the Auditor's observations and conclusions, including their views on areas which might be conservative, and where there was potential risk and exposure. The consideration of these matters, and any others identified, were summarised in the "Areas of Audit Focus" section of the report.

The following Areas of Audit Focus were discussed for the 2021/22 report:

- Misstatements due to fraud or error (fraud risk)  
As reported in the Outline Audit Planning Report, 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. Initial enquiries of management identified this as erroneous and EY recognised a significant risk in relation to investment income. This matter had been corrected within the financial statements, and Auditors were satisfied it arose as a result of error rather than fraud.

As at 31 March 2022, the Pension Fund's financial statements included a £26.5m investment in a start-up challenger bank. Management asserted 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, was reasonable and reflected the anticipated future profitability of the bank. It was noted 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 included a significant impairment of this investment to reflect changes in management's expectations for recoverability of the Pension Fund's investment. It was the view of Auditors that the Pension Fund should also have impaired its investment. As at 31 March 2022, Auditors were reporting an uncorrected misstatement of £19.9m in relation to this investment.

- Valuation of pooled investment vehicles  
The 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 overstated investment assets by net £35.8m, which management had 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, indicated that controls over the recording of investment valuations were not operating effectively. In addition, without impacting the overall valuation of investment assets, Auditors 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, Auditors were satisfied that the valuation of pooled investment vehicles was not materially misstated.
- Valuation of private market investments  
Additional audit procedures over private market investments identified that one of the Fund's external investment managers had provided valuations to the Pension Fund which were based on historic cost, rather than market value which was 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 were understated by £7.7m. Management had opted not to correct the financial statements for this matter.
- Valuation of directly held property  
The analysis of the valuation of the Pension Fund's property assets as at 31 March 2022 identified 12 individual property valuations which were considered to exhibit indicators of having a higher risk of misstatement. Factors indicative of a higher risk of misstatement included: changes in valuations from the prior year; valuations which were 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 EY Real Estate specialists were asked to review the valuations of these assets. The EY Real Estate specialists concluded that, other than a clearly trivial variance on one property, all valuations were within a reasonable range. There were no other observations to report in relation to directly held property. EY were therefore satisfied that directly held property was not materially misstated.

The conclusions of the 2022/23 report were:

- Valuation of pooled investment vehicles

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. The two investments totalling £7.3 million were 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 the review of investment manager control report.

- Valuation of private market investments

It was 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 held investments in a limited company with a reported value of £40.1 million. It was noted that the Fund had 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 had been adjusted by management. Movements between audited financial statements and the year-end valuations were not significantly different to wider market indices.

- Valuation of directly held property

The Fund's valuer was appropriately objective, competent and capable. It was noted that the principal signatory of the valuation report had performed the valuation since 2012, in excess of suggested timings under RICS recommendations. It was 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.

During discussion, Members queried follow-up actions to the audit findings. The Director of Finance directed Members to Appendix C: The Management Representation Letter and advised the Committee that updates were routinely reported to Middlesbrough Council's Audit Committee. It was further advised that Mazars would complete an Audit Report of 2023/24 with an update provided on the recommendations set out in the 2022/23 report.

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

24/43

## **INVESTMENT ACTIVITY REPORT (INCL. TM REPORT, VALUATION & FORWARD INVESTMENT PROGRAMME)**

A report of the Director of Finance was presented to inform Members of how the Investment Advisors' recommendations were being implemented and provided a detailed report on transactions undertaken to demonstrate the implementation of the Investment Advice recommendations and the Fund's Valuation. The treasury management of the Fund's cash balances and the Forward Investment Programme were also presented.

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

Cash level at the end of September 2024 was 5.97%.

Investment in direct property where the property had a good covenant, yield and lease terms would continue. 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. They came with additional risks of being illiquid, traditionally they had costly management fees and investing capital could be a slow process. An amount of £34m was invested in the quarter.

Appendix A of the report detailed transactions for the period 1 July 2024 – 30 September 2024. There were net sales of £147m in the period.

As at 30 September 2024, the Fund had £326m invested with approved counterparties. This was an increase of £135m over the last quarter. Appendix B of the report showed a graph of the maturity profile of cash invested. It also showed the average rate of interest obtained on the investments for each time period.

The Fund Valuation detailed all the investments of the Fund as at 30 September 2024, and was prepared by the Fund's custodian, Northern Trust. The total value of all investments, including cash, was £5,483 million. The detailed valuation was attached to the report at Appendix C. This compared with the last reported valuation, as at 31 March 2024 of £5,524 million.

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

As at 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 would disinvest from State Street (SSGA) Passive Equity Funds.

In the quarter July – September £435m was redeemed, of that, £330m was re-invested in the Border to Coast Overseas Developed Equity Fund with the remainder held as cash at the Fund. A summary of equity returns for the quarter 1 July 2024 – 30 September 2024 was set out at paragraph 8.4 of the report.

The Fund had no investments in bonds at this time, the level of cash invested was 5.97%. Discussions were held within the Committee Meeting regarding investment in bonds. Although there was no directive to invest at this time, the Advisers had since indicated the levels at which they felt investment would be appropriate. Officers were monitoring the situation, when the levels come into range, there would be further discussion with the advisers. At present, it was considered that an investment via the Border to Coast Sterling Index Linked Bond Fund would be the most appropriate vehicle.

To date the Fund had agreed 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 meeting, 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 31 October 2024 total commitments to private equity, infrastructure and other debt were £1,920m, as set out at paragraph 8.8 of the report.

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

24/44

## **EXTERNAL MANAGER REPORTS (BORDER TO COAST & STATE STREET GLOBAL ADVISORS) WITH BORDER TO COAST ESG REPORTS**

A report of the Director of Finance was presented to provide Members with Quarterly investment reports in respect of funds invested externally with Border to Coast Pensions Partnership Limited ('Border to Coast') and with State Street Global Advisers ('State Street')

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 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 three-year periods, before calculation of the management fee.

State Street had a passive global equity portfolio invested across four different region tracking indices appropriate to each region. The State Street report, shown at Appendix B showed the market value of the State Street passive equity portfolio and the proportions invested in each region at 30 September 2024. Performance figures were also shown in the report over a number of time periods and from inception.

State Street continued to include additional information with their report this Quarter, giving details of how the portfolio compared to the benchmark in terms of environmental, social and governance factors including separate sections on climate and stewardship issues.

Border to Coast had worked with its reporting providers to develop reporting which covered the Environmental Social and Governance (ESG) issues and impact of the investments it managed, together with an assessment of the carbon exposure of these investments.

Appendix C contained 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 included information on the highest and lowest ESG-rated companies within those Border to Coast sub-funds, together with an analysis of the carbon exposure of the sub funds on a number of metrics. The sub-funds' ESG position and carbon exposure was also compared to benchmarks representing the 'average' rating across the investment universe of that particular benchmark.

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

24/45

## **GOVERNANCE POLICIES REVIEW**

A report of the Director of Finance was presented to provide Members with updated versions of a number of governance policies for comment / noting, as appropriate.

Most of the Pension Fund's governance policies were 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, had not yet taken place, but the governance issues fund and pool level were a key element of the Government's recently issued LGPS (England and Wales) 'Fit for the Future' consultation.

The latest consultation was expected to mean further guidance on LGPS governance, and would be published in the New Year. In addition, the Fund was due to be working with a different pensions administrator from June 2025. Consequently, this was a 'light touch' review of the Fund's governance policies, as further changes were likely to be required for some of them during 2025.

The following documents had been reviewed and updated (where necessary) based on the existing regulations and guidance:

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

- Communication Policy.
- Pension Administration Strategy and Charging Policy.
- Fund Officers' Scheme of Delegation.

The documents were shown at Appendices A to H of the report.

**ORDERED** that:

- The information provided was received and noted.
- The revised governance policies would take immediate effect.

24/46

### **LGPS NATIONAL KNOWLEDGE ASSESSMENT OUTCOME**

A report of the Director of Finance was presented to inform Members of 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.

The National Knowledge Assessment (NKA) allowed a direct insight into the knowledge and skills of their key decision makers and oversight body. Participants answered a series of questions covering a broad spectrum of topics, for which they should be familiar to effectively perform their role. Based on responses, a score was recorded for each member, and also collectively for both the Committee and Board.

The report included benchmarking against the results of all other participating Funds. The assessment would help the Fund assess and report on the Knowledge and Skills of Committee and Board members, demonstrating that they had met the requirements laid out in The Pensions Regulator's General Code of Practice.

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.

Based on the results from the assessment, potential training sources had been prepared based on what would be most valuable to the Fund at the present time.

A discussion took place whereby the training budget was reflected on; a Member suggested that all Members offer firm commitment to the Committee because of this. It was further highlighted by the Director of Finance that there was great value in having stability on the Pension Fund and would encourage members to remain on the Committee.

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

24/47

### **PRESENTATION FROM THE ACTUARY - 2025 VALUATION PREPARATION**

A presentation on the 2025 Valuation Preparation was provided by the Actuary. The presentation included:

- How the Fund works.
- Role of the Actuary.
- Reasons behind a valuation.
- How a valuation is completed.
- 2022 valuation results.
- What has happened since 2022.
- Key funding decisions.

The presentation highlighted areas of what the actuary carried out for stakeholders, with the main focus on carrying out fund valuations. It was noted that there was a statutory

requirement to complete a valuation every three years with assumptions and estimations also included. The actuary also performed ongoing health checks to ensure there were enough funds set aside.

The information provided showed a funding level of 116%, with a total average employer rate of 14.8%. Funding had improved since 2022, with assets returns positive. There had been rising interest rates and high inflation with a higher expected return on the Fund's assets.

For 2025 there were key funding decisions that the Fund should make; how much should be collected in contributions, and how much in investment returns.

The Actuary highlighted the results of national assessment as a useful resource, with on-demand learning which could be revisited multiple times. It was advised that Committee Members complete modules 7: Financial Markets and Product Knowledge and 8: Actuarial Methods, Standards and Practices, and Board Members should complete modules 4: Pensions Accounting and Audit Standards and 8: Actuarial Methods, Standards and Practices.

A Member queried the timeline for the valuation preparation and how this aligned with Local Authority's budget planning. The Actuary advised that in March 2025 a comprehensive set of assumptions would be compiled, conversations with Officers would begin in June and discussions with Employers in Autumn. The Director of Finance advised that there would be an expectation that this would be available for September when most Local Authorities commenced budget planning.

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

24/48

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

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

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

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

To allow a practical and consistent approach to pooled investments, Border to Coast developed a Responsible Investment (RI) Policy and a Corporate Governance and Voting Guidelines document for all its Partner Funds to approve that applied across all the investments it held on their behalf. 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) could 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](https://www.bordertocoast.org.uk/publications/?_sfm_publication_document_type=Responsible%20Investment%20Policies)

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

A Member raised the issue of Responsible Investment and tobacco exclusion being considered as part of the policy. Border to Coast advised that further exclusions will be considered more fully in 2025 and will bring forward tobacco as part of that discussion.

**ORDERED** that Members noted and approved the changes made to the Border to Coast documents – relevant extracts were included as Appendices A, B and C to the report.

24/49

## **PRESENTATION FROM BORDER TO COAST - RESPONSIBLE INVESTMENT**

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

The presentation provided information on the following:

- Listed Investments as at 30 September 2024.
- Macro outlook Q3 2024.
- Listed Investments: Performance Q3, 2024.
- Private Equity.
- Infrastructure.
- Responsible Investment Update.

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

24/50

## **GOVERNMENT CONSULTATION - LGPS (ENGLAND AND WALES) FIT FOR THE FUTURE**

A report of the Director of Finance was presented 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. The report also asked Members to agree that the Head of Pensions Governance and Investments (in consultation with the Chair and Vice Chair) could draft and submit a consultation response on behalf of the Fund / the Council as administering authority for the Fund.

The Government confirmed on 4 September 2024 that it would carry 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' which focussed 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."

There was a three-week deadline for responses. The Head of Pensions Governance and Investments had 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 invested in the UK.

Consideration was also given as to whether potential pool or fund consolidation would of itself lead to greater investment in UK assets, as the call for evidence seemed to imply.

On 14 November 2024, Chancellor of the Exchequer Rachel Reeves announced as part of her Mansion House speech that she would be "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.”

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 would close on 16 January 2025.

Some significant points from the consultation included:

- LGPS Pool companies would need to be regulated by the Financial Conduct Authority (FCA) and able to offer internal management (Border to Coast was already FCA regulated and offers internal management in some asset classes).
- Funds/Administering Authorities would need to transfer all their listed assets to their Pool by 31 March 2025 and would be expected to transfer legacy assets to the management of the Pool by 31 March 2026.
- Pool companies would be expected to be the principal source of investment advice to Funds/Administering Authorities.

During discussion, a Member suggested that it would be more inclusive if large employer stakeholders were able to contribute directly to the consultation. The Head of Pensions, Governance and Investments advised that it was an open consultation, allowing anyone to respond. However, the draft response of the Teesside Pension Fund Committee would be shared with S151 Officers in the neighbouring authorities.

**ORDERED:**

- That the Committee agreed that consultation responses would be drafted and submitted.
- The Committee had the opportunity to provide any suggestions in relation to the Fund’s consultation response at this meeting or, over the following weeks, through feedback to the Chair or Vice Chair.

24/51

**INVESTMENT ADVISORS' REPORTS**

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

Further commentary was provided at the meeting.

Both Advisors spoke of the United States, with the focus on what a Trump administration meant for the economy, in particular the expectation of substantial trade tariffs.

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

24/52

**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.

The report included:

- Economic Commentary.
- Direct Portfolio Analysis.
- Property Portfolio Returns.
- Investment and Asset Management Updates.
- Portfolio Arrears Update.
- Lending Update.
- Existing Loan Portfolio.
- Responsible Investment Initiatives.

As of 30 November 2024, the portfolio comprised of 34 properties located throughout the UK,

with a combined value of £485.1m. This reflected an overall Net Initial Yield of 5.5%, and an Equivalent Yield of 5.88%. The portfolio comprised of principally prime and good secondary assets. High Street retail, retail warehouse and industrial comprised 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 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 was 8.9 years to the earlier of the first break or expiry and 9.6 years to expiry, ignoring break dates.

The portfolio highlight was that the Fund was negotiating a £25m Bridge Loan Facility to Verdant Regeneration Limited. The loan would aid the borrower with infrastructure and enabling works at the 176-acre site in Ilkeston, Derbyshire. On completion, the Fund's loan book would reach the current target allocation of £100m.

A member raised a query in respect of the portfolio arrears, in particular a tenant's total arrears of £108,123 (27.3% of the collectable arrears). CBRE confirmed that this was due to the reporting cycle and that some tenants preferred to pay monthly rather than quarterly. It was noted that the rent collection figure was more meaningful to the Fund.

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

24/53 **XPS PENSIONS ADMINISTRATION REPORT**

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

The report provided information on the following:

- Overview.
- Membership Movement.
- Errors and Complaints.
- Membership Engagement.
- Data Quality.
- Regulations and Guidance.
- SLAs.
- Administration Team.

The report was taken as read with further commentary provided at the meeting.

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

24/54 **ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, CAN BE CONSIDERED**

None.

24/55 **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.

24/56 **PROPERTY MANAGEMENT**

A report was presented to request that Members consider a revised approach to the management of the Pension Fund's directly held property portfolio, in the light of the requirements set out in the Government's recently issued "LGPS (England and Wales): Fit for the Future" consultation.

**ORDERED** that option one, as detailed in the report, was approved.

24/57 **PROCUREMENT UPDATE**

11 December 2024

A report was presented which provided Members of the Teesside Pension Fund Committee (the Committee) with an overview of administration services provided to the Teesside Pension Fund by XPS Administration.

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