

Agenda Item

Subject	Transition Plan	Status	For Publication
Report to	Authority	Date	14 March 2024
Report of	Director		
Equality Impact Assessment	Not Required	Attached	N/a
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1 Purpose of the Report

- 1.1 To update the Authority on the Fund's plan to transition remaining assets to Border to Coast.

2 Recommendations

- 2.1 Members are recommended to:
- a. **Note the contents of the report.**

3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:

Investment Returns

To maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long-term liabilities.

Responsible Investment

To develop our investment options within the context of a sustainable and responsible investment strategy.

Effective and Transparent Governance

To uphold effective governance, showing prudence and propriety at all times.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report do not address specific risks identified in the Corporate Risk Register, however, they do support a general approach to investment intended to focus on the long-term sustainability of what is being invested in and to therefore ensure the liabilities of the Fund are met in the longer term.

5 **Background and Options**

- 5.1 In July of last year, the Government published a consultation “Local Government Pension Scheme (England and Wales): Next steps on Investments”. Among the key points raised:
- A clear timeline of March 2025 for the transition of all listed assets to the pool.
 - Clear plans and timelines for the overall transition and a high bar for holding assets outside the pool.
 - A requirement to publish a plan showing how the Fund will move to achieve investment of 5% of AUM in projects which support “levelling up”.

As the Authority has already transitioned its listed holdings and published a Place Based Impact Policy this report concentrates on the plan for the overall transition.

- 5.2 SYPA made the commitment to pool assets through Border to Coast in 2018 and there has been a significant migration to date with all our listed equity and bond portfolios having transitioned across to Border to Coast. We have also made annual commitments to their alternatives programme over the last 5 years and currently 71.1% of SYPA assets are managed by Border to Coast. This figure will increase as the commitments are drawn down into the alternative portfolios.

- 5.3 Among the assets yet to migrate are our property and legacy alternative assets.

- **Property**

Border to Coast recently launched their Global real estate funds and as a means of diversifying our property exposure we made a £95m commitment to the Core Global Real estate fund. This is expected to be drawn down within the next 18 months.

Border to Coast is expecting to launch the UK Real Estate fund in September 2024 and the Authority has already approved the transition of our English property assets and PUTs into this fund (Welsh and Scottish assets are unable to transition) An estimated £540m of assets will be transitioning and underscores our commitment to pooling via Border to Coast

However, it is crucial to note that certain specialised property assets such as agricultural holdings held within the RLAM Natural Capital fund, are earmarked to remain outside Border to Coast’s control. Similarly, bespoke portfolios, including CBRE managed property loans and select housing funds within the place-based impact portfolio, will remain outside the pool.

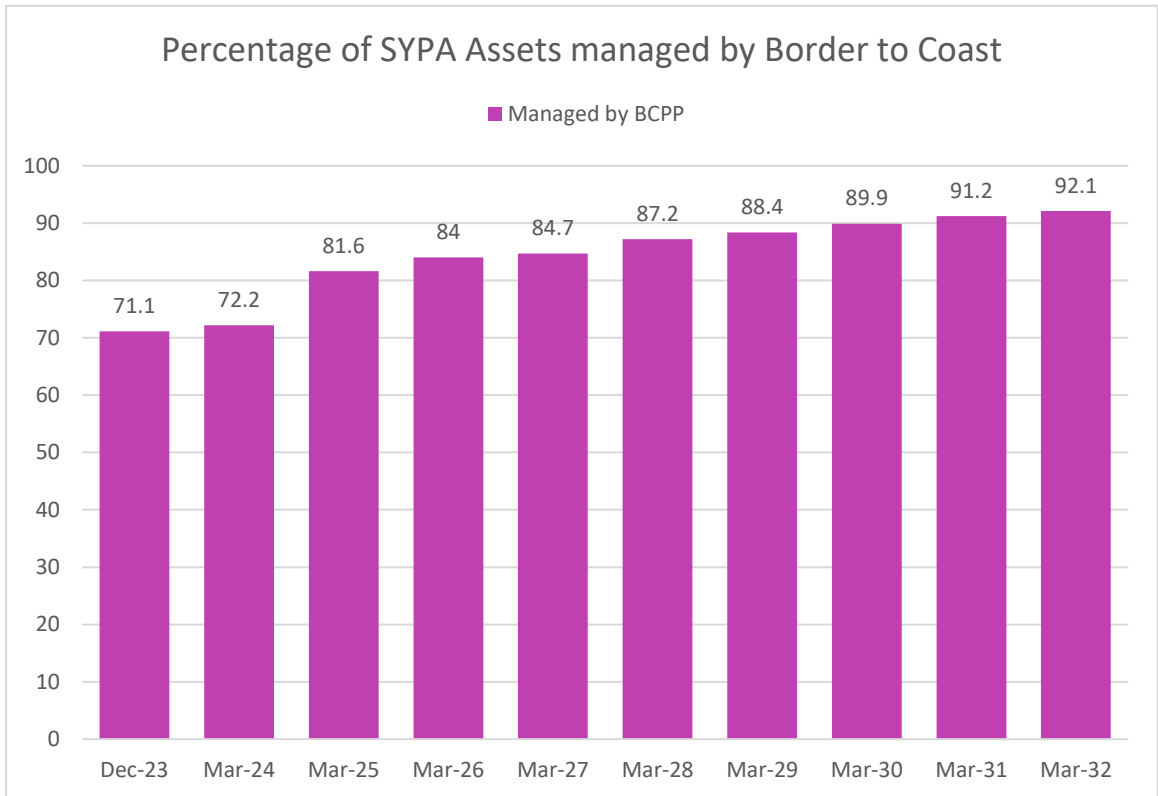
- **Alternatives**

SYPA has a legacy portfolio of alternative assets that are in gradual runoff. Despite the waning of these assets the nature of them means that their disposition will unfold over an extended timeline. We have undertaken a cash flow analysis of all our holdings and the graph below charts the gradual convergence towards Border to Coast management.

The transition timeline for monies in legacy assets to move across to Border to Coast is expected to span 8 years but should optimise value of these assets.

Over the last 5 years we have made most of our strategic annual commitments to alternatives through Border to Coast. The only commitments made directly

by SYPA have been in the place-based portfolio or in renewables funds as part of our investment strategy that Border to Coast were unable to fulfil at that time.



5.4 As we progress towards 2032 the residual balance will be the assets held in our place-based portfolio which is earmarked to be 5% of the total fund value and is testament to SYPA’s commitment to effecting societal change through its investment initiatives without compromising on the return to the Fund. Similarly, the Natural Capital portfolio is currently distinct from Border to Coast management. While Border to Coast’s Climate Opportunity Fund offers a glimpse into potential synergies, SYPA’s current investment strategy necessitates a direct approach to fully realize its bespoke investment imperatives. Border to Coast have designed a mechanism that we will be able to achieve extra exposure to any fund that they invest in which is within the Natural Capital arena. However, this will not give us the exposure we need under our Investment Strategy and as such we currently need to make this investment directly.

6 **Implications**

6.1 The proposals outlined in this report have the following implications:

Financial	None directly.
Human Resources	None
ICT	None
Legal	None

Procurement	None
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Background Papers	
Document	Place of Inspection
None	