



Minutes of the Border to Coast Joint Committee

Tuesday 4 June 2019 - Aspire, 2 Infirmary Street, Leeds, LS1 2JP

Present

Members

Councillor Mark Davinson, Councillor Tim Evans, Councillor Eileen Leask, Councillor Doug McMurdo, Councillor Richard Meredith, Councillor Bob Stevens, Councillor Mick Stowe, Councillor Eddie Strenziel, Councillor Jeff Watson, Councillor John Weighell and Councillor Mel Worth

Nicholas Wirz and Deirdre Burnet (Scheme Member Representative and Substitute)

Border to Coast Ltd Representatives

Daniel Booth, Rachel Elwell, Chris Hitchen and Fiona Miller

Fund Officers

Amanda Alderson, Ian Bainbridge, Alison Clark, Paul Cooper, Kevin Dervey, Clare Gorman, George Graham, Neil Mason, Julie McCabe, Michael Nicolaou, Nick Orton, Jo Ray and Gill Richards

Apologies were received from

Councillor Sue Ellis

1 APOLOGIES FOR ABSENCE/DECLARATIONS OF INTEREST

Apologies were noted as above.

The Chair thanked outgoing members of the Committee Councillors Steve Bloundele and John Holtby for their contribution to the work of the Committee.

The Committee sent condolences to Councillor Sue Ellis due to her recent bereavement.

There were no declarations of interest.

2 MINUTES OF THE MEETING HELD ON 11TH MARCH 2019

A discussion was held regarding the circulation of Joint Committee papers wider than members of the Joint Committee and officers supporting it. The query had been raised by Nicholas Wirz who wanted to canvass the views of others, including other members of Local Pension Boards, when considering items on the agenda. Whilst advice had been provided that this was not appropriate it was noted that it was appropriate for the papers to be also sent to the Scheme Member substitute

representative. This would allow the Scheme Member Representative and the Substitute to discuss any relevant issues. The Chair asked that further research on the approaches adopted by each administering authority should be undertaken.

It was agreed that the following paragraph be added to minute 7:

“It was noted that in the table on page 50, ref. 4.6, that with regard to scheme member representation it be noted that Border to Coast’s Joint Committee was compliant rather than fully compliant as the guidance refers to scheme members whereas the Joint Committee includes one scheme member”.

RESOLVED: That, subject to the following addition to minute 7 as detailed above, the minutes be agreed as a true record.

3 ANNUAL ELECTION OF COMMITTEE CHAIR AND VICE-CHAIR. ANNUAL NOMINATION TO BORDER TO COAST BOARD - IAN BAINBRIDGE

A report was considered which set out the process by which the Joint Committee would select its Chair and Vice-Chair and make a nomination to the Board of Border to Coast for a Non-Executive Director to sit on the Company Board.

The Committee was reminded that legal advice was being sought in respect of issues around the Partner Fund nominated representatives taking on the role of a Non-Executive Director in Border to Coast. As this advice had not yet been received it was proposed to delay the process until the advice had been received and considered.

The Committee noted that the ballot for the Non-Executive Director role would be held first as it had been previously agreed that any member selected as a Non-Executive Director should not continue to sit on the Joint Committee.

After a discussion it was agreed that voting should be by a private postal ballot.

RESOLVED:

- i) That the Committee agree to delay the selection process for the nomination of the Partner Fund Non-Executive role and the Chair and Vice-Chair of the Joint Committee.
- ii) That Members should be balloted in advance of the September meeting of the Joint Committee:
 - a) to nominate a candidate to be considered as a Non-Executive Director of Border to Coast for a term of two years.
 - b) to select a Joint Committee Chair for 2019-2020.
 - c) to select a Joint Committee Vice-Chair for 2019-2020.
- iii) That the vote be conducted as a private postal ballot.

4 FUTURE MEETING DATES - CLARE GORMAN

A report was submitted which set out proposed dates for future meetings of the Joint Committee. These were in addition to the dates for 2019 and early 2020 which had previously been agreed. The dates were:

- Tuesday 16 June 2020;
- Tuesday 29 September 2020;
- Tuesday 24 November 2020;
- Tuesday 9 March 2021;
- Tuesday 8 June 2021;
- Tuesday 28 September 2021
- Tuesday 23 November 2021; and
- Tuesday 8 March 2022.

It was agreed that the next meeting of the Joint Committee on 11 September 2019 be held in Leeds and that preferences for the venue for subsequent meetings be communicated to the Chair.

R Elwell suggested members meet for dinner in Leeds before the next meeting in September. It was agreed that members let the Chair know of their availability for this.

RESOVLED: That the meeting dates as listed above be agreed.

5 JOINT COMMITTEE BUDGET - IAN BAINBRIDGE

I Bainbridge presented a report which gave details of the final spend against the 2018/19 budget.

The Committee noted that the total expenditure against the budget of £30,000 was £17,300, the majority of which was on legal work to provide advice on the alternatives structures and legal agreements.

Members were reminded that at the last meeting of the Committee a budget of £40,000 had been approved for 2019/20. A forecast of expenditure against this budget had not been provided as it was too early in the financial year.

It was noted that it remained difficult to determine if the level of budget was appropriate; the provision of legal advice in relation to a disclosable pecuniary interest within the meaning of s31 Localism Act 2011 and dispensations would be charged against this budget.

RESOLVED: That the Committee:

- i) Note the final spend in 2018/19 was £17,300 against a budget of £30,000.
- ii) Note the position for the 2019/20 budget.

6 UPDATE FROM THE CLIMATE CHANGE WORKING PARTY - RACHEL ELWELL

R Elwell presented a report which gave an update on the Climate Change Working Party.

The first meeting had been held in February when an industry expert had been invited to help the Working Party set out its objectives and a plan of work whilst sharing the experiences of large asset owners around the world.

The Working Party had met twice since the first meeting, considering risk identification and the case for engagement. The next sessions would consider the role of asset managers, collaboration and finally communication and review ahead of reporting back to the Joint Committee and Board later in 2019.

Members noted that a climate change briefing newsletter had been issued in March 2019 and further briefings were anticipated throughout the process. There would also be a climate change section in the Border to Coast Annual Responsible report which was due to be published in early July.

Members commented that climate change was an area where there was significant pressure on Partner Funds. Some councils had declared climate change emergencies and there had been protests in council meetings.

The Committee was assured that Responsible Investment and sustainability were central to Border to Coast's corporate and investment ethos and a key part of delivering Partner Fund's objectives.

RESOLVED: That the update provided in the report be noted.

Exclusion of the Public and Press

7 CEO REPORT MAY 2019 - RACHEL ELWELL

The Committee considered the CEO's report for the period since the last Joint Committee meeting which contained:

- Progress update, including interactions with Partner Funds.
- A summary of risk positioning and performance of the launched funds.
- An update on progress with Global Equity Alpha.
- An update on progress from a corporate functions perspective and the final outturn for the Operating Budget.

During the period workshops had been held on fixed income, alternatives and global equity along with an update session for Partner Fund advisors to enable them to feedback any questions and hear from Border to Coast directly.

Included as an appendix to the report was the current Management Information that had been developed to track progress for each Partner Fund.

This showed the expected transition based on each Fund's Investment Strategy Statement and expected fund launch dates, the best estimate of transition based on discussions between Border to Coast and Pensions Officers and actual AUM transferred to date. Members felt this was a very useful document which should be shared with respective Pensions Committees

The report updated the Committee on Shareholder discussions and it was noted that the AGM would be held on 18th July in Leeds.

With regard to the consultation on MHCLG guidance, it was noted that this had now been opened to all rather than just interested parties. It was unclear whether responses would need to be re-submitted. It was noted that further clarity on this should be sought from MHCLG.

RESOLVED: That the report be noted.

8 BORDER TO COAST ALTERNATIVES CAPABILITY: GO LIVE (PRIVATE EQUITY), INFRASTRUCTURE UPDATE AND PRIVATE CREDIT DESIGN - RACHEL ELWELL

The Committee considered a report with regard to Border to Coast alternatives capability which included:

- An update on progress to build the alternatives structure, including legal documentation, development of investment pipelines and expected launch date.
- An overview of the Private Credit offering and a recap of the investment process.
- The financial implications of, and risks associated with, the Operating Model.

Members noted that the pipeline of investment opportunities for Private Equity had been developed (attached at Appendix 1) as had the pipeline for Infrastructure (Appendix 2); the pipeline for Private Credit was being developed.

The report included the anticipated timetable for launching the portfolios.

The Committee then discussed ways of measuring performance of the various portfolios.

RESOLVED: That the Committee:

- i) Note the update on the Operating Model and investment and governance processes.
- ii) Note the overview of the Private Credit offering.
- iii) Agree to delegate to Officers the authority to review the contractual documentation required to support the Private Credit offering.

9 **BORDER TO COAST ACS FIXED INCOME FUND: INVESTMENT GRADE CREDIT DESIGN AND MAC NEXT STEPS - RACHEL ELWELL**

A report was submitted regarding Border to Coast's Fixed Income Credit offerings focusing on Investment Grade Credit and Multi-Asset Credit (MAC).

Members were informed that Border to Coast was following a similar design, build and launch process as previously: a collaborative approach to design; agreement to build if there was sufficient interest; and launch once necessary conditions had been met.

Six partner funds with existing external Investment Grade Fixed Income allocations had indicated an interest in this fund, subject to some specific Partner Fund caveats and Pension Committee approvals.

There was also strong Partner Fund interest in MAC as a diversifier to public equities. The main area for discussion as proposition design progressed was the inclusion of internal management capabilities.

G Graham commented that Border to Coast had inherited significant internal capability from Partner Funds and South Yorkshire would be unhappy if this capability was wasted.

C Hitchen commented that there was every intention to maintain an internal capability.

F Miller remarked that the internal capability was one of Border to Coast's absolute strengths together with the common approach from all Partner Funds who had a good track record of working together to come to shared and reasonable solutions.

RESOLVED: That the Committee:

- i) Agree to the proposed sub-fund designs for Investment Grade Credit and Multi-Asset Credit as set out in the paper.
- ii) Delegate review and comment on the draft Investment Grade Credit prospectus to a working party of Partner Fund officers under its terms of reference.

10 **UPDATE ON EMERGING MATTERS - RACHEL ELWELL/FIONA MILLER AND IAN BAINBRIDGE**

None.

11 **ANY OTHER BUSINESS**

The Chair requested that members communicated to him their availability for dinner in Leeds the evening before the next Joint Committee meeting in September and also their preferences for the location of future Joint Committee meetings.

CHAIR