

# Public Document Pack



**PENSIONS PARTNERSHIP**

**BCPP JOINT COMMITTEE**

## **AGENDA**

**Venue:** Aspire, Leeds

**Date:** Wednesday 11 September 2019

**Time:** 12.45 pm

### **Membership:**

#### **Chair:-**

Cllr Doug McMurdo Bedfordshire Pension Fund

#### **Vice Chair**

Cllr Tim Evans Surrey Pension Fund

#### **Membership:-**

Cllr Mel Worth	Cumbria Pension Fund
Cllr Mark Davinson	Durham Pension Fund
Cllr Richard Meredith	East Riding Pension Fund
Cllr Eddie Strengiel	Lincolnshire Pension Fund
Cllr Jeff Watson	Northumberland Pension Fund
Cllr John Weighell	North Yorkshire Pension Fund
Cllr Mick Stowe	South Yorkshire Pension Fund
Cllr David Coupe	Teesside Pension Fund
Cllr Eileen Leask	Tyne & Wear Pension Fund
Cllr Bob Stevens	Warwickshire Pension Fund

## **Terms of Reference of the BCPP Joint Committee**

1. The primary purpose of the Joint Committee is to exercise oversight over investment performance of the collective investment vehicles comprised in the BCPP Pool.
2. The Joint Committee will provide effective engagement with the Authorities as the BCPP Pool vehicles are established and ultimately operated. It will encourage best practice, operate on the basis that all partners have an equal say and promote transparency and accountability to each Authority.

The remit of the Joint Committee is:

### **2.1 Phase 2 – Post Establishment and Commencement of Operations**

- 2.1.1 To facilitate the adoption by the Authorities of relevant contracts and policies.
- 2.1.2 To consider requests for the creation of additional ACS sub-funds (or new collective investment vehicles) and to make recommendations to the BCPP Board as to the creation of additional sub-funds (or new collective investment vehicles).
- 2.1.3 To consider from time to time the range of sub-funds offered and to make recommendations as to the winding up and transfer of sub-funds to the BCPP Board.
- 2.1.4 To review and comment on the draft application form for each additional individual ACS sub-fund on behalf of the Authorities prior to the Financial Conduct approval (or the draft contractual documents for any new collective investment vehicle).
- 2.1.5 To formulate and propose any common voting policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
- 2.1.6 To formulate and propose any common ESG/RI policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
- 2.1.7 To formulate and propose any common conflicts policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
- 2.1.8 To agree on behalf of the Authorities high level transition plans on behalf of the Authorities for approval by the Authorities for the transfer of BCPP assets.
- 2.1.9 To oversee performance of the BCPP Pool as a whole and of individual sub-funds by receiving reports from the BCPP Board and taking advice from the Officer Operations Group on those reports along with any external investment advice that it deems necessary.
- 2.1.10 To employ, through a host authority, any professional advisor that the Joint Committee deems necessary to secure the proper performance of their duties.

## **AGENDA**

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*6	<b>CEO Report August 2019 - Rachel Elwell (Exemption Paragraph 3)</b>	31 - 46
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8	<b>Standing Item - Update on Emerging Matters - Rachel Elwell/Fiona Miller/Ian Bainbridge</b>	Verbal Report

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## 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 Strengiel, Councillor Jeff Watson, Councillor John Weighell and Councillor Mel Worth

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

#### Border to Coast Ltd Representatives

Rachel Elwell, Chris Hitchen and Fiona Miller

#### Fund Officers

Amanda Alderson, Ian Bainbridge, Daniel Booth, 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 canvas 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 complaint 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.

RESOLVED: 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 18<sup>th</sup> 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



## BCPP Joint Committee

**Date of Meeting:** 11<sup>th</sup> September 2019

**Report Title:** Annual Election of Committee Chair and Vice-Chair  
Annual nomination to Border to Coast Board

**Report Author:** Governance Sub Group Secretary – David Hayward

### 1.0 Executive Summary:

- 1.1 This report sets out the process by which the Joint Committee will 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.
- 1.2 It is proposed to hold a selection process at the close of this meeting.
- 1.3 The Joint Committee will select (in this order ) the following:
  - 1.3.1 Nominee for Non-Executive Director Role for a two year term (2019-2021)
  - 1.3.2 A Chair for the Joint Committee for one year (2019-2020)
  - 1.3.3 A Vice Chair for the Joint Committee for one year (2019-2020)

### 2.0 Recommendation:

- 2.1 That Members consider the report and adopt the following recommendations for the reasons set out in detail in this paper.
  - 2.1.1 That members note the guidance about the roles set out in this report
  - 2.1.2 That members undertake a selection procedure for the roles set out above using the single transferable vote method following the conclusion of business in this meeting
  - 2.1.3 That Members consider the term of office to be served by the Chair and Vice-Chair and determine whether that should run to the June 2020 or September 2020 meeting of the Joint Committee

### 3.0 Chair and Vice Chair of the Joint Committee:

- 3.1 The Chair and Vice-Chair roles are selected annually in accordance with the constitution of the Joint Committee set out in the Inter Authority Agreement. It should be noted that the Inter Authority Agreement (IAA) allows a Chair and Vice

Chair to serve for consecutive terms. As both Chair and Vice Chair are in their first terms they are eligible for re-election.

- 3.2 The role of the Chair and Vice Chair is described in the role profile appended to this report as Appendix 1. The Vice Chair is required to shadow the Chair and to Chair any Joint Committee meetings that the Chair is unable to attend.

#### **4.0 Partner Fund Nominated Non-Executive Director:**

- 4.1 The Joint Committee has previously determined that it is beneficial to provide two candidates to the Company to act as Non-Executive Directors. One of these roles is presently vacant following the resignation of the previous incumbent. The position was in any event due to be re-considered at this time.

- 4.2 The selected candidate will be expected to serve a two year term on the Board.

- 4.3 It is recognised that acting as a director of the Company will be a Disclosable Pecuniary Interest within the meaning of s31 Localism Act 2011. Depending on the circumstances and arrangements at each individual administering authority, it may then prove necessary to refer the matter to the individual authority's Standards Committee for a dispensation pursuant to s33 of the Localism Act. Ultimately, however, it is for candidates for the role of Partner Fund Nominated Non-Executive Directors, to satisfy themselves that they are able to carry out such functions in relation to their local pensions committees as they deem desirable.

- 4.4 Following some concerns raised about the appropriateness of a Councillor being appointed to the role of Non-Executive Director and how a dispensation might be couched, it was agreed that external legal advice would be sought on behalf of the partner funds.

- 4.5 This advice has now been received from leading Counsel, which provides support for the approach being adopted by the Partner Funds in the Border to Coast pool and provides guidance on how a possible dispensation under the Localism Act could be put in place to secure that.

- 4.6 The Role Profile, the FCA requirements and the information previously provided by the Company regarding the selection procedure are annexed to this report. (Appendices 2 and 3).

#### **5.0 Election Process to be Adopted:**

- 5.1 The Joint Committee constitution simply provides for the members of the Joint Committee to select a Chair and Vice Chair. Practice to date has been to elect those roles outside of the Committee Meeting so the provisions of voting by show of hands do not apply and a secret ballot can be used. The normal process would be that the election to those posts and the nomination for the role of Partner Fund nominated Non-Executive Director should take place at the first Joint Committee meeting following the start of the new municipal year.

- 5.2 However, it has been previously agreed that any member selected as Non-Executive Director should not continue to sit on the Joint Committee in a voting capacity. For

this reason it is important that the ballot for the nomination to the Non-Executive Director role should be held first.

- 5.3 Due to the issues noted above in connection with Partner Fund Nominated Non-Executive Directors, it was not possible to undertake this process at the first meeting of the municipal year, June 2019.
- 5.4 Instead, at the June meeting of the Joint Committee, it was agreed that the selection process would be put on hold pending the receipt of legal advice and consideration of this by the administering authorities. To facilitate this, it was further agreed that the election and nomination process would be undertaken by “postal ballot”, using a single transferable vote, in advance of the September meeting of the Joint Committee to provide time for the new Chair of the Joint Committee to be in place in advance of the meeting.
- 5.5 However, it has taken significantly longer than expected to get to a point where there is agreement amongst the administering authorities on the advice received and a proposed dispensation. Given that this stage was only reached in mid-August, this was not considered to be sufficient time to advise the Joint Committee of the position, seek nominations and then provide time to run a postal ballot process in advance of the next Joint Committee meeting.
- 5.6 Following discussions with the current Chair of the Joint Committee, officers at Border to Coast and pension fund officers, it was proposed that the most appropriate and practical approach would be to hold the nomination and election process at this, the next Joint Committee. Consideration was given to holding this process on the morning of the meeting in advance of the meeting itself, but it was felt to be unfair to the successful candidate for the position of Chair of the Joint Committee, to have to Chair the meeting immediately afterwards, without the opportunity to fully prepare.
- 5.7 It has therefore been concluded that the practical approach was to hold the nomination and election at the end of the Joint Committee meeting, as would have been the case if we were able to hold the nomination and elections in June. There is a further complication in that at least one of the Partner Funds Joint Committee representative is unable to attend this meeting and could not participate in any ballot in person.
- 5.8 It is considered important that each Partner Fund is provided with the opportunity to be able to take part in the process. This could easily be accommodated by allowing a Joint Committee member to appoint a proxy to vote on their behalf. However, the past practice when votes have been cast at the end of a Joint Committee meeting has been to use an exhaustive ballot process. However, this does not easily lend itself to a proxy vote, especially if the vote goes to a second or third ballot.
- 5.9 It is therefore, considered appropriate to use an election process, which more easily allows Partner Fund representatives to participate whether they are in attendance or not. It is believed that this can be reasonably achieved by using the single transferable vote (STV) system for the ballot. This is the process that was proposed and agreed by the Joint Committee, when the intention was to undertake a postal ballot. It was also the method used for the selection of the scheme member representative. Should a member representing one of the Partner Funds not be able

to attend the meeting and the vote in person they will be provided with the opportunity to submit their ballot to the Committee secretariat, who will ensure that the vote is counted along with those cast in person, .

- 5.10 It would seem appropriate to also adopt this method for future selections as well, in order to ensure that members can always participate in the selection process and to have as flexible a process as possible. Adoption of STV would for example, allow use of a “postal” ballot to fill any casual vacancies without having to wait for the relevant moment in the committee cycle or when members are unable to attend a meeting.
- 5.11 Prior to this meeting and the circulation of this report all members wishing to become either Chair or Vice Chair or to be nominated as a Non-Executive Director of the Company, have been asked to circulate a short supporting statement to all members of the Joint Committee (through the Secretariat). The supporting statements will be made available to members under separate cover immediately following the closing date for submissions on 2 September 2019.
- 5.12 Members will note that the process has been delayed by one committee cycle and that this has a potential knock on effect for the terms to be served. In the case of the Non-Executive Director it may still be possible to have the role term line up with others on the Board provided that the FCA vetting and Board and shareholder approvals are quickly obtained. In the case of the role of Chair and Vice Chair it is open to the Joint Committee whether the roles should be performed until the next meeting after the close of the municipal year (as previously) or should run through to next September’s meeting. Either option is operable and members are asked to determine their preference at the meeting.

## **6.0 Conclusion:**

- 6.1 That the Joint Committee should agree the arrangements for conducting the selection process for the Chair and Vice Chair of the Joint Committee and for the nomination of the Partner Fund Non-Executive Director.

### **Report Author:**

David Hayward: David.Hayward@southtyneside.gov.uk

### **Further Information and Background Documents:**

Appendix 1: Role Profiles for Chair and Vice-Chair of the Joint Committee

Appendix 2: Role Profile for Border to Coast Non-Executive Directors

Appendix 3: Border to Coast Process for Partner Fund Nominated Non-Executive Directors

Please Note – These appendices have not changed from those previously reported at the meeting in March.

### Role Profile for Chair and Vice-Chair

#### Overall

- Leading the BCPP Joint Committee to enable it to fulfil its purpose.
- To ensure an effective relationship between:
  - the Joint Committee and BCPP Limited
  - the Joint Committee and the partner funds
  - the Joint Committee and the external stakeholders/community
- Acting as a spokesperson and figurehead as appropriate.
- To supervise and support the Chief Executive and Non-exec Chair of BCPP Limited

#### Specifically

- Plan and prepare the BCPP Joint Committee meetings with others as appropriate.
- Chair BCPP Joint Committee meetings ensuring:
  - A balance is struck between time-keeping and space for discussions.
  - Business is dealt with and decisions made.
  - Decisions, actions and deliberations are adequately minuted.
  - The implementation of decisions is clearly assigned and monitored.
- Ensure that a successor to the post of Chair is found when the term of office is due to end and the new term begins.

#### Experience and Qualities

- A willingness to lead the partnership.
- A strong background/working knowledge of the LGPS.
- Recent experience of serving on an LGPS Pensions Committee.
- A working knowledge of asset strategy and implementation thereof.
- Possesses tact, diplomacy and powers of persuasion.
- Has the relevant skills and experience to run a meeting well.

#### Capacity

- The capacity to commit the time that will be required to undertake this role, including any travel that may be required to undertake duties associated with the role to represent BCPP nationally.

#### Role of the Chair

##### 1. Chairing the Joint Committee Meeting

The Chair (or in his/her absence, the Vice-Chair) will be the person presiding over BCPP Joint Committee meetings. The Chair of the BCPP Joint Committee does not have a casting vote.

## **2. Election of the Chair**

The Chair will be elected by the Joint Committee in accordance with an agreed procedure annually from among the Joint Committee Members and will receive regular briefings by the Chief Executive and Chair of the BCPP Company on current issues. They will also receive direct support from the Chair of the Officer Operations Group.

## **3. Responsibilities of the Chair**

The Chair will have the following responsibilities:

- 3.1 to uphold and promote the purposes of the terms of reference and the inter authority agreement, and to interpret these when necessary during BCPP Joint Committee meetings;
- 3.2 to preside over meetings of the BCPP Joint Committee so that its business can be carried out efficiently and with regard to the rights of Members and the interests of the Partner Funds and their employers and members;
- 3.3 to ensure that the BCPP Joint Committee is a forum for the debate of matters of concern to Partner Funds and their employers and scheme members
- 3.4 to be the public face of the BCPP Joint Committee and to represent the Partner Funds at wider events as required



### Role Profile for Border to Coast Non-Executive Directors

Role Title: Non-Executive Director	
<p><b>Purpose of the role:</b></p> <p>To fully participate in ensuring the Board exercises effective leadership of and control over Border to Coast. To constructively challenge and contribute to the development of strategy, performance and the management of risk.</p> <p><b>About Border to Coast:</b></p> <p>Border to Coast Pensions Partnership is one of the largest pension pools in the UK. One of eight Local Government pools, Border to Coast oversees the investment of pensions assets. Our customers are at the heart of what we do; delivering long-term sustainable investment outcomes for our Partner Funds. We build long-term partnerships through working collegiately, in a sustainable and transparent way.</p> <p>Border to Coast is an FCA regulated investment company (“Border to Coast Pensions Partnership Ltd”) which manages the assets of its twelve <a href="#">Partner Funds</a> through both internal and external management within a number of investment vehicles, including an Authorised Contractual Scheme.</p> <p>A non-executive director is a member of the board of directors of an organisation, but not a member of the executive management team. They are not employees of the company, instead they have a contract for services. However, they do have the same legal duties, responsibilities and potential liabilities as their executive counterparts.</p>	
<b>Reports to:</b> Chair of the Board	<b>Level:</b> n/a
<b>Function:</b> Board	<b>Team:</b> Board
<b>Direct Reports:</b> 0	<b>SMCR:</b> Certified [SMF/ Certified/ Conduct]
<b>Role line of defence:</b>	n/a
<p><b><u>Role Dimensions</u></b></p> <p><b>Budget Responsibility:</b> n/a</p> <p><b>Number of employees in area of responsibility:</b> 0</p> <p><b>Mandate:</b> Board remit</p> <p><b>Prescribed Responsibilities (SMF):</b> n/a</p> <p><b>Time Commitment:</b> Expected to be two to three days per month, with availability for meetings, induction and training as required</p>	

## Key Accountabilities

### Role Specific Accountabilities

- Support the Chair and Executive Team in instilling the appropriate culture, values and behaviours in the boardroom and beyond
- Provide independent oversight and scrutiny of Border to Coast including:
  - Provide an impartial and independent view of Border to Coast and its operations, removed from the day-to-day running of the business
  - Oversee the performance of the Board and Executive Team in meeting strategic objectives, including monitoring financial controls and risk management systems
- Draw on wider experience, in other organisations, to provide the Board and Border to Coast Executive Team with a breadth of understanding and insight, including:
  - Challenge and contribute to the development of the strategy of Border to Coast
  - Support the development of a suitable succession plan for the Board and CEO
  - Use specialist knowledge to input to decision making processes
- Promote a culture of responsible investment and stewardship throughout the organisation
- Commit to building a full understanding of Border to Coast, especially in those areas of the business with a significant level of risk
- Take time to understand various stakeholder needs and ensure these are addressed at Board level
- Chair Committees of Border to Coast [Independent NEDs only; not Partner Fund NEDs]

## Skills, Knowledge and Experience

### Skills, Knowledge and Qualifications

#### Essential

- Excellent inter-personal and communication skills
- Awareness of Border to Coast customers and their particular needs
- Understanding of LGPS investment requirements

#### Desirable

- Other corporate knowledge – health and safety, ICT strategy and systems, HR, information management and data protection

#### Additional

- Skills, knowledge and qualifications as required dependant on succession planning requirements as per the Board skills matrix

### Experience

#### Essential

- Extensive experience of working as a non-executive director/Local Authority Committee Chair either within a public sector environment or FCA-regulated business
- Excellent understanding of working across multiple stakeholders
- Ability to satisfy fitness and propriety test for Approved Person (and, in future, Senior Manager or Certified Person) status and to continue to satisfy test including DBS check

#### Desirable

- Asset management experience would be beneficial, gained either in the commercial or pension fund sectors
- Familiarity with the FCA Statements of Principle for Approved Person (and, in future, FCA Conduct Rules).

It is important to achieve an appropriate balance of experience amongst the non-executive directors

## Appendix: FCA and Companies Act requirements for Non-Executive Directors

### FCA Requirements

Border to Coast's Directors are responsible for the governance and oversight of the Company in relation to the 11 FCA Principles of Business:

<b>1</b> Integrity	A firm must conduct its business with integrity.
<b>2</b> Skill, care and diligence	A firm must conduct its business with due skill, care and diligence.
<b>3</b> Management and control	A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
<b>4</b> Financial prudence	A firm must maintain adequate financial resources.
<b>5</b> Market conduct	A firm must observe proper standards of market conduct.
<b>6</b> Customers' interests	A firm must pay due regard to the interests of its customers and treat them fairly.
<b>7</b> Communications with clients	A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
<b>8</b> Conflicts of interest	A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
<b>9</b> Customers: relationships of trust	A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
<b>10</b> Clients' assets	A firm must arrange adequate protection for clients' assets when it is responsible for them.
<b>11</b> Relations with regulators	A firm must deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

Directors who hold Senior Management Functions or Controlled Functions are also subject to the FCA's individual conduct rules and standards:

- Rule 1: You must act with integrity.
- Rule 2: You must act with due skill, care and diligence.
- Rule 3: You must be open and cooperative with the FCA, the PRA and other regulators.
- Rule 4: You must pay due regard to the interests of customers and treat them fairly.
- Rule 5: You must observe proper standards of market conduct.

### The Companies Act Requirements

A Director should display possession of the knowledge, skill and experience that may reasonably be expected of a person carrying out the role of Director. It codifies the Directors' duties into law:

- To act within powers;
- To promote the success of the Company for the benefit of its shareholders;
- To exercise independent judgment;
- To exercise reasonable care, skill and diligence;
- To avoid conflicts of interest;
- Not to accept benefits from third parties; and
- To declare interests in proposed or existing transactions or arrangements.

Duty two requires Directors to have regard (amongst other matters) to the likely consequences of any decision in the long-term, the interests of employees, the need to foster relationships with customers, suppliers and others, the impact of operations on the community and the environment, the desirability of maintaining a reputation for high standards of business conduct and the need to act fairly as between shareholders. The government has stated that promoting success means striving for a “*long term increase in value*”.

The conflict of interest provisions requires Directors to avoid profiting from their position as a Director on an opportunistic basis and apply to exploiting an opportunity, property or information even when the Company could not take advantage of it.

Version	
Version No. and Date	v1.0; 22-02-2019
Profile created/updated by	Peri Thomas
Profile reviewed by people manager (state name & role)	Chris Hitchen, Chair of Board
Profile reviewed by HR (state name & role)	Peri Thomas, Head of HR

### Border to Coast Process for Partner Fund Nominated Non-Executive Directors

- 1 The Border to Coast Board has requested that the following be shared with the Joint Committee to provide transparency and promote understanding for those considering standing for nomination.

#### Pre-Selection

- 2 Prior to beginning the selection process the Joint Committee and Nominees should satisfy themselves that those offering themselves for selection do not have an unacceptable conflict of interest if the person appointed continues with their role with the partner fund's pension committee and the Board of Border to Coast.
- 3 The applications from the Nominees should illustrate how they meet the requirements of the Job Description (Appendix 4), including the required minimum time commitment and the requirement to undertake regular training, some of which is regulatory and compulsory.
- 4 The applicants should be comfortable with the post-selection process, including the FCA approval process. The Appendix to the Job Description details the requirements expected of directors by the FCA and the Companies Act.
- 5 Applicants must be willing to share the results of their DBS check with Border to Coast and the members of its Board.

#### Post-Selection

1. The Board would expect to meet the nominated candidates to assess whether they are comfortable to recommend to the Shareholders that they approve the appointment of the proposed nominee as a director of the company.
2. The Board reserves the right to not recommend for approval if they believe that the nominees do not meet the role profile criteria.
3. To satisfy the FCA regime, the nominees must be credit checked, satisfy anti-money laundering checks and be cleared by the Data Barring Service. At present all NEDS must then be approved by the FCA (after December 2019 under the Senior Managers and Certification Regime (Core), Border to Coast will have to self-certify NEDs other than the Chair).
4. Nominees will need to provide personal information, including photo ID and two forms of address information to apply for the Data Barring Service checks. The process of gathering the data will be managed by the Border to Coast HR team. Once the credit reference, anti-money laundering and DBS checks are completed and shared with Border to Coast, the Border to Coast Compliance team will apply for FCA approval, up to December 2019, or afterwards, register the new NED with the FCA.

5. The Board must approve the recommendation of the nominees to the Shareholders for approval to be directors. The Board may approve conditional upon the successful completion of the checks referred to above and the FCA's approval.
6. Once the checks are successfully completed, and FCA and Board approval has been obtained, the Company Secretariat will issue a resolution seeking the consent of 75% of the shareholders in line with the requirements of the Shareholders' Agreement. The time-frame for the return of Shareholder approvals vary between each of our Partner Funds.
7. Once approved by the Shareholders, the nominees will be required to enter into a service contract with Border to Coast.
8. Once all of the above is completed, the Company Secretary will register the nominees on Companies House and update the Company's register of Directors and Secretaries. Only then, will the nominee become a director of Border to Coast. This process may take up to 3 months. Hence the term for new Partner Fund nominated NEDs is expected to run from the October following nomination.

#### **Time Commitment and Remuneration**

9. The Board also asked that further information be provided regarding the time commitment involved in the role. The Board is currently scheduled to meet six times a year, with Committee meetings 4-5 times a year in addition. Telephone meetings may occur where urgent matters are under consideration. The full meetings usually last about 5 hours; telephone meetings are shorter and are held to deal with urgent business. Typically meetings are held in the Company's office in Leeds. Papers are circulated a week before the meeting and reading time is required.
10. It is emphasised that individuals will sit as directors of the Company and provide expert input as such based on their personal knowledge and experience. They are not holding office as representatives of individual funds and will be expected to act in their view of the best interests of the Company.
11. Remuneration is approved by Shareholders on recommendation of the Remuneration Committee. The current level has been agreed at £12,000 pa,



## BCPP Joint Committee

**Date of Meeting:** 11<sup>th</sup> September 2019

**Report Title:** Joint Committee Budget

**Report Sponsor:** Ian Bainbridge, Chair Officer Operations Group

### 1.0 Recommendation

1.1 The Joint Committee is asked to note the position on the 2019/20 Budget.

### 2.0 2019/20 Joint Committee Budget

2.1 At the Joint Committee meeting on 11<sup>th</sup> March 2019 a budget of £40,000 was approved for 2019/20.

2.2 This Budget of £40,000 is based on a basic cost estimate included in a report from Deloitte, obtained in May 2016, as part of the initial cost benefit analysis for the submission to Government. As previously noted it is difficult to determine whether this budget is set at the appropriate level. This will be monitored both in year and for future years and adjusted accordingly.

2.3 The budget is intended to cover costs incurred by the Joint Committee and the partner funds, including the secretarial services to convene and run meetings, and for collective advice and support (internal and external) which may be required from time to time by all partner funds.

2.4 It is also considered reasonable that this budget is used to cover travel costs and expenses for any members or officers who are attending meetings to represent all partner funds. This will include but will not be limited to meetings with MHCLG and Cross Pool meetings. This budget will not be used where members and officers are attending meetings to represent their own funds including Joint Committee meetings and Officer Operations Group Meetings.

2.5 The budget will also be used to cover travel expenses for scheme member representatives appointed as observers to the Joint Committee. This is because they will be deemed to be representing the scheme members from all twelve funds.

2.6 In line with the cost sharing principles these costs will be shared equally between the partner Funds.

2.8 To the end of August 2019 total expenditure committed against the budget of £40,000 was £7,000. A breakdown of the expenditure incurred is shown below;

Secretariat Support to Joint Committee - £400

Catering and Room Hire for Joint Committee - £1,400

Legal Advice - £5,000

Travel and Subsistence - £200

2.9 As can be seen from the paragraph above the largest element of cost is in relation to legal work. This relates to advice from Counsel in connection the appointment of a Partner Fund Nominated Non Executive Director.

2.10 Further external legal advice may be required in connection with the Border to Coast Compensation Policy, following an error. This was discussed at the informal meeting of shareholders on 4<sup>th</sup> June 2019. The advice may be needed in connection with any potential amendment to the Shareholder Agreement.

2.11 At the time of writing the expenditure is expected to remain within the budget.

**Report Author:**

Ian Bainbridge, [ian.bainbridge@southtyneside.gov.uk](mailto:ian.bainbridge@southtyneside.gov.uk)

**Further Information and Background Documents:**

N/A





## Border to Coast Joint Committee

**Meeting date:** 11 September 2019

**Report Title:** Annual Performance Overview: UK Equity Fund & Overseas Developed Fund

**Report Sponsor:** Border to Coast CIO – Daniel Booth  
Border to Coast CEO – Rachel Elwell

### 1 Executive Summary:

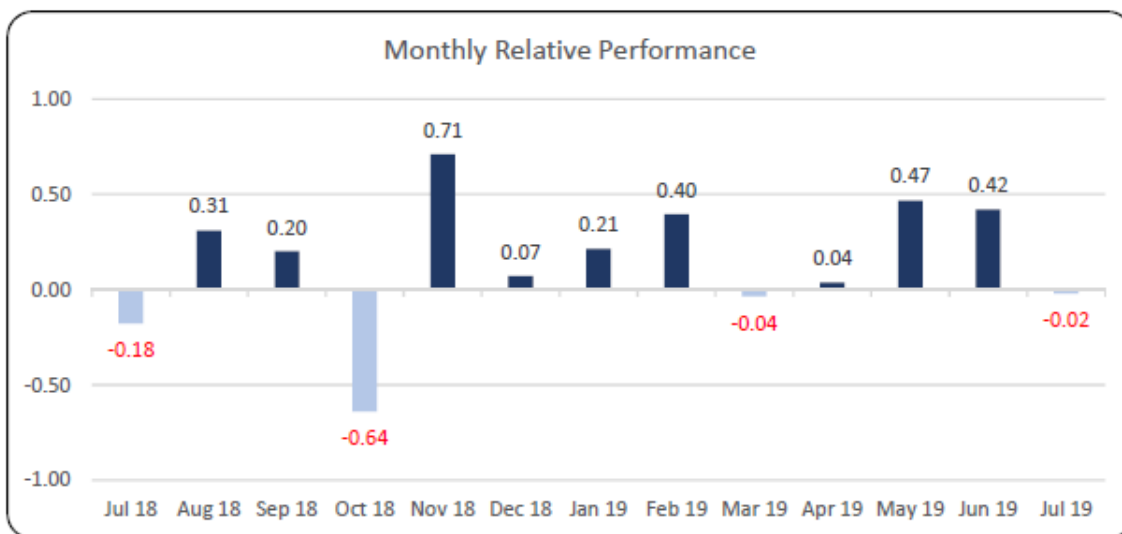
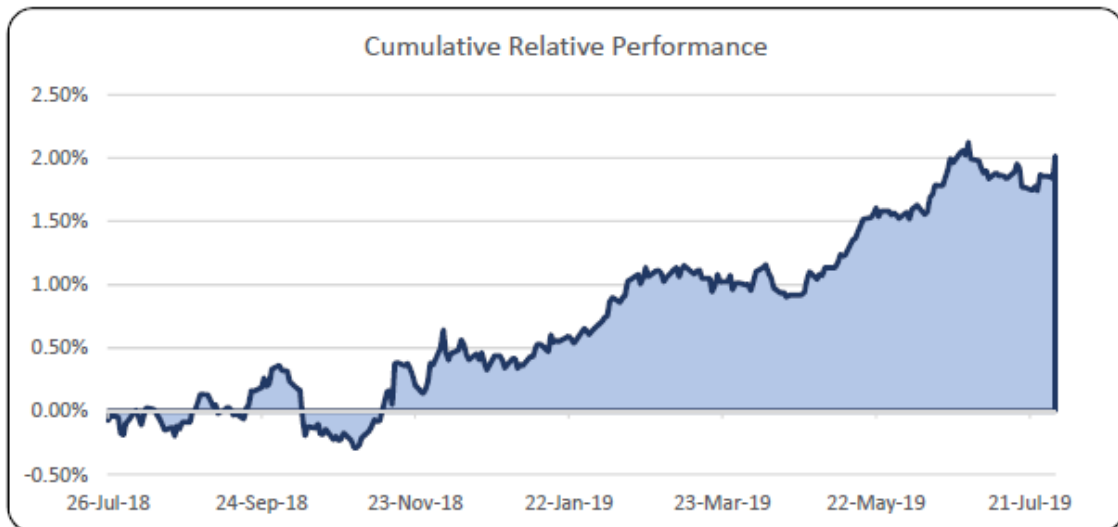
- 1.1 Border to Coast launched the UK Listed Equity Fund and the Overseas Developed Equity Fund on 26<sup>th</sup> July 2018. This paper provides an overview of fund performance and risk metrics until 31<sup>st</sup> July 2019 and a summary of the upcoming product review process.
- 1.2 The Border to Coast Authorised Contractual Scheme (“ACS”) is an “umbrella ACS”; a single structure with underlying sub-funds with different investment objectives set out in appendices to the over-arching prospectus. The Joint Committee’s terms of reference refer to the Committee’s role in fund oversight as detailed in ToR point 2.2.9 “To oversee performance of the BCPP Pool as a whole and of individual sub funds ... “
- 1.3 In summary, the UK and Overseas Developed Equity funds are above / in line with their stated performance target whilst they are inline / below their stated risk target (tracking error), so risk-adjusted performance has been strong.

### 2 Recommendations:

- 2.1 The Committee is asked to note the contents of the report.

### 3 Annual Performance Overview - UK Listed Equity Fund

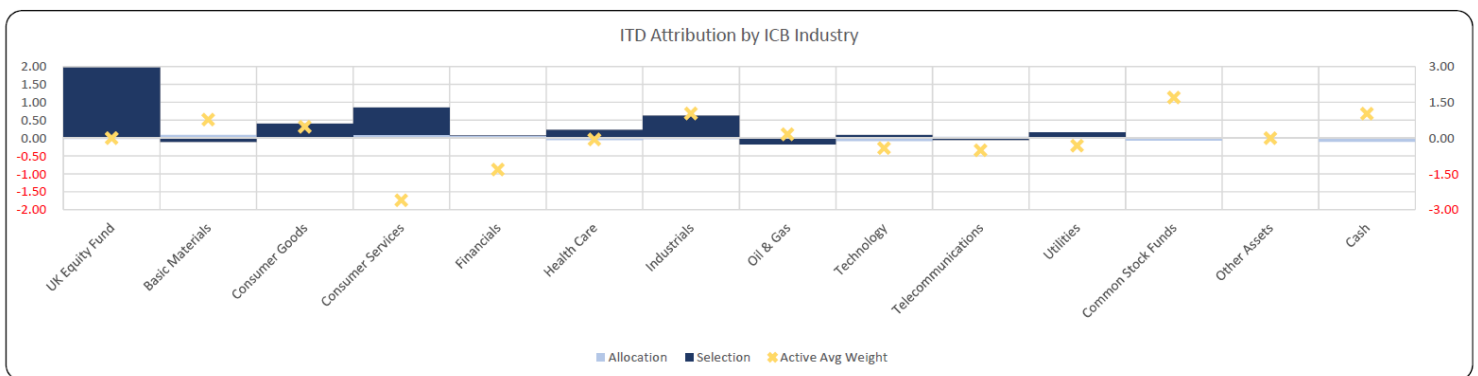
- 3.1 Since launch the UK Equity fund delivered a total return of 4.3% and a relative return of **2.0%** which is above annual target return of benchmark +1%.
- 3.2 Since launch, the UK Equity fund outperformed in 9 of 13 months with strong performance registered from November 2018 onwards:



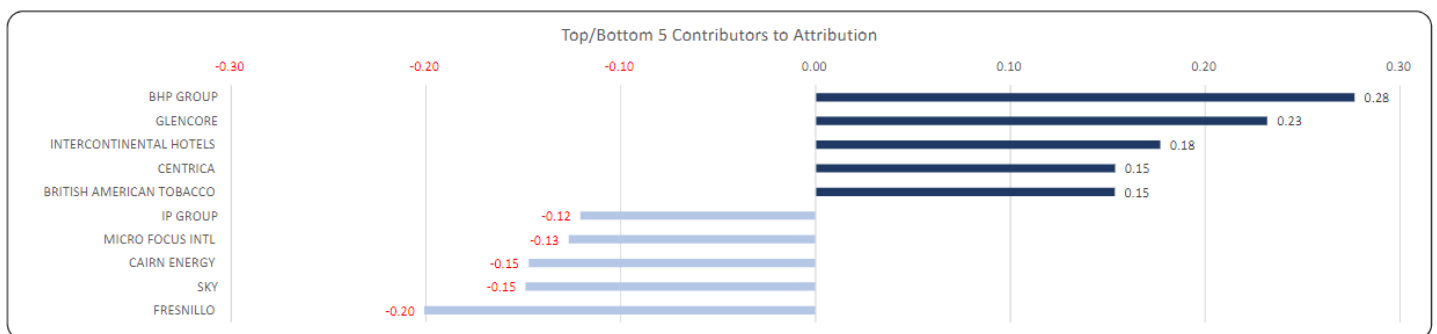
3.3 The fund's largest sector overweights were to external funds (+1.7%), cash (+1.0%) and basic materials (+0.8%) with underweights to Financial (-1.3%) and Consumer Services (-2.6%). The fund outperformed across most sectors with minimal sector risk and the excess performance derived from stock selection (+198 bps) and particularly strong stock selection across Consumer Services (+8.7% outperformance, +77 bps attribution), Industrials (+5.3% outperformance, 64 bps attribution) and Consumer Goods (2.9% outperformance, 41 bps attribution).

Attribution Summary	Weights			Returns			Attribution		
	Portfolio	Benchmark	+/-	Portfolio	Benchmark	+/-	Allocation	Selection	Total Effect
<b>UK Equity Fund</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>4.33</b>	<b>2.33</b>	<b>2.00</b>	<b>-0.02</b>	<b>1.98</b>	<b>1.95</b>
Basic Materials	8.52	7.74	0.78	9.35	10.73	-1.38	0.09	-0.11	-0.01
Consumer Goods	14.61	14.13	0.49	4.54	1.65	2.90	-0.01	0.41	0.40
Consumer Services	9.02	11.62	-2.60	8.30	-0.39	8.69	0.09	0.77	0.86
Financials	24.62	25.94	-1.32	-1.28	-1.28	0.00	0.06	0.01	0.07
Health Care	8.79	8.84	-0.06	23.18	20.01	3.17	-0.06	0.23	0.17
Industrials	12.19	11.15	1.04	3.90	-1.45	5.34	-0.03	0.64	0.60
Oil & Gas	14.31	14.14	0.17	0.04	1.21	-1.17	0.02	-0.17	-0.15
Technology	0.59	1.00	-0.41	34.88	19.85	15.03	-0.08	0.09	0.01
Telecommunications	2.24	2.75	-0.51	-10.08	-7.58	-2.49	0.04	-0.06	-0.02
Utilities	2.39	2.70	-0.31	5.52	-0.86	6.38	0.00	0.15	0.16
Common Stock Funds	1.70	0.00	1.70	-2.95	--	--	-0.07	0.00	-0.07
Other Assets	0.00	0.00	0.00	--	--	--	0.01	0.00	0.01
Cash	1.03	0.00	1.03	0.59	--	--	-0.10	0.00	-0.10

3.4 A graphical depiction of performance of the fund and each sector is shown below with impact of stock selection (dark blue) and sector allocation (light blue) as well as active positioning in each sector (yellow cross). The breadth of strong stock selection across multiple sectors can be clearly seen.



3.5 Since launch, top performers were BHP (overweight), Glencore (underweight), ICH (overweight), Centrica (underweight) & BAT (underweight). The bottom performers were; Fresnillo (overweight), Sky (underweight), Cairn (overweight), Micro Focus (underweight) & IP (overweight).



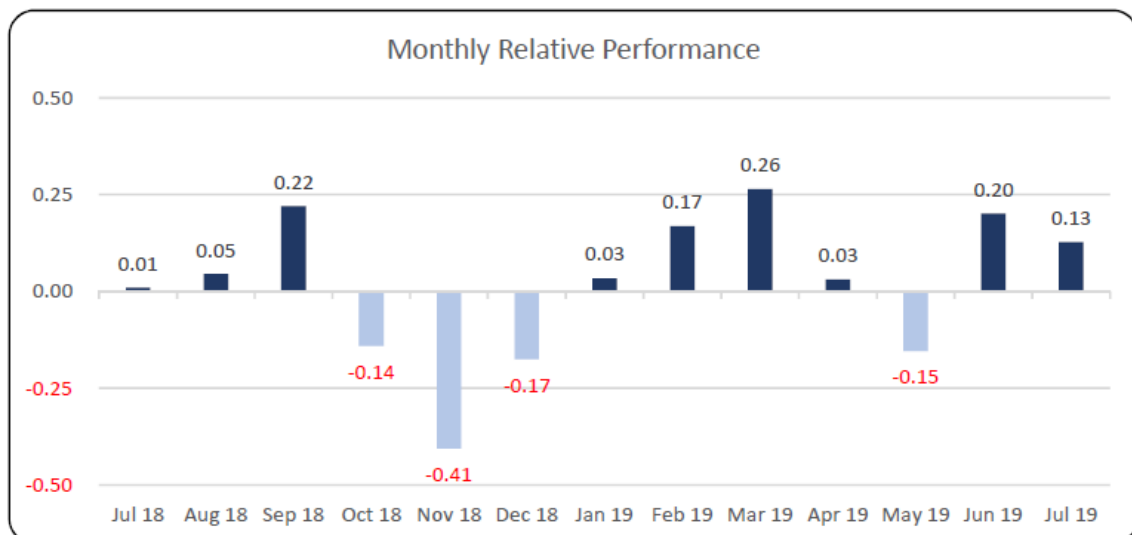
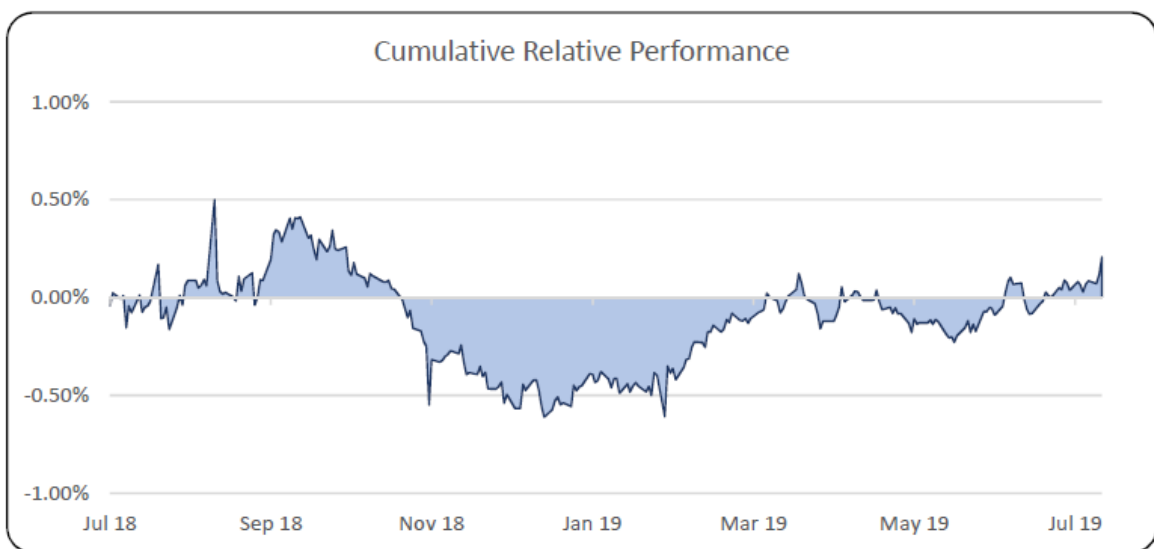
#### 4 Annual Performance Overview – Overseas Developed Equity Fund

4.1 Since launch, the Overseas Developed Equity fund delivered a total return of 3.6% and a relative return of **0.93%** benchmark (net withholding tax) and **0.13%** benchmark (gross withholding tax). Note as the portfolio is measured net of withholding tax it is best practice to measure the benchmark net of withholding tax (as a like-for-like comparison). This

change has been discussed with the Board and communicated to invested Partner Funds. Excess return (net withholding tax) is broadly in-line with target return of benchmark +1%.

4.2 Please note the benchmark data net of withholding taxes is taken from Bloomberg and not from Northern Trust. The above benchmark correction (from gross to net of withholding tax) has not yet been applied by Northern Trust and therefore *all attribution data shown below* is versus a benchmark gross of withholding tax (i.e. benchmark assumes no tax impact) and therefore is lower. Once the Northern Trust system is updated with net WHT benchmark (a customised composite of the underlying regional benchmarks) the performance attribution will switch to reporting versus a net benchmark.

4.3 Since launch the Overseas Developed fund has outperformed in 9 of 13 months albeit with a negative skew caused by Nov 18 relative drawdown. Performance has been reasonably strong YTD leading to more than a full recovery of 4Q 18 underperformance.

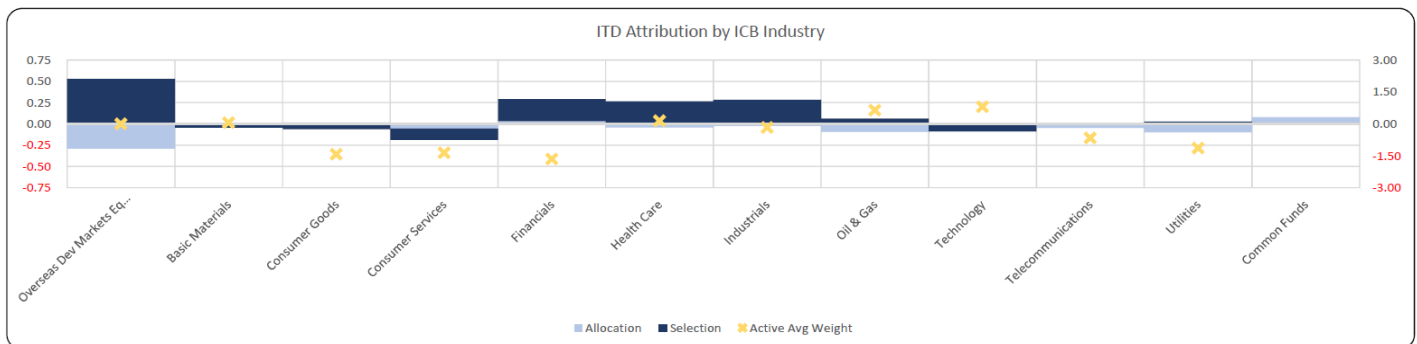


4.4 The fund added value from stock selection (+53 bps) with a negative contribution from sector positioning (-29 bps). Sector allocations were affected adversely by overweight to Cash (-8 bps), Oil & Gas (-9 bps) and underweight to Utilities (-10 bps). Stock selection was driven by strong performance across Industrials (+2.3% outperformance, +28 bps attribution), Healthcare (+2.5% outperformance, +27 bps attribution) & Financials (1.3%

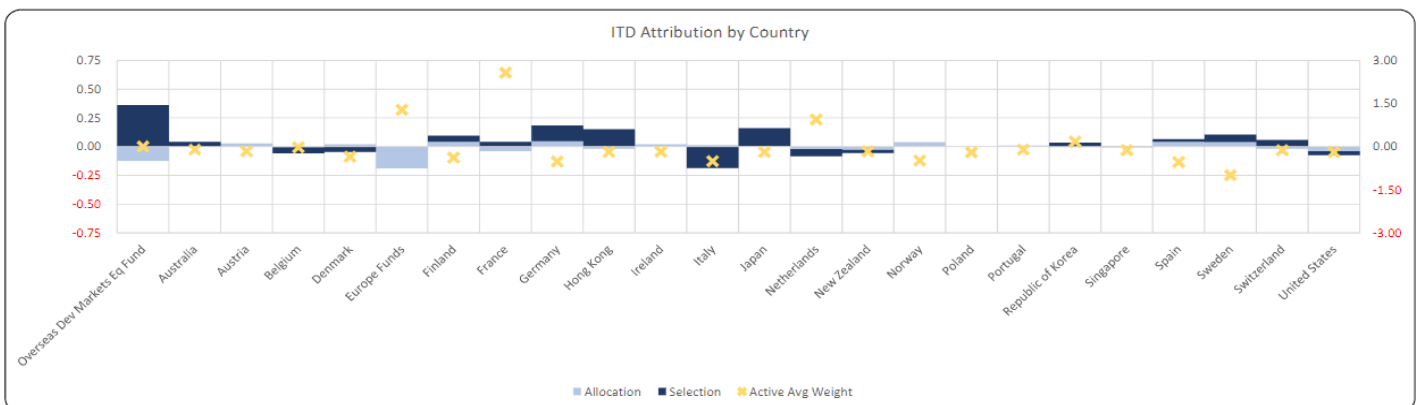
outperformance & 26 bps attribution) with underperformance from Consumer Services (-2% & -14 bps).

Attribution Summary	Weights			Returns			Attribution		
	Portfolio	Benchmark	+/-	Portfolio	Benchmark	+/-	Allocation	Selection	Total Effect
Overseas Dev Markets Eq Fund	100.00	100.00	0.00	9.63	9.38	0.25	-0.29	0.53	0.23
Basic Materials	4.95	4.89	0.06	2.71	3.75	-1.04	0.01	-0.05	-0.04
Consumer Goods	11.70	13.12	-1.42	10.73	11.46	-0.74	0.02	-0.06	-0.04
Consumer Services	8.34	9.69	-1.36	10.90	12.92	-2.02	-0.05	-0.14	-0.19
Financials	21.15	22.81	-1.65	8.75	7.43	1.31	0.03	0.26	0.29
Health Care	11.95	11.80	0.14	12.72	10.27	2.45	-0.04	0.27	0.23
Industrials	13.66	13.83	-0.17	10.95	8.67	2.28	-0.02	0.28	0.26
Oil & Gas	5.12	4.48	0.64	-3.85	-5.03	1.18	-0.09	0.07	-0.03
Technology	13.96	13.15	0.81	10.45	11.19	-0.74	0.00	-0.09	-0.08
Telecommunications	2.04	2.69	-0.65	17.22	16.94	0.28	-0.05	0.00	-0.04
Utilities	2.40	3.54	-1.14	21.17	19.82	1.35	-0.10	0.03	-0.07
Common Funds	4.21	0.00	4.21	9.34	--	--	0.08	0.00	0.08
Hedge Funds	0.00	0.00	0.00	--	--	--	0.00	0.00	0.00
Other Assets	-0.01	0.00	-0.01	--	--	--	0.01	0.00	0.01
Cash	0.54	0.00	0.54	1.68	--	--	-0.08	0.00	-0.08

4.5 A graphical depiction of performance of the fund and each sector is shown below with impact of stock selection (dark blue) and sector allocation (light blue) as well as active positioning in each sector (yellow cross).

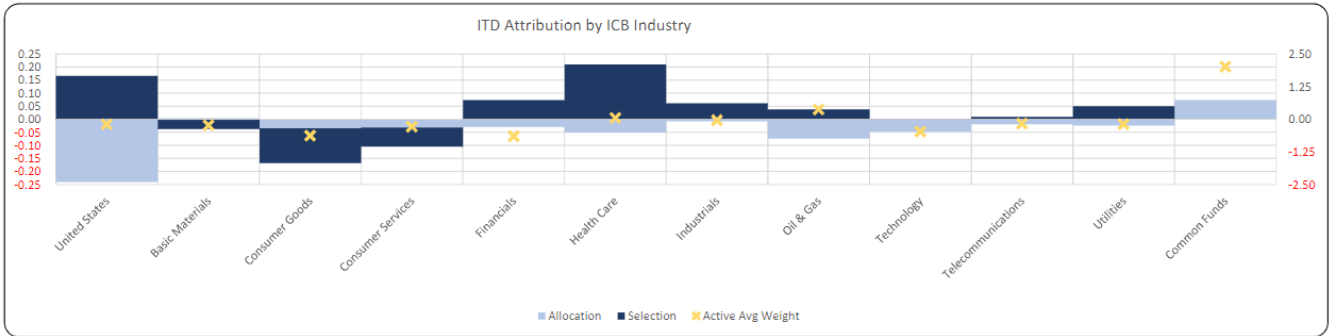


4.6 Country basis strong performance across Germany, Hong Kong & Japan with weak performance from Italy and an allocation to a European small cap fund (subsequently has been reduced).



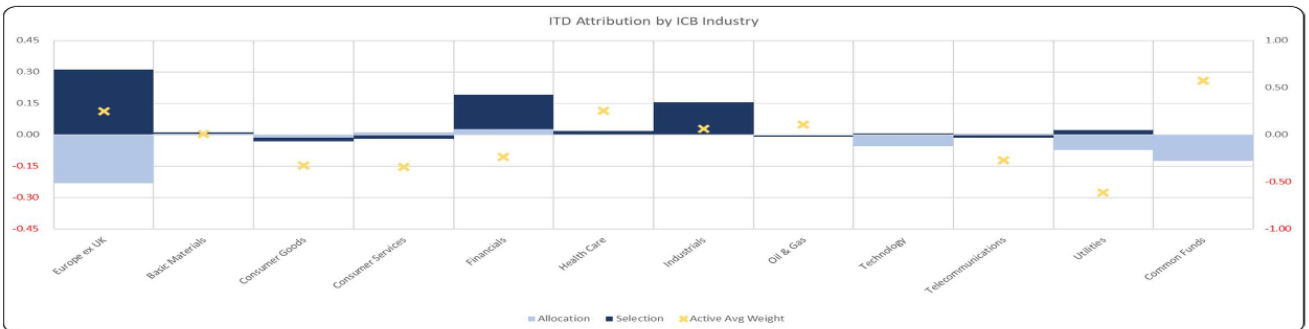
4.6.1 US Sleeve (40%) positive stock selection (esp. Healthcare) offset negative sector allocation:

Attribution Summary	Weights			Returns			Attribution		
	Portfolio	Benchmark	+/-	Portfolio	Benchmark	+/-	Allocation	Selection	Total Effect
<b>United States</b>	<b>40.27</b>	<b>40.46</b>	<b>-0.19</b>	<b>14.40</b>	<b>14.52</b>	<b>-0.12</b>	<b>-0.24</b>	<b>0.17</b>	<b>-0.07</b>
Basic Materials	0.64	0.87	-0.23	-1.20	5.60	-6.80	0.00	-0.04	-0.03
Consumer Goods	2.56	3.19	-0.63	10.47	16.39	-5.92	-0.03	-0.13	-0.17
Consumer Services	5.35	5.63	-0.28	17.44	19.17	-1.72	-0.03	-0.07	-0.10
Financials	6.79	7.44	-0.65	16.51	15.35	1.16	-0.03	0.07	0.04
Health Care	5.52	5.46	0.05	15.94	11.56	4.38	-0.05	0.21	0.16
Industrials	4.86	4.90	-0.04	18.07	16.63	1.44	-0.01	0.06	0.05
Oil & Gas	2.60	2.22	0.38	-7.25	-8.71	1.46	-0.07	0.04	-0.04
Technology	8.17	8.64	-0.47	15.68	15.90	-0.22	-0.05	0.00	-0.05
Telecommunications	0.66	0.82	-0.16	24.86	23.13	1.73	-0.02	0.01	-0.01
Utilities	1.10	1.28	-0.18	31.85	26.19	5.66	-0.02	0.05	0.03
Common Funds	2.02	0.00	2.02	13.33	--	--	0.07	0.00	0.07



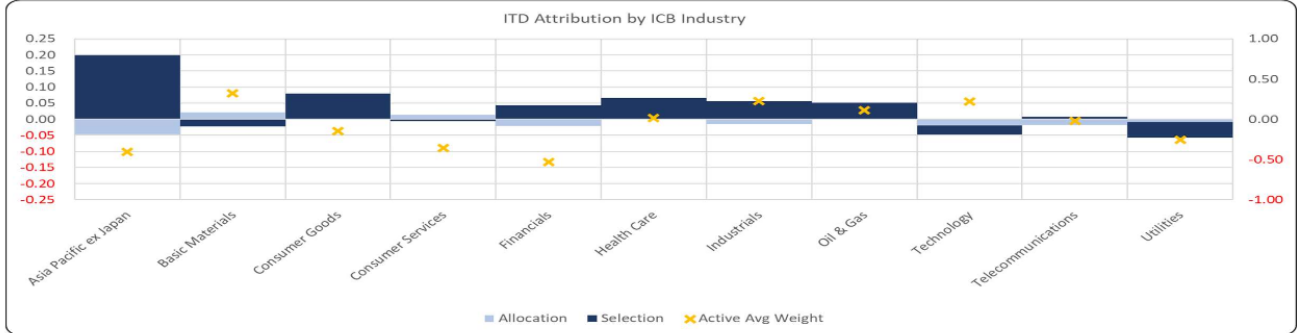
4.6.2 *European Sleeve (30%)* positive stock selection (esp. Industrial & Financials) offset allocation impact (esp. an external European small cap fund):

Attribution Summary	Weights			Returns			Attribution		
	Portfolio	Benchmark	+/-	Portfolio	Benchmark	+/-	Allocation	Selection	Total Effect
<b>Europe ex UK</b>	<b>30.18</b>	<b>29.93</b>	<b>0.25</b>	<b>6.86</b>	<b>6.49</b>	<b>0.37</b>	<b>-0.23</b>	<b>0.31</b>	<b>0.08</b>
Basic Materials	1.71	1.71	0.01	-5.44	-5.96	0.52	0.00	0.01	0.01
Consumer Goods	5.54	5.87	-0.33	15.20	15.76	-0.55	-0.01	-0.02	-0.03
Consumer Services	0.97	1.32	-0.34	4.31	6.42	-2.11	0.01	-0.02	-0.01
Financials	6.01	6.24	-0.24	0.13	-2.69	2.82	0.03	0.16	0.19
Health Care	4.69	4.44	0.25	11.30	10.85	0.46	-0.00	0.02	0.01
Industrials	4.67	4.61	0.06	10.04	6.49	3.54	-0.00	0.15	0.15
Oil & Gas	1.64	1.53	0.11	-1.02	-0.78	-0.24	-0.01	-0.00	-0.01
Technology	2.96	1.92	1.04	5.40	5.28	0.12	-0.05	0.01	-0.05
Telecommunications	0.71	0.98	-0.27	8.24	10.21	-1.97	0.00	-0.01	-0.01
Utilities	0.71	1.32	-0.61	25.77	23.48	2.29	-0.07	0.02	-0.05
Common Funds	0.57	0.00	0.57	-7.68	--	--	-0.12	0.00	-0.12



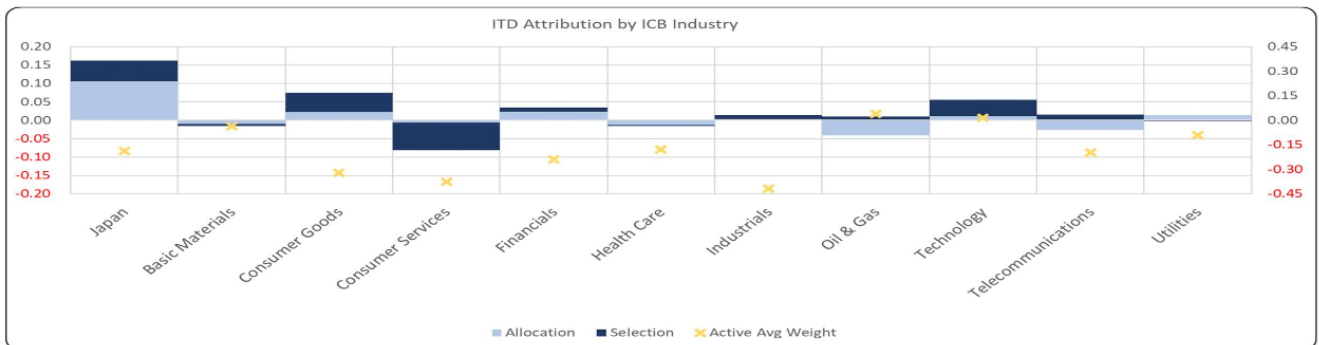
4.6.3 *Developed Asian (20%)* sleeve had strong stock selection across multiple sectors:

Attribution Summary	Weights			Returns			Attribution		
	Portfolio	Benchmark	+/-	Portfolio	Benchmark	+/-	Allocation	Selection	Total Effect
<b>Asia Pacific ex Japan</b>	<b>19.37</b>	<b>19.77</b>	<b>-0.40</b>	<b>8.45</b>	<b>7.60</b>	<b>0.85</b>	<b>-0.05</b>	<b>0.20</b>	<b>0.15</b>
Basic Materials	2.06	1.74	0.32	14.79	16.16	-1.38	0.02	-0.02	-0.00
Consumer Goods	1.57	1.71	-0.14	8.95	4.21	4.74	0.00	0.08	0.08
Consumer Services	1.27	1.63	-0.36	2.21	2.58	-0.37	0.01	-0.01	0.01
Financials	7.21	7.74	-0.53	11.76	11.10	0.66	-0.02	0.04	0.02
Health Care	1.07	1.05	0.02	9.74	3.35	6.39	0.00	0.06	0.07
Industrials	2.33	2.10	0.23	5.40	2.96	2.44	-0.01	0.06	0.04
Oil & Gas	0.74	0.63	0.11	9.30	2.53	6.77	-0.00	0.05	0.05
Technology	2.30	2.07	0.22	-1.67	-1.01	-0.66	-0.02	-0.03	-0.05
Telecommunications	0.35	0.37	-0.02	21.39	21.64	-0.24	-0.02	0.01	-0.01
Utilities	0.48	0.73	-0.25	-0.87	9.80	-10.67	-0.01	-0.05	-0.06



#### 4.6.4 Japan sleeve (10%) positive impact from sector allocation and stock selection:

Attribution Summary	Weights			Returns			Attribution		
	Portfolio	Benchmark	+/-	Portfolio	Benchmark	+/-	Allocation	Selection	Total Effect
<b>Japan</b>	<b>9.65</b>	<b>9.84</b>	<b>-0.19</b>	<b>2.31</b>	<b>0.96</b>	<b>1.36</b>	<b>0.11</b>	<b>0.06</b>	<b>0.16</b>
Basic Materials	0.54	0.58	-0.04	--	-5.20	--	-0.01	-0.00	-0.02
Consumer Goods	2.03	2.35	-0.32	--	-1.04	--	0.02	0.05	0.07
Consumer Services	0.74	1.12	-0.37	--	6.07	--	-0.01	-0.08	-0.08
Financials	1.14	1.38	-0.24	--	-6.10	--	0.02	0.01	0.03
Health Care	0.67	0.85	-0.18	--	4.73	--	-0.01	-0.00	-0.02
Industrials	1.80	2.22	-0.42	--	1.75	--	0.00	0.01	0.01
Oil & Gas	0.14	0.10	0.04	--	-24.06	--	-0.04	0.01	-0.03
Technology	0.53	0.52	0.01	--	9.98	--	0.01	0.04	0.06
Telecommunications	0.32	0.52	-0.20	--	14.36	--	-0.03	0.02	-0.01
Utilities	0.11	0.20	-0.09	--	-3.00	--	0.01	-0.00	0.01
Common Funds	1.62	0.00	1.62	--	--	--	0.13	0.00	0.13



## 5 Annual Risk Overview

5.1 Both funds have risk statistics broadly in-line with the underlying indices and tracking errors at or below their stated active risk ranges.

Fund / Benchmark	July 19	July 19
<b>UK Equity Fund volatility</b>	<b>10.32</b>	<b>Stock count 118</b>
<b>FTSE All-Share volatility</b>	<b>10.47</b>	<b>Beta (ex ante) 0.99</b>
<b>Tracking Error</b>	<b>0.79</b>	<b>Active Share 29.0</b>
<b>Overseas Dev Markets Eq Fund vol</b>	<b>11.57</b>	<b>Stock count 382</b>
<b>Blended Benchmark volatility</b>	<b>11.38</b>	<b>Beta (ex ante) 1.02</b>
<b>Tracking Error</b>	<b>0.62</b>	<b>Active Share 41.3</b>
US Fund	13.15	Stock count 113
S&P 500	13.12	Beta (ex ante) 1.00
Tracking Error	0.86	Active Share 42.1
Europe Fund	12.40	Stock count 95
FTSE Europe ex UK	12.08	Beta (ex ante) 1.02
Tracking Error	1.16	Active Share 42.4
Asia Fund	12.05	Stock count 93
FTSE Developed Asia ex Japan	11.65	Beta (ex ante) 1.03
Tracking Error	1.08	Active Share 30.8
Japan Fund	13.90	Stock count 81
FTSE Japan	13.46	Beta (ex ante) 1.02
Tracking Error	1.79	Active Share 55.7

- 5.2 *UK Equity fund* which has a stock count of 118 names with a slightly lower volatility (10.32 v 10.47) and market exposure (“Beta”) (0.99 v 1.0) and a tracking error of 0.79% (below 1-3% target range). The lower risk level has not adversely impacted performance and is considered appropriate due to uncertainty over Brexit and our stage of corporate development.
- 5.3 *Overseas Developed fund* has a stock count of 382 names and a marginally higher volatility (11.57 v 11.38) and market exposure or Beta (1.02 v 1.0) and a tracking error of 0.62% (targeted range 1-3%). Tracking error is within target for each underlying sleeve (albeit in lower end) but diversification benefit means aggregated tracking error is below target at the overall fund level. The lower risk level is considered appropriate due to our stage of corporate development.
- 5.4 As per below table 60-70% fund risk is coming from individual stock selection decisions (non-factor risk) with the main other risks (5-20%) being industry allocation and style exposure. In terms of industry exposure both funds are underweight Financials and Consumer Services (1-2%) with a small exposure to external third-party funds. For Style exposure the UK is underweight Value (partly reflecting Brexit uncertainty) whilst the Overseas Developed fund is underweight Small Cap as our internal portfolio managers are more focused on covering the larger market names.



Risk Breakdown	Non-Factor Contrib (%)	Currency	Industry	Country	Style
UK Listed Equity Fund	68.0%	-0.5%	6.8%	6.5%	19.1%
Overseas Dev Markets Eq Fund	60.7%	3.4%	18.6%	6.2%	11.2%
US Fund	67.5%	0.0%	16.5%	0.0%	16.0%
Europe Fund	49.6%	5.6%	19.1%	14.6%	11.1%
Asia Fund	70.7%	0.7%	15.2%	2.8%	10.6%
Japan Fund	67.4%	0.0%	21.0%	0.0%	11.5%

## 6 Annual Proposition Overview

6.1 As part of our annual proposition review we are evaluating the performance target, team structure, portfolio construction, benchmark and risk & compliance limits for the two funds as shown below:

	UK	OVERSEAS DEVELOPED
Performance	●	●
Resources	●	●
Portfolio structure		●
Portfolio construction		●
Benchmark		●
Risk profile	●	●
Compliance limits	●	●

6.2 Portfolio structure and construction are particularly relevant for the Overseas Developed Equity Fund due to the way in which the fund is currently structured (with 4 separate regional sleeves). The benchmark for this fund is also currently a mix of benchmark providers (S&P and FTSE) and a bespoke non-market capitalisation weighting (overweight EU and Australia, underweight US), which leads to a need for periodic review.

6.3 This results of the review will be discussed with the Board and the invested Partner Funds before any decisions are taken to make changes.

## 7 Risks

7.1 The key risks include:

7.1.1 **Mismatch with customer requirements.** Funds will only be successful in maintaining assets if customer requirements are being met. We are continuing to work closely with advisers and pensions officers through regular calls and meetings to ensure alignment between fund characteristics and Partner Fund requirements.

7.1.2 **Investment styles / strategies of managers do not perform as expected.** There is a risk that market conditions differ from the periods used for analysis and that portfolio managers change their approaches over time. These risks are mitigated by using regular monitoring of performance, risk and research documentation to ensure consistency of approach.

7.1.3 **Product evolution.** Any future product changes (benchmarks, geographical weights, portfolio construction etc.) will involve some degree of transition which will result in costs and risks during this period and therefore will only be undertaken following an internal cost-benefit analysis.

## 8 Conclusion

8.1 The Joint Committee is asked to consider the recommendations in Section 2 to this paper.

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23 August 2019

## Important Information

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