



Minutes of the Border to Coast Joint Committee

Wednesday 20 November 2019 - Aspire, 2 Infirmary Street, Leeds, LS1 2JP

Present

Members

Councillor Doug McMurdo (Chair)
Councillor David Coupe, Councillor Peter Coupland,
Councillor Mark Davinson, Councillor Tim Evans, Councillor
Patrick Mulligan, Councillor Bob Stevens, Councillor Mick
Stowe, Councillor Anne Walsh, Councillor Jeff Watson and
Councillor Mel Worth

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

Border to Coast Ltd Representatives

Daniel Booth, Rachel Elwell, Jane Firth, Chris Hitchen and
Fiona Miller

Fund Officers

Amanda Alderson, Ian Bainbridge, Alison Clark, Paul
Cooper, Clare Gorman, George Graham, Neil Mason, Chris
Norton, Nick Orton, Jo Ray, Gill Richards and Andy Watkins

Statutory Officer Representative(s)

Anna D'Alessandro and Gary Fielding

Apologies were received from

Councillor Eileen Leask, Councillor Richard Meredith,
Councillor Eddie Strengeil and Councillor John Weighell

1 APOLOGIES FOR ABSENCE/DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting.

Apologies were noted as above. The Chair requested that the Committee's best wishes be conveyed to Cllr Leask.

There were no declarations of interest.

2 MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON 11 SEPTEMBER 2019

RESOLVED – That the minutes of the meeting held on 11th September 2019 be agreed and signed by the Chair as a true record.

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

A report was submitted that set out the results of the election for the roles of Chair and Vice-Chair of the Joint Committee and the elections for nomination to the Board of Border to Coast for Non-Executive Directors.

The results were confirmed as follows:

Chair of the Joint Committee:	Cllr D McMurdo (Bedfordshire)
Vice-Chair of the Joint Committee:	Cllr T Evans (Surrey)
NED nomination to the BCPP Board:	Cllr J Holtby (East Riding)
NED nomination to the BCPP Board:	Cllr J Watson (Northumberland)

It was noted that, if approved, Cllr Holtby would serve a two-year term on the BCPP Board and Cllr Watson a one-year term.

It was further noted that Cllr Watson had been nominated following a postal ballot.

RESOLVED – That the Committee note the results of the elections.

4 JOINT COMMITTEE BUDGET - IAN BAINBRIDGE

A report was presented that detailed the position on the Committee's 2019/20 budget of £40,000.

The Committee noted that to the end of October 2019 the expenditure was £9,600. A breakdown of the expenditure incurred was detailed within the report.

The largest element of cost was in relation to legal work. The Committee was informed that further legal advice was in the process of being acquired in connection with the Border to Coast Compensation Policy.

Members were reminded that at the pre-meeting for the September meeting of the Joint Committee, the issue of appointing an investment consultant to advise the Joint Committee was discussed.

It was noted that should such a decision be taken, it would be appropriate for the cost of this to be met from the Joint Committee budget, provided it was for the benefit of all funds.

Concerns were raised about the remit and role of a consultant and the possibility of a conflict of advice from the consultant advising the Joint Committee and a consultant advising an individual pension fund.

It was agreed that the best way forward would be to appoint a consultant on an 'as and when' basis if there was a specific collective issue that could benefit from such an appointment and fall within the remit of the Joint Committee.

RESOLVED – That the report be noted.

5 RESPONSIBLE INVESTMENT POLICIES ANNUAL REVIEW 2019 - JANE FIRTH

A report was submitted that gave details of the annual review of the Responsible Investment Policy and the Corporate Governance and Voting Guidelines. The process for review would also include the participation of the Partner Funds to ensure that Border to Coast had a strong, unified voice.

The Committee noted that both policies had been reviewed by Robeco using the International Corporate Governance Network Global Governance Principles, UK Stewardship Code and Principles for Responsible Investment (PRI) as benchmarks.

The main changes were to reflect the new Shareholder Rights Directive and to continue the clarification of Border to Coast's intentions on voting and alignment with the PRI. There were no recommendations for changes to underlying principles.

Feedback from the Climate Change Working Party had also been considered in the review and whilst the recommendation was for no substantive changes this year, there were areas recommended for further consideration which could lead to changes in future years. These were detailed within the report.

Rather than continue with the Climate Change Working Party it was suggested that a quarterly Responsible Investment meeting be held for the officers of all Partner Funds to attend to keep communication lines open.

Members were informed that the annual review and governance processes needed to be completed ahead of the 2020 proxy voting season. Partner Funds had been asked to complete their reviews by the end of 2019. Feedback had already been received from Pensions Officers but the Pension Committee review was still to take place. Given the timing of the General Election, there was a risk that some Committees could be delayed in their reviews, Border to Coast were working closely with Pensions Officers on this.

With regards to the Responsible Investment Policy, the Committee discussed the importance of consistency of the wording of the Policy, including the use of the words would, could and should. Several changes were suggested for clarification and also the correction of a typo.

Following Robeco's evaluation of the Corporate Governance and Voting Guidelines a number of minor revisions had been proposed to align the Voting Guidelines with the ICGN Global Governance Principles and the UK Corporate Governance Code; these were detailed within the report.

RESOLVED - That the Joint Committee:

- (i) Note the proposed revisions to the Responsible Investment Policy and Corporate Governance and Voting Guidelines.

- (ii) Supports taking the revised policies to the Partner Funds for comment and for them to consider adoption of the principles in their own Responsible Investment policies in line with industry best practice.

6 PERFORMANCE REPORT - DANIEL BOOTH

The Committee considered the performance reports for the quarter ended 30th September 2019 for the Border to Coast's UK Listed Equity Fund and the Overseas Developed Equity Fund.

With regard to the UK Listed Equity Fund, Members were informed that performance was below the Benchmark for Q3 2019 but continued to meet the Performance Objective over longer periods.

The underperformance over the quarter was largely due to sector asset allocation positions, with Consumer Services having the most notable impact. Several positive stock selections were negated by underperformance within the Financial sector.

The top and bottom 5 contributors were detailed within the report.

The Border to Coast Overseas Developed Equity Fund had performed broadly in line with the Benchmark over Q3 2019 and was slightly above the Benchmark since inception. The relative performance would improve by around 60bps when the Benchmark was updated to be net withholding tax.

RESOLVED – That the report be noted.

7 BORDER TO COAST ASSET TRANSFER PLANNING 2020-2023 - RACHEL ELWELL

A report was submitted detailing Border to Coast's Asset Transfer Planning 2020-2023.

Members were reminded that it had previously been agreed with Partner Funds the process for working collectively and in partnership to identify the "building blocks" required to support Partner Funds' strategic asset allocations. This took into account Partner Funds' objectives, risk management, capacity and costs to propose both a prioritisation of capability build and a process to enable Partner Funds to participate in sub-fund design as described in Section 3 of the report.

For the 2020-2023 strategic planning round the design and prioritisation of funds to be launched had been re-assessed. This was based on Partner Fund feedback, resources available at Border to Coast and evolving understanding of the work involved. Key observations from the current indicative plan were included in the report.

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

This showed:

- expected transfers based on the Investment Strategy Statement as at 31st March 2018 and expected fund launch dates;
- best estimate of asset transfers based on discussions between Border to Coast and Pensions Officers; and
- actual AUM transferred to date.

RESOLVED – That the Committee:

- Note the report.
- Note the quarterly management information used to track pooling progress as set out in Section 5 of the report.

8 BORDER TO COAST ACS - MULTI ASSET CREDIT (MAC) OFFERING - DANIEL BOOTH

D Booth presented an update on the progress made on the Border to Coast Multi-Asset Credit (MAC) fund. The report included detail on progress made to date on product design (including proposed use of internal management), Partner Funds' governance processes and areas of additional work undertaken.

The Committee were informed that the selection of the core manager had been confirmed; information regarding the selection process had been shared with officers and advisors.

Border to Coast would be offering MAC training for Pension Committees during Q4 2019. Some Pension Committees had already delegated authority to progress to officers, and Border to Coast were working with those Pensions Committees who had yet to give firm indications (subject to necessary conditions) during the Q1 2020 committee cycle.

In order to meet the target launch date of later in 2020, there was a need to issue the request for proposals for the specialist managers during early Q1 2020. This would require close liaison with Committees (where delegation had not already occurred) and Pensions Officers to ensure that Border to Coast were ready to do so.

RESOLVED – That the report be noted.

9 CEO REPORT - RACHEL ELWELL

R Elwell presented her CEO report for the period since the last Joint Committee. The report contained:

- A progress update, including interactions with Partner Funds.
- A summary of risk positioning and performance of the launched funds.
- An update on fund launches, including a summary of the Global Equity Alpha transition and progress with the Investment Grade Credit. It was noted that a

more detailed update on the transition would be brought back to the next meeting of the Joint Committee.

- An update on progress from a corporate functions perspective and the expected outturn of the Operating Budget.

Members noted that political risk remained high; a matrix showing the results of a recent review by the Board was included within the report.

The implications of Partner Fund investment strategy triennial reviews, which were likely to change requirements and were leading to some uncertainty about when assets might transition, were also on the radar.

RESOLVED – That the report be noted.

10 STANDING ITEM - UPDATE ON EMERGING MATTERS - RACHEL ELWELL/FIONA MILLER/IAN BAINBRIDGE

There were no emerging matters to report.

The Committee were introduced to Ewan McCulloch, Border to Coast's newly appointed Head of Policy and Communications.

CHAIR