



Minutes of the Border to Coast Joint Committee
Monday 9 March 2020 - Aspire, Leeds

Present

Members

Councillor Doug McMurdo (Chair)
Councillor David Coupe, Councillor Mark Davinson,
Councillor Tim Evans, Councillor Patrick Mulligan, Councillor
Bob Stevens, Councillor Mick Stowe, Councillor Eddie
Strengiel, Councillor Anne Walsh and Councillor Mel Worth
Deirdre Burnet and Nicholas Wirz (Scheme Member
Representatives)

**Border to Coast
Ltd
Representatives**

Daniel Booth, Rachel Elwell, Chris Hitchen and Fiona Miller
Councillor Jeff Watson and Councillor John Holtby,
Shareholder non-executive directors on BCPP Ltd's Board of
Directors

Fund Officers

Ian Bainbridge, Alison Clark, Paul Cooper, Clare Gorman,
Julie McCabe, Chris Norton, Nick Orton, Jo Ray, Gill
Richards and Mamon Zaman

**Statutory Officer
Representative(s)**

George Graham and Julian Neilson

**Apologies were
received from**

Councillor Eileen Leask and Councillor Richard Meredith

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 Eileen Leask.

2 MINUTES OF THE MEETING HELD ON 20TH NOVEMBER 2019

RESOLVED – That the minutes of the meeting held on 20th November 2019 be agreed and signed by the Chair 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 submitted which set out the process by which the Joint Committee would select its Chair and Vice-Chair at the June meeting of the Committee and make a nomination to the Board of Border to Coast for a Non-Executive Director (NED) to sit on the Company Board.

It was noted that the Inter Authority Agreement allowed a Chair and Vice-Chair to serve for a “further term” after the initial election; as both Chair and Vice-Chair were in their second terms they would not be eligible for re-election to the post they currently held.

The Committee discussed the suggestion that the Partner Fund Nominated NEDS should serve a three year term instead of the current two years. It was decided to stay with the current two year appointment for the moment, whilst acknowledging that the Joint Committee was only nominating a candidate and that ultimately the appointment was made by the shareholders on a recommendation from the Company which would include the term for which the NEDs would serve.

RESOLVED – That the Joint Committee agreed that:

- (i) The next meeting would conclude with elections and nominations as specified in the report.
- (ii) The process as set out in the report be adopted.
- (iii) The term of appointment for Partner Fund Non-Executive Directors remain at two years, with the situation to be reviewed again in 2021.

4 JOINT COMMITTEE BUDGET - IAN BAINBRIDGE

A report was submitted which set out the current budget position for 2019/20 and suggested that the budget remained at £40,000 for 2020/21.

RESOLVED – That the Committee:

- (i) Note the current budget position for 2019/20.
- (ii) Agree a budget of £40,000 for 2020/21.

5 PROPOSED FUTURE JOINT COMMITTEE MEETING DATES - CLARE GORMAN

The Committee considered a report which set out the previously agreed Joint Committee meeting dates and also the proposed meeting dates for the 2022/23 municipal year. These were:

- Tuesday 14th June 2022
- Tuesday 27th September 2022

- Tuesday 22nd November 2022
- Tuesday 7th March 2023

With regard to the previously agreed 2020/21 meeting dates, the Committee noted that two dates had been changed at the request of the BCPP Ltd directors.

RESOLVED – That the Committee:

- (i) Note the proposed future Joint Committee meeting dates as set out above.
- (ii) Note the changes to the previously agreed Joint Committee meeting dates as detailed within the report.

6 2019 PARTNER FUNDS FEEDBACK SURVEY - RACHEL ELWELL

R Elwell presented a report which informed the Committee of the results of the second annual survey of the Partner Funds.

Following feedback from the previous survey, the 2019 survey had covered a wider range of audiences including committee chairs, s151 officers, pensions officers and independent advisors.

The Committee noted that overall the feedback from the survey had been positive; 46% of respondents were very satisfied and 49% were somewhat satisfied.

There had also been a number of suggestions on areas for improvement/issues to be mindful of. These included:

- Engagement
- Importance of culture and delivery
- Maintaining a partnership approach
- Future support

A series of actions to address the issues were detailed within the report.

RESOLVED – That the Committee note the results of the 2019 Partner Fund feedback survey.

7 GOVERNANCE CHARTER UPDATE - RACHEL ELWELL

A report was submitted to inform the Committee of proposed changes to the Governance Charter following the annual review.

The following points had been updated:

- An update given the increase in the number of Board Committees to include the Private Markets Committee and a split of the Audit and Risk Committee.
- An update to the strategy section to reflect the 2020-2022 Strategic Plan.
- Scheme member representation on the Joint Committee.

- Reflection of the move to bi-monthly Officer Operations Group meetings, which was a result of holding specific workshops to discuss design and other significant aspects, reducing the need to hold monthly general business meetings.
- Updated chart reflecting new Border to Coast committees.
- General updating to reflect the changes following the implementation of SM&CR.

A copy of the updated Charter with tracked changes was provided as an appendix to the report.

RESOLVED – That the Committee approve the proposed changes to the Governance Charter for publication on the Border to Coast and Joint Committee websites.

8 BORDER TO COAST MARKET REVIEW - DANIEL BOOTH

D Booth presented a report which provided an overview of 2019 market performance and 2020 market pricing.

Members noted that 2019 witnessed strong asset returns across all asset classes. Positive returns were a function of falling interest rates and declining risk premiums and followed negative 2018 returns.

2020 market pricing was for a continuation of the last decade with continued low interest rates, mediocre growth and subdued inflation. Shift in policy responses meant it was unlikely that the next decade would reflect the prior period.

There was volatility around the oil markets and the risks and uncertainties following the outbreak of Coronavirus were still unclear.

The Committee was informed that there was a lot of work going on around climate related risks and the methodology for measuring these.

Members thanked D Booth for the report commenting that it was a useful addition to the Committee's agenda.

RESOLVED – That the report be noted.

9 PERFORMANCE REPORTS - DANIEL BOOTH

The Committee considered the performance reports for the Quarter ended 31st December 2019 for Border to Coast's UK Listed Equity Fund, Overseas Developed Equity Fund, Emerging Markets Equity Fund and the Listed Equity Alpha Fund.

UK Listed Equity Fund – performance was slightly above the benchmark for Q4 2019 and continued to meet the Performance Objectives over longer periods.

Overseas Developed Equity Fund – overall Fund Performance was above its target and was above benchmark since inception.

Emerging Markets Equity Fund – performance was above the benchmark for Q4 2019 but was below the benchmark and target since inception.

UK Listed Equity Alpha Fund – overall fund performance was above its target over Q4 and above target for the year and since inception.

Members noted that the effects on markets of the volatility in oil and the extent of the Coronavirus would be felt in the first quarters of 2020, and maybe beyond.

RESOLVED – That the report be noted.

Exclusion of the Public and Press

10 GLOBAL EQUITY ALPHA TRANSITION - DANIEL BOOTH

A report was submitted which described the main elements of the Global Equity Alpha transitions and addressed the following questions:

- What was the outcome?
- What were the principal causes of the outcome?
- Was implementation shortfall (IS) the best measure for transitions?
- Were pre-transition estimates of IS by transition managers reliable – was there any evidence that they consistently over- or underestimated outcomes?

The report also detailed areas of the transition that it was considered had been carried out well and areas highlighted for improvement and incorporation into future transitions.

RESOLVED – That the report be noted.

11 MULTI-ASSET CREDIT FUND DESIGN - DANIEL BOOTH

A report was submitted that provided an update on the launch of the MAC Fund.

Members were informed that Border to Coast were following a similar design and launch process to the approach used for the three internally managed and three externally managed sub-funds launched to date. The working party of nominated Partner Fund pensions officers and advisors working with Border to Coast would consider the draft amendment to the ACS prospectus that would be required to launch the fund.

Border to Coast had conducted significant preparatory work in anticipation of the launch of the Multi-Asset Credit Fund. The Project Team had undertaken substantial research into the investment, operational and regulatory implications of the new product, as well as extensive engagement with Partner Funds and wider industry.

The report detailed the fund range and product design, indicative commitments, cost proposition, summary fund information and benchmark weights and allocation

changes. It also provided a key summary of risk arising from the launch of the MAC product with a specific focus on risks to Border to Coast.

RESOLVED – That The Joint Committee:

- (i) Note the report.
- (ii) Delegates review and comment on the draft Prospectus to a working party of Partner Fund officers under its Terms of Reference 2.2.4 as set out in the report.

12 STERLING INDEX LINKED BONDS FUND - DESIGN AND PROSPECTUS SUBMISSION - DANIEL BOOTH

The Committee considered a report which covered the design of the proposed Sterling Index-Linked Bond Fund including the expected fund size, performance and risk targets, benchmark, proposed share class, investment management arrangements, any operating model, regulatory (including portfolio stress testing) or procurement implications, and the approach to transition.

RESOLVED - That the Joint Committee:

- (i) Note the Sterling Index-Linked Bond Fund design as set out in the report.
- (ii) Delegate review and comment on the proposed changes to the ACS Prospectus to Partner Fund Officers.

13 EMERGING MARKET AND REGIONAL EQUITY FUNDS - DANIEL BOOTH

A report was submitted which provided a high level fund mapping that would result in three funds: a hybrid Emerging Market Fund, a separate externally managed Emerging Market Fund and an externally managed regional development market fund. Members noted that the proposed approach would meet the requirements of all Partner Funds in the asset classes. Setting out the full proposed range, including the high level design of each fund enabled Partner Funds to make informed investment decisions as investments were pooled.

The main focus of the report was the creation of the hybrid Emerging Market Fund that was planned for Q4 2020, the other two were planned for 2021.

RESOLVED – That the Committee:

- (i) Note the proposed fund mapping for two Emerging Market equity funds and a non-market cap weighted Regional Development Fund.
- (ii) Note the progress on the proposed conversion of the existing internally managed Emerging Market equity fund to a hybrid with the addition of one or more external managers.

- (iii) Delegate Prospectus review and comment to a working party of Partner Fund officers under its Terms of Reference 2.2.4 as detailed within the report.

14 **ALTERNATIVES UPDATE INCLUDING ALTERNATIVES SERIES 1B SUBSCRIPTION - DANIEL BOOTH**

The Committee considered a report which provided an alternatives update including series 1B subscription.

Members were reminded that the development of Border to Coast's Alternatives capability was identified as a priority for Partner Funds to benefit from the expected cost savings and access to investments afforded by Border to Coast investing on their behalf at scale.

The Committee was informed that following public procurement Border to Coast had selected Albourne Partners Limited as a specialist alternative due diligence consultant to support internal resources on investment/operational due diligence and investment book of record reconciliation.

Border to Coast had made good progress on the allocation of committed funds in Series 1A; these were detailed within the report.

The request for commitments for Series 1B for Private Equity and Infrastructure, and relevant documentation, was currently with Partner Funds, with a 20 March 2020 deadline.

The report gave an overview of the Private Equity and Infrastructure Series 1B investment offerings.

The Committee noted that:

- Deployment of Series 1A commitments was progressing well.
- The Limited Partnership Agreement had been reviewed and no amendments were considered necessary. The Information Memorandum, Subscription Document and Due Diligence Questionnaire had all been updated.
- Following discussions with Partner Funds no material changes had been proposed for Series 1B, Partner Funds had provided indicative commitment levels.
- The investment team continued to be built with strong recent additions.
- Further visibility on costs indicated that the costs of the Alternatives structure would be in line with previous expectations.

RESOLVED – That the Committee:

- (i) Note the update on the Operating Model, Investment Team, information relating to the deployment of capital to Series 1A and the development of Series 1B.

- (ii) Note the overview of the Private Equity and Infrastructure Series 1B offerings.
- (iii) Agrees with the proposal that for Alternatives, the remit under paragraph 2.2.4 of its Terms of Reference (as set out in the report) should be interpreted to cover changes to the Limited Partnership Agreement and material changes to subscription documentation.

15 CEO REPORT FEBRUARY 2020 - 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 progress from a corporate functions perspective and the expected outturn of the Operating Budget.

It was noted that political risk remained high and a matrix showing the results of a recent review by the Board was included in the report.

Since the report was written external events had caused a downturn in the markets and the response to the Coronavirus would be closely monitored. As and when appropriate D Booth would circulate an investment note to keep the Partner Funds up to date.

RESOLVED – That the report be noted.

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

F Miller update the Committee on the work that had been done in conjunction with other pools regarding investment taxes and the tax structuring for the Company.

CHAIR