



Minutes of the Border to Coast Joint Committee Tuesday 16 June 2020 - Virtual Meeting

Present

Members

Councillor Doug McMurdo (Chair)
Councillor David Coupe, Councillor Mark Davinson,
Councillor Tim Evans, Councillor Richard Meredith,
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, Fiona Miller,
Andrew Stone and Graham Long

Councillor Jeff Watson and Councillor John Holtby,
Shareholder non-executive directors on BCPP Ltd's Board of
Directors

Fund Officers

Amanda Alderson, Ian Bainbridge, Alison Clark, Paul
Cooper, Kevin Dervey, Clare Gorman, Neil Mason, Julie
McCabe, Victoria Moffett, Tom Morrison, Nick Orton, Jo Ray,
Gill Richards and Craig Tyler

Statutory Officer Representative(s)

George Graham

Apologies were received from

Councillor Eileen Leask

1 APOLOGIES FOR ABSENCE/DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting. Apologies were noted as above.

There were no declarations of interest.

2 MINUTES OF THE MEETING OF THE JOINT COMMITTEE HELD ON 9 MARCH 2020

RESOLVED – That the minutes of the meeting held on 9th March 2020 be agreed
and signed by the Chair as a true record.

3 COVID 19 (FOR INFORMATION & DISCUSSION)

R Elwell informed the Committee that all Border to Coast staff were working from home. She thanked the Border to Coast team, pensions officers and advisors for how they had responded to the challenges presented.

The Chair, on behalf of the Joint Committee, thanked Border to Coast officers for how well they had transitioned to home working.

4 ANNUAL ELECTION OF COMMITTEE CHAIR AND VICE-CHAIR. ANNUAL NOMINATION TO THE BORDER TO COAST BOARD - IAN BAINBRIDGE (FOR INFORMATION AND READ ONLY)

I Bainbridge informed the Committee that the original intention had been to run a selection process for the posts of Chair, Vice-Chair and the nomination of a NED in the next few days but, because of the number of candidates that had come forward, the position had changed.

As members had been informed by email the previous week the following nominations had been received:

Chair – Cllr Tim Evans
Vice-Chair – None
NED – Cllr Anne Walsh

It was proposed to accept the nominations of Cllrs Evans and Walsh.

With regard to the position of Vice-Chair there were two options – to run the process again or to try and resolve the situation today if someone would put themselves forward.

Cllr Coupe noted that he was prepared to put himself forward.

C Hitchen thanked the retiring Board member, Cllr J Watson, who had done a sterling job during his time on the Board.

The Chair also thanked Cllr Watson on behalf of the Joint Committee.

A vote was taken and the three nominations were unanimously accepted.

Cllr Worth proposed a vote of thanks to Cllr McMurdo for all his hard work as Chair of the Committee during the last two years. C Hitchen echoed those thanks on behalf of Border to Coast.

RESOLVED – That:

- i) Cllr Tim Evans be appointed Chair of the Joint Committee for the ensuing year.

- ii) Cllr David Coupe be appointed Vice-Chair of the Joint Committee for the ensuing year.
- iii) Cllr Anne Walsh be the Committee's nomination as a Non-Executive Director to the Border to Coast Board.

5 JOINT COMMITTEE BUDGET - IAN BAINBRIDGE (FOR INFORMATION & READ ONLY)

The Committee considered a report which set out the final spend against its 2019/20 budget and the position of the 2020/21 budget.

RESOLVED – That the Committee:

- i) Note the final spend of its budget in 2019/20 was £14,000 against a budget of £40,000.
- ii) Note the position of the 2020/21 budget.

6 BORDER TO COAST MARKET REVIEW - DANIEL BOOTH (FOR INFORMATION & READ ONLY)

A report was submitted to provide an overview of 2020 market performance and environment.

The report was for information and was taken as read. The Chair invited the Committee to contact D Booth, the author of the report, if they had any questions.

RESOLVED – That the report be noted.

7a LISTED EQUITY FUND PERFORMANCE REPORT - DANIEL BOOTH (FOR INFORMATION & DISCUSSION)

A report was considered which summarised the performance and activity of the Border to Coast UK Listed Equity Fund over Q1 2020.

It was reported that performance was above the benchmark for Q1 2020 and continued to meet the performance objective over longer periods.

There had been a sharp fall in equity markets caused by the national lockdown resulting from the Covid-19 crisis. The market was also significantly affected by the fall of commodity prices, especially the sharp drop in oil prices.

Although the Fund was impacted by market falls it had benefitted relative due to a number of factors which were detailed within the report.

RESOLVED – That the report be noted.

7b OVERSEAS DEVELOPED EQUITY FUND PERFORMANCE REPORT - DANIEL BOOTH (FOR INFORMATION & DISCUSSION)

A report was submitted that summarised the performance and activity of the Border to Coast Overseas Developed Equity Fund over Q1 2020.

The Committee noted that overall Fund performance was above its target over Q1 and was above benchmark since inception.

The performance of the individual regional sleeves of the Fund over Q1 were detailed within the report.

Members were informed that the Covid-19 crisis had caused a sharp market fall which had a particularly negative impact on Pacific ex-Japan, specifically Hong Kong, Australia and Korea.

RESOLVED – That the report be noted.

7c EMERGING MARKETS EQUITY FUND PERFORMANCE REPORT - DANIEL BOOTH (FOR INFORMATION AND DISCUSSION)

The Committee considered a report which summarised the performance and activity of the Border to Coast Emerging Markets Equity Fund over Q1 2020.

It was noted that the Fund was above the benchmark for Q1 2020 but was below the benchmark and target since inception.

The Covid-19 crisis had caused sharp market falls, which initially significantly impacted China before spreading to Asia, the Middle East and Latin America.

Although the Fund was impacted by the market falls, it benefitted relatively due to several factors which were detailed within the report.

Members were informed that the Fund's risk profile was higher compared to the other internal sub-funds but was still relatively low for an active Emerging Markets fund. It was unlikely that there would be any material change to the Fund's construction in the short term.

RESOLVED – That the report be noted.

7d UK LISTED EQUITY ALPHA FUND PERFORMANCE REPORT - DANIEL BOOTH (FOR INFORMATION & DISCUSSION)

The Committee considered a report which summarised the performance and activity of the Border to Coast UK Listed Equity Alpha Fund over Q1 2020.

It was reported that the Fund's performance had been disappointing over Q1, and was now below the benchmark over the past year and since inception. It was believed that the majority of the relative underperformance had been driven by Covid-19 related impacts.

The heightened volatility of equity markets caused by Covid-19 reduced the influence of strong company fundamentals on share prices. As a consequence extreme market movements had been seen which drove prices down throughout the quarter.

RESOLVED – That the report be noted.

Exclusion of the Public and Press

8 STERLING INVESTMENT GRADE TRANSITION - DANIEL BOOTH (FOR INFORMATION & DISCUSSION)

A report was submitted which described the main elements of the Sterling Investment Grade transition and addressed the following questions:

- What was the outcome in terms of fund performance?
- What was the outcome in terms of implementation shortfall?
- What were the principal causes of the outcome?
- What was the impact of markets on pre-trade plans?
- What progress had been made since the handover to managers?
- What lessons had been learned?

RESOLVED – That the Committee note the conclusions of the Sterling Investment Grade transition.

9 POOLING PROPERTY ASSETS - DANIEL BOOTH (FOR INFORMATION AND DISCUSSION)

A report was considered that provided an update on work carried out to date on the design of, and business case for, pooling property assets.

It was noted that there remained work to be done to agree a final design as collaboration continued with Partner Fund officers and advisors.

Whilst progress was being made on agreeing the final design, officers from Border to Coast were continuing to work with Partner Funds to address questions and areas of concern; these were detailed within the report.

Members were reminded that the property pooling project had been underway for over a year. The current working hypothesis was that Partner Fund needs (cost effective, risk adjusted return and income profile) could be met by the launch of two property funds, details of which were contained within the report.

Extensive work had been completed to show the initial analysis of costs and savings for pooling property assets for all Partner Funds. The initial findings had been shared with pensions officers to enable understanding and challenge on the assumption and calculations. The business case was summarised in Section 4 of the report.

The Joint Committee were asked to recommend to Partner Fund Pension Committees to bring forward funding of c. £800,000 to procure expertise to assist in several areas.

The Committee had a lengthy discussion on all aspects of the report.

RESOLVED – That the Joint Committee:

- i) Note the progress made to date on the design and business case for pooling property and the ongoing work to complete the design phase to enable Partner Funds to commit to the pooling solution. It was also noted that this was likely to be ready for final Pension Committee approval (subject to due diligence) by Q1 2021.
- ii) Recommend to Partner Fund Pension Committees (or their officers as appropriate) to bring forward funding of c. £800,000 (c. £75,000 per Partner Fund) to procure expertise to assist with several areas of the project as detailed within the report.

10 **CEO REPORT MAY 2020 - RACHEL ELWELL (FOR INFORMATION AND DISCUSSION)**

R Elwell presented her CEO report for the period since the last Joint Committee meeting.

The report contained:

- A progress update, including interaction with Partner Funds.
- A summary of risk positioning and performance of the launched funds.
- An update on fund launches.
- An update on progress from a corporate functions perspective and the expected outturn for the Operating Budget.

The Committee noted that the tracking analysis had been re-based following confirmation of the results of Partner Fund Investment Strategy Reviews and shareholder approval for Border to Coast's Strategy.

It was further noted that, from a risk perspective, the period had been dominated by the response to, and implications of, Covid-19. This was covered further within the report.

RESOLVED – That the Joint Committee note the update provided in the report.

11 **UPDATE ON EMERGING MATTERS - RACHEL ELWELL, FIONA MILLER, IAN BAINBRIDGE**

F Miller updated the Committee on collaborative work with other LGPS pools, especially in the area of tax status.

CHAIR