



Minutes of the Border to Coast Joint Committee

Tuesday, 26 November 2024 - Border to Coast Offices, Toronto Square, Leeds, LS1 2HJ

Present Members: Chair:
Cllr George Jabbour, North Yorkshire Pension Fund

Vice-Chair:
Cllr Doug McMurdo, Bedfordshire Pension Fund

Cllr David Sutton-Lloyd, Durham Pension Fund
Cllr John Holtby, East Riding Pension Fund (as substitute for Cllr Paul Hopton)
Cllr Eddie Strenghel, Lincolnshire Pension Fund
Cllr Jayne Dunn, South Yorkshire Pension Fund
Cllr Nick Harrison, Surrey Pension Fund
Cllr Doug Rathbone, Cumbria Pension Fund
Cllr John Kabuye, Teesside Pension Fund
Cllr Ken Dawes, Tyne & Wear Pension Fund
Cllr Christopher Kettle, Warwickshire Pension Fund

Scheme Member Representatives:
Nicholas Wirz
Lynda Bowen

Fund Officers:
Mike Batty, Bedfordshire Pension Fund
Kate McLaughlin-Flynn, Cumbria Pension Fund
Paul Cooper, Durham Pension Fund
Tom Morrison, East Riding & North Yorkshire Pension Funds
Jo Kempton, Lincolnshire Pension Fund
George Graham, South Yorkshire Pension Fund
Neil Mason, Surrey Pension Fund
Nick Orton, Teesside Pension Fund
Paul McCann, Tyne & Wear Pension Fund
Chris Norton, Warwickshire Pension Fund

Partner Fund Nominated Non Executive Directors:
Cllr David Coupe

Border To Coast Representatives:
Rachel Elwell – Chief Executive Officer
Joe McDonnell – Chief Investment Officer
Chris Hitchen – Chair
Colin Baines – Stewardship Manager
Tim Manuel – Head of Responsible Investment

Mark Lyon - Deputy Chief Investment Officer
Milo Kerr - Head of Customer Relationship
Management

Secretariat: Gina Mulderrig – South Yorkshire Pensions Authority

Apologies: Cllr Paul Hopton – East Riding Pension Fund

The Chair congratulated Border to Coast Pensions Partnership officers for having the [Climate Change Report](#) recognised by Pensions for Purpose as the “Best Climate Change Policy” for the second year running.

1 APOLOGIES

The Chair welcomed everyone to the meeting including members of the public.

Apologies were noted as above.

2 DECLARATIONS OF INTEREST

Cllr Jabbour declared a non-pecuniary interest in relation to the nature of his campaigning work, including the way public sector pension funds manage their funds.

Cllr Holtby declared that he was attending the meeting on this occasion as a substitute for Cllr Hopton to represent East Riding Pension Fund but that he was also a Partner Fund Nominated Non Executive Director of the Company.

The following members declared that they held pensions that were part of the Local Government Pension Scheme:

Cllr Doug McMurdo
Cllr Jayne Dunn
Cllr Nick Harrison
Lynda Bowen
and Nicolas Wirz

3 QUESTIONS FROM THE PUBLIC

One question had been received from a member of the public (Hilary Smith) that the Chair had agreed should be responded to. The Chair provided the response prepared by the Border to Coast company in terms of the approach it takes as it acts in line with policies agreed by partner funds on the issues raised. A full copy of the question and the response is appended to the minutes.

4 MINUTES OF THE MEETING HELD ON 26 SEPTEMBER 2024

The minutes were received, and members were asked to approve.

RESOLVED – That the minutes of the meeting held on 26 September 2024 be agreed as a true record once the above amendments were made.

5 JOINT COMMITTEE BUDGET

Nick Orton, Chair of the Officer Operations Group and Head of Pensions Governance and Investments at Teesside Pension Fund, presented the report detailing the Joint Committee budget position for 2024/25 explaining that 10% of the budget had been spent so far and that all scheduled costs were expected to be within budget.

RESOLVED - Members noted the budget position.

6 CALENDAR OF MEETINGS

The most recently updated schedule of meetings was included in the agenda for members to note.

The Chair noted the excellent attendance record of members of the Joint Committee and emphasised the importance that this continue to demonstrate best practice governance and accountability of the Joint Committee. The Chair asked all members to regularly review the calendar of meetings and highlight any scheduling conflicts so that the calendar can be reviewed as necessary to facilitate maximum attendance.

RESOLVED – Members noted the scheduled dates for meetings of the Joint Committee, Border to Coast Conference and member workshops for the next three years.

7 EFFECTIVENESS REVIEW

George Graham as Secretary to the Joint Committee presented a verbal update on the proposed arrangements for conducting a review of the effectiveness of the Joint Committee.

It was explained that contact with the Local Government Association (LGA) to provide independent leadership of the review, as requested by members at the previous meeting, had been made and that the LGA were keen to assist, however, following the announcement of the Pensions Review consultation by the Chancellor on 14 November 2024 and the time requirement for both the Company and officers to respond, it would be impractical to undertake an effectiveness review in the formal format that was previously discussed at this time.

Members expressed understanding of the need to prioritise the consultation on the Pensions Review and the subsequent work generated but also recognised the importance of issues associated with an effectiveness review including maintaining and improving standards of governance, assessing and improving performance and maintaining a good reputation in the industry.

The Chair stated that even without a formal review, continuous improvement is already taking place by sharing good practice from industry peers and proactively making changes to the running of the Joint Committee when a need is identified. He listed a number of improvements that have been implemented in recent weeks. The Chair also noted that some issues that would be covered in an effectiveness review will also be covered in the Pensions Review and the likely requirements from the outcome of the consultation.

Members accepted that improvements are ongoing and changes can be made without a review but expressed the need for a more structured approach. Members accepted the reason to postpone the effectiveness review but, following debate, asked that it remain on the agenda and the Joint Committee be given updates on any changes and improvements until a formal review can take place.

RESOLVED – Members agreed to postpone the formal Effectiveness Review due to Fund officer resource requirements for the Government Pensions Review consultation and outcome, but that the Effectiveness Review remain on the agenda and the Joint Committee be given updates on any changes and improvements until a formal review can take place.

8 RESPONSIBLE INVESTMENT POLICIES ANNUAL REVIEW 2025

Tim Manuel, Head of Responsible Investment, presented the Responsible Investment Policies Review for 2025 explaining that, as agreed with Partner Funds earlier in the year, this was a 'light touch' review and that the only material proposed change to highlight was a change on voting in relation to deforestation as a climate change issue. It was explained that these policies had been reviewed against leading peers and by a third-party adviser (Robeco).

In response to a question it was emphasised that the policies need to be published in January ahead of the voting season to declare publicly the company's position on Responsible Investment. As in previous years, the objective is to share the policies with Partner Fund Pensions Committees before January for their endorsement and support, and to consider their adoption, but it was acknowledged that this wasn't possible in all instances.

Members asked for clarity on the company's position on human rights and their approach taken in the UK and internationally.

The Head of Responsible Investment explained that human rights were integral to the policies and that the company has a watch list of high-risk companies which is monitored with any policy infringement triggering engagement and affecting voting decisions. The Head of Responsible Investment offered to provide more information on the framework underpinning such triggers in the next update. It was also explained Border to Coast had joined the Good Work Coalition of investors, co-ordinated by ShareAction with engagement programmes on the Living Wage and Racial Inequality.

Members questioned why mining was not listed as a sector subject to high deforestation.

The Head of Responsible Investment reported that they are waiting to hear back from Robeco to confirm their position. The Head of Responsible Investment stated that, in the meantime, the policy can be amended to state that the sectors listed were examples.

RESOLVED - Members agreed:

a. To approve the proposed revisions to the Responsible Investment Policy (Appendix 1), Corporate Governance & Voting Guidelines (Appendix 2), and Climate Change Policy (Appendix 3) subject to confirmation the policy covers mining.

b. To support taking the revised policies to Pensions Committees for comment and for them to consider adoption of the principles in their own RI policies in line with industry best practice.

9 RESPONSIBLE INVESTMENT UPDATE

Tim Manuel, Head of Responsible Investment, presented the report providing the Committee with an update on the Responsible Investment activity undertaken by the Company on behalf of Partner Funds over the period since the last meeting.

Members asked for the reaction of the company to Ballie Gifford having left the Climate Action 100+ group and Net Zero Asset Managers initiative.

Rachel Elwell, the Chief Executive Officer, explained that the company had written to Baillie Gifford to express disappointment at their withdrawal and to ask for their rationale for the decision and what commitment they can give that they will stick to climate commitments and were awaiting a response.

Members drew attention to the engagement the company had started with UK water utilities in partnership with Royal London Asset Management. Members from areas not covered by the 11 water utilities under engagement requested further details. Members expressed concern at the business model for water companies and the degradation of water treatment infrastructure and questioned the company's exposure percentage to the sector. Officers agreed to supply the information following the meeting.

Members welcomed the news that the company had joined the Good Work Coalition of investors, co-ordinated by ShareAction with engagement programmes on the Living Wage and Racial Inequality but questioned how it could be certain that the data collected for analysis was correct.

Colin Baines, Stewardship Manager, explained that ShareAction had a very focussed list of companies to analyse and adequate staffing to ensure high confidence in the accuracy of their work.

Members drew attention to the issue of food production in the UK, the need to value high standards and the risk of lower quality and ethics standards with food imported from other countries.

RESOLVED - Members noted the report.

Exclusion of the Public and Press RESOLVED – That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and the public interest not to disclose information outweighs the public interest in disclosing it.

10 **ANNUAL REVIEW OF UK LISTED EQUITY AND OVERSEAS DEVELOPED EQUITY**

Nick Orton, Chair of the Officers' Operations Group, presented the Annual Review of Overseas Developed Equities and UK Listed Equities Fund.

Members questioned whether they should receive more regular summaries on investment performance. Officers assured the Joint Committee that they would be kept up to date with any important developments and that any funds on watch would continue to be closely monitored but that this was an annual review which took a long-term view to show performance in a more meaningful way without distracting from overall trends with short term fluctuations.

Members reported serious concerns regarding underperformance in some areas which had been reviewed at previous meetings, specifically the Global Equity Alpha Fund. Officers noted the concerns but also added further context to the data and explained how the increasing concentration in international markets over recent periods had affected performance and also that Border to Coast were undergoing a manager search in order to make changes to the fund.

Members recognised the implications of the context but remained concerned and requested further information and updates from officers when available.

RESOLVED – Members noted the report.

11 **DEVELOPMENT OF INVESTMENT CAPABILITIES**

Milo Kerr, Head of Customer Relationship Management, presented the report setting out the proposed pipeline of development activity for 2025-28 and described opportunities to create further value and cost savings for Partner Funds. It was highlighted that the pipeline would be reviewed alongside considerations around the LGPS consultation.

Members queried the omission of Local Pension Boards from the list of consultees for the 2030 investment strategy. Officers assured members that Boards were informed even though they were not explicitly mentioned in the report.

RESOLVED – Member recommended the plan to Shareholders for approval.

12 ALTERNATIVES SERIES 3

Mark Lyon, Deputy Chief Investment Officer, presented the report giving an overview of the proposed Alternatives Series 3a offerings to be launched in April 2025 following discussions internally and with Partner Funds.

RESOLVED – Members:

a. Noted the report.

b. Delegated to Officers the authority to review the contractual documentation required to support the Alternatives Series 3a launch. The Committee had previously delegated to Officers the review of the legal documentation for the alternatives structure and the various investment offering.

13 OVERVIEW OF POOLING PROGRESS

Milo Kerr, Head of Customer Relationship Management, presented an overview of pooling progress sharing the results of the 2024 Partner Fund Annual Satisfaction Survey and giving an update on ongoing launch activity, including the launch of income distributing share classes on equity funds and new propositions.

RESOLVED - Members noted the report, including the launch of income distribution share classes for Overseas Developed Equities, UK Listed Equities, UK Equity Alpha and Global Equity Alpha, and the addition of an income share class for the Global Multi Factor Indexed Equities Fund post launch.

14 UPDATE ON EMERGING MATTERS

Rachel Elwell, Chief Executive Officer, gave a verbal update on the Government Pensions Review. It was explained that the Chancellor announced the Pension Investment Review's interim report on 14 November 2024 launching a 9-week consultation with response required by 16 January 2025. The Chief Executive Officer noted that, given the relatively short consultation period, efficient engagement was needed to develop a core response that takes the positions of each individual fund into consideration.

The Chief Executive Officer explained the Government proposed an indicative timeline for pools and administering authorities to implement outcomes from the consultation and move to the new model by March 2026 and that it required proposals for how the company would meet the requirements agreed following the consultation by 1 March 2025.

Members discussed their initial views and updated the Joint Committee on progress made so far at the partner funds and agreed the need to remain pro-active and communicate efficiently with all stakeholders and to be kept briefed by the company.

The Chairman of the Border to Coast Pensions Partnership assured members that the Company was in a good position to manage change and welcomed opinion and insights from all members.

RESOLVED – Members noted the update.

CHAIR