



Minutes of the Border to Coast Joint Committee
Thursday 28th September 2023 at 10:15am
Border to Coast Offices, Toronto Square, Leeds, LS1 2HJ

Present Members:	Chair: Cllr Doug McMurdo, Bedfordshire Pension Fund
	Vice-Chair: Cllr George Jabbour, North Yorkshire Pension Fund (Elected Under Agenda Item 3) ----- Cllr Giles Archibald, Cumbria Pension Fund (In Place of Cllr Doug Rathbone) Cllr David Sutton-Lloyd, Durham Pension Fund Cllr Paul Hopton, East Riding Pension Fund Cllr Eddie Strengiel, Lincolnshire Pension Fund Cllr Jayne Dunn, South Yorkshire Pension Fund Cllr Nick Harrison, Surrey Pension Fund Cllr Jill Ewan, Teesside Pension Fund Cllr Pat Hay, Tyne & Wear Pension Fund (In Place of Cllr Anne Walsh) Cllr Christopher Kettle, Warwickshire Pension Fund
Scheme Member Representatives:	Nicholas Wirz Lynda Bowen
Fund Officers	Pam Duke, Cumbria Pension Fund
Statutory Officer	Paul Cooper, Durham Pension Fund
Representative(s):	Tom Morrison, East Riding & North Yorkshire Pension Funds Julian Neilson, East Riding Jo Kempton, Lincolnshire Pension Fund Sharon Smith, South Yorkshire Pension Fund Neil Mason, Surrey Pension Fund Nick Orton, Teesside Pension Fund Paul McCann, Tyne & Wear Pension Fund Andy Felton, Warwickshire Pension Fund Chris Norton, Warwickshire Pension Fund
Partner Fund Nominated Non Executive Directors	Cllr David Coupe Cllr John Holtby
Border To Coast Representatives:	Rachel Elwell – Chief Executive Officer Joe McDonnell – Chief Investment Officer (Items 7 onwards) Chris Hitchen – Chair Mark Lyon – Deputy Chief Investment Officer (Items 9 onwards) Milo Kerr - Head of Customer Relationship Management

Graham Long – Head of External Management (Item 13)
Ewan McCulloch – Chief Stakeholder Officer
Fiona Miller – Deputy Chief Executive Officer
Jane Firth (Item 6)

Apologies: Cllr Doug Rathbone, Cumbria Pension Fund
Cllr Anne Walsh, Tyne & Wear Pension Fund

1 APOLOGIES/DECLARATIONS OF INTEREST

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

Members declared no further interests in addition to those included in the relevant register.

Cllr Jabbour declared a non-pecuniary interest in relation to the nature of his campaigning work and commentary.

2 MINUTES OF THE MEETING HELD ON 13 JUNE 2023

The minutes were received, and members asked to approve.

RESOLVED – The minutes of the meeting held on 13 June 2023 be agreed as a true record.

3 ELECTION OF VICE-CHAIR

A report was submitted detailing the election of the Vice Chair. Statements were submitted from Cllr Jabbour and Cllr Kettle, and both asked to present a three-minute statement to outline their submission, followed by a sealed vote.

RESOLVED

- To agree the appointment of Cllr Jabbour as Vice Chair.

4 SCHEDULE OF FUTURE MEETINGS

RESOLVED – To note the scheduled dates for meetings of the Joint Committee and member workshops for the next three years as set out in the report.

5 JOINT COMMITTEE BUDGET

A report was presented updating the Joint Committee on the position in relation to its budget which had been set at £40,000 in March 2023. To date £29,700 of this relates to the legal costs for the review of the Border to Coast Global Real Estate Proposition documentation.

It was noted that, the 2023/24 Budget is intended to cover costs incurred by the Joint Committee and the Partner Funds, including the secretarial services to convene, and run meetings, legal work to review documentation associated with investment propositions, legal work to review the shareholder agreement following

proposed changes to the funding model, and travel and subsistence of scheme members representatives on the Joint Committee.

It was noted expenditure to date is within the Joint Committee Budget.

RESOLVED – To note the contents of the report.

6 RESPONSIBLE INVESTMENT UPDATE

Jane Firth presented a 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.

Particular attention was drawn to update members on engagement activity. As part of the Low Carbon Transition engagement theme, and the focus on the oil and gas sector and high carbon emitting companies, there has been increased engagement in this area. 29 priority companies were identified for pre-AGM engagement where advice was given of our voting intentions and provided the rationale.

On-going engagement led by Rathbones with FTSE 350 companies assessed as non-compliant with section 54 of the Modern Slavery Act has led to only one of the 12 companies initially identified and held by Border to Coast now considered not compliant. Engagement will continue with this company ahead of its AGM in April 2024.

Border to Coast is a supporter of a Just Transition and has recently joined the Financing a Just Transition Alliance co-ordinated by the London School of Economics Grantham Institute, which includes a collaboration with RLAM to engage with UK banks. Activity to pilot engagement with an emerging markets energy utility company is also underway.

Members were also updated on the Responsible Investment strategy. Engagement continues with the wider industry on systemic issues and Border to Coast has responded to the FCA's consultation on the Primary Markets Effectiveness Review, supporting the Investment Association's response and highlighted three areas of concern: the removal of the vote on significant transactions; the proposed changes on related party transactions; and the proposed changes to dual class share structures.

Members discussed the challenges facing the water industry, including the need for investment to address the sustainability of the system. Cllr McMurdo agreed to circulate a recent Local Authority Pension Fund Forum report on Place Based Funding with respect to water companies to members.

Cllr Archibald raised his personal concerns around the transition plans within the oil and gas sectors, Cllr McMurdo agreed to discuss the matter with Cllr Archibald and other individuals at his Fund as necessary in a separate meeting to be scheduled.

RESOLVED: To note the contents of the report. Cllr McMurdo to circulate a LAPFF report on place-based funding with respect to water companies to members.

Cllr McMurdo to schedule a meeting with Cllr Archibald to discuss the oil and gas sectors.

7 MARKET REVIEW

Joe McDonnell presented a report reviewing market conditions and giving a high-level view of the performance of the various investment propositions.

Risk assets have continued to perform well year-to-date. The short-term outlook has improved but rising rates threaten growth as we move towards 2024. Inflation has now peaked but a return to central bank targets for core inflation may prove difficult. Headline inflation continues to ease but core inflation remains sticky. As at end of July, core Inflation in the US is 5.5% and 6.9% in the UK.

Fund performance updates were provided:

- Benchmark Relative Returns: 5/9 ACS funds are ahead of benchmark since inception.
- Target Relative Returns: Target returns relative to the benchmark is set for each ACS fund. These excess return targets reflect the return which is commensurate with the active risk taken. Since inception Overseas Developed Equity, Sterling Index Linked Bonds and Investment Grade Credit are above target. UK Listed Equities is close to its target excess return. UK Equity Alpha, Global Equity Alpha, Emerging Markets Equity and Listed Alternatives are below their target return.
- A new ACS fund – Emerging Markets Equity Alpha (EMEA) was launched in August. Four external managers have been appointed: two China – Fountain Cap and UBS; and two Ex-China – Ballie Gifford and GSAM. Performance of this fund will be reported to the Joint Committee after its 1-year anniversary.
- The rising/high interest rate environment has been challenging for the Listed Alternatives fund. Based on the output of the annual review it is proposed to shift the portfolio to capture a broader opportunity set including an allocation to liquid investment grade bonds of issuers within the Listed Alternatives universes. Border to Coast is also looking to improve overall risk balance of the portfolio.

RESOLVED – To note the contents of the report.

8 LGPS CONSULTATION

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.

Ewan McCulloch presented the proposed response to the Government pooling consultation on the future of pooling.

It was felt that a joint response reflected the ethos of the Border to Coast pool, with the ultimate objective of influencing the outcome of Government policy to enable Partner Funds to carry out their primary objective of paying pensions to LGPS members at a sustainable and affordable cost.

RESOLVED: Members approved the proposed response to the Government Pooling consultation on the future pooling and all eleven funds signed the response.

9 ANNUAL REVIEW OF UK LISTED AND OVERSEAS DEVELOPED EQUITIES

Mark Lyon presented the highlights of the annual review.

- The performance of the Sub-funds is broadly in line with the target since inception and have generated strong risk-adjusted returns at a low cost.
- Existing, and anticipated future, resources are sufficient to manage the Sub-funds and aid longer term succession planning.
- The portfolio structure is appropriate and although the carbon profile is above the short-term target; the Company remains comfortable with the long-term trajectory and no remedial action is required at the current time.
- The Sub-funds are considered to continue to meet customer requirements and are sustainable over the long term.
- No substantive changes to the Sub-funds are considered necessary following the annual review.

Following discussion it was:

RESOLVED – To note the contents of the report

10 ANNUAL REVIEW OF ALTERNATIVES

Mark Lyon introduced a report presenting the annual review of the alternatives. Key points raised:

- Capital commitments from Partner Funds of £12bn v. £5bn in the original business case, with capital deployed in line with expected timeframes and within risk parameters.
- Delivered substantial cost savings (estimated at ~£38m p.a. equivalent to 40bps), developed key industry partnerships, and improved access to investments for Partner Funds.
- Initial performance has been encouraging for all asset classes, although it is early in the programme life.
- Future product developments are currently in the design stage and will be progressed further if considered appropriate.

Following discussion, it was:

RESOLVED – To note the contents of the report.

11 ANNUAL REVIEW OF LISTED ALTERNATIVES AND PROPOSED CHANGES

Mark Lyon presented the annual review of the Listed Alternatives Sub-fund. Performance has been weak since inception which is due to an inherent mismatch of assets against the benchmark. There is seen to be an opportunity to adjust the asset exposure and take advantage of the change in the market conditions through bond yield and interest rates increasing, to invest in bond and debt within the strategy to reduce the equity risk long term.

Amendments will be required to the investment process to cover due diligence of fixed income securities as well as an expanded opportunity set. These are incremental, rather than fundamental, changes. There will need to be EGM approval for the changes to take place from the 5 Partner Funds that are invested in the sub-fund.

RESOLVED: That the report is noted, that there will be an EGM for existing investors to approve the changes to the Prospectus.

12 CEO REPORT

The Company's CEO submitted a report updating the Committee on activity across the whole range of the Company's activity.

The Joint Committee is asked to support the extension of the remit of the 2030 Emerging Strategy project to cover the next phase of its development prior to presentation to the Board and Partner Funds. The project's membership will also be reviewed.

RESOLVED: To note the contents of the report and agree the extension of the remit of the 2030 working group.

13 INVESTMENT REVIEW QUARTER ENDED 30 JUNE 2023

Graham Long and Mark Lyon introduced a review of the performance of the various investment propositions over the most recent quarter. Members were advised that detailed reporting is provided to the Operations Officers Group and further information can be obtained by Officers from the data room.

RESOLVED – To note the contents of the report.

14 STANDING ITEM - UPDATE ON EMERGING MATTERS

Fiona Miller informed members that George Graham – South Yorkshire Pensions Fund – and herself work in collaboration with the Scheme Advisory Board and have the access in that arena to raise any concerns.

CHAIR