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Minutes of the Border to Coast Joint Committee

Thursday, 26 September 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 Paul Hopton, East Riding Pension Fund
Cllr Eddie Strengeil, Lincolnshire Pension Fund
Cllr Jayne Dunn, South Yorkshire Pension Fund
Cllr Nick Harrison, Surrey Pension Fund
Cllr John Kabuye, Teesside Pension Fund
Cllr Joyce Welsh, Tyne & Wear Pension Fund- (as substitute for Cllr Ken Dawes)
Cllr Christopher Kettle, Warwickshire Pension Fund

Scheme Member Representatives:
Nicholas Wirz (remote)
Lynda Bowen

Fund Officers:
Andy Watkins, Bedfordshire Pension Fund
Mike Batty, Bedfordshire Pension Fund
Kate McLaughlin-Flynn, Cumbria Pension Fund (remote)
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
Milo Kerr - Head of Customer Relationship
Management

Secretariat: Gina Mulderrig – South Yorkshire Pensions Authority

Apologies: Cllr Doug Rathbone (Cumbria Pension Fund), Cllr Ken Dawes (Tyne and Wear Pension Fund) and Cllr John Holtby (Non Executive Director)

1 APOLOGIES FOR ABSENCE/ DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting including members of the public. The apologies were noted as above. Nicolas Wirz and Kate McLaughlin- Flynn attended remotely.

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.

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

Cllr Doug McMurdo
Cllr Jayne Dunn,
Cllr Joyce Welsh,
Cllr Paul Hopton
Cllr Nick Harrison and
Nicolas Wirz

2 QUESTIONS FROM THE PUBLIC

Four questions had been received from members of the public (Ms A Whalley, Mr S Ashton, Mr M Ashraf and Ms J Cattell) that the Chair had agreed should be responded to. The Chair provided the responses 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. Questions three and four were answered with a single response due to the similar nature of the questions. A full copy of the questions and the responses is appended to the minutes.

3 MINUTES OF THE MEETING HELD ON 20 JUNE 2024

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

Members noted typographical errors relating to date and spelling in minute 7.

Members requested that in minute 10 the word 'praised' be changed to 'welcomed' to clarify the Joint Committee's reaction to the annual review of the Global Equity Alpha, UK Equity Alpha and Emerging Market Equities.

RESOLVED – That the minutes of the meeting held on 20 June 2024 be agreed as a true record once the above amendments were made.

4 ELECTION OF VICE CHAIR

George Graham as Secretary to the Joint Committee announced the results of the ballot held prior to the meeting to elect a Vice Chair of the Joint Committee.

Councillor McMurdo received the majority share of votes and was therefore elected Vice Chair of the Joint Committee and immediately took up the position.

RESOLVED - The Committee agreed to the immediate appointment of Councillor Doug McMurdo as Vice Chair of the Joint Committee for a term of 2 years.

5 SCHEME MEMBER REPRESENTATIVE ELECTION RESULTS

George Graham as Secretary to the Joint Committee presented the report which provided members with the result of the election for a Scheme Member representative held during August 2024.

Two eligible nominations were received but, due to the withdrawal of one nominee, one candidate remained for appointment to the position of Scheme Member Representative to the Joint Committee: Nicholas Wirz from the Tyne and Wear Pension Fund.

RESOLVED - The Committee agreed to the appointment of Nicholas Wirz as Scheme Member Representative for a 3 year term.

6 JOINT COMMITTEE BUDGET

A verbal report updating the Joint Committee on the current position of the agreed budget confirmed that there had been no expenditure to date in this financial year. Upcoming costs would include secretariat support, legal work and travel and subsistence for members and it was confirmed that these costs would be reported regularly to the Joint Committee.

RESOLVED - Members noted the budget position.

7 CALENDAR OF MEETINGS

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

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

8 JOINT COMMITTEE EFFECTIVENESS REVIEW

George Graham as Secretary to the Joint Committee presented a report which set out the proposed arrangements for conducting a review of the effectiveness of the Joint Committee and explained that an internal review process supported by peers from another pool was the preferred option based on cost and the ability to bring thinking from elsewhere into the process.

Members shared their insight and discussed the value of peer review. The Chair explained that he had undertaken to visit other pools that operate with a joint committee with the view to having a better understanding of others and greater collaboration with peers in general.

Members questioned the independence of a peer review and whether the alternative option of obtaining an independent governance review as presented in the report would be worth the expenditure of between £10,000 and £20,000 particularly given the scale of funds managed by the pool and the potential value added to the review by engaging an external reviewer. It was also expressed that choosing a peer to conduct the review could prove problematic.

The Chief Executive Officer explained that the company actively engages with other pools to share learning and improve effectiveness of the LGPS ecosystem as a whole. She expressed the view that it could be a mistake to go outside of the sector given the unique environment, and that a specialist, nuanced governance review was needed.

Some members expressed hesitation to go to an independent body to conduct the review at the risk the process turn into an assessment rather than a review.

The Vice Chair proposed an amendment to the recommendation:

To contract the Local Government Association to provide independent leadership of the review.

The amendment was seconded.

RESOLVED – The Joint Committee agreed to:

- a). conducting an effectiveness review as set out in the body of the report.**
- b). contracting the Local Government Association to provide independent leadership of the review.**

9 RESPONSIBLE INVESTMENT UPDATE

Tim Manuel, Head of Responsible Investment, 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 giving an overview of engagement and voting statistics following the peak AGM voting season.

Members questioned the implications and value of pre-declared voting and voting against company chairs as part of Border to Coast's engagement escalation as detailed in the report.

The Head of Responsible Investment explained that these escalation methods were an effective way to express dissatisfaction to the individual company and to the public to promote change and that pre-declared voting demonstrated strong leadership from Border to Coast in the sector.

The Joint Committee sought explanation for why pre-declaration hadn't been used more if it was effective and queried whether voting against a company chair could cause a company to view or treat Border to Coast negatively.

The Head of Responsible Investment and the Chief Executive explained that escalation methods come with extensive engagement and that there is an optimum level of use of these methods to ensure that change is encouraged. The Chief Investment Officer added that, as a tier 1 asset owner, the voting record of Border to Coast carried weight in the sector.

Members asked whether the engagement and escalation demonstrated by Border to Coast affected the behaviour of peers and influenced similar actions from other investors. It was also asked what happens if escalation does not have the desired effect of affecting policy from within.

The Head of Responsible Investment explained that the level of influence was difficult to isolate and measure but stated that Border to Coast were not an outlier in the sector and work with many different investors who are likeminded when it comes to responsible investment. He added that there was power in being open and collaborating with other investors when embedding environmental, social and governance issues into investment decision making and there was also the opportunity to take positive leadership in the sector. The Head of Responsible Investment stated that the aim of the Responsible Investment Policy was to support better investment outcomes and, if there comes a point where the risk outweighs the investment value and escalation does not mitigate the risk, then the company may decide to pull back investment.

Noting the information already shared publicly in quarterly and annual stewardship reports, Members reiterated the importance of sharing this information with pool members (with examples) to demonstrate that Border to Coast is taking responsible investment seriously and engaging effectively to challenge the companies identified.

The Independent Investment Adviser to the Lincolnshire Pension Fund had submitted a question to officers regarding this item. The Head of Responsible Investment provided written responses following the meeting. Details are appended to the minutes.

RESOLVED – To note the contents of the report.

10 MARKET REVIEW

Joe McDonnell, Chief Investment Officer, presented a report giving an overview of the macroeconomic and market environment and the medium-term investment outlook noting that it had been a strong year to date for equity markets, that no recession is expected but that there had been significant market volatility.

Members asked for more detail on the emerging markets situation in China and the risks that this posed to the company.

The Chief Investment Officer explained that European and US institutional investors had partially pulled back from investment in China. He explained that China had launched a domestic stimulus package, which was a positive move in terms of recent performance, but that there were still long-term challenges for the market. It was stated that the effect on the portfolio won't be known until the impact of the stimulus package is felt (temporary or follow-up and more long-lasting improvement). Nevertheless, given its importance to Global GDP and technology, China could not be ignored as a major investment market.

Members questioned market performance around Artificial Intelligence companies. The Chief Investment Officer explained that AI companies were hugely important in the market and very profitable but that pricing/valuation in the industry is very high making their future advantage versus the rest of the market dependent on continued strong earnings growth.

RESOLVED – To note the contents of 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.

11 ANNUAL REVIEW OF ALTERNATIVES AND LISTED ALTERNATIVES

Nick Orton, Chair of the Officer Operations Group presented a report providing an update on performance review activity since the previous meeting and presenting the annual reviews of the Alternatives Programme and Listed Alternatives Fund. It was explained that it was agreed at the March Joint Committee meeting that the Committee would no longer receive quarterly performance information as a standing item but review the performance of individual propositions through the cycle of in depth annual reviews which has already been established. The report included the Schedule of Annual Reviews, the Border to Coast Alternatives Annual Review report and the Border to Coast Listed Alternatives Annual Review.

Members discussed the report and commented that the newly introduced status rating system of each proposition following review was useful and that any changes to ratings intra-annual reviews should be added to future reports for the attention of the Joint Committee. Members queried whether an annual report to the Committee over quarterly reporting was sufficient, noting that it was important members be made aware of any issues as they occurred and progressed.

In discussing work undertaken following the reviews reported at the previous meeting, Members asked officers for additional information to provide assurance that appropriate actions were in hand and having the desired effect.

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. They would look at suggestions for ways of keeping members briefed on performance.

RESOLVED - The Committee noted the report.

12 OVERVIEW OF POOLING PROGRESS

Milo Kerr, Head of Customer Relationship Management presented the report giving an overview on the progress of pooling including Partner Fund engagement, transition progress and plans, proposition launches and collective voice, as well as the risks to pooling.

RESOLVED - The Committee noted the report.

13 UPDATE ON EMERGING MATTERS

Rachel Elwell, Chief Executive Officer, gave a verbal update on current issues affecting the company focussing on the Government Call for Evidence on the first phase of the Pensions Review. The Chief Executive explained that Border to Coast Pensions Partnership, in collaboration with Partner Funds, had responded and that the response had been shared and published on the website [Pensions Review 2024 Phase 1: Call for Evidence - Border To Coast](#).

The Committee discussed the next steps of the Pensions Review and the potential impact on the LGPS.

Officers explained that the pool would continue to work collaboratively with peers to share and gain information and that the Joint Committee would be regularly briefed on any developments and how they affect the company.

RESOLVED - The Committee noted the update.

CHAIR

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