

**NORTH YORKSHIRE COUNTY COUNCIL****PENSION FUND COMMITTEE****31 OCTOBER 2018****INVESTMENT STRATEGY IMPLEMENTATION****Report of the Treasurer****1.0 PURPOSE OF REPORT**

- 1.1 To consider the next steps on the potential global and UK equity investments with BCPP.

**2.0 BACKGROUND AND RECENT EVENTS**

- 2.1 The first investment that the Fund is expected to make with BCPP is in global equities. It is expected that the sub-fund will be launched in the second quarter of 2019. This sub-fund is currently in the design phase in conjunction with all of the relevant Partner Funds.
- 2.2 In order to be included in the initial transition into Global Equities, an assessment of the suitability of the proposed BCPP sub-fund for NYPF and an indication of the anticipated investment is required in the November PFC Meeting. A formal decision to invest is then required in early Q1 of 2019.
- 2.3 On 14 September 2018 a workshop was held to review the Fund's equity investments, to provide Members with the opportunity to consider whether the current strategy still reflects the position of the Fund, in advance of any transitions to the pool. In particular the following areas were discussed:
- The size of the strategic allocation to equities
  - The equity allocation split between UK and Global mandates
  - The equity fund structure in the context of risk and funding position
  - The possibility of introducing a passive equity allocation
- 2.4 Following the workshop it was agreed that an additional meeting would be required to discuss the strategy for equities and the options available in further detail in advance of the November PFC meeting to ensure that the Committee are well informed to take any subsequent decisions.

### 3.0 CURRENT EQUITY POSITION OF THE FUND

- 3.1 The Fund currently has £2,011m in equities, which is 56.2% of the total Fund value, following the disinvestment from equities to fund a property debt investment. This is made up of 5.1% in UK equities and 51.1% in global equities. The current split across the Fund Managers is as follows:

<b>Fund Manager</b>	<b>Value (£m)</b>	<b>Allocation (%)</b>
Standard Life- UK Equities	183.9	5.1
Baillie Gifford- GA	661.3	18.5
Baillie Gifford- LTGG	522.5	14.6
Fidelity	295.4	8.2
Dodge and Cox	165.7	4.6
Veritas	182.3	5.1
<b>TOTAL</b>	<b>2,011.1</b>	<b>56.2</b>

### 4.0 OPTIONS AVAILABLE

#### Global equities

- 4.1 BCPP are in the process of developing a global equity sub-fund with an outperformance target of 2% p.a. above benchmark (net of fees). If the Fund is included within the initial transition into the sub-fund on launch all transition costs will be shared with all other transitioning partner Funds.
- 4.2 There is also an internally managed Overseas Developed Markets sub-fund within the pool that was launched in July with an outperformance target of 1% p.a. above benchmark (gross of fees).
- 4.3 Where there are no suitable options available within the pool for any of the Fund's current investments detailed in 3.1 above, there is also the option to continue to hold investments with current managers until a suitable sub-fund is available.

#### UK Equities

- 4.4 There are similar options available for UK equities as those detailed above for global equities. There will shortly be two sub-funds available within BCPP for UK equities: An internally managed sub-fund with a return target of 1% p.a. above benchmark (gross of fees) has already been launched and an externally managed sub-fund with a target of 2% p.a. above benchmark (net of fees) has already sought initial commitments and is expected to launch in mid-November.
- 4.5 As the UK Equity sub-funds have already been launched, or have sought initial commitments to launch, a decision to invest is less time critical as

funds can be moved in at any time and NYPF will be required to bear the full costs of transition.

- 4.6 If it is deemed that there are no suitable options within the pool (i.e. there is no fit with the investment strategy, as opposed to fund manager selection), there is the option to keep our current investment.

## **5.0 NEXT STEPS**

- 5.1 The Chief Investment Officer of BCPP, Daniel Booth, will be attending the October meeting along with the Fund's CRM, Andrew Stone, to provide Members with further information on the equity options available within BCPP. In particular, the global equity and Internal UK Equity sub-funds will be covered, that the Fund has previously expressed an interest in.
- 5.2 Further consideration will be possible at the November and later meetings of the Committee and further due diligence information will be provided on each sub-fund, as and when necessary.

## **6.0 RECOMMENDATIONS**

- 6.1 Members are to consider the next steps on the potential allocation of investments to BCPP for Global and internally managed UK equities.

GARY FIELDING  
Treasurer to North Yorkshire Pension Fund  
NYCC  
County Hall  
Northallerton

22 October 2018