

NORTH YORKSHIRE COUNTY COUNCIL

PENSION BOARD

7 OCTOBER 2021

BORDER TO COAST UPDATE

Report of the Treasurer

1.0 PURPOSE OF REPORT

1.1 To provide Pension Board members with an update on the arrangements with Border to Coast.

2.0 BACKGROUND

2.1 In November 2015, the Government issued an Investment Reform Criteria and Guidance document inviting proposals for pooling. This required all LGPS administering authorities to submit to Government initial and detailed proposals by 19 February 2016 and 15 July 2016 respectively.

2.2 On 1 November 2016, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force. These Regulations mandate that the separate Local Government Pension Scheme Funds in England and Wales combine their assets into a small number of investment pools.

2.3 The Secretary of State has direction and intervention powers if he is not satisfied that an administering authority is complying with its obligations in relation to the Regulations.

2.4 In order to meet the requirements of these regulations, North Yorkshire County Council decided to join the Border to Coast arrangement.

2.5 Border to Coast Pensions Partnership Limited ("Border to Coast") is an alternative investment fund manager, authorised by the Financial Conduct Authority (FCA) and wholly owned by eleven Local Government Pension Scheme (LGPS) administering authorities, including North Yorkshire County Council.

2.6 Border to Coast operates investment funds for these local authorities to invest pension fund assets, to assist in the implementation of their investment strategies and asset allocation requirements. The assets under management across the eleven partner funds are valued at approximately £55 billion.

- 2.7 In the first quarter of 2019, the Ministry of Housing Communities and Local Government (MHCLG) consulted with selected interested parties on updated guidance. The response on this consultation has not been published and it is understood that a further consultation will take place before a conclusion is reached. Any new guidance is expected to replace the initial 2015 guidance.
- 2.8 Under the pooling arrangements, the Pension Fund Committee remains responsible for setting the funding strategy and the high-level investment strategy, e.g. the appropriate asset allocation for the Fund. The main difference with pooling is that the Fund will not be directly making its own investments. Instead, the Fund will be monitoring the performance of the investments in the Pool.
- 2.9 The work on developing Border to Coast continues and this report provides an update to the Pension Board.

3.0 GOVERNANCE – JOINT COMMITTEE

- 3.1 As part of the Governance arrangements for Border to Coast, a Joint Committee has been established. The primary purpose of the Joint Committee is to exercise oversight over investment performance of the funds managed by Border to Coast.
- 3.2 The Joint Committee is comprised of one member from each of the eleven partner funds. They are typically the Pensions Committee Chairs, but not in every case. The Chair of the Joint Committee is Councillor Doug McMurdo from Bedfordshire and the Vice Chair is Councillor David Coupe from Teesside. Also on the Joint Committee, but in a non-voting capacity, are two representatives of the eleven Pension Boards.
- 3.3 The Joint Committee arrangements are hosted by South Yorkshire. Meeting papers, minutes and other information such as membership are available at <https://www.barnsley.gov.uk/services/south-yorkshire-governance/south-yorkshire-governance/border-to-coast-pensions-partnership/>. The most recent meeting was on 30 September 2021.

4.0 GOVERNANCE – THE COMPANY

- 4.1 The current Board of Directors of the company is made up as follows.
- Chris Hitchen, Non-Executive Chair
 - Rachel Elwell, Chief Executive Officer (CEO)
 - Fiona Miller, Chief Operating Officer (COO)
 - Kate Guthrie, Non-Executive Director (NED)
 - Tanya Castell, Non-Executive Director (NED)
 - Andrew November, Non-Executive Director (NED)
 - John Holtby, Non-Executive Director (NED)
 - Anne Walsh, Non-Executive Director (NED)

4.2 Councillor John Holtby (East Riding), and Councillor Anne Walsh (Tyne and Wear) are the two Partner Fund nominated NEDs on the Board.

4.3 North Yorkshire County Council, as the administering authority of the North Yorkshire Pension Fund, is the named shareholder in Border to Coast, owning a 1/11th share of the company.

5.0 WORKING GROUPS AND OTHER ARRANGEMENTS

5.1 Where appropriate, working groups have been created to provide support to the arrangements to pool assets and to ensure appropriate engagement with the funds. North Yorkshire is represented in all areas where arrangements may impact on the Fund's investments.

6.0 INVESTMENTS WITH BORDER TO COAST

6.1 To date, the Fund has invested in the following funds with Border to Coast.

Border to Coast fund	Investment Inception	30 June 2021 £ million
Global Equities	October 2018	1,294
UK Equities	April 2019	180
Corporate Bonds	September 2020	198
Government Bonds	November 2020	148
Infrastructure	July 2019	15
Private Credit	October 2019	10
Total		1,845

6.2 During the September 2021 quarter an additional £800 million was transferred to Border to Coast's corporate bond and government bond funds. This took the proportion of the Fund invested with Border to Coast to 55%.

6.3 Cumulative private markets commitments of £320 million to Infrastructure and £195 million to Private Credit have been made. Going forward, there will be the opportunity to make additional commitments to Border to Coast for these asset classes in the first quarter of each calendar year. As expected with these asset classes, it will take a number of years for these commitments to be called by Border to Coast and for the money to be fully invested.

7.0 FUTURE INVESTMENTS WITH BORDER TO COAST

7.1 5% of the value of the Fund, which is approximately £240 million will be transferred to Border to Coast's Multi Asset Credit (MAC) in the fourth quarter of 2021.

7.2 As it will take many years to build up private market commitments to infrastructure and private credit, listed alternatives will be used on a

temporary basis. The Pension Fund Committee has decided to invest 7% of the value of the Fund, which is approximately £340 million, into Border to Coast's Listed Alternatives fund. This fund is due to launch in the first quarter of 2022.

- 7.3 Border to Coast is developing proposals for UK and global property. These proposals will be finalised in 2022, when a decision will be made on their appropriateness for North Yorkshire. The business case is expected to be particularly challenging, given the very high cost of divesting and reinvesting in this asset class.

8.0 RECOMMENDATION

- 8.1 Pension Board members to note the content of this report.