

# North Yorkshire County Council

## Pension Fund Committee

Minutes of the Meeting held on 21 February 2019 at County Hall, Northallerton commencing at 10.00 a.m.

**Present:-**

County Councillors John Weighell OBE (Chairman), Cliff Lunn, Patrick Mulligan, Andy Solloway, Helen Swiers and Angus Thompson.

David Portlock - Chair of the Pension Board.

In attendance:-

Brian Hazeldine (Unison)

Apologies were received from County Councillors John Blackie, Michael Chambers MBE; Councillor Jim Clark (North Yorkshire District Councils); Councillor Ian Gillies (City of York Council).

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**Copies of all documents considered are in the Minute Book**

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**99. Exclusion of the Public and Press**

**Resolved -**

That the public and press be excluded from the meeting during consideration of Minute No. 103 - Investment Strategy, on the grounds that this involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

**100. Minutes**

**Resolved -**

That the Minutes of the meeting held on 22 November 2018 be taken as read and confirmed and signed by the Chairman as a correct record.

**101. Declarations of Interest**

The Chairman of the Committee, County Councillor John Weighell OBE, explained that, regrettably, he had now resigned as a non-Executive Director of Border to Coast Pensions Partnership (BCPP) as, following consideration of his dispensation with regards to this matter by the County Council's Standards Committee, it had become apparent that serving as both Chairman of the Pension Fund Committee and as a non-Executive Director of BCPP would be untenable. He therefore, no longer had a disclosable pecuniary interest in respect of items that referred to the BCPP.

## 102. Public Questions or Statements

There were no questions or statements from members of the public.

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**Minute No. 103 - Investments Strategy - included confidential details, as outlined at Minute No. 99, and, as such, the Minute below reflects the confidential nature of some of that information.**

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## 103. Investments Strategy

Considered -

The report of the Treasurer requesting Members to:-

- (i) Confirm the initial committed investment amount into the BCPP externally managed Global Equity Alpha fund, subject to further due diligence.
- (ii) Determine the due diligence arrangements for the transition into the BCPP Global Equity Alpha Fund.
- (iii) Determine the disinvestment required in order to invest in the BCPP Global Equity Alpha Fund and agree the allocation of any residual global equities within the Fund.
- (iv) Delegate the launch of a process to implement equity protection on the retained global equities within the Fund, in the short term, to the Treasurer.
- (v) Consider a response to the MHCLG pooling consultation.

The Treasurer introduced the report highlighting the following:-

- ◆ Members of the Committee had recently discussed investment into the BCPP externally managed Global Equity Alpha Fund, at an investment strategy workshop, and had also considered possibilities of where disinvestment could take place to reinvest into this.
- ◆ Details were provided of from where the disinvestments were intended to be undertaken, resulting in £1bn being available for investment into the sub-fund.
- ◆ This would result in the North Yorkshire Pension Fund continuing with smaller investments in Bailie Gifford, Dodge and Cox, and Veritau, the ratio for those investments being under consideration at this meeting.
- ◆ The Treasurer explained that he was requesting delegated authority from the Committee to allow him, in consultation with the Chairman, to undertake the due diligence to pursue the proposal. He emphasised that he would continue to keep Members updated on how the proposal was developing and, should it be necessary, additional meetings of the Pension Fund Committee would be arranged for formal decisions to be undertaken. He stated that providing delegated authority would reduce the number of formal meetings required, unless absolutely necessary.

- ◆ A Member raised concerns regarding the disinvestment taking place before it had been clarified which Fund Managers would be available within the Global Equity Alpha Sub-Fund for BCPP. In response it was emphasised that this position could not be clarified at this time, however, representations had been made on behalf of NYPF in relation to possible Fund Managers available through the sub-fund and it was expected that those details would be addressed going forward. It was also emphasised that the matter was subject to due diligence and if the needs of NYPF were not being met through the sub-fund then the investments would not be pursued.
- ◆ The Member who raised concerns indicated that the proposed ratio for the continued investments did not reflect the substantial investment currently held by an Investment Manager and again raised concerns regarding the significant decrease in that well established, over performing Fund Manager, to the extent that was being proposed.
- ◆ Clarification was provided that the timeline for investment into the sub-fund was in line what was previously stated, with a slight potential for minimal slippage, dependent upon the commitment from the Pension Funds involved. Within the timeline it was expected that the Fund Managers for the sub-fund would be in place by the end of May 2019, with details available during April 2019.
- ◆ In relation to the timeline it was suggested that there may be need for an additional meeting of the Pension Fund Committee towards the end of April 2019 to clarify the position regarding Fund Managers available within the sub-fund and how the investments would be pursued in relation to that information.
- ◆ A suggestion for an alternative ratio for the continued investments by NYPF was provided, involving the three Fund Managers outlined earlier in the meeting, the ratio being 10%-5%-5%.
- ◆ The Fund's Investment Consultants, AON Hewitt and the independent Investment Adviser commented on the proposed investments and highlighted that NYPF had made it clear who they wished to be involved in the sub-fund, in terms of Fund Managers, and it was expected that BCPP would take heed of those details. An assurance was provided by the representative of BCPP, present at the meeting, that the issues raised had been noted and would be taken account of in terms of possible Fund Managers for the sub-fund, however, it was emphasised that an appropriate procurement process had to take place, which was transparent and open, with the final Fund Managers identified through that process.
- ◆ A Member emphasised the need to ensure that transition costs were provided to the Pension Fund Committee, when due diligence had been undertaken, to allow a comparison to continue to be undertaken in relation to current investment arrangements against pooling arrangements.

### Equity Protection

The Treasurer stated that following the investment strategy workshop on 14 February 2019, where an educational session on equity protection had been delivered, a strategy for this had been developed, giving three possible options, that would help to protect the Fund against sudden falls in the equity markets.

He emphasised that, at this stage, the Committee was not committed to undertaking this, however, it was appropriate that the process of choosing a suitable manager be commenced, should this be considered to be appropriate.

The three options for equity protection were as follows:-

1 - pay for downside protection annually - an annual premium paid to protect against an agreed level of downside, all upside being retained.

2 - give up some upside to pay for all downside over a certain level - a floor would be set on the amount of downside that the Fund was willing to accept and any loss over the floor would be protected by giving up some upside in returns.

3 - give up some upside for limited downside protection - more upside would be retained in this option by protecting against a limited range of downside, for example, losses between 5% and 25% ie the Fund will bear the first 5% of losses and then any extreme losses over 25%.

It was suggested that Option 3 would be the preferred option as there was a nil premium, with only extreme upside being given up, while protecting against sharp falls in equities that could affect employer contribution rates.

The Treasurer noted that potential Fund Managers would be attending to discuss the potential of equity protection with Members of the Committee later in the day.

Representatives of the Fund's Investment Consultants, AON Hewitt, explained the approach to equity protection and the issues that would be discussed with the Fund Managers later in the day.

Members were being asked to delegate authority to the Treasurer to launch a process to implement equity protection and further discussions in relation to that matter would follow.

It was expected that, should the Committee decide to proceed with equity protection, that this would be a short term solution to be in place for around 1-2 years.

#### MHCLG Asset Pooling Consultation

The Treasurer stated that the Ministry of Housing, Communities and Local Government (MHCLG) had prepared new statutory guidance on LGPS asset pooling, which was attached to the report and had commenced a 12 week informal consultation on that.

The Chairman sought the views of the Committee as to the response to the consultation, and the following issues were raised:-

- ◆ The Chair of the Pension Board noted that the role of Pension Boards had become very different since they had been established, due to the introduction of pooling arrangements, and, therefore a fundamental review of the terms of reference was to be undertaken.
- ◆ It was noted that BCPP would be responding to the consultation, with their response submitted to their next Joint Committee meeting.
- ◆ A Member suggested that concerns regarding transition, particularly with regards to the costs required to undertake this, should be highlighted in response.

- ◆ The Independent Investment Adviser suggested that comments relating to the transfer to pooling being far too bureaucratic, that pools should be allowed to become embedded to determining how they were operating before analysis took place and the emphasis on costs should be diminished, with performance, strategy, etc being promoted, should be issues raised within the response.

The Treasurer stated that he would draft a response to the MCHLG consultation, taking account of issues raised by Members, and would circulate to Members of the Committee. Any further comments would then be taken account of and the consultation response submitted.

#### **Resolved -**

- (i) That the £1bn commitment to the BCPP Global Equity Alpha Fund, subject to that being based on current market conditions and valuations, be confirmed as being still appropriate.
- (ii) That authority being delegated to the Treasurer, in consultation with the Chairman of the PFC, to carry out the necessary due diligence on the BCPP Global Equity Alpha Fund, be approved.
- (iii) That the disinvestment and allocation of residual assets as outlined in section 2.3 of the report, subject to the altered weighting ratio of 10%/5%/5%, be approved in principle and authority delegated to the Treasurer, in consultation with the Chairman, to refine the proposal should it not achieve the required complementarity.
- (iv) That the launch of a process to implement equity protection on the retained global equities within the Fund, in the short term, be delegated to the Treasurer.
- (v) That a response to the MCHLG pooling consultation be drafted, and circulated to Members of the Pension Fund, before being agreed and sent in response, by the Treasurer.

#### **104. Pensions Administration**

##### **Considered -**

The report of the Treasurer providing Members with information relating to the administration of the Fund over the year, to date, and providing an update on key issues and initiatives which impact the Administration Team.

The Pensions Administrations Manager presented the report highlighting the following:-

- ◆ The team continued to focus on reducing outstanding work and on ensuring that the day to day business was being processed within agreed timescales. The focus was impacting upon performance indicators and details were set out in the report. It was emphasised that these were still at a satisfactory level.
- ◆ Problems were occurring with the notifications being received from the “Tell us Once” system, leading to complaints arising, and the matter was being followed up with the Department for Works and Pensions.
- ◆ The 2018 Annual Benefit Statements had now been signed off with 96.25% of actives issued. Work was well underway towards the publication of the 2019 Annual Benefit Statements.

- ◆ GMP reconciliation was continuing to progress, with HMRC having now stopped accepting scheme reconciliation queries, and responses to outstanding queries, which were already in progress, would be received until 6 April 2019. ITM were preparing the rectification stage document and this was expected to be received during week commencing 14 January. The current position of the project was outlined in the report.
- ◆ Data scores had been submitted in line with the Pensions Regulators requirements with common data - 93.47% and conditional data - 85.26% which were pleasing figures. A data improvement plan was being created to ensure the quality and scores improved year on year.
- ◆ The CIPFA benchmarking return 2017/18 once again showed that the administration service to the North Yorkshire Pension Fund provided a low cost, high performance service.
- ◆ Details of the project being undertaken to reduce the number of standard letters were provided.

Members highlighted the following in relation to the report:-

- ◆ The administration service was praised for its performance as indicated in the CIPFA benchmarking return.
- ◆ It was asked whether the high levels of work were compounded by resource issues. In response it was stated that work levels had significantly increased in recent times and this was a general trend. The Treasurer indicated that there had been an increase in staffing numbers in some areas, however, if further increases were needed to meet the high demand of work then this would be considered. He emphasised the need to ensure that the most efficient and effective use was being made of the resources available. It was noted that this matter would be considered at Pension Board meetings, going forward.
- ◆ The Chairman stated that the conferences highlighted within the report were particularly useful for newer Members of the Committee to attend and encouraged them to do so.
- ◆ In line with the training policy it was noted that Members were expected to complete on-line training from the Pension Regulators website and the Treasurer would provide a link for Members in relation to that.

**Resolved -**

- (i) That the contents of the report be noted.
- (ii) That the contents of the breaches log be noted.

**105. Budget/Statistics**

Considered -

The report of the Treasurer on the following:-

- (a) 2018/19 Budget - cost of running the Fund.
- (b) The three cash flow projection of the Fund.

- (c) NYPF Draft Business Plan.
- (d) 2019/20 Draft Budget - cost of running the Fund.

#### 2018/19 Budget

The latest forecast outturn position indicated that the running costs of the Fund were currently forecast to be £1.5m under budget at £21.2m. This was as a result of a reduction in performance fees, resulting from lower than expected performance and fee structure changes.

#### Three Year Cash Flow Projection

There had been a slight improvement from the previous quarter which was due to the forecast reduced cost of administering the Fund. There was an estimated deficit cash flow position in 2019/20 and the position for 2018/19 and 2019/20 were due to the prepayment of deficit contributions in 2017/18 relating to the three years. The 2019/20 position was higher than 2018/19 due to the anticipated increase in pension benefit payments. 2020/21 would see the Fund back in a surplus cash position as there were some that deficits would be paid in the year by all employers. It was important to know the 2020/21 cash flow estimates were assuming that employer contribution rates would remain the same following 2019 triennial valuation so would be subject to change. Any changes in management fees and transitions costs due to pooling had also been taken into account in the cash flow estimate. The Treasurer noted that a more in-depth evaluation of the cash flow position would be undertaken around the time of the triennial valuation.

Details of the draft 2019/20 Business Plan and the draft 2019/20 budget were also provided as Appendices to the report.

The Chairman of the Pension Board noted that recent meetings of the Board had seen Members raising concerns regarding the rising costs of pooling operations. It had been noted that pooling arrangements had been introduced with a view to reducing administration costs, which was why concern had been raised. In response the Treasurer noted that, currently, investments into the pooling arrangements were minimal, but costs had to be met for the infrastructure to be in place for investments to be developed. He noted that initial estimates of a payback period for the pooling arrangements ie that costs were lower than as of now, was in around seven years time. He emphasised the need to monitor the situation carefully and for BCPP to be held to account in relation to its costs through shareholders and customers. It was noted, however, that the matter was of concern and should be revisited in future reports to the Committee. It was emphasised that Council Tax payers and members of the Pension Scheme were paying for these costs, therefore, the issue should be monitored accordingly.

The Treasurer noted that the performance of the investments would also need to be taken account, when considering operational costs, and should investments outperform significantly, this could be a justification for higher costs. It was noted that initially BCPP had commenced very well in terms of investment returns. Members emphasised the need to ensure that the issue continued to be monitored and that comparisons were provided in relation to current performance and current costs against the performance and costs of the pooling arrangements.

#### **Resolved -**

- (i) That the draft 2019/20 NYPF Business Plan be approved.

- (ii) That the draft 2019/20 budget be approved.
- (iii) That the contents of the report be noted.

## 106. Performance of the Portfolio

Considered -

The report of the Treasurer providing details of the investment, performance of the overall fund, and of the individual Fund Managers, for the period to 31 December 2018. The report indicated that the absolute overall return for the quarter (minus 7.6%) was below the customised benchmark for the Fund (minus 64.4%) by -1.2%.

The 12 month absolute rolling return was -2.1%, 0.9% above the customised benchmark of -3%. The report provided details of individual Fund Managers' performance in respect of the following asset classes:-

- ◆ Overseas equities.
- ◆ Global equities.
- ◆ UK equities.
- ◆ Fixed income.
- ◆ Property.
- ◆ Diversified growth funds.
- ◆ Private debts.
- ◆ Insurance link securities.

Details relating to risk indicators, solvency, rebalancing and proxy voting were also provided.

The Fund's Investment consultants, AON Hewitt, provided an in-depth analysis of the investment performance. The performance was discussed with Members and the following issues and points were highlighted:-

- ◆ The large fall in global equities over Quarter 4, the largest since 2011.
- ◆ The reasonable performance of property investments over the quarter, although some concerns remained in relation to the UK property market.
- ◆ Comparisons were provided in relation to the performance of individual Fund Managers.
- ◆ The significant impact that worldwide natural disasters had upon the insurance linked securities and the levels of risk in relation to those. It was noted that this was a relatively new investment for the Fund and would continue to be closely monitored. It was noted that Quarter 4 had seen a particularly poor performance from this investment.
- ◆ Quarter 4 had been a difficult period for all Fund Managers with only Veritas outperforming.
- ◆ Since then there had been an upturn in the markets and performance of Fund Managers with equities bouncing back from the losses suffered in Quarter 4. As a result the Fund was valued at around £3.4bn at the end of January 2019, in comparison to £3.6bn at the end of Quarter 3.

- ◆ It was noted that the disinvestment in some funds had not affected the valuation as these had taken place before the losses in Quarter 4 had occurred.
- ◆ Details of the disinvestments that had taken place were provided.

#### **Resolved -**

That the report be noted.

### **107. Pooling Arrangements**

Considered -

The report of the Treasurer updating Members on progress towards the Government's announced proposal to pool the assets of LGPS Funds.

The report highlighted the most recent meeting of the Joint Committee which was held on 21 November 2018, with the key focus being on the establishment of the sub-funds and the transitioning of funds into the Pool.

The main issue for discussion within the report was to consider the adoption of BCPP's responsible investment principles into NYPF's own policies. A copy of the responsible investment policy of BCPP was appended to the report. Members discussed this matter and the following issues and points were raised:-

- ◆ It was noted that the matter had been discussed extensively at the BCPP Conference. It had also been discussed, at that time, whether NYPF also had a responsible investments policy and it was noted that this was the case and was included in the governance documents for the Fund, however, the policy developed by BCPP was much more wide-ranging and specific.
- ◆ Members suggested that responsible investments were covered by Investment Managers rather than the Fund itself, as they were undertaking the investments, and did not believe that it was the responsibility of the Pension Fund Committee to ensure that this was in place, but to ensure that the maximum returns were obtained for the investments placed. It was considered that Investment Managers should be responsible for this.
- ◆ Members highlighted a number of examples in relation to this matter and it was noted that, recently, issues around tax transparency had been highlighted by Members of the Pension Board with a view to ensuring that investments highlighted this.
- ◆ It was noted that, as BCPP developed it would be required to highlight that it was developing best practice in terms of how it carried out its investments and the responsible investment policy would be part of a suite of documents that would ensure that was being met.
- ◆ A Member considered that having the policy in place would assist Members, when being lobbied around responsible investments, as they could refer people to the policy.
- ◆ The Treasurer stated that should Members agree to adopt the policy, for incorporation into NYPF's governance documents, then, when a review of the responsible investment strategy for NYPF was undertaken if it was considered that the BCPP policy did not correlate with that, representations could be made

in relation to that. It was suggested therefore, that for now, the policy be adopted and a review be undertaken subsequently.

**Resolved -**

- (i) That the content of the report be noted.
- (ii) That BCPP's responsible investment principles be adopted into NYPF's own policies, with a subsequent review of NYPF's responsible investment policy to be undertaken and submitted to the Pension Fund Committee for consideration.

**108. Pension Board - Draft Minutes of the meeting held on 24 January 2019**

Considered -

The draft Minutes of the Pension Board held on 24 January 2019.

The Chairman of the Pension Board highlighted the significant issues that had been considered at the Pension Board meeting as follows:-

- ◆ The issue of transparency of investment fees had been discussed and it had been stated that not all Fund Managers had yet complied with the transparency protocol of NYPF. It was noted that those Managers who were yet to send back returns in relation to this were being contacted to ensure that they were complying with this matter.
- ◆ As had been mentioned earlier in the meeting a complete review of the Pension Board's Terms of Reference would be required to take account of pooling arrangements and it was expected that this would take place at the July meeting of the Pension Board when the Treasurer to the Fund and the Fund's Independent Observer were able to attend and assist with that.
- ◆ Issues around the potential failure of an employer and whether this should be an entry on the Risk Register were also discussed. It was noted that the matter would be reviewed at the appropriate time.

**Resolved -**

That the draft Minutes and comments reported, be noted.

The meeting concluded at 11.55 am

SL/JR

# North Yorkshire County Council

## Pension Fund Committee

Minutes of the Meeting held on 25 April 2019 at BCPP HQ, Floor 5, Toronto Square, Toronto Street, Leeds, LS1 2HJ commencing at 1pm.

### Present:-

County Councillors Michael Chambers MBE, John Weighell OBE (Chairman), Cliff Lunn, Patrick Mulligan, Andy Solloway and Helen Swiers.

Councillor Jim Clark - North Yorkshire District Councils

David Portlock - Chair of the Pension Board.

Apologies were received from County Councillors John Blackie, Angus Thompson and City of York Councillor Ian Gillies.

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**Copies of all documents considered are in the Minute Book**

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### 109. Exclusion of the Public and Press

#### Resolved -

That the public and press be excluded from the meeting during consideration of agenda item 3, on the grounds that this involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006.

### 110. Declarations of Interest

There were no declarations of interest.

### 111. Public Questions or Statements

There were no questions or statements from members of the public.

### 112. Investment Strategy Review

This item was to be considered in private but the nature of the discussions did not reveal any commercially sensitive information and so the Treasurer and the Chairman of the Pension Fund Committee agreed that the full minute be published in the interest of openness and transparency.

Considered -

The report of the Treasurer requesting Members to:-

- (i) Delegate authority to the Treasurer in consultation with the Chairman of the Pension Fund Committee to select and appoint an Equity Protection Manager and the terms of the arrangements.

- (ii) Note the verbal update on the UK Equity transition.

The Treasurer introduced the report highlighting the following:-

- At the meeting on 21 February 2019, the committee had agreed that equity protection be applied to the retained equities in the short term to protect the Fund against further equity market falls. There has been a period of high performance in equities but more recently market volatility and so risk has increased.
- There are three options for equity protection including: to pay for downside protection annually; to give up some upside to pay for all downside over a certain level; and give up some upside for limited downside protection. The third of these was noted as being the preferred option.
- Two equity protection managers have been shortlisted and invited to outline their proposals for equity protection.

#### Equity Protection Options

The Chairman sought the views of the Committee on equity protection and the following issues were raised:-

- The overall equity held is £2billion. The proposal is to protect up to 35% (£700million) under this scheme.
- Markets are running high and so there is the potential to give up some of the upside.
- The preferred option of giving up some upside for limited downside protection would mean that the losses between 0% and 5% and then above 25% would be carried by the pension fund.
- That the operation of the equity protection scheme could be reviewed after 12 months but there would be a need to commit to at least two years, albeit with the right to exit the scheme at 12 months if there were concerns about performance.
- There is a need for equity protection as the fund's solvency has previously gone up and down and there are so many uncertainties in the market at the moment.

The Independent Advisor commented that the situation is complex and there are a number of different factors coming together in the investments market that are creating a perfect storm. The bull market that has predominated for 10 years will come to an end and a recession may happen. As such, the preferred approach was for equity protection and option 3.

County Councillor Jim Clark moved that option 3, the proposal to give up some upside for limited downside protection be adopted and reviewed in 12months. The motion was seconded by County Councillor Mike Chambers MBE. There was a vote and the motion was unanimously supported.

#### UK Equity transition

The Treasurer provided a verbal update on the transition of the 5% UK Equities allocation to the BCPP UK Equity Alpha Fund, which had been approved at the

November meeting. LGIM have been used to manage this process and all is proceeding in line with timescales and expectations.

The Chairman sought the views of the Committee. There were no comments arising.

### Equity Protection Manager

The Treasurer asked the committee to delegate authority to himself, in consultation with the Chairman of the Pension Fund Committee, to select and appoint an Equity Protection Manager and the terms of the arrangements.

To help enable inform the appointment process, the Treasurer asked the committee to highlight issues that they felt should be considered in selection of the equity protection manager. He said that there was a need to move quickly to appoint as the investment market was increasingly volatile.

The Committee, including the Consultants and Advisor, discussed a number of issues that it was felt should be considered prior to appointment on the eventual Equity Protection Manager. These included management style; interface with officers; and clarity on fees.

The Chairman asked the committee to consider delegating authority to the Treasurer, in consultation with the Chairman of the Pension Fund Committee, to select and appoint an Equity Protection Manager and the terms of the arrangements. This was unanimously agreed.

### Investment Strategy

The Fund's Investment Consultants, Aon Hewitt, gave a presentation in which they outlined the review of the current Investment Strategy that had been undertaken. The following key issues were highlighted:-

- The current timeline means that the long term investment strategy needs to be decided by the end of May 2019. If not, then the overall timeline becomes compressed.
- The issues that need to be considered today are: whether any changes are required to the existing investment objective; whether alternative investment strategies could reduce risk for an expected level of return; and whether there need to be any changes to the existing asset groups.
- A model has been developed to enable different investment strategies to be compared. The basic choice in the modelling around risk. A key consideration is also the discount rate, the amount that should be contributed at day 1 that enables the funding target to be met in the future.
- Eight different strategies were developed using the model, including keeping with the existing investment strategy, which enabled committee members to compare performance based upon different levels of risk and prudence and different types of investments.
- In general terms, less risk could be taken as part of the investment strategy. At the same time, the portfolio asset classes could be rebalanced.

The Chairman sought the views of the Committee on the assumptions and scenarios in the model and the eight different scenarios that had been developed as part of the Investment Strategy review. The following issues were raised:-

- The underlying assumptions in the model accepted but there may be some merit in revisiting some of them to enable more scenarios to be developed.
- There may be increased risks associated with insurance linked securities as climate change begins to have an impact upon weather patterns and the increasing frequency of extreme weather events globally. There would be value in having a discussion about this at the next meeting of the committee, with the Insurance Linked Security Manager.
- The big risk is associated with potential falls in the equity markets, which will then have an impact upon the contribution rates. There is a need to ensure stability in contribution rates.
- A bar-bell model of investment could be considered, whereby high risk and low risk investments are balanced.
- Liquid High Yield Credit and Multi Asset Credit is likely to be a key element of the BCPP strategy.
- The focus should be upon reducing risk and not upon driving up the performance of the fund. Over the past years the focus had been upon fund performance and this had led to an increase in the funding level from 35% to 105%. It was important that the ground that had been gained was not lost.
- It may be prudent to move investments out of Diversified Growth Funds.

The Treasurer said that the most important thing that the committee does is to agree the investment strategy. Members have expressed significant interest in de-risking the current strategy. The Treasurer said that the matter needed urgent consideration as changes to investment allocations take time to realise.

The Independent Advisor said that if there was no agreement on a new strategy, then the existing strategy could be re-adopted. This would be a missed opportunity, however, as investment risk could be reduced.

The Treasurer noted the complex nature of the models that had been presented and the difficulty in identifying one that met the varying needs of the committee. As such, he offered to work up proposals for a draft investment strategy, with BCPP and Aon Hewitt, for the committee to consider at their next meeting. This would then provide members with something that they could respond to and amend.

The Chairman summed up the discussions and said that a draft strategy would need to come to the May meeting of the committee for members to consider and sign-off, subject to any necessary amendments being made.

The meeting concluded at 3:30pm.

DH/SL