



BCPP Joint Committee

Report Title: Minutes of the Member Steering Group Meeting 24th March 2017, Royal Hotel, York

Present

Members: Councillor John Weighell (Chairman), Councillors Doug McMurdo, Mel Worth, Mark Davinson, John Holtby, Mark Allan, Tony Reid, Denise Le Gal, Stephen Bloundele, Eileen Leask, Bob Stevens and Sue Ellis.

Officers: Matt Dawson, Geoff Reader, David Hayward, Paul Campbell, Mark Lyon, Nick Orton, Phil Triggs, Jo Ray, Fiona Miller, Steve Barrett, Ian Bainbridge, Amanda Alderson, Tom Morrison, Gary Fielding, Steve Loach, Stephen Ellis and Martin McCarthy.

1. Minutes

1.1 The Minutes of the meeting held on 31 January 2017 were agreed as a true record, subject to the correct spelling of Councillor Mark Davinson's surname.

2. Update on Project Delivery and Implementation Budget

2.1 The Chair of the Officer Operation Group provided a report updating Members on the high level activities undertaken since the previous meeting towards the delivery of Phase 3 of the BCPP Implementation Plan.

2.2 The report also outlined the high level activity across the three work-streams and focused on the key deliverables over the next 12 weeks, including the procurement and initial engagement with the Asset Service Adviser, Executive recruitment and property/ICT requisition.

2.3 Details of the current high level Risk Register, highlighting, by exception, any key areas for consideration by Members were provided.

2.4 It was noted that the project go live date has slipped to June 2018. The issues relating to the delayed go-live date were detailed within the report. It was noted that, due to the nature of BCPP Limited and the timing of the transition of internally managed assets it was expected that this slippage would be acceptable to DCLG officials.

2.5 The key risks surrounding the current milestones were outlined and the mitigating controls put in place by officers were detailed in an Appendix to the report.

- 2.6 An update on the project budget was provided with a predicted overspend of £115k against the total implementation budget of £4.2m. It was emphasised, that at this early stage there was a level of uncertainty over certain costs so it was not proposed to seek additional budgetary provision from the partner funds at this time.
- 2.7 Details of the activity during the initial planning phase and the updated timeline for project implementation were detailed in the report.
- 2.8 Key work-stream activity planned during the next period included:
- The meeting of the first Joint Committee on 25 April 2017.
 - The establishment of the shell company following this meeting.
 - The commencement of the BCPP Executive and non-Executive Director appointment processes. Engagement with the advisors to review work to date and mobilise resources, in line with the project plan.
 - Working with the operator adviser commence work on the target operating model.
 - Development of draft premises specification documents and agree process to acquire premises.
 - Development of draft Corporate ICT specification document.
 - Commence activity on general terms and conditions for workforce.
 - Initial engagement with staff potentially transferring.
- 2.9 The following points and issues were raised during discussion of the report:-
- The difficulties faced by the Funds in addressing MiFID II at the same time as implementing pooling.
 - The commitments to infrastructure and the definition of infrastructure.
 - Ensuring that MiFID II is reflected appropriately in the Risk Register.
- 2.10 Resolved -
- (i) That the proposed new delivery date of June 2018 be approved.
 - (ii) That the attached high level BCPP Risk Register and mitigating actions proposed by the Officer Operations Group be approved.
 - (iii) That the high level project activity to date be agreed and the delays in the procurement of support contracts be acknowledged.
 - (iv) That the projected overspend of £115k, to enable the delivery of the project up to the proposed go-live date of June 2018 be noted.

3. Feedback on National Working Groups

- 3.1 The report provided updates on working group meetings attended by officers as follows:-
- Cross Pool Collaboration Group - 24 February 2017
- Highlights of the meeting included:-
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- An update from DCLG.
- SAB advice on scheme member representation on pools.
- All pools now had permission to proceed with July 2016 proposals.
- National frameworks update.
- The establishment of a new sub group to consider tax issues.
- An update on scheme member representation on each pool.
- Details of a letter sent to HMT requesting a stamp duty holiday for pools.
- SAB considering the resources impact of pooling on Funds.

3.2 MiFID II Working Group - 20 February 2017

Highlights of the meeting included:-

- Confirmation by the FCA that local authorities would be classified as retail investors.
- The opt-up process would be to “elective professional” status.
- Whether the FCA was aware that the opt-up process did not reflect the decision-making process and regulatory requirement of LGPS Administering Authorities.
- Each Investment Manager may be required to assess each fund.
- Clarification required on whether assessment was based on person or corporate body.
- Further consideration to be given to unregulated and regulated collective investment schemes.
- Decision to be made on whether directive would extend to cover non-MiFID business.
- Clarification to be provided on existing investments where opt-up was not successful.
- Full implications for individual Funds and BCPP not clear until FCA publishes final requirements.
- A detailed note on the events of the meeting was appended to the report.

3.3 The following up-coming meetings were highlighted as follows:-

- Responsible Investment Sub-Group - 27 March 2017.
- Cross-Pool Collaboration Group - 30 March 2017.
- Infrastructure Sub-Group - 30 March 2017.
- MiFID II LGPS Working Group - date to be confirmed.

3.4 The following issues and points were raised during discussion of the report:-

3.5 Concerns were raised regarding the potential issues for LGPS Funds in terms of the proposed opt-up process and it was suggested that further

discussions with the FCA were required to ensure the strongest case possible is made.

Resolved -

That the report be noted.

4. Governance Workstream Update

(a) Consideration of the roles of Host Authority and Secretariat within the BCPP Joint Committee

4.1 The Governance Sub-Group developed a statement of the proposed obligations of the partner fund approved to act as the host authority, under the Inter-Authority Agreement (“IAA”), and partner fund approved to provide the secretariat function to the BCPP Joint Committee. The Tyne and Wear Pension Fund (South Tyneside Council) was proposed to act as host authority and the South Yorkshire Pension Fund (through the Joint Authorities Governance Unit operated by Barnsley MBC) was proposed to provide secretariat services.

4.2 An Appendix to the report provided Members with the rationale and detail behind the drafting of the IAA, which were explained to the MSG.

4.3 It was noted that costs for the provision of these services would be equally shared by the 12 partner funds.

Resolved -

(i) That the proposed statement of obligations for the partner fund selected to undertake the role of host authority and for the partner funds selected to undertake the provision of secretariat services to the BCPP Joint Committee be approved.

(ii) That the offer from Tyne and Wear Pension Fund (through South Tyneside Council) to undertake the role of host authority for the BCPP Joint Committee be accepted and approved.

(iii) That the offer from South Yorkshire Pension Fund (through the Joint Authorities Governance Unit operated by Barnsley MBC) to undertake the provision of the secretariat services to the BCPP Joint Committee be accepted and approved.

(b) Proposed Procedures for Electing a Chair/Vice-Chair to BCPP Joint Committee

4.4 The Governance Sub-Group, at its meeting on 6 March 2017, developed a proposed procedure for the election of the Chair and Vice-Chair of the BCPP Joint Committee which was outlined in the report. It was proposed that the election of the Chair and Vice-Chair be by secret ballot under the exhaustive ballot mechanism. Should the process be agreed

arrangements would be undertaken to carry this out immediately following the conclusion of today's Member Steering Group meeting.

Resolved -

- (i) That the proposed process to elect the Chair and Vice-Chair of the BCPP Joint Committee, as detailed in Appendix 1 to the report, be approved and implemented immediately following today's meeting.
 - (ii) That the proposed role profile of the Chair and Vice-Chair of the BCPP Joint Committee, as set out in Appendix 2 to the report, be approved.
- (c) **Update on Proposed Development of Engagement and Communications Strategies with BCPP Interested Parties and Stakeholders**
- 4.5 The report provided details of the current governance structure of BCPP, how that was developed and the proposed next steps to formulate a wider engagement strategy to encompass engagement with all key interested parties, which was envisaged to be scheme members; wider employer base representatives; Central Government agencies, etc.
- 4.6 A Communications' Strategy was also being developed which would deal with external communication with the press and internal communications and engagement with both staff, who may be transferring into BCPP Limited, and other staff across the partner Funds affected by the creation of BCPP Limited.
- 4.7 An external Communications' Strategy was currently being drafted and was intended to provide wider guidance on engagement with the press and for representations on the pool that may be invited to speak at conferences. Current operations would continue in the interim.
- 4.8 The internal Communications' Policy would aim to provide consistency and structure and ensure that matters were transparently handled with regards to the communication with the staff anticipated to transfer into BCPP Limited. The Policy was being drawn up by the People Sub-Group but would be reviewed by the Governance Sub-Group to ensure consistency across similar protocols.
- 4.9 The report highlighted details in relation to the following issues:-
- Structures within other pools.
 - External national professional guidance and governance structures - CIPFA guidance issued in October 2016 entitled "Investment Pooling/ Governance Principles".
 - Consultation and engagement strand 1 - within BCPP to wider interested parties (scheme members and employers).
 - Consultation and engagement strand 2 - with Government and regulatory agencies - pooling general - infrastructure; MiFID II, investment management association.
 - External engagement with other pools - strand 3.
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Resolved -

- (i) That the proposed wider stakeholder engagement proposals, detailed in the body of the report be supported and delegated back to the Governance Sub-Group for development in the coming months.
- (ii) That the proposed small revision to the IAA, detailed in the report, which would introduce flexibility for the Joint Committee, allowing them at any time in the future, to co-opt additional members to the BCPP Joint Committee, who could attend without voting rights, be approved and submitted to the SOG taking place on 3 April 2017 for their consideration, with no change to the makeup of the Joint Committee at this time.

5. Update on Operating Model Work-stream

- 5.1 The report provided details on work that had been undertaken within the operating model work-stream since the previous meeting of the MSG.
 - 5.2 It was reported that the tender for the operating and regulatory model adviser had been issued, moderated, and Alpha FMC had been selected as the preferred supplier.
 - 5.3 A project scoping day had been arranged with the BCPP Project Team and the advisers in order to develop a detailed project plan for the design and implementation of the operating model.
 - 5.4 Initial planning on the transition of assets into BCPP, including an indicative timeline, had commenced and would be developed further alongside the asset allocation template.
 - 5.5 The key areas of scope within the work-stream were highlighted as follows:-
 - Tax and financial services tender.
 - Operating and regulatory model tender.
 - Operating model.
 - Asset allocation template.
 - Sub-fund prospectuses.
 - Transition planning.
 - Resource planning.
 - 5.6 Appendix 1 to the report provided a timeline for the various processes. The timetable would need to be aligned to the overall BCPP Project Plan and key inter-dependencies were outlined as follows:-
 - Definition of the target operating model.
 - Selection of ICT and TPA (transfer party administrator) providers.
 - Availability of premises and associated infrastructure.
 - FCA approval process.
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➤ Approval of the BCPP operational budget.

5.7 Details of the timescales for internally and externally managed assets and the differences and reasons for those differences were outlined.

5.8 During discussion of the report the following issues and points were raised:-

- The tax implications of the transition process and the careful work that would be required to minimise those implications.
- The costs of transition - it was noted that transition costs would be borne equally between each of the Funds investing in a sub-fund when it is first invested in, but subsequent transitions into a sub-fund would require individual Funds to pay their full transition costs.
- Issues around stamp duty and the potential impact that could have on transition and related costs were outlined. It was noted that the matter was being considered and representations were being made at the highest level in an attempt to offset this potential cost.

Resolved -

- (i) That the work on the operating model work-stream, including the design and implementation of the operating model and the procurement of suitable service providers, continue to be progressed.
- (ii) That the work on the asset allocation template and associated transition planning continue to be progressed.

6. People Work-stream Update

(a) Update on Work towards Securing Location and Pension Position for BCPP Limited

6.1 The report provided an update on activity undertaken within the people work-stream since the last meeting with much of that focused on the recruitment and remuneration of the Directors for BCPP which would be dealt with later in the meeting.

6.2 Details of work that continued, or had started on other aspects' was detailed as follows:-

- Determining the location and securing premises for BCPP Limited.
 - Collating information and comparing terms and conditions of staff expected to transfer under TUPE terms from the three Funds with internal management.
 - Seeking further clarity on how BCPP Limited would participate as an employer in the Local Government Pension Scheme (LGPS) to provide access to the LGPS for certain employees, and how its participation in the LGPS may need to be underwritten by the partner funds.
 - Details of the appointment of a property agent to obtain appropriate premises for BCPP in the Leeds area were outlined.
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Details of the premises search including the property agent were provided.

- Issues covering staff to be recruited externally by BCPP Limited and whether they should have access to the Local Government Pension Scheme, the potential requirement for an admission agreement, and the funded status of BCPP were raised.

6.3 The following issues and points were raised during discussion of the report:-

- Issues around cost, risk, ethos and recruitment/retention in relation to BCPP Limited offering access to the LGPS to new entrants were discussed.
- Members had mixed views in relation to LGPS access for BCPP Limited employees and it was suggested that a detailed report, in relation to this matter, be submitted to the Joint Committee. The report would outline the advantages and disadvantages of this. It was emphasised that TUPE protected the pension rights of transferring staff.

Resolved -

- (i) That progress of the work on the People workstream continue, with the primary focus for the next 12 weeks being to work with a property agent to source a suitable property for BCPP Limited in the Leeds area.
 - (ii) That work also be carried out in the following areas:-
 - (a) to appropriately source a payroll provider to ensure BCPP Limited would be in a position to pay the Directors and other staff as and when they were appointed (a bank account was also a pre-requisite for this)
 - (b) to work with legal and financial advisers to prepare an options paper for the Joint Committee to allow a decision to be taken on what pension provision would be offered to new employees to BCPP Limited (those that are recruited to posts and have not transferred from one of the partner funds), the paper would include an analysis of the operational and financial risks and benefits of allowing new employees to participate in the LGPS
 - (c) continuing the work on the three funds with internal management, to finalise the list of staff expected to TUPE transfer, and to compare details of terms and conditions and working practices
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- (d) to draft the terms of an LGPS guarantee, working on the general principle that any liabilities at the point of transfer should remain the responsibility of the Funds transferring staff, but liabilities built up going forwards would be underwritten by all partner funds, in an equitable manner.

7. Verbal Updates on any Emerging Matters

- 7.1 Details of a letter from Unison regarding TUPE transfers were provided. It was noted that this was sent to Cumbria Pension Fund, but was addressed to BCPP. In relation to this Members suggested that it was for each local administering authority to reply, should letters be received.
- 7.2 Issues relating to the possibility of observers being appointed to the Joint Committee were again raised and it was requested that this be the subject of a future discussion of by the Joint Committee.
- 7.3 The possibility of organising a training session for new Members of the Committees and Boards was being considered, based on the three day LGA course currently available, and expressions of interest in relation to that were invited.

8. Other Business

- 8.1 It was suggested that, as all 12 stakeholders in BCPP were Members of LAPFF, they should request support from them in relation to MiFID II. Members concurred that this would be useful for the pool.
- 8.2 It was noted that this would be the final meeting of Councillor Denise Le Gal, as she would not be standing for re-election, and Members thanked her for the service to the Member Steering Group.

9. Dates of next meetings

Resolved -

- (i) That the BCPP Joint Committee be held on 25 April 2017 at a venue to be determined.

10. Declarations of Conflict

- 10.1 Fiona Miller, Mark Lyon and David Hayward declared conflicts of interest in the following item and left the room during consideration of this. There were no other declarations of conflict.
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11. People Workstream Update

(a) Update on Executive search and Remuneration

Confidential item – to be circulated separately.

The meeting concluded at 12.55 pm.

SL/JR

