



## **Minutes of the BCPP Joint Committee Tuesday 6 June 2017 - Northallerton**

### **Present**

#### **Members**

Councillor John Weighell (Chair)  
Councillor Steve Bloundele, Councillor Mark Davinson,  
Councillor Sue Ellis, Councillor Tim Evans, Councillor John  
Holtby, Councillor Eileen Leask, Councillor Doug McMurdo,  
Councillor Eddie Strengiel, Councillor Bob Stevens, Councillor  
Jeff Watson and Councillor Mel Worth

#### **Officers**

Ian Bainbridge, Stephen Barrett, Paul Campbell, Matt Dawson,  
Clare Gorman, Mark Lyon, Fiona Miller, Nick Orton, Geoff  
Reader, Phil Triggs, Martin McCarthy, Amanda Alderson and  
David Hayward

**Statutory Officer Representatives** Julie Crellin and Gary Fielding

### **1 APPOINTMENT OF CHAIR AND VICE CHAIR**

The Committee confirmed the appointments of Councillor John Weighell (Chairman) and Councillor Sue Ellis (Vice Chair), for the ensuing year, following voting at the conclusion of the last meeting of the Member Steering Group held in York on 24 March 2017.

### **2 WELCOME AND INTRODUCTIONS**

The Chairman welcomed everyone to the inaugural meeting of the BCPP Joint Committee and in particular the newly appointed members, Councillors Eddie Strengiel, Jeff Watson and Tim Evans.

Councillor Mel Worth outlined the current position in Cumbria and stated he would continue to represent his Authority until such time a formal appointment was made which was likely to be at the end of June.

The Chairman apologised for the omission of Councillor Davinson's name and the Durham Pension Fund from the membership list, which would be rectified immediately.

**3 MINUTES OF THE MEETING OF THE MEMBER STEERING GROUP HELD ON 24 MARCH 2017**

The minutes of the final meeting of the Member Steering Group held on 24 March 2017 in York were considered and approved as a correct record.

**4 UPDATE ON PROJECT DELIVERY AND IMPLEMENTATION BUDGET**

The Programme Lead, Fiona Miller updated the Committee on the high level activities undertaken since the last meeting towards the delivery of phase three of the BCPP implementation plan - the establishment of a fully regulated asset management company that was ready to accept the transition of assets.

The report outlined the high level activity across the three key work streams. A more detailed analysis of activity is provided where appropriate through the individual work-stream update reports elsewhere on today's agenda.

Discussions had taken place with representatives from DCLG where Officers had confirmed slippage from April to a proposed June 2018 as the 'go-live' date for project delivery, senior executive recruitment were in the final stages with the Chair and CEO appointment expected by end of July, and that the procurement of all other service providers was ongoing to plan. Officers from DCLG confirmed they understood the slippage due to the local elections and were supportive with the progress being made on implementation of the various workstreams and the appointment timelines, and would report as such to the new Minister once appointed.

It was confirmed that CEM had won the LGPS framework contract to undertake analysis of benchmarking costs. On this basis individual Funds were asked to seek the approval of their respective Authority's in supporting the appointment of CEM to their Funds for this service. If all Funds in BCPP take up this service on an individual basis CEM will provide consolidated pool data for submission to DCLG BCPP Ltd has a requirement to report to DCLG on savings and the Committee agreed that all partner Funds using CEM would meet the requirement to have available to them benchmarking information which was robust and provided a consistent cost base across the country.

Clarity was sought in regard to the current projected overspend of £175,000. It was confirmed this was in relation to the increase in salaries approved by Members for the appointment of Non-Executive Directors and additional recruitment costs.

It was confirmed that work on the Operating Model workstream had slipped slightly, however Members would be kept briefed as to progress and key issues as they arose.

Following a change in membership of the Joint Committee following recent local elections in several of the Funds, Members agreed the proposed membership of each workstream.

RESOLVED

Members:-

1. approved the high level BCPP Project Implementation Risk Register and mitigating actions proposed by the Project Team.
2. noted the increase in the projected implementation budgetary outturn.
3. noted the changes to the Joint Committee Membership following the Local Government elections and confirmed the proposed allocation of Members to each work stream.
4. noted the high level project activity during this period.
5. approved the proposed activities to be completed by the project team and sub-groups over the next period.
6. agreed to obtain approval from their respective Funds to appointing CEM to undertake benchmarking analysis in respect of costs on behalf of the Pool.

## **5 FEEDBACK ON NATIONAL WORKING GROUPS**

Fiona Miller updated the Committee on officer attendance at meetings of the various national working groups and the work taking place therein.

In respect of the Cross Pool Collaboration Group Councillor Quinn had attended as a representative of the Scheme Advisory Board to put forward the suggestion that a Member Working Group be established to run alongside the officer group to help wider education and engagement across the LGPS on the issue of pooling. The Committee supported this proposal and agreed the Chair and Vice Chair should represent BCPP Joint Committee (as per the role profiles for these position) in the formation and future operation of such a body.

RESOLVED

Members:-

1. noted the report
2. supported the suggestion from Councillor Quinn that a Member Cross Pool Information and Collaboration Group be created and that the Chair and Vice Chair work with officers on determining how best this might operate.

## **6 UPDATE ON COMPLETION OF GOVERNANCE DOCUMENTATION AND INCORPORATION OF BCPP LTD**

David Hayward reported on the final implementation requirements agreed by respective partner authorities within BCPP which would support the establishment of the necessary corporate structures required in the constitution of the BCPP Ltd moving forward. It was confirmed that all references to the Sheffield City Region Combined Authority Bus Fund had been removed.

A copy of the Articles of Association would be circulated to all Fund members.

RESOLVED

Members noted the contents of the report.

**7 REFINEMENT OF BCPP CORPORATE ENTITY AND TRANSITION COST SHARING PRINCIPLES**

Fiona Miller presented the latest version of the cost sharing principles document for Members consideration. It was reaffirmed that the overriding principle was to ensure an equitable cost sharing framework be established which was in accordance with the initial submission to DCLG in July 2016.

The Committee satisfied themselves as to the process for allocating initial costs were any further Administering Authorities to be admitted to the BCPP. It was confirmed that through the shareholder reserved matters, that 100% agreement would be required prior to the admittance of a further Authority. Funds who entered at inception would be in a position to reserve the right to request a proportionate “late joiners fee” be applied.

Fiona agreed to provide a further update on the document, recognising it remained in transition, to the next meeting.

RESOLVED

Members:-

1. noted the further refinements to the BCPP cost sharing principles document.
2. approved the proposed further work to be undertaken by Officers in completing the principles, specifically in regard to allocation of transition costs and assets classes outside securitised markets.
3. approved in principle the refined cost allocation principles as at June 2017 (Version 3), set out at Appendix 1 to the report.
4. requested a further update report be presented to the next meeting.

**8 DEVELOPMENT OF TARGET OPERATING MODEL AND ASSET TEMPLATE PROGRESS**

Mark Lyon, Operating Model Sub Group lead updated the Committee on the work which had taken place since the last meeting (Steering Group) on 24 March 2017 and next steps in the process.

It was pleasing to report that all advisors were now in place and following a scoping day involving all project leads from the BCPP Project Team, a high level project plan had been developed.

A further meeting of the Officer Operations Group was to be held during June to resolve outstanding issues in relation to the more complex investment sub-funds so that the asset template can in turn be incorporated into the design of the Operating Model and the future structuring of the investment sub-funds.

It was reported that there had been positive development in regard to MiFID II in relation to administering authorities, simplifying the opt-out process enabling LGPS funds to continue to access the widest range of possible investments.

RESOLVED

Members:-

1. noted progress to date and supported the outlined plan to progress the work on the Operating Model Workstream including the design and implementation of the operating model and the procurement of suitable service providers for the next period.
2. approved the changes to the asset allocation template and supported the plan to progress the work on the asset allocation template (notably the Multi-Asset Credit and Property asset classes) and associated transition planning for the next period with the Officer operations group, advisors and the sub-group.
3. Members approved that “legacy” investments (i.e. investments where it was not possible or cost effective to transfer into BCPP) would continue to be managed at the individual Fund level. This decision would be reviewed post-full implementation.
4. noted the progress and support of continued liaison with the FCA and the Investment Association in order to ensure that the opt-up process for administering authorities was relatively straightforward.

## 9 UPDATE ON PROPERTY SEARCH

Nick Orton updated the Committee on the latest position in regard to the search for office accommodation for BCPP Ltd.

Working in conjunction with a property agent, it was confirmed that officers from the Project Team had viewed 22 properties in the city centre of Leeds in addition to three out of town properties located on business parks.

The report provided Members with an overview of the properties viewed, size of accommodation, acknowledging the brief provided. The Committee agreed the outcome of the revised list for second viewing and asked that Members were kept informed of further progress.

Councillor McMurdo highlighted the requirement to ensure that the preferred option would accommodate the ICT requirements of the Pool, took account of capacity in respect of anticipated growth aligned to such principles as home working and reiterated his wish to see this resolved as quickly as possible to ensure a smooth transition and ensure the Pool was able to go live when required to do so.

RESOLVED

The Committee noted the latest position in regard to the acquisition of a property for BCPP Ltd and agreed that the Members would be kept informed of further progress.

10 **CONSIDERATION OF OPTIONS FOR TERMS AND CONDITIONS OF EMPLOYEES OF BCPP LTD**

Nick Orton presented a report outlining options for the terms and conditions for employees of BCPP Limited, including a proposal on the type of pension provision that should be offered to new recruits to the company.

The Committee acknowledged that in order to ensure BCPP Limited was able to recruit and retain the skilled staff it required to function effectively, it should offer staff starting a new contract with the company the choice between access to the LGPS or access to a defined contribution pension scheme and higher take-home pay. This should be structured to ensure the overall cost to the company was equivalent under either option. Councillor McMurdo confirmed that this work was being closely monitored by workforce representatives and as such it was vital that TUPE arrangements were clearly communicated to affected staff and that options available to any member of staff involved in such a process, for example relocation, be properly explored such that the right calibre of individual was encouraged to consider working with BCPP Ltd. Councillor Ellis thanked the Project Team for their time in visiting colleagues in South Yorkshire to outline the work which was taking place in relation to this matter.

The Committee acknowledged the requirement to maintain a certain degree of flexibility in establishing terms of conditions, so as to provide the future executive team with options to enable them to attract and retain the right candidates for positions within the BCPP Ltd.

It was acknowledged that work was progressing as required in regard to TUPE transfer for staff from the internally managed funds.

**RESOLVED**

Members:-

1. agreed to progress the proposal that BCPP Limited should participate in the Local Government Pension Scheme (LGPS) as an 'open' admission body, and should offer new employees (as well as employees transferring from the internally managed Funds) access to the LGPS, with the exception of senior staff. Final approval would be sought from the shareholders once all issues were resolved. Senior staff included all executive directors and any staff paid at more than a specified level (initially set at £120,000 a year whole-time equivalent).
2. agreed that in order to provide a flexible offering that was attractive to a range of recruits across the public and private sector, employees should also be offered the alternative of employer contributions to a defined contribution pension scheme and additional salary instead of participation in the LGPS. This was on the proviso that the overall cost of employment was not increased as a result of this flexibility.

3. agreed that a package of other terms and conditions should be provided for new employees to BCPP Limited which were broadly similar to those typically provided within local government. Suitable external advice would be sought when determining the detail of the terms and conditions and the overall value of the remuneration packages to ensure they were appropriate and competitive.
4. Agreed the project team should draft and circulate an LGPS guarantee that all Authorities would be required to provide, working on the general principle that any liabilities at the point of transfer would remain the responsibility of the original Fund, but liabilities built up going forwards would be underwritten by all partner Funds in an equitable manner.

## **11 BCPP COMPANY COMMITTEE STRUCTURES AND THE ROLES OF NON-EXECUTIVE DIRECTORS (NEDS)**

David Hayward presented a report setting out a proposal for the internal committee structures to be adopted by BCPP Ltd and how these in turn would fit within the overall corporate governance structure of the partnership.

The Committee discussed the complexities of being a wholly owned company and in turn the fact that neither public nor private regulatory frameworks took precedence. Whilst a challenge for the executive team when established, key to this must be to ensure that within the parameters of both regulatory regimes, partner funds were not at risk of financial or reputational damage.

The Committee further considered the Executive/Non-Executive structure, NED involvement on the BCPP Risk and Audit Committee and Remuneration and Nomination Committee. Terms of reference and membership of all BCPP Ltd committees would form part of the submission to the FCA.

**RESOLVED**

Members noted the contents of the report and in particular the requirement when appointing non-executive directors and the Chair for the BCPP Ltd operating company, the need to bring together the governance principles of local government aligned to the developing controls applied to the regulated financial services sector.

## **12 MEMBER INFORMATION BRIEFING**

The Committee received a presentation from Andrew Glessing (Director - Head of Compliance) Alpha FMC on governance requirements for BCPP Ltd as an FCA regulated entity (including Committee Structures and the role and skill sets required of the Non-Executive Directors of BCPP Ltd and how these would feed into the FCA application process).

**RESOLVED**

The Committee thanked Andrew for an informative presentation.

**13 VERBAL UPDATE ON EMERGING MATTERS**

Councillor McMurdo raised an issue about LAPFF membership and how this might operate post pooling. He agreed to liaise with Jane Firth, responsible investment lead at LAPFF to discuss with them on behalf of BCPP a means by which this might best operate going forward.

It was agreed that further consideration be given to the Pool taking membership of LAPFF. It was confirmed that all participating Funds were already in membership.

The Committee was reminded it was required to seek individual Authority approval to appointing CEM to undertake benchmarking cost analysis on behalf of their Funds which could then be consolidated to provide the required Pool information to DCLG.

RESOLVED

All points were duly noted.

**14 ANY OTHER BUSINESS**

It was agreed that a schedule of meeting for the BCPP Joint Committee would be produced avoiding where possible clashes with individual Authority meeting schedules.

The Committee was asked to promote the New Member Training Course organised for all Pensions Committee and Local Pension Board Members within the BCPP Pool taking place on 11-12 September in York.

RESOLVED

All points were duly noted.

**15 DATE OF NEXT MEETING**

The Next meeting of the Committee would take place on Tuesday 5 September at 11am, at County Hall, Northallerton.

**16 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.



## **17 UPDATE ON EXECUTIVE SEARCH AND REMUNERATION**

Officers who had expressed an interest in the roles under consideration left the meeting at this stage and took no further part in proceedings.

The Committee considered the appointments process to date and the engagement with the consultants employed in supporting the process.

Information in relation to the recruitment and remuneration of executive and non-executive posts had been gathered and had helped shape what BCPP Ltd would require in terms of its corporate executive structure.

BCPP Ltd will be run by a board of directors. Directors are appointed and removed by the agreement of the shareholding administering authorities.

The Member Steering Group had agreed to recruit to the following posts on the board:

- Chief Executive Officer (CEO);
- Chief Investment Officer (CIO);
- Chief Operating Officer/Chief Financial Officer (COO/CFO);
- Three independent non-executive directors (NEDs), one with the role of Chair and casting vote to ensure the NEDs have overall control of the Board.

The People Sub Group had met on 25 April to progress a number of these issues, which were set out at Appendix B to the report. The Committee discussed in particular the requirement to reconsider the remuneration of the BCPP Ltd Non-Executive Chair and Directors, the requirement to make a slight revision to the recruitment timetable and introducing a two-stage interview process.

It was confirmed that once the interview process had been concluded, formal shareholder approval (administering authorities) would be required.

### **RESOLVED**

Members:

1. endorsed the decisions taken by the People Sub Group meeting held on 25<sup>th</sup> April 2017, as summarised in Appendix B to the report.
2. agreed the revised timelines for the recruitment process as set out in sections 7 and 8 of the report to ensure that, once formally appointed, the Chair and CEO of BCPP Ltd could be fully involved in the recruitment process for other key BCPP Ltd posts.
3. agreed a two stage interview process should be adopted.

**CHAIR**