



Minutes of the BCPP Joint Committee

Friday 20 October 2017 - North Yorkshire CC, Grand Meeting Room, County Hall,
Northallerton, DL7 8AD

Present

Members

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

BCPP Ltd

Representatives Rachel Elwell and Chris Hitchen

Fund Officers

Amanda Alderson, Ian Bainbridge, Stephen Barrett, Paul Campbell, Clare Gorman, David Hayward, Mark Lyon, Fiona Miller, Nick Orton, Jo Ray, Gill Richards and Phil Triggs

Statutory Officer Representative(s) Andy Watkins

Apologies for absence were received from Councillor Steve Bloundele

1 APOLOGIES FOR ABSENCE/DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting. Apologies were noted as above.

2 MINUTES OF THE MEETING HELD ON 6 JUNE 2017

The minutes of the inaugural meeting of the BCPP Joint Committee held on 6 June 2017 were considered and approved as a correct record.

3 MEMBER BRIEFING - FORMAL WELCOME TO THE CHAIR/CEO (IN WAITING) & CONSIDERATION OF THEIR VISION FOR THE FUTURE OF BCPP LTD - CHRIS HITCHEN, CHAIR, RACHEL ELWELL CEO (IN WAITING)

The Chair of the Joint Committee welcomed Chris Hitchen, Chair of BCPP Ltd and Rachel Elwell, Chief Executive Officer (in waiting) of BCPP Ltd. It was noted that the CEO's formal appointment would commence on 20 November 2017.

C Hitchen commented that he was delighted with his appointment as Chair of BCPP Ltd. He was aware of the history to get to that point and recognised that it

had been a difficult journey for some and that others would not be completely happy with the situation.

His hope was that in the future, Funds would look back and see that it had been a great opportunity that had achieved good long-term outcomes for members and taxpayers. His vision was for BCPP Ltd to be a beacon among the LGPS with committed and engaged clients.

R Elwell remarked that she was excited to be taking the work forward and appreciated all the hard work done by Members and the project teams; solid foundations were in place from which to build. The Committee considered a mind map which set out the CEO's vision for the future of BCPP Ltd.

The CEO would visit each Fund as soon as possible to get an understanding of customers' needs.

The CEO had recently been involved in an informal Shadow Board meeting and also the recruitment process of the Chief Operating Officer which Fiona Miller had accepted.

R Elwell informed the Committee that she would also be involved in the recruitment process for the Chief Investment Officer and the Chief Risk Officer but other than that would find it difficult to devote any more time to BCPP Ltd until 20 November.

Exclusion of the Public and Press

At this point M Lyon and D Hayward declared an interest and left the meeting.

4 UPDATE ON EXECUTIVE & NON-EXECUTIVE APPOINTMENTS - IAN BAINBRIDGE/CLARE GORMAN

The Committee considered a report which gave an update on Executive and Non-Executive recruitment and remuneration for BCPP Ltd.

The Committee were informed that of the seven key roles identified, all but the Chief Investment Officer, Chief Risk Officer and the Compliance Officer had been appointed.

Members noted the recruitment process and timeline for the two remaining Chief Officer positions as set out in the report. It was further noted that once BCPP Ltd.'s initial Board was in place there would be no further role for the Joint Committee to play in recruitment to BCPP Ltd including for the appointment of the Compliance officer.

RESOLVED - That the Committee

- a) Note the appointments made to date and processes followed, as set out in section 5 of the report.

- b) Agree the timeline and process for the recruitment of the two remaining key posts (namely CIO and CRO), as set out in section 6 of the report.

5 UPDATE ON GENERAL STAFF TERMS AND CONDITIONS (INCLUDING PENSION OFFERING & ASSOCIATED GUARANTEE REQUIREMENTS) FOR EMPLOYEES OF BCPP LTD (NEW & TRANSFERRING STAFF)- NICK ORTON

A report was submitted to provide an update on options for the terms and conditions for BCPP Limited, including consideration of the potential financial impact of the company providing access to the Local Government Pensions Scheme to new recruits to the company.

The report also contained details of a draft staff structure for BCPP Limited.

The Committee considered a table that compared some of the current terms and conditions of employment of the investment staff who would potentially transfer under TUPE terms to BCPP Limited, along with a suggested set of terms and conditions that could apply to new recruits to the company. These were discussed at length by the Committee, along with pension provision for new recruits.

RESOLVED – That the Committee note:

- a) The range of options on employer terms and conditions that would be determined by BCPP Ltd.'s Board following the decisions made at the last Joint Committee meeting.
- b) The Statutory Officer Group would agree the final wording of the pension guarantee following a further report to the Joint Committee regarding cost sharing.
- c) The proposed draft structure upon which the budget would be based for shareholder approval – this structure was subject to further refinement by BCPP Ltd.'s Board.

At this point the meeting reopened to the Public and Press.

M Lyon and D Hayward returned to the meeting.

6 AMENDMENTS TO BCPP BOARD STRUCTURE - DAVID HAYWARD/CHRIS HITCHEN

A report was submitted to allow the Joint Committee to consider and comment on proposed changes to the composition of the Company Board.

The Committee were reminded that when the corporate structure and governance was initially considered it was intended there should be six directors, namely the Chair, 2 x Non-Executive Directors, the Chief Executive Officer (CEO), Chief Operating Officer (COO) and the Chief Investment Officer (CIO).

It was the view of the Chair of the Company and the CEO that it would be more appropriate for the CIO to sit outside the Board structure and be left to concentrate on the task of getting all the eligible assets into the pool as quickly as possible and generating good long-term performance. The Committee was informed that legal advice had been given that this would not breach the terms of the shareholder agreement if this decision was made.

The Chair of the Company suggested appointing two shareholder directors to the Board with full standing including voting rights. It was believed that this would assist in keeping the Joint Committee and the Partner Funds sighted on the governance of the Company and would ensure that a proper connection was maintained with shareholders at all times.

A lengthy discussion ensued around conflicts of interest, whether shareholder directors, if approved, should be rotated and the issue of remuneration.

The Committee felt that these matters should be pursued further in the Governance Sub-Group with advice from Monitoring Officers.

In response to a question by Sue Ellis regarding scheme member representation on the Board, the discussion on this was postponed until a more opportune time.

RESOLVED:

- a) That the Chief Investment Officer Role holder no longer be asked to sit on the BCPP Board and that this should be reflected in the ongoing recruitment process.
- b) That the principle of appointing two shareholder directors be adopted and that officers be asked to work with the Governance Sub-Group to bring a report back to the Joint Committee with suggestions for the method of selection of the said directors and associated issues after taking the advice of monitoring officers.
- c) That the Board be requested to invite the Chair and Vice-Chair of the Joint Committee to attend Board meetings with full participatory rights save for formal voting until such time as shareholder directors are formally appointed.

7 UPDATE ON FINANCIAL CONDUCT AUTHORITY PERMISSIONS SUBMISSION - FIONA MILLER

F Miller presented a report which updated the Committee on Financial Conduct Authority (FCA) Permissions submission.

The paper advised Members of the progress towards submission of the documentation, the associated risks and assured Members that, while challenging, progress currently remains on track to meet the required timelines for approval to enable to go-live in June 2018.

F Miller informed the Committee that the initial plan had been to bring the draft budget to the meeting for shareholder approval prior to submission to the FCA but unfortunately it had not been possible to meet the deadline.

The reasons for the delay were:

- The three largest expenditure items (excluding pay) were not sufficiently progressed in the tender process and therefore only estimated figures were available.
- S151s along with their Fund Officers need to be given time to review the final proposed budgetary requirement and assess the implications on their individual Funds before they could recommend it for approval.
- Provisional agreement was required to the outline staffing structure before costs could be quantified.
- The CEO is not yet in a position to have ownership of the regulatory business plan and the resultant cost base so that both the BCPP Ltd Board and the funds as clients can hold her accountable for delivery.

Members noted the risks with mitigations caused by this delay and also a proposed revised timeline for Shareholder budgetary approval. It was further noted that the FCA application was progressing to plan other than the presentation of the business plan and budget to the meeting.

RESOLVED:

- a) That Members note the progress to date and the proposed timeline for FCA regulatory approvals submission.
- b) That Members approve the submission to the FCA of the application with a draft regulatory business plan as detailed.

8 UPDATE ON PROJECT DELIVERY AND IMPLEMENTATION BUDGET - FIONA MILLER

A report was submitted that updated Members on the high level activities undertaken since the last meeting toward the delivery of phase three of the BCPP implementation plan. The paper also provided the Joint Committee with the current high level risk register which highlighted by exception any key areas for consideration by Members.

With regard to the premises search, the Committee were informed that a final shortlist of two properties in Leeds city centre which met the operational specification was being progressed.

With regard to the Spring update submitted to DCLG, the joint departmental response was received by all pools and circulated to Members by email in August.

Clarification had since been received from DCLG that references to Pools not pressing on as expected was actually only relevant the three Funds, none of which was BCPP.

Members noted that the Autumn update was due for submission on 20 October; the BCPP update submission was attached as an appendix to the report.

RESOLVED - That Members:

- a) Approve the BCPP Project Implementation Risk Register and mitigating actions detailed in the report.
- b) Note the projected implementation budgetary outturn and agree to seek required approval through their individual governance structures following the next Joint Committee meeting when this could be fully quantified.
- c) Note the high level project activity during the period.
- d) Approve the proposed activities to be completed by the project team and sub-groups over the next period.
- e) Approve the submission of the Autumn Update to DCLG as shown at Appendix 3.
- f) Agree that upon the CEO taking up post in November that responsibility for project delivery move to the CEO with the transfer of remaining budgetary provision.

9 **UPDATE ON DEVELOPMENT OF TARGET OPERATING MODEL AND TRANSITION PLAN - MARK LYON**

M Lyon presented a report which provided an update on the work that had been undertaken within the Operating Model Workstream since the last meeting.

Members noted:

- The design phase of the Target Operating Model had been completed and the tender for the two main service providers had been issued with preferred suppliers expected to be identified by the end of 2017.
- The FCA application pack was currently being prepared and was expected to be submitted in November 2017.
- The asset allocation template had been finalised and was presented at Appendix A to the report for approval by the Joint Committee.
- The draft transition plan had been prepared and would be subject to further review during the transition period. Due to capacity constraints and the relatively high risks associated with asset transitions it had been decided to use a phased approach to transition assets over a period of 2-3 years.
- The process for Administration Authorities opting up from retail status to elective professional status under MiFID II had been simplified.

RESOLVED – That Members:

- a) Note the progress to date and support the outlined plan to progress the work on the Operating Model Workstream including the implementation of the operating model and the procurement of suitable service providers for the next period.
- b) Approve the Asset Allocation Template, provided at Appendix 1.
- c) Note the progress on transition planning provided at Appendix 2, and support the development of the transition management arrangements.

10 PROPOSED BCPP LTD RESPONSIBLE INVESTMENT POLICY AND CORPORATE GOVERNANCE & VOTING GUIDELINES - MARK LYON

A report was submitted which outlined the proposed BCPP Ltd policy to enable Partner Funds to achieve their Responsible Investment and stewardship responsibilities.

The Committee were informed that the attached RI Policy and Corporate Governance and Voting Guidelines had been developed to reflect best practice; J Firth had worked hard to bring these documents together. They had been arrived at by reviewing Partner Funds current policies along with those of a number of asset managers seen as leaders in the area. The policies were high level documents which would require detailed procedures on implementation; these would be developed as soon as was practicable.

The proposed process would be to annually review the proposed BCPP Ltd policy each year. This would enable the partner Funds to make any changes required to their policies to ensure alignment.

RESOLVED:-

That Members approve the Responsible Investment Policy and the Corporate Governance and Voting Guidelines and recommend to their Committees that their individual policies in this regard are aligned to the policy so as to ensure all could comply with the LGPS Investment Regulations.

11 FEEDBACK ON NATIONAL WORKING GROUPS - JO RAY

A report was submitted to inform Members of the work of the National Working Groups.

Since the last Joint Committee meeting, Officers had attended meetings of the Cross Pool Collaboration Group, the Cross Pool Infrastructure Group, the Cross Pool Responsible Investment Group and the Cross Pool Tax Group.

Cross Pool Collaboration Group

Jeff Houston (LGA) had updated the group on the Ministers' letter, fund and pool reporting requirements, cost transparency, MiFID II and fund resourcing.

Cross Pool Infrastructure Group

Discussions centred on progress to date and the proposed response to each pool to the DCLG Autumn Submission. Meeting dates for the Group would need to become more regular so that any national platform agreed could align with pool go live dates and their ability to invest in it.

Cross Pool Responsible Investment Group

LAPFF Chair Cllr Kieran Quinn attended the July meeting and explained how LAPFF worked with its fund members and set out how it could work for pools in the future.

Cross Pool Tax Group

The first meeting of the group was held on 26 September. Its role was to look across the various tax areas and the implications and considerations for the pools and funds. The issues discussed were set out in the report.

RESOLVED – That the report be noted.

12 STANDING ITEM - UPDATE ON EMERGING MATTERS - FIONA MILLER

Fiona Miller informed the Committee that following her acceptance of the position of COO, she had resigned as Chair of the Officer Operations Group; Ian Bainbridge would chair the Group in the future.

13 ANY OTHER BUSINESS

None.

14 DATE OF FUTURE MEETINGS

Future meeting dates were noted as:

16th January 2018
13 March 2018
10 July 2018

It was agreed that in future meetings would commence at 11.15am to better fit with train timetables.

CHAIR