

# Public Document Pack



**PENSIONS PARTNERSHIP**

**BCPP JOINT COMMITTEE**

## **AGENDA**

**Venue:** Deloittes Offices, 1 City Square, Leeds, LS1 2AL

**Date:** Tuesday 13 March 2018

**Time:** 11.00 am

### **Membership:**

#### **Chair:-**

Cllr John Weighell North Yorkshire Pension Fund

#### **Vice Chair**

Cllr Sue Ellis South Yorkshire Pension Fund

#### **Membership:-**

|                      |                             |
|----------------------|-----------------------------|
| Cllr Doug McMurdo    | Bedfordshire Pension Fund   |
| Cllr Mel Worth       | Cumbria Pension Fund        |
| Cllr Mark Davinson   | Durham Pension Fund         |
| Cllr John Holtby     | East Riding Pension Fund    |
| Cllr Eddie Strengiel | Lincolnshire Pension Fund   |
| Cllr Jeff Watson     | Northumberland Pension Fund |
| Cllr Tim Evans       | Surrey Pension Fund         |
| Cllr Steve Bloundele | Teesside Pension Fund       |
| Cllr Eileen Leask    | Tyne & Wear Pension Fund    |
| Cllr Bob Stevens     | Warwickshire Pension Fund   |

## Terms of Reference of the BCPP Joint Committee

1. The primary purpose of the Joint Committee is to exercise oversight over investment performance of the collective investment vehicles comprised in the BCPP Pool.
2. The Joint Committee will provide effective engagement with the Authorities as the BCPP Pool vehicles are established and ultimately operated. It will encourage best practice, operate on the basis that all partners have an equal say and promote transparency and accountability to each Authority.

The remit of the Joint Committee is:

- 2.1.1 **First phase – Period to April 2018 or operational commencement of the BCPP Pool (whichever is the later)**
  - 2.1.1 To provide support and guidance to the work being undertaken by the Officer Operations Group to give effect to the pooling arrangements.
  - 2.1.2 To consider issues and provide feedback on relevant proposals as they are developed, ensuring effective engagement with the Authorities to scrutinise and monitor project management arrangements and proposals for the appointment of advisers by the Authorities.
  - 2.1.3 To oversee costs to deliver the BCPP Pool, obtaining approval from individual Authorities where necessary.
  - 2.1.4 To monitor and scrutinise responsibilities for delivery of the project and relevant support arrangements.
  - 2.1.5 To oversee and provide feedback on positions and conclusions deriving from work streams adopted by the Officer Operations Group.
  - 2.1.6 To formulate processes and policies for the appointment and termination of membership to the Joint Committee.
  - 2.1.7 To propose and confirm contracts and policies required by the Authorities to commence transition to the BCPP Pool arrangements.
  - 2.1.8 To provide support and guidance to the work being undertaken by the Officer Operations Group to do all things necessary to implement the final proposal, including preparatory work for asset transition.
  - 1.1.9 To consider the initial range of sub-funds to be provided by the ACS and to make recommendations to the BCPP Board for the creation of those sub-funds.
  - 2.1.10 To review and comment on the draft ACS prospectus and supporting documents on behalf of the Authorities prior to the Financial Conduct Authority approval.
- 2.2 **Phase 2 – Post Establishment and Commencement of Operations**
  - 2.2.1 To facilitate the adoption by the Authorities of relevant contracts and policies.
  - 2.2.2 To consider requests for the creation of additional ACS sub-funds (or new collective investment vehicles) and to make recommendations to the BCPP Board as to the creation of additional sub-funds (or new collective investment vehicles).
  - 2.2.3 To consider from time to time the range of sub-funds offered and to make recommendations as to the winding up and transfer of sub-funds to the BCPP Board.
  - 2.2.4 To review and comment on the draft application form for each additional individual ACS sub-fund on behalf of the Authorities prior to the Financial Conduct approval (or the draft contractual documents for any new collective investment vehicle).
  - 2.2.5 To formulate and propose any common voting policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
  - 2.2.6 To formulate and propose any common ESG/RI policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
  - 2.2.7 To formulate and propose any common conflicts policy for adoption by the Authorities and to review and comment on any central policy adopted by BCPP.
  - 2.2.8 To agree on behalf of the Authorities high level transition plans on behalf of the Authorities for approval by the Authorities for the transfer of BCPP assets.
  - 2.2.9 To oversee performance of the BCPP Pool as a whole and of individual sub-funds by receiving reports from the BCPP Board and taking advice from the Officer Operations Group on those reports along with any external investment advice that it deems necessary.
  - 2.2.10 To employ, through a host authority, any professional advisor that the Joint Committee deems necessary to secure the proper performance of their duties.

## **AGENDA**

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## Minutes of the BCPP Joint Committee

Tuesday 16 January 2018 - Oak Meeting Room, County Hall, Northallerton, DL7 8AD

### Present

#### Members

Councillor John Weighell (Chair)  
Councillor Steve Bloundele, Councillor Mark Davinson,  
Councillor Sue Ellis, Councillor Tim Evans, Councillor Derek  
Kennedy, Councillor Eileen Leask, Councillor Doug McMurdo,  
Councillor Bob Stevens, Councillor Eddie Strengiel, Councillor  
Mel Worth and Councillor Richard Meredith

#### BCPP Ltd

#### Representatives

Rachel Elwell, Chris Hitchen and Fiona Miller

#### Fund Officers

Amanda Alderson, Ian Bainbridge, Stephen Barrett, Paul  
Campbell, Mat Dawson, Gary Fielding, Clare Gorman, David  
Hayward, Mark Lyon, Neil Mason, Nick Orton, Jo Ray and  
Craig Tyler

#### Apologies for absence were received from

Councillor John Holtby and Councillor Jeff  
Watson

#### Chair's Announcements

The Chair welcomed everyone to the meeting.

Referring to the BPCJ Joint Committee Terms of Reference (as included within the agenda pack); the Chair summarised the key differences between the BCPP Joint Committee and the BCPP funds acting as Shareholders and provided some practical examples of the types of matters that would sit within the remit of the two once these roles have been established.

Members placed on record their condolences to the family and friends of Cllr Kieran Quinn, Leader of Tameside BC and LAPFF Chair, who sadly passed away recently. Cllr McMurdo noted Cllr Quinn's tremendous ability and support to LAPFF and the LGPS more generally.

## 1 APOLOGIES FOR ABSENCE/DECLARATIONS OF INTEREST

Members' apologies were noted as above.

## **2 MINUTES OF THE MEETING HELD ON 20TH OCTOBER 2017**

Members gave consideration to the accuracy of resolution (b) at item 6 – Amendments to BCPP Board Structure - and revisited what the Governance Sub-Group had been charged with. It was agreed the resolution as minuted was appropriately accurate and consistent with the contents of related reports.

RESOLVED, that the minutes of the meeting of the BCPP Joint Committee held on 20<sup>th</sup> October 2017 are approved as a correct record.

## **3 PARTNER FUND DIRECTOR PROPOSALS - DAVID HAYWARD**

A report was received setting out the recommendations of the Governance Sub Group regarding the appointment of additional director(s) to the BCPP Limited Board (“the Board”) at the request of the Company.

Members were reminded that at the last meeting of the Joint Committee, the Governance Sub-Group was asked to meet and consider how the resolution of the Joint Committee could best be implemented.

Cllr Worth noted he had submitted comments prior to the meeting in case he was unable to attend in person due to concerns about the weather. These comments had not been circulated as Cllr Worth had made the meeting. He was concerned about proposals to create two Partner Fund directors. He suggested the appointments could create conflicts of interest for the appointees and ,may disenfranchise the ten Pension Funds that would not be represented on the BCPP Ltd. Board.

Cllr Stevens did not feel that the proposal would disenfranchise the ten unrepresented Pension Funds and proposed the directors be appointed for fixed time periods. Cllr Stevens suggested there was no perfect system but agreed the funds should have representation on the BCPP Ltd. Board.

Members were advised that in keeping with this suggestion, the report (at paragraph 3.2.4) notes the Governance Sub Group’s opinion that the Joint Committee should recommend to the Company that each director should serve an initial two year term with extension subject to re-election and consideration could be given to one director having an initial one year term to avoid coincident retirements from the Board.

Cllr McMurdo also suggested the appointment of two directors to the BCPP Ltd. Board would present a conflict of interest and raised questions around independency and quoted guidance from the Association of British Insurers and Financial Reporting Council in support of this suggestion.

Cllr Leask noted support for the recommendations and suggested the need to have representatives on the BCPP Ltd. Board to represent the ethos of the public sector.

Cllr Ellis agreed the Board needs to hear the ethos and principles of the public sector and sought comments from Members regarding alternate means via which this could be best achieved. Cllr McMurdo suggested there may be a way of enabling all the Joint Committee collectively to achieve this objective.

G Fielding noted the S151 officers had raised similar concerns around the lack of local government understanding on the Board. He further noted that the general feeling, although not unanimous, amongst the S151 Officers was that the proposal would be a useful addition to the governance arrangements.

Members gave further consideration to the proposal to appoint directors on a fixed term basis, debating what might be an appropriate length of term and how many consecutive terms might be served. General support was noted for the notion of having no more than two consecutive two year terms.

C Hitchen advised Members of the desire to have a fully-rounded Board capable of best serving its clients and shareholders and the benefits therefore of having additional representation with expertise and an understanding of the public sector.

Cllr Evans suggested that the nomination of representatives of two of the Partner Funds to the Board shouldn't disenfranchise those who aren't represented. He suggested that the Joint Committee could review the effectiveness of the Partner Fund directors be reviewed after one year of operation.

Cllr Kennedy noted comfort with the recommendations contained in the report and suggested sufficient control measures be introduced to help avoid sentiments of disenfranchisement.

The Chair outlined to Members a possible alternate option that would effectively engage all Partner Funds, making the Joint Committee the 'client' and the Board the 'investment manager' and have no direct representation on the Board, but suggested this model of governance was probably not what the majority of Shareholders want. It was noted that everyone needed to be clear about the different roles and responsibilities between the administering authorities acting in the role of Shareholder as opposed to the funds as clients acting through the Joint Committee. The proposal being out forward is for the Shareholders to be directly represented on the Board.

Cllr Bloundele suggested there was no value in not having shareholder representation on the Board and noted support for the recommendation of director appointments be staggered and limited in terms of consecutive re-elections

Cllr Stevens and other members supported the request for a review of the effectiveness of the appointments process after one year.

Cllr Davinson noted the requirement for a job description and person specification to help prospective candidates consider the likely commitments involved.

Members considered the likely timescales involved in ratifying the proposals each individual Authority level and the processes involved in electing and appointing directors to the Board (noting the added potential complexity of local government elections in May).

The Chair noted the directors once appointed would be protected by insurance, a privilege not currently afforded to the Joint Committee's observers on the Board.

The Chair agreed to undertake a recorded vote on the recommendations, the outcome of which was as follows:

For – Cllrs Weighell, Ellis, Davinson, Meredith, Strengiel, Kennedy, Evans, Bloundele, Leask and Stevens.

Against – Cllrs Worth and McMurdo

The recommendations were therefore carried.

RESOLVED: that the Committee adopt the following recommendations:

- a) That two representatives of the Shareholders be nominated through the operation of the Joint Committee at the July meeting and that those nominations be adopted by the Board of BCCP Limited and appointed as directors subject to the approval of shareholders.
- b) That the directors should be designated as non-executive Directors and their nominations should be made by the Joint Committee who should adopt an exhaustive ballot procedure to select those nominees.
- c) That the ballot should take place as soon as practically possible and potentially at the July meeting of the Joint Committee, allowing potential candidates time to consider their position
- d) That any Member of the Joint Committee appointed to the BCPP board should stand down in favour of another representative of their fund such as a deputy or vice chair for the duration of their appointment.
- e) That until the nominations are confirmed the Board be requested to invite the Chair and Vice Chair of the Joint Committee to attend Board meetings as representatives with full participatory rights save for formal voting until such time as Partner Fund Directors are formally appointed.
- f) That the effectiveness of the non-executive director appointments process be reviewed after one year of operation
- g) That non-executive director appointments be limited to two consecutive terms of office and of two year duration.

#### **4 JOINT COMMITTEE BUDGET - IAN BAINBRIDGE**

A report was received seeking the approval of a Joint Committee budget of £30,000 to cover the period July 2018 to March 2019, with the cost to be shared equally across the partner Funds i.e. (£2,500 to each Partner Fund)

RESOLVED, that the Committee



- a) Approves a £30,000 Joint Committee budget to cover the period July 2018 to March 2019, with the cost to be shared equally across the partner Funds.

## **5 COST SHARING PRINCIPLES - IAN BAINBRIDGE**

A report was received seeking Member approval of the cost sharing principles and the high level approach to transition costs, described in the appended report entitled 'Cost Sharing Principles'.

The report reminded Members of the overriding principle as set out in the BCPP submissions to Government in February 2016 and July 2016 that costs should be shared on a fair and equitable basis and noted that all BCPP set up costs are being split between each administering authority on an equal one twelfth basis.

It was further noted that at the Joint Committee meeting on 6th June 2017, it was agreed all the governance related costs of operating a financial services company with the agreed FCA permissions should be split on an equal one twelfth basis (thus a continuation of the principle adopted for the set up costs) but all other costs and any associated income should be allocated to the individual sub funds in which the assets are held and therefore, netted off the investment return as an expense, with all costs and expenses to be regularly reported to the Joint committee.

It was noted that to progress consideration of these issues, the draft 'Cost Sharing Principles' paper was discussed at the Officer Operations Group meeting on 27th November 2017, attended by all twelve funds, with the paper also circulated to S151 Officers in advance so their views could be captured.

Members were informed a consensus was reached by the Officer Operations Group on the cost apportionment methodologies. There was however, one change which needed to be made to the cost sharing principles. This was in relation to the long term allocation of Pensions Past Service Deficiency costs. The Cost Sharing Principled needed to be amended to state that following the 2022 actuarial valuation any cost service deficiency payments will be allocated across all administering authorities based on the actual assets in the sub fund structure and asset allocation of each administering authority.

It was noted a differing approach will be taken for each cost heading in relation to what determines short term and long term time periods.

RESOLVED: that the Committee:

- a) Approves the cost sharing principles and the high level approach to transition costs, described in the appended report entitled "Cost Sharing Principles", subject to the change noted above.

## **6 BORDER TO COAST REGULATORY UPDATE - RACHEL ELWELL**

A report was received to outline to Members the requirements of the Financial Conduct Authority (FCA) for authorising firms and to describe the steps taken by the project team to complete its application process.

It was noted good progress is being made with the submission to the FCA to request the approval of BCPP Ltd as an Alternative Fund Investment Manager. It is expected the submission will be completed by the end of January and approval will take up to 3 months subject to what questions are raised by the FCA.

Members were advised that as part of the submission, BCPP Ltd will be confirming that it will be compliant with client money and assets (CASS) provisions, in the interests of assuring clients assets will be kept 'safe' and in order for this assertion to be valid, the local authorities will be asked to provide a waiver in respect of these provisions. It was noted legal advice has been sought on this on behalf of the local authorities.

Members requested sight of the legal advice and the wording of the waiver

Action: M Lyon to circulate.

Cllr Davinson noted the report doesn't reference prior support for the proposals has been sought from the S151 officers.

Members therefore agreed to the recommendations in principle, subject to the agreement of the S151 officers within the fund administering authorities.

RESOLVED, that the Committee:

- a) Notes the regulatory update and progress towards the filing of the regulatory application for approval by the Financial Conduct Authority of BCPP Ltd as an Alternative Fund Investment Manager.
- b) Recommends for approval by the fund administering authorities the provision of a waiver for BCPP Ltd in respect of the client money provisions under CASS, subject to agreement from the authorities' respective S151 officers.

## **7 RESPONSIBLE INVESTMENT INITIATIVES - RACHEL ELWELL**

A report was presented to provide the Committee with extra detail on investor-led initiatives relating to Responsible Investment and the governance process involved.

It was noted that following requests for information and an update on Border to Coast's stance from Partner Funds this report also includes background specific detail surrounding the Financial Stability Board Task Force on Climate-related Financial Disclosures and how Border to Coast intends to support the initiative per the principles outlined in the Responsible Investment Policy agreed at the last meeting.

Members considered the 'gathering momentum' around environmental matters and the need to recognise the position of each Partner Fund.

RESOLVED, that the Committee:

- a) Approves the governance process for supporting Responsible Investment initiatives.

- b) Notes Border to Coast's stance in supporting the Financial Stability Board Task Force on Climate-related Financial Disclosures.

**8 FEEDBACK ON NATIONAL WORKING GROUPS - JO RAY**

A report was received to provide Members with summaries of matters considered at officer group meetings held since the last meeting of the Joint Committee (Cross Pool Collaboration Group, the Cross Pool Infrastructure Group, the Cross Pool Responsible Investment (RI) Group, the Cross Pool Tax Group and the Cost Transparency Working Group).

In considering the information provided, Members discussed a number of associated matters.

Regarding LAPFF membership, consideration was given to whether 'pools' should be paid-up LAPFF members, or whether membership should be attainable at no additional cost if all Partner Fund authorities already have LAPFF membership, in the interests of ensuring 'pools' have access to LAPFF advice and research. It was suggested that as both the 'pools' and LAPFF are there for the greater good of the LGPS, there should logically be the basis for some form of relationship between the two.

RESOLVED: that the Committee:

- a) Notes the contents of the report.

**9 UPDATE ON EMERGING MATTERS - RACHEL ELWELL/FIONA MILLER/IAN BAINBRIDGE**

Members were introduced to John Harrison, interim BCPP Ltd. CEO.

**10 MATTERS ARISING FROM BCPP LIMITED BOARD MEETING ON 10 JANUARY 2018 - RACHEL ELWELL**

It was noted all matters arising had been substantively addressed under the other agenda items.

**11 BORDER TO COAST PROJECT UPDATE JANUARY 2018 - FIONA MILLER/RACHEL ELWELL**

A report was received to provide Members with an update on the Border to Coast implementation project.

RESOLVED, that the Committee Members:

- a) Note significant progress made on refining the project implementation structure and governance and the actions taken to recruit the senior management team.
- b) Agree to recommend to their Authorities for approval the additional implementation budgetary requirements of £75k per Authority.

**12 DRAFT THREE YEAR OPERATING BUDGET - RACHEL ELWELL/FIONA MILLER**

A report was received to outline to Members the proposed operating budget for Border to Coast for the first three years of operation (part year 2018-19, 2019-20, 2020-21).

RESOLVED, that the Committee:

- a) Approves the draft budget as detailed (at Appendix A to the covering report) and recommends it to shareholders for approval of the Border to Coast annual operating charge.
- b) Notes the risk and sensitivities of the cost items that are currently estimated or reliant upon asset management transition.

**13 PENSIONS (GUARANTEES AND TERMS AND CONDITIONS) - RACHEL ELWELL/NICK ORTON**

A report was received to provide details of the pension schemes the Company will request shareholder approval for to establish, and remind Members that under the shareholder agreement, Border to Coast Pensions Partnership Ltd. (“the Company”) needs to obtain appropriate shareholder approval when establishing or amending a pension scheme or schemes for its employees.

There were a couple of issues still to be resolved before a vote could be put to Shareholders, it was agreed that once these issues had been considered by BCPP, authority be delegated to the Chair and Vice Chair of the Joint Committee to sign off on the final proposal.

RESOLVED, that the Committee:

- a) Notes the details of the proposals regarding the establishment of pension schemes which will be made by the Company to shareholders for approval.
- b) Delegates authority to the Chair and Vice Chair of the Joint Committee to sign off on the final proposal to be put to shareholders.

CHAIR



## BCPP Joint Committee

**Date of Meeting:** 16 January 2018

**Report Title:** Additional Non-Executive Director Proposals

**Report Sponsor:** Governance Sub-Group

**Report Author:** Governance Sub Group Secretary – David Hayward

### **1.0 Executive Summary:**

1.1 This report sets out a proposed role profile for two additional non-executive directors to be selected by the Joint Committee. The paper then makes proposals for the selection of those directors and deals with ancillary matters such as the conduct of the selection process and length of term to be served by the selected individuals.

### **2.0 Recommendation:**

2.1 That Members consider the report and adopt the following recommendations for the reasons set out in detail in this paper.

2.1.1 That Members should agree the Role Profile as set out in Annex 1 to this paper

2.1.2 That Administering Authorities should be sent an invitation to put forward suitably qualified candidates for election to non-executive director roles

2.1.3 That those candidates should be asked to circulate a short supporting statement to all members of the Joint Committee (through the Secretariat) not less than 14 days before the next meeting of the Joint Committee

2.1.4 That Members should be balloted at the July meeting of the Joint Committee to select two candidates to be put to the Company's board for approval and then to the Shareholders for consent to their appointment

### **3.0 Background:**

3.1 At the last Joint Committee the Company were asked to prepare a Role Profile for the proposed additional non-executive directors. The Profile was then to be circulated to the Administering Authorities to allow potential candidates to consider whether they wished to put themselves forward as potential directors in the light of the role description.

3.2 The Profile has been developed in consultation with the Company and is attached at Annex 1. It will be circulated to Administering Authorities if it is approved by the Joint Committee. The Profile reflects the wishes of the Board in establishing the principle

of additional directors and of the Joint Committee as discussed at the last meeting on the detail of the appointment and term.

- 3.3 Where the Joint Committee has been asked to select candidates for roles in the past it has done so by exhaustive ballot and this is deemed to be an appropriate method here if there are more than two candidates for the roles. It is noted that the roles of Chair and Vice-chair of the Joint Committee will be due to be selected at the same meeting. As it has been agreed that the members selected as directors should not continue to sit on Joint Committee it is suggested that the ballot for the directors should be held first. For the avoidance of doubt the any selected candidates from the Joint Committee will be eligible to continue to participate in the meeting as they will not be directors of the Company until approved by the Company Board and Shareholders.
- 3.4 The Company Board has considered the question of remuneration for these roles (which ultimately is a matter for determination by the Company subject to overall budget approval by Shareholders) and has determined that this will be in region of £10-15k per annum.
- 3.5 The Company has requested that appointments should give a degree of continuity for the Board. To that end one of the initial appointments will be for two years and the other for one. In the absence of agreement between the selected candidates it is suggested that this determined by drawing lots. No director appointed through the Joint Committee will be allowed to serve more than two consecutive terms.

## **Conclusion**

4.0 It is recommended that:

- a) that the Joint Committee, having accepted the Company's wish to have additional directors nominated by the Administering Authorities, should adopt the role description put forward by the Company;
- b) that candidates for the roles should be invited to apply and be subject of a selection procedure at the next meeting of the Joint Committee and then subsequently be formally adopted by the Company and subjected to shareholder consent.

## **Report Author:**

David Hayward : [David.Hayward@southtyneside.gov.uk](mailto:David.Hayward@southtyneside.gov.uk)

## **Further Information and Background Documents:**

Draft Role Profile

## **Draft Role Profile**

### **Role Profile for Additional Non- Executive Directors**

The Company is seeking nominations for two additional Non-Executive Directors.

#### **What the Company is seeking**

When the concept was first introduced to the Joint Committee the Chris Hitchen said:

“However, it is the view of the Chair of BCPP that direct shareholder involvement in the Board would be invaluable, particularly at this critical stage in the company’s development. Unity of purpose and alignment of interest are vital if BCPP is to win and retain the confidence of its clients and shareholders, and, even more importantly, build a successful long-term-oriented investing institution. A shareholder voice in the Boardroom would greatly mitigate the risk of the Company setting itself at odds, however unintentionally, with stakeholder concerns, and would greatly assist mutual understanding. Shareholder involvement would also mitigate a concern that the Board as currently structured may not have sufficient numbers to populate the necessary committees whilst minimising conflicts of interest.” (Paper to Joint Committee October 2017)

This has since been discussed at successive Joint Committee meeting and officers are presently charged with developing the Role Profile for use in selection of the two additional non-executive directors.

#### **Process**

The process which selection will follow and the stages are as follows:

1. Nominations will be sought from Partner Funds through the Joint Committee. The criteria are that:
  - The nominee be an elected representative
  - The nominee be a fit and proper person in terms of FCA requirement
  - The nominee be able to commit a reasonable amount of time to the performance of the Director role
  - The nominee has the agreement of their “home” Council
2. The Joint Committee will select two candidates by a vote at their July Committee Meeting by exhaustive ballot.
3. Those nominees will be put to the Board and the Board will vote to accept their nomination.
4. The Shareholders will then be asked to approve the nominees by way of formal consent pursuant to the Shareholder Agreement. As these are additional directors at least 75% of the Funds must approve the nomination.

#### **The Commitment**

At present the Board is meeting most months in person and allowance is made for telephone meetings where urgent matters are under consideration. The full meetings usually last about 5 hours and meetings of the Remuneration and Nomination and the Audit and Risk Committee are

usually held (alternately) on the same day. Telephone meetings are shorter and are held to deal with urgent business.

From May it is intended that all meetings in person be held in the Company's office in Leeds.

Papers are circulated a week before the meeting and some reading time is required.

### **Qualifications**

The Role will be classified as a CF2 (Controlled Function) Non-Executive Director by the FCA. This requires an application for approval to FCA for approval which is usually done on papers. The following is extracted from the FCA Handbook as at May 2017:

*Approved persons have to:*

- *meet and abide by the rules of our fit and proper test*
- *comply with the Statements of Principle and the Code of Practice*
- *report anything that could affect their ongoing suitability to us and the authorised firm via Form D (PDF)*

### **Statements of Principle and Code of Practice**

*These are the standards of behaviour we expect of approved persons. The code of practice outlines the behaviour that, in the regulators' opinion, will or will not meet a statement of principle.*

*An approved person:*

- *must act with integrity in carrying out their controlled function*
- *must act with due skill, care and diligence in carrying out their controlled function*
- *must observe proper standards of market conduct in carrying out their controlled function*
- *must deal with all regulators in an open and co-operative way and must disclose appropriately any information of which we or Prudential Regulation Authority would reasonably expect notice*
- *performing a significant influence function (SIF) must take reasonable steps to ensure that the business of the firm for which they are responsible in their controlled function is organised so that it can be controlled effectively*
- *performing a SIF must exercise due skill, care and diligence in managing the business of the firm for which they are responsible in their controlled function*
- *performing a SIF must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function complies with the relevant requirements and standards of the regulatory system.*

The Company has sought advice from its advisors on the suitability of members of the Joint Committee to perform these roles and have been advised that a reasonably experienced Chair of a Pension Committee should meet the requirement of the FCA.

Shareholder Directors would enjoy the benefit of the Company's Directors and Officers Insurance policy to cover them for any liabilities incurred as a result of becoming a director. The cover does not extend to personal dishonesty or criminal liabilities.



## **The Role**

It is emphasised that individuals will sit as directors of the Company and provide expert input as such based on their personal knowledge and experience. They are not holding office as representatives of individual funds and will be expected to act in their view of the best interests of the Company.

Reporting back to the Joint Committee will generally be undertaken by the Chair and CEO. The Directors will be asked to stand down from the Joint Committee for the period of the term of office. Funds will be able to send an alternate to Joint Committee.

## **Shareholder Director Role Profile (Based on NED Role Profile used for initial recruitment)**

### **Core Purpose**

- Challenging and contributing to the development of strategy, performance and the management of risk with Border to Coast.

### **Primary Responsibilities**

- Provide the necessary support and guidance to the executive team.
- Provide an independent oversight and scrutiny of Border to Coast
- Provide insight to the Board on the workings of Local Government and LGPS Funds with particular regard to ethos and governance
- Provide a breadth of experience and specialist knowledge to the Board
- Support the Chair and the executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond

### **Detailed Role Specification**

- Provide a view of Border to Coast and its operations, removed from the day-to-day running of the business from the perspective of shareholders and pension fund members
- To assist the Chair and CEO in their reporting to Joint Committee and the Partner Funds generally
- Challenge and contribute to the development of the strategy of Border to Coast
- Draw on wider experience, in public office and in particular in participating on the governance of LGPS Pension Funds, to provide Border to Coast with a breadth of understanding of its clients and of LGPS investment generally
- Use specialist knowledge to input to decision making processes
- Scrutinise the performance of the Board and other management in meeting objectives, including monitoring financial controls and risk management systems
- Support management in developing a suitable succession plan
- Commit to building a full understanding of Border to Coast, especially in those areas of the business with a significant level of risk
- Provide insight into various stakeholder needs and ensure these are addressed at Board level
- To promote a culture of responsible investment and stewardship throughout the organisation

## Requirements<sup>1</sup>

- Elected member of the Pensions Committee (or equivalent) of an Administering Authority of one of the Partner Funds
- Demonstrable experience of working on pension committee of a partner fund
- Understanding of requirements of pooling and in particular the development of the pooling project by DCLG and Treasury
- Excellent inter-personal and communication skills
- Excellent understanding of working across multiple stakeholders
- Awareness of all of Border to Coast's clients and their particular needs (understanding of LGPS investment requirements).
- Ability to satisfy fitness and propriety test for Approved Person (and, in future, Senior Manager or Certified Person) status and to continue to satisfy test and comply with FCA Statements of Principle for Approved Person (and, in future, FCA Conduct Rules).

## Commitment

- The candidate will be expected to attend (within reason) all meetings of Border to Coast's board. At present these occur on a six weekly cycle with occasional "telephone" boards. In steady state the Board will meet [6] times a year. The meetings will usually be held at the Leeds office once established.
- To attend, if invited, Board Committees. These will usually be held on the same day and location as Board Meetings.
- To attend the annual general meeting of Border to Coast.
- The Shareholder Directors will be appointed for a term of two years and with a maximum of one renewal of term. It is possible that one initial appointment will be for one year to avoid both directors retiring at once.

## Remuneration

- To be determined in the range of £10-15,000 pa subject to budget approval by Partner Funds

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<sup>1</sup> Successful candidates will be required to step down from the Joint Committee for the period of their membership of the Board.

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## BCPP Joint Committee

**Date of Meeting:** 13<sup>th</sup> March 2018

**Report Title:** Feedback on National Working Groups

**Report Sponsor:** Member of Officer Operation Group – Jo Ray

### 1.0 Executive Summary:

1.1 Since the last Joint Committee, Officers have attended meetings of the Cross Pool Collaboration Group and the Cross Pool Responsible Investment (RI) Group.

### 2.0 Recommendations:

2.1 The Joint Committee consider whether this report is removed as a standing item on the agenda and any specific feedback from any of the cross pool groups is incorporated elsewhere in the agenda where appropriate.

### 3.0 Background:

3.1 The summarised highlights from the national working groups attended since the last meeting of this Member group are shown below:

3.2 *Cross Pool Collaboration Group (last meeting 25<sup>th</sup> January)*

- LGA (Jeff Houston) updated the group on the following:
  - **Cross Pool Elected Member Forum** – a meeting for this Forum has been scheduled on 27 March 2018 with an invitation going to chairs of the joint committees of pools. The purpose of the meeting is to update all parties on stages reached by pools, with each pool to do a 10 minute update delivered by a fund or the pool. Cllr Phillips (Chair of SAB) will be meeting the new minister for MHCLG on 5 Feb 2018.
  - **Cost transparency** – FCA's Institutional Disclosure Working Group (IDWG) is launching for consultation its own cost transparency

templates (there will be two templates, one for accounting purposes and one for trustees) on 8<sup>th</sup> February 2018. They are very similar to SAB's templates and SAB will propose a transition to those managers (36) that have already signed up to the SAB Code of Transparency, so they can move across to the new template. CIPFA has indicated that it will not be making recommendations that LGPS funds adopt the FCA template information in funds' accounts, but will instead be making recommendations to adopt in the funds' annual reports. There will be a requirement for funds to report pool set up costs, and the ongoing costs of the pool from the 2018/19 accounts. Pools will need to supply the information to funds to complete disclosures. Timescales for getting the reporting in place are tight (see transparent reporting note at 3.5).

- **Academies** - there are two separate SAB meetings to be held on 26<sup>th</sup> January 2018 on academies' participation in the LGPS. Information will be gathered, then a consultation launched. DfE is looking for consistency across funds in the asset transfer methodology.
  - **Tier three employers** - information is being gathered and Aon Hewitt will report back to SAB in May 2018.
  - **Consultation on insolvency and colleges** - DfE issued a consultation on insolvency and colleges which closes on 12 February 2018.
  - **MiFID II** - SAB is working with IA (Investment Association) and lawyers to put together guidance for funds and pools on future relationships with fund managers, post opt up to professional client status. The draft guidance should be available in time for the Carden Park event (end of February). LGA will be looking for volunteers from the funds to set up a working group to look at this. Concern was raised that some funds may struggle to remain appropriately staffed for retaining professional client status. Separation of funds from host authorities was back on the SAB agenda which, if implemented, should result in funds' staffing needs being treated separately from the host authorities' budget process.
  - **Reporting cost savings post-pooling** – SAB has agreed a definition of what counts as investments being in a pool, and this will be issued shortly. All funds and pools have been encouraged (by members of the CPCG) to take the CEM Benchmarking service. The CPCG discussed take up and use of CEM's services. It was agreed that a Cross Pool user group with CEM should be set up to ensure we get what we require from such engagement. Teresa Clay confirmed that MHCLG would need a total savings figure (and some good examples) for ministers, probably in 2019/20. This figure may be made public. Officers commented that not all sub funds would be in place to enable assets to be transferred by then.
- Central Government updated the group on the following:

- **MHCLG (DCLG)** (Teresa Clay) – the new minister, Rishi Sunak, was still information gathering as he builds up his understanding, but he was very engaged and experienced given his investment banking background. He is committed to pooling, and wants it to be completed successfully. He will want to take up the previous offer to meet with the pool chairs and chairs of the Joint Committees. MHCLG will be represented on the academy working groups and is well aware of the problems for funds.
- **Treasury** (Ciara Chivers) – there would be a Spring Statement on 13 March, which was not a fiscal event and would have no impact on pooling.
- **Cabinet Office** (Ross Gray) – the new minister, David Lidington, has not yet had any discussion on pooling, given his other priorities.
- Other matters discussed:
  - **Brewster Case (co-habiting partners)**: Essex had had a similar case to the Brewster Case and the court had found in favour of the member, which confirmed that the LGPS cannot rely on the regulatory requirement to have a nomination form in place. He asked for LGPC guidance to be provided, ASAP.
  - **Fol and pools**: It was asked whether pools would be subject to FOI requests. LGA said that wholly owned pools would be, but for non-wholly owned pools it was less clear. Cabinet Office confirmed that even where operators are not publicly-owned, information held "by, or on behalf of, a public authority" is in scope for FOI; it is not necessarily clear-cut what fits within this definition so authorities should seek advice to make sure that they (and their pool operators) are aware of what information is potentially in scope.
  - **CIPFA Pensions Panel**: Nicola Mark said that CIPFA is looking for pool representation on the Panel.
- National Frameworks (Nicola Mark) attended and updated on the following:
  - The transition manager framework is now available; the investment consultancy framework went live in November 2017; and the legal services framework expires in January 2018 and will be re-let soon.
  - GDPR legislation from May 2018 has implications for frameworks (i.e. those contracts being let and previously let). Norfolk has, therefore, instructed a QC to look at framework arrangements and expects to have the outcome of that by end of February.
  - A new framework is being worked on for member data services (covering mortality screening and data tracing), first meeting 6 February.

- Pension scheme administration system framework will be done soon, and hope to include Heywood.

### 3.3 *Cross Pool Infrastructure Group (last meeting 22<sup>nd</sup> February)*

No officers from Border to Coast funds attended this meeting, however the key points from the minutes are set out below.

- Representatives from GLIL gave a presentation on their fund, including a review of recent transactions.
- Louise Minford (HMT) and Ciara Chivers (Cabinet Office) provided an update from Government which covered the following:
  1. Discussion around the Infrastructure and Projects Office (IPA) which reports to Treasury and Cabinet Office on a regular basis and is happy to liaise with the LGPS pools
  2. Discussion around the relative risk-return of, and LGPS appetite for, greenfield (new assets) v. brownfield (operational assets)
  3. Benefits of pooling for infrastructure investment
- Pool updates - each LGPS pool provided an update on their continuing development

### 3.3 *Cross Pool Responsible Investment Group (last meeting 24<sup>th</sup> January)*

- A presentation was given by Nigel Keogh on the National Stewardship Advisory Services Framework with feedback given on questions raised around charges and the timescales for appointing providers.
- A catch up from each pool on recent developments. Areas covered included: recent staff appointments, discretionary manager appointments, transition arrangements, proxy voting, RI strategies and policies, custodial arrangements and manager selection processes.
- Previously discussions had been had about the RI Group continuing post pooling. The consensus was that the group had been a great support to colleagues across the different Pools. Going forward the group would need to be organised in a more formal way. Terms of reference, membership, a forward plan and communications were all discussed. A call will be held in the coming weeks to review. It was acknowledged that formal endorsement and authorisation would be needed.
- A call was to be set up to discuss responses to the FRC Corporate Governance Code response. This was held on 19<sup>th</sup> February.



- The next meeting will be held on 2<sup>nd</sup> May with the FRC invited to present to the group.

#### 3.4 *Cross Pool Tax Group (last meeting 29<sup>th</sup> November)*

No meetings have been held.

#### 3.5 *Working Group on Transparent Reporting Post Pooling (last meeting 13<sup>th</sup> December)*

No meetings have been held, however CIPFA have released their draft document titled "Proposals for LGPS Fund reporting in a 'pooled world'".

This paper aimed to meet the objectives set out below:

To meet government requirements for:

- measuring progress by funds in transitioning assets into pools
- transparent reporting of costs and performance by the LGPS funds and pools
- demonstrating that active management provides added value to the Scheme
- measuring progress in investing assets in 'infrastructure'

To further enhance reporting of costs reflecting:

- the introduction of the SAB Code of Transparency for asset managers
- initiatives underway by the Financial Conduct Authority (FCA) and Department for Work and Pensions (DWP) which aim to create more transparent and granular reporting standards for both providers and trustees

To develop the current asset allocation reporting in order to avoid the majority of assets being consolidated into the Pooled Investment Vehicles (PIV) line within the pension fund accounts.

The draft paper has been shared with all partner funds for comments. The next meeting is on 13<sup>th</sup> March 2018.

- #### 3.6
- As the pools are now going live, and the focus moves to steady state rather than development, members are asked to consider whether they wish to continue receiving these updates as a standing agenda item, or whether it is more useful for any relevant information to be brought as and when appropriate.

#### **4.0 Conclusion:**

4.1 Substantive work and engagement with different agencies continues to be progressed on a range of matters to ensure the LGPS can secure best value and exercise its collaborative influence wherever appropriate. Now that most asset pools are entering the go-live state, consideration should be given as to whether members still wish to receive this regular report, or whether they would rather have any relevant information to be brought as and when appropriate.

4.2 Dates of the next meetings are as follows:

Cross-pool Collaboration Group – 28<sup>th</sup> February 2018  
Infrastructure sub-group – date to be confirmed  
Responsible Investments sub-group – 2<sup>nd</sup> May 2018  
Tax sub-group – date to be confirmed  
Transparent Reporting Working Group – 13<sup>th</sup> March 2018

#### **5.0 Report Author:**

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