



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 20th 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