



BCPP Joint Committee

Date of Meeting: 10th July 2018

Report Title: Border to Coast Performance Measures

Report Sponsor: BCPP CEO – Rachel Elwell

1 Executive Summary:

- 1.1 Now that Border to Coast is “live”, attention turns to considering whether it is operating in line with the principles, and achieving the objective, set by the Partner Funds. Central Government (MCLHG) and the Scheme Advisory Board are keen that Partner Funds consider how the pool operators will be held to account, but it may also be useful to consider whether the Border to Coast pool (i.e. Border to Coast, the pool operator, together with the Partner Funds) is collectively meeting its objectives.
- 1.2 To facilitate the discussion about “what does success look like”, we have included some thoughts in the attached “Border to Coast Performance Measures Discussion Slidepack”. These include a reminder of the principles and objective set by Shareholders, together with a potential framework for looking at how Border to Coast might “make a difference to investment outcomes for Local Government Pension Funds” under the headings of scale, regulation, structure and customer focus.
- 1.3 The metrics are intended to give an overall pool view rather than an individual Partner Fund view (which would be something Partner Funds may wish to consider themselves) – noting that individual investment performance will be available via the separate regular investment reporting that has been agreed on a monthly / quarterly / annual basis. It is also noted that overall return for Partner Funds will be dependant on Strategic Asset Allocation (SAA), and therefore Scheme-specific long-term risk-adjusted return will remain a joint responsibility given that Pension Committees retain SAA.
- 1.4 There may be a difference in the metrics during transition and in steady state. In particular (risk-adjusted) long-term performance metrics are ultimately the most important but it will take time to develop a long-term track record. The short-term focus may be more on the development of capability to enable Partner Funds to implement their Strategic Asset Allocation via the pool.
- 1.5 There may also be a difference between shareholder metrics and customer metrics. Shareholders will want to understand the risks to capital, the performance against budget and that governance is in line with the requirements set out in the shareholder agreement. Customers will want to know that the investments are performing as expected and that the capabilities they need to implement SAA are available.

- 1.6 Alongside the metrics, we anticipate developing actions to be taken in the event the metrics suggest performance is not as expected.
- 1.7 The Border to Coast Board will be considering the same question at its meeting on 10th July 2018 following the Joint Committee, and would welcome the Joint Committee's thoughts on appropriate and relevant metrics for development over the coming months.
- 1.8 Following feedback from the Joint Committee and the Board, we will work with Partner Fund Officers to develop appropriate detailed metrics and associated actions for discussion at future Joint Committee and Board meetings.

2 Recommendations

- 2.1 The Joint Committee is asked to provide feedback and to discuss the key areas in which metrics for measuring success of the pool operator and the pool should be developed.

3 Risks

- 3.1 The governance of Border to Coast is relatively complex with many different stakeholders. It is important that we are able to have a shared understanding of how decisions are made and how progress and performance is overseen in order to achieve the pooling objectives effectively and efficiently.

4 Conclusion

- 4.1 The Joint Committee is asked to approve the recommendations in section 2.

5 Author:

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6 Supplementary Reading:

Border to Coast Performance Measures Discussion Slidepack, 1 July 2018