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PENSIONS PARTNERSHIP

BCPP JOINT COMMITTEE

AGENDA

Venue: County Hall, Northallerton

Date: Monday 11 March 2019

Time: 11.30 am

Membership:

Chair:-

Cllr Doug McMurdo Bedfordshire Pension Fund

Vice Chair

Cllr Tim Evans Surrey Pension Fund

Membership:-

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
	North Yorkshire Pension Fund
Cllr Mick Stowe	South Yorkshire 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 Phase 2 – Post Establishment and Commencement of Operations

- 2.1.1 To facilitate the adoption by the Authorities of relevant contracts and policies.
- 2.1.2 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).
- 2.1.3 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.
- 2.1.4 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).
- 2.1.5 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.
- 2.1.6 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.
- 2.1.7 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.
- 2.1.8 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.
- 2.1.9 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.
- 2.1.10 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

Wednesday 21 November 2018 - County Hall, Northallerton

Present

Members

Councillor Doug McMurdo (Chair)
Councillor Steve Bloundele, Councillor Mark Davinson,
Councillor Tim Evans, Councillor John Holtby, Councillor
Eileen Leask, Councillor Patrick Mulligan, Councillor Bob
Stevens, Councillor Mick Stowe, Councillor Eddie Strengiel,
Councillor Jeff Watson and Councillor Mel Worth

BCPP Ltd

Representatives

Rachel Elwell, Chris Hitchen, Fiona Miller and Daniel Booth

Councillor Sue Ellis and Councillor John Weighell,
Shareholder non-executive directors on BCPP Ltd's Board of
Directors ("Partner Fund nominated NEDs")

Fund Officers

Amanda Alderson, Ian Bainbridge, Alison Clark, Clare
Gorman, George Graham, Neil Mason, Michael Nicolaou, Jo
Ray, Gill Richards, Nick Orton and Steve Harrison

Statutory Officer Representative(s)

Gary Fielding

Apologies for absence were received from

1 APOLOGIES FOR ABSENCE/DECLARATIONS OF INTEREST

The Chair welcomed everyone to the meeting.

Sadness was expressed at the loss of Cllr Ian Greenwood, Chair of LAPFF and the Northern Pool, he would be a great loss to the LGPS as a whole.

There were no apologies or declarations or interest.

2 MINUTES OF THE MEETING HELD ON 10 JULY 2018

RESOLVED: That, subject to the correction of a typo at item 13, the minutes of the meeting held on 10 July 2018 be agreed as a true record.

3 SCHEME MEMBER REPRESENTATION - GEORGE GRAHAM

The Committee were reminded that at its meeting in July it had made the following resolutions in relation to a report on the membership of the Committee.

- That the Committee would not co-opt employer representative(s) onto the Joint Committee.
- That the Committee agreed to participating, non-voting scheme member(s) being co-opted onto the Joint Committee.
- Any scheme member representative(s) appointed should be a member of one of the funds participating in Border to Coast.
- The term of appointment(s) should be aligned to the Council's municipal year.
- Substitute(s) should be allowed.
- If there was more than one scheme member representative, each representative should come from a different Border to Coast administering authority.

A report was presented which detailed options for the arrangements for appointing scheme member representative(s), options for the number of representative(s) to be appointed and a statement for the reasons for not appointing an employer representative which would be included in appropriate documentation such as the BCPP Governance Charter and would be published on the Joint Committee website.

It was noted that the key decision for the Committee was the number of representative(s) to be co-opted onto the Committee, the options in the report being one, two or three.

G Graham informed the Committee that the collective view of 11 of the 12 Local Pension Board Chairs was a preference for two representatives.

Cllr Stowe suggested that Trades Union representative(s) were very knowledgeable in LGPS matters and could speak on behalf of a significant number of Scheme members.

The Chair proposed that one Scheme member representative be co-opted onto the Joint Committee. This was seconded by the Vice-Chair.

Cllr Stowe proposed an amendment that two Scheme member representatives be co-opted onto the Joint Committee. This was seconded by Cllr Leask.

Following a vote the amendment was defeated by seven votes to five.

RESOLVED:

- i) That one Scheme member representative (together with standing substitute) be appointed from amongst Scheme member representatives on Partner Funds' Local Pension Boards.

- ii) That in the event of more nominations than places, selection be carried out by ballot on the basis of one Authority, one vote.
- iii) That the Committee agrees to the role description for the Scheme member representative as set out in Appendix A to the report.
- iv) That the Committee agrees to the statement of reasons for not appointing other employer representative(s) as in paragraph 5.3 of the report.

4 JOINT COMMITTEE BUDGET - IAN BAINBRIDGE

A report was submitted to inform the Committee about expenditure against the agreed budget.

I Bainbridge informed the Committee that it was believed that expenditure would be broadly in line with the budget.

RESOLVED: That the report be noted.

5 REVIEW OF TERMS OF REFERENCE - IAN BAINBRIDGE

A report was submitted to establish members' views on whether a review of the Committee's Terms of Reference was needed, the timing of such a review (if necessary) and to clarify the roles of the Joint Committee and Shareholders of BCPP Ltd.

Members were reminded that the Terms of Reference were included in the Inter Authority Agreement which was signed by the administering authorities of the partner funds in June 2017.

The Terms of Reference were still considered to be broadly reasonable but it should be noted that they were set at a time when the approach to pooling was in its infancy.

Members agreed that there had been occasions where the role and remit of the Joint Committee had become confused with that of the Shareholders and further clarity should be sought in this area.

The Chair expressed concern that the Shareholders had not yet met and requested that an informal meeting be held well before BCPP Ltd's AGM in July 2019.

It was suggested that an informal meeting of Shareholders could be held immediately after the March meeting of the Joint Committee. I Bainbridge would liaise with the Chair and the two Partner Fund nominated NEDs to discuss this.

The Committee agreed to the suggestion of establishing a Governance Sub-Group to firstly assist with the clarification of the roles of the Joint Committee and Shareholder and then to revisit the Terms of Reference.

The Sub-Group would consist of the Chair, Vice Chair and Cllrs B Stevens and M Stowe, and the two Partner Fund nominated NEDs (Cllrs S Ellis and J Weighell). The NEDs would only be involved in clarifying the roles of the Joint Committee and Shareholders. Chris Hitchen, the Chair of BCPP Ltd, also asked to be involved when discussing the Shareholder role. Support from officers would be provided to this Sub-Group.

RESOLVED:

- i) To establish a Governance Sub-Group with a remit and membership as described above.
- ii) Officers to liaise with the Chair regarding the possibility of holding a meeting of the Shareholders ahead of the AGM in July.
- iii) That the report be noted.

6 RESPONSIBLE INVESTMENT POLICIES REVIEW - RACHEL ELWELL

The Committee considered a report which gave details of the annual review of BCPP Ltd's Responsible Investment Policy and Corporate Governance and Voting Guidelines ("the RI policies").

Members were informed that the existing policies had been reviewed by Robeco, the voting and engagement provider, considering the global context and best practice. Border to Coast was committed to becoming a signatory to the UN Principles for Responsible Investment, preparation for which had led to a number of proposed changes to the RI policies, particularly regarding decision making, governance and reporting.

The review process with Partner Funds began with a RI workshop, following which the draft RI policies were put to Border to Coast's Investment Committee, presented to the BCPP Ltd Board and approved for sharing with the Partner Funds.

It was agreed that there were a number of areas where further research would be helpful ahead of the 2019 annual review. It was recommended that climate change be the research focus for 2019. Other potential topics for future years included diversity (including gender pay gap), transparency and disclosure, the UN's sustainable development goals and tobacco.

Comments were received from Cumbria Pension Fund, South Yorkshire Pensions Authority and Tyne and Wear Pension Fund and were included in the revised policies where appropriate.

The Corporate Governance and Voting Guidelines had been expanded to reflect global corporate governance trends. The key changes to the policy were the inclusion of sections referring to Board evaluation, stakeholder engagement, virtual shareholder meetings, shareholder proposals and share blocking.

The RI policies had undergone a substantial rewrite but this had not changed the underlying principles.

RESOLVED: That the revised RI policies be taken to the Partner Funds for comment and to consider adopting the principles in Funds' own responsible investment and share voting policies.

7 FEEDBACK ON NATIONAL WORKING GROUPS - JO RAY

Jo Ray presented a report which updated the Committee on matters from the National Working Groups.

Cross Pool Collaboration Group

- CIPFA Pensions Panel – the annual accounts guidance had been signed off. Fiona Miller had volunteered to sit on the Pensions Panel on behalf of the pools.
- Transparency Code - a successor to the Institutional Disclosure Working Group was to be created.
- Cost sharing – announcement of the outcome of the cost control mechanism – employer contributions across unfunded public sector schemes would rise and there would be a requirement for benefit improvements.
- Scheme valuations – discussions underway to move to a 4-year valuation cycle as per GAD's recommendation.
- The Cabinet Office updated the group on fund annual reports – keen to get consistency on narrative in Fund annual reports, particularly around the narrative on costs which appear to be going up with pooling whilst supposed to be saving money.

Cross Pool Infrastructure Group

- Chairs of Pension Committees had been invited to a MHCLG and SAB Infrastructure event.

The Committee commented on the fact that debate around the definition of infrastructure was needed as the government's definition was very different to others in the pensions industry.

Cross Pool Client Working Group

- Costs sharing – statutory guidance would be amended to clarify the ability to share all transition costs, some limited consultation should be expected.

RESOLVED – That the report be noted.

8 BORDER TO COAST CEO PROJECT UPDATE - RACHEL ELWELL

The Committee considered the CEO report to November 2018.

The report focused on the significant interactions with Partner Funds since the last meeting of the Joint Committee. Rachel Elwell thanked pensions officers for all their support during the period.

It was BCPP Ltd's first period with assets under management and the report provided a summary of the transitions and the first quarter's performance.

The report highlighted BCPP's view on strategic and current business risks. The Committee noted that implementation was progressing well, according to plan and within budget. A number of strategic areas for consideration across the partnership had been identified.

RESOLVED: That the report be noted.

9 **BORDER TO COAST ACS GLOBAL EQUITY ALPHA FUND - RACHEL ELWELL**

The Committee considered a report regarding the launch of Border to Coast's second externally managed sub-fund, the Global Equity Alpha Fund.

The Chair welcomed Daniel Booth, Border to Coast's CIO to the meeting.

Members were reminded that the launch of the Global Equity Alpha Fund was currently targeted for July 2019.

Border to Coast was following a similar design and launch process for the sub-funds launched earlier in 2018. A working party of nominated Partner Fund officers had been considering the design of the fund; at this stage the amendment to the ACS prospectus had not been drafted.

The report gave detailed information on the investment characteristics of the sub-fund, the construction of the sub-fund, value for money, regulatory considerations and risks.

RESOLVED:

- i) That the Committee agree to the proposed sub-fund design as detailed in the report.
- ii) That the Committee note the regulatory considerations as set out in the report.

10A **BORDER TO COAST ALTERNATIVES CAPABILITY - INVESTMENT PROPOSITION AND PROCESS - RACHEL ELWELL**

The Committee considered a paper which detailed the development of Border to Coast's Alternatives capability.

This had been identified as a priority for Partner Funds and at the July 2018 Joint Committee meeting it had been agreed to provide funds to commence the design phase of the Alternatives capability. The report detailed the work that had been done during the phase to arrive at a recommended operating model.

Members noted that there were two aspects to the launch – Shareholder approval to establish the legal structure and investor approval of the proposed investment design and their level of commitment (in principle, subject to due diligence).

The report covered:

- The Alternatives investment proposition including the benefits of pooling, expected quantum and sources of cost savings, and the investment process.
- The risks associated with the implementation and the investment proposition and how they could be mitigated.

The report did not cover the contractual documents for the structure e.g. the Limited Partnership Agreement and subscription documents. Pension Fund Officers were currently commissioning a legal advisor to review the proposed legal structure and advise all the Partner Funds on these.

RESOLVED:

- i) That the report be noted.
- ii) That the authority to review the contractual documentation required to support the alternative investment is delegated to Officers.

10B BORDER TO COAST ALTERNATIVES CAPABILITY - TARGET OPERATING MODEL - RACHEL ELWELL

A report was submitted which detailed the Target Operating Model for Border to Coast's Alternatives capability.

The report covered the Shareholder aspects, specifically:

- The legal structure, including the requirement for Shareholders to approve the creation of new Border to Coast subsidiaries, and Authorities to sign limited partnership agreements and subscription documentation.
- The regulatory implications, including the requirement to seek a variation of permission with the FCA.
- The operating model including rationale and business case, which compared favourably to expected cost savings.
- The proposed procurement strategy including the selection of appropriate service providers and the provision of legal and tax advice.
- The risks associated with the implementation of the operating model and how they would be mitigated.

RESOLVED:

- i) That the Committee note the outcome of the design phase for the Alternatives capability including the operating model, business case and interim arrangements.

- ii) That the Committee note the process required to implement the operating model including the creation of Border to Coast subsidiaries and the completion of relevant documentation.

11 BORDER TO COAST BUDGET AND BUSINESS PLAN - FIONA MILLER

The Committee considered the Chief Operating Officer's report to November 2018.

The report provide members with an update on:

- The core activities progressed in Border to Coast operational areas of the organisation since the last meeting.
- The main activities planned for the next period.
- The outturn for the Implementation Budget which showed an underspend. It was proposed that this budget was now closed and the underspend and any remaining items that emerged be charged to the 2018/19 nine-month operating Budget.
- The predicted 2018/19 Operating Budget outturn following the first quarter's trading.
- The initial work undertaken in the 2019/20 Budget and the future governance process for approval of this by Shareholders.

RESOLVED: That the report be noted.

12 MATTERS ARISING FROM BCPP BOARD MEETINGS - CHRIS HITCHEN

Chris Hitchen informed the Committee that there had been three Board meetings and a strategy day since the last Joint Committee meeting. The focus had been on how the Board could meet the needs of the Partner Funds.

The Board was working well together and the addition of the Shareholder NED's had been invaluable to hear first-hand how the Funds were thinking and what was important to them.

13 UPDATE ON EMERGING MATTERS - RACHEL ELWELL, FIONA MILLER AND IAN BAINBRIDGE

There were no emerging matters that had not been covered elsewhere on the agenda.

The next meeting of the Joint Committee would be on 11 March 2019 in Northallerton.

CHAIR



BCPP Joint Committee

Date of Meeting: 11th March 2019

Report Title: Result of the election for a scheme member observer and substitute to the Joint Committee

Report Sponsors: George Graham

1.0 Executive Summary:

1.0 This report provides members with details of the results of the election held to fill the role of scheme member observer on the Joint Committee.

2.0 Recommendations:

2.1 Members to note the election of Nicholas Wirz as scheme member observer on the Joint Committee and Deirdre Burnet as substitute.

3.0 Background:

3.1 At its last meeting the Joint Committee approved arrangements for the election of a scheme member observer and substitute from amongst the scheme member representatives on the 12 Local Pension Boards. This election was organised by South Yorkshire Pensions Authority on behalf of the Joint Committee and 5 nominations were received. Candidates were allowed to provide a 250 word statement and a photograph were included in a booklet circulated to each of the nominated electors. The election was held using the Single Transferable Vote (STV) system, 11 funds returned ballot papers.

3.2 Under the STV system a candidate has to achieve a minimum number of votes (the quota) in order to be elected. For an elected candidate any votes in excess of the quota are then redistributed to the second preferences.

- 3.3 The quota for this election was calculated as 4.67 and in the count of first preferences Nicholas Wirz from Tyne and Wear Pension Fund received 7 votes and was therefore elected. Mr. Wirz' surplus votes were then redistributed to the second preference candidates which resulted in Deirdre Burnet from Cumbria Pension Fund reaching the quota.
- 3.4 As a result Nicholas Wirz is elected as the scheme member observer and Deirdre Burnet as the substitute for a term of office covering this meeting and the forthcoming municipal year.

4.0 Conclusion:

- 4.1 The election process for the current year is complete and officers will review the detail of its operation before the next election cycle.

5.0 Report Author:

George Graham
ggraham@sypa.org.uk
01226 772887



BCPP Joint Committee

Date of Meeting: 11th March 2019

Report Title: Annual Election of Committee Chair and Vice-Chair
Annual nomination to Border to Coast Board

Report Author: Governance Sub Group Secretary – David Hayward

1.0 Executive Summary:

- 1.1 This report sets out the process by which the July meeting of the Joint Committee will select its Chair and Vice Chair and make a nomination to the Board of Border to Coast for a Non-Executive Director to sit on the Company Board.
- 1.2 The Border to Coast Board has reviewed its process for the subsequent review and recommendation for approval by shareholders and the FCA of the nominated candidates. The process is outlined in section 4, with accompanying Job Description at Appendix 2.

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 any member wishing to become either Chair or Vice Chair or to be nominated as a non-executive director of the Company 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. For the Non-Executive Director role, Members are asked that the supporting statement addresses the key provisions of the Job Description as this will be subsequently used to support the approval process.
 - 2.1.2 That Members should be balloted at the July meeting of the Joint Committee to nominate a candidate to hold office as a non-executive director of Border to Coast for a term of two years
 - 2.1.3 That the nomination for the position of non-executive director should be determined by exhaustive ballot
 - 2.1.4 That an exhaustive ballot should be held to select Joint Committee Chair for 2019-2020

2.1.5 That an exhaustive ballot should be held to select Joint Committee Vice-Chair for 2019-2020

3.0 Background:

- 3.1 The Chair and Vice-Chair roles are elected annually in accordance with the terms of the Inter Authority Agreement. It has been agreed that these elections should take place at the first Joint Committee meeting following the start of the new municipal year. It should be noted that the Inter Authority Agreement (IAA) allows a chair and vice chair to serve for consecutive terms. As both Chair and Vice Chair are in their first terms they are eligible for re-election.
- 3.2 The role of the Chair and Vice Chair is described in the role profile appended to this report as Appendix 1. The Vice Chair is required to shadow the Chair and to Chair any Joint Committee meetings that the Chair is unable to attend.
- 3.3 In 2017/18, the Joint Committee discussed the request from the Border to Coast Chair, Chris Hitchen, for Partner Fund representation on the Border to Coast Board. In particular Chris shared his view 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 Border to Coast 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).
- 3.4 The Joint Committee subsequently agreed that the nomination for non-executive director will be for a term of two years (as agreed with the Company). At the initial selection it was agreed that one director would be asked to serve for an initial term of two years and another for one year with subsequent appointments being for a two year term. This has the result of requiring the Joint Committee to nominate one candidate in each year. The Committee resolved that no person should serve more than two consecutive terms.
- 3.5 Whilst one of the posts of Partner Fund nominated non-executive director is currently vacant, following the recent resignation of the post holder, it is still considered appropriate that the nomination process should take place at the first Joint Committee meeting of the municipal year to coincide with the election of the Chair and Vice Chair.
- 3.6 As it has also been previously agreed that members selected as non-executive directors should not continue to sit on the Joint Committee in a voting capacity, it is suggested that the ballot for the directors should be held first. For the avoidance of doubt 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, FCA and Shareholders.

- 3.7 A role profile for these Partner Fund nominated non-executive directors is attached as Appendix 2. This has been updated from the version from last year in the light of experience and review by the Border to Coast Board.
- 3.8 Any nomination for the non-executive director role is subject to approval by the Company Board and the FCA.
- 3.9 It is recognised that acting as a director of the Company will be a Disclosable Pecuniary Interest within the meaning of s31 Localism Act 2011. Depending on the circumstances and arrangements at each individual administering authority, it may then prove necessary to refer the matter to the individual authority's Standards Committee for a dispensation pursuant to s33 of the Localism Act. Ultimately, however, it is for candidates for the role of partner fund nominated non-executive directors, to satisfy themselves that they are able to carry out such functions in relation to their local pensions committees as they deem desirable.
- 3.10 Legal advice in relation to the pecuniary interest and how a dispensation might be couched may be sought on behalf of the partner funds and if progressed, will be circulated well before the next meeting for the assistance of members and their Monitoring Officers

4.0 Border to Coast Process

- 4.1 The Border to Coast Board has requested that the following be shared with the Joint Committee to provide transparency and promote understanding for those considering standing for nomination.

Pre-Selection

1. Prior to beginning the selection process the Joint Committee and Nominees should satisfy themselves that those offering themselves for selection do not have an unacceptable conflict of interest if the person appointed continues with their role with the partner fund's pension committee and the Board of Border to Coast.
2. The applications from the Nominees should illustrate how they meet the requirements of the Job Description (Appendix 2), including the required minimum time commitment and the requirement to undertake regular training, some of which is regulatory and compulsory.
3. The applicants should be comfortable with the post-selection process, including the FCA approval process. The Appendix to the Job Description details the requirements expected of directors by the FCA and the Companies Act.
4. Applicants must be willing to share the results of their DBS check with Border to Coast and the members of its Board.

Post-Selection

1. The Board would expect to meet the nominated candidates to assess whether they are comfortable to recommend to the Shareholders that they approve the appointment of the proposed nominee as a director of the company.
2. The Board reserves the right to not recommend for approval if they believe that the nominees do not meet the role profile criteria.

3. To satisfy the FCA regime, the nominees must be credit checked, satisfy anti-money laundering checks and be cleared by the Data Barring Service. At present all NEDS must then be approved by the FCA (after December 2019 under the Senior Managers and Certification Regime (Core), Border to Coast will have to self-certify NEDs other than the Chair).
 4. Nominees will need to provide personal information, including photo ID and two forms of address information to apply for the Data Barring Service checks. The process of gathering the data will be managed by the Border to Coast HR team. Once the credit reference, anti-money laundering and DBS checks are completed and shared with Border to Coast, the Border to Coast Compliance team will apply for FCA approval, up to December 2019, or afterwards, register the new NED with the FCA.
 5. The Board must approve the recommendation of the nominees to the Shareholders for approval to be directors. The Board may approve conditional upon the successful completion of the checks referred to above and the FCA's approval.
 6. Once the checks are successfully completed, and FCA and Board approval has been obtained, the Company Secretariat will issue a resolution seeking the consent of 75% of the shareholders in line with the requirements of the Shareholders' Agreement. The time-frame for the return of Shareholder approvals vary between each of our Partner Funds.
 7. Once approved by the Shareholders, the nominees will be required to enter into a service contract with Border to Coast.
 8. Once all of the above is completed, the Company Secretary will register the nominees on Companies House and update the Company's register of Directors and Secretaries. Only then, will the nominee become a director of Border to Coast. This process may take up to 3 months. Hence the term for new Partner Fund nominated NEDs is expected to run from the October following nomination.
- 4.2 The Board also asked that further information be provided regarding the time commitment involved in the role. The Board is currently scheduled to meet six times a year, with Committee meetings 4-5 times a year in addition. Telephone meetings may occur where urgent matters are under consideration. The full meetings usually last about 5 hours; telephone meetings are shorter and are held to deal with urgent business. Typically meetings are held in the Company's office in Leeds. Papers are circulated a week before the meeting and reading time is required.
- 4.3 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.
- 4.4 Remuneration is approved by Shareholders on recommendation of the Remuneration Committee. The current level has been agreed at £12,000 pa.

5.0 Conclusion:

- 5.1 The Joint Committee should note that the next committee meeting will conclude with elections as specified above and that candidates for the roles should be invited to apply and be subject of a selection procedure at the next meeting.

Report Author:

David Hayward: David.Hayward@southtyneside.gov.uk

Further Information and Background Documents:

Appendix 1: Role Profiles for Chair and Vice-Chair of the Joint Committee

Appendix 2: Role Profile for Border to Coast Non-Executive Directors

Role Profile for Chair and Vice-Chair

Overall

- Leading the BCPP Joint Committee to enable it to fulfil its purpose.
- To ensure an effective relationship between:
 - the Joint Committee and BCPP Limited
 - the Joint Committee and the partner funds
 - the Joint Committee and the external stakeholders/community
- Acting as a spokesperson and figurehead as appropriate.
- To supervise and support the Chief Executive and Non-exec Chair of BCPP Limited

Specifically

- Plan and prepare the BCPP Joint Committee meetings with others as appropriate.
- Chair BCPP Joint Committee meetings ensuring:
 - A balance is struck between time-keeping and space for discussions.
 - Business is dealt with and decisions made.
 - Decisions, actions and deliberations are adequately minuted.
 - The implementation of decisions is clearly assigned and monitored.
- Ensure adequate support and supervision arrangements are made for the management and staff of the pool company.
- Ensure that a successor is found before the term of office finishes.

Experience and Qualities

- A willingness to lead the partnership.
- A strong background/working knowledge of the LGPS.
- Recent experience of serving on an LGPS Pensions Committee.
- A working knowledge of asset strategy and implementation thereof.
- Possesses tact, diplomacy and powers of persuasion.
- Has the relevant skills and experience to run a meeting well.

Capacity

- The capacity to commit the time that will be required to undertake this role, including any travel that may be required to undertake duties associated with the role to represent BCPP nationally.

Role of the Chair

1. Chairing the Joint Committee Meeting

The Chair (or in his/her absence, the Vice-Chair) will be the person presiding over BCPP Joint Committee meetings. The Chair of the BCPP Joint Committee does not have a casting vote.

2. Election of the Chair

The Chair will be elected by the Joint Committee in accordance with an agreed procedure annually from among the Joint Committee Members and will receive regular briefings by the Chief Executive and Chair of the BCPP Company on current issues. They will also receive direct support from the Chair of the Officer Operations Group.

3. Responsibilities of the Chair

The Chair will have the following responsibilities:

- 3.1 to uphold and promote the purposes of the terms of reference and constitution, and to interpret the constitution when necessary during BCPP Joint Committee meetings;
- 3.2 to preside over meetings of the BCPP Joint Committee so that its business can be carried out efficiently and with regard to the rights of Members and the interests of the Partner Funds and their employers and members;
- 3.3 to ensure that the BCPP Joint Committee is a forum for the debate of matters of concern to Partner Funds and their employers and scheme members
- 3.4 to be the public face of the BCPP Joint Committee and to represent the Partner Funds at wider events as required

Role Profile for Border to Coast Non-Executive Directors

Role Title: Non-Executive Director	
<p>Purpose of the role:</p> <p>To fully participate in ensuring the Board exercises effective leadership of and control over Border to Coast. To constructively challenge and contribute to the development of strategy, performance and the management of risk.</p> <p>About Border to Coast:</p> <p>Border to Coast Pensions Partnership is one of the largest pension pools in the UK. One of eight Local Government pools, Border to Coast oversees the investment of pensions assets. Our customers are at the heart of what we do; delivering long-term sustainable investment outcomes for our Partner Funds. We build long-term partnerships through working collegiately, in a sustainable and transparent way.</p> <p>Border to Coast is an FCA regulated investment company (“Border to Coast Pensions Partnership Ltd”) which manages the assets of its twelve Partner Funds through both internal and external management within a number of investment vehicles, including an Authorised Contractual Scheme.</p> <p>A non-executive director is a member of the board of directors of an organisation, but not a member of the executive management team. They are not employees of the company, instead they have a contract for services. However, they do have the same legal duties, responsibilities and potential liabilities as their executive counterparts.</p>	
Reports to: Chair of the Board	Level: n/a
Function: Board	Team: Board
Direct Reports: 0	SMCR: Certified [SMF/ Certified/ Conduct]
Role line of defence:	n/a
<p><u>Role Dimensions</u></p> <p>Budget Responsibility: n/a</p> <p>Number of employees in area of responsibility: 0</p> <p>Mandate: Board remit</p> <p>Prescribed Responsibilities (SMF): n/a</p> <p>Time Commitment: Expected to be two to three days per month, with availability for meetings, induction and training as required</p>	

Key Accountabilities

Role Specific Accountabilities

- Support the Chair and Executive Team in instilling the appropriate culture, values and behaviours in the boardroom and beyond
- Provide independent oversight and scrutiny of Border to Coast including:
 - Provide an impartial and independent view of Border to Coast and its operations, removed from the day-to-day running of the business
 - Oversee the performance of the Board and Executive Team in meeting strategic objectives, including monitoring financial controls and risk management systems
- Draw on wider experience, in other organisations, to provide the Board and Border to Coast Executive Team with a breadth of understanding and insight, including:
 - Challenge and contribute to the development of the strategy of Border to Coast
 - Support the development of a suitable succession plan for the Board and CEO
 - Use specialist knowledge to input to decision making processes
- Promote a culture of responsible investment and stewardship throughout the organisation
- Commit to building a full understanding of Border to Coast, especially in those areas of the business with a significant level of risk
- Take time to understand various stakeholder needs and ensure these are addressed at Board level
- Chair Committees of Border to Coast (Independent NEDs; less likely for Partner Fund NEDs)

Skills, Knowledge and Experience

Skills, Knowledge and Qualifications

Essential

- Excellent inter-personal and communication skills
- Awareness of Border to Coast customers and their particular needs
- Understanding of LGPS investment requirements

Desirable

- Other corporate knowledge – health and safety, ICT strategy and systems, HR, information management and data protection

Additional

- Skills, knowledge and qualifications as required dependant on succession planning requirements as per the Board skills matrix

Experience

Essential

- Extensive experience of working as a non-executive director/Local Authority Committee Chair either within a public sector environment or FCA-regulated business
- Excellent understanding of working across multiple stakeholders
- 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 including DBS check

Desirable

- Asset management experience would be beneficial, gained either in the commercial or pension fund sectors
- Familiarity with the FCA Statements of Principle for Approved Person (and, in future, FCA Conduct Rules).

It is important to achieve an appropriate balance of experience amongst the non-executive directors

Appendix: FCA and Companies Act requirements for Non-Executive Directors

FCA Requirements

Border to Coast's Directors are responsible for the governance and oversight of the Company in relation to the 11 FCA Principles of Business:

1 Integrity	A firm must conduct its business with integrity.
2 Skill, care and diligence	A firm must conduct its business with due skill, care and diligence.
3 Management and control	A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4 Financial prudence	A firm must maintain adequate financial resources.
5 Market conduct	A firm must observe proper standards of market conduct.
6 Customers' interests	A firm must pay due regard to the interests of its customers and treat them fairly.
7 Communications with clients	A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
8 Conflicts of interest	A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
9 Customers: relationships of trust	A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
10 Clients' assets	A firm must arrange adequate protection for clients' assets when it is responsible for them.
11 Relations with regulators	A firm must deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

Directors who hold Senior Management Functions or Controlled Functions are also subject to the FCA's individual conduct rules and standards:

- Rule 1: You must act with integrity.
- Rule 2: You must act with due skill, care and diligence.
- Rule 3: You must be open and cooperative with the FCA, the PRA and other regulators.
- Rule 4: You must pay due regard to the interests of customers and treat them fairly.
- Rule 5: You must observe proper standards of market conduct.

The Companies Act Requirements

A Director should display possession of the knowledge, skill and experience that may reasonably be expected of a person carrying out the role of Director. It codifies the Directors' duties into law:

- To act within powers;
- To promote the success of the Company for the benefit of its shareholders;
- To exercise independent judgment;
- To exercise reasonable care, skill and diligence;
- To avoid conflicts of interest;
- Not to accept benefits from third parties; and
- To declare interests in proposed or existing transactions or arrangements.

Duty two requires Directors to have regard (amongst other matters) to the likely consequences of any decision in the long-term, the interests of employees, the need to foster relationships with customers, suppliers and others, the impact of operations on the community and the environment, the desirability of maintaining a reputation for high standards of business conduct and the need to act fairly as between shareholders. The government has stated that promoting success means striving for a “*long term increase in value*”.

The conflict of interest provisions requires Directors to avoid profiting from their position as a Director on an opportunistic basis and apply to exploiting an opportunity, property or information even when the Company could not take advantage of it.

Version	
Version No. and Date	v1.0; 22-02-2019
Profile created/updated by	Peri Thomas
Profile reviewed by people manager (state name & role)	Chris Hitchen, Chair of Board
Profile reviewed by HR (state name & role)	Peri Thomas, Head of HR

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BCPP Joint Committee

Date of Meeting: 11th March 2019

Report Title: Joint Committee Budget

Report Sponsor: Ian Bainbridge, Chair Officer Operations Group

1.0 Recommendation

1.1 The Joint Committee is asked to

- Note the current budget position for 2018/19
- Agree a budget for 2019/20 of £40,000

2.0 2018/19 Joint Committee Budget

- 2.1 At the Joint Committee meeting in January 2018 a budget of £30,000 was approved to cover the nine month period from July 2018 to March 2019. Any cost incurred prior to July 2018 were all part of the set up costs of pooling.
- 2.2 The budget is intended to cover costs incurred by the Joint Committee and the partner funds, including the secretarial services to convene and run meetings, and for collective advice and support (internal and external) which may be required from time to time by all partner funds.
- 2.3 It is also considered reasonable that this budget is used to cover travel costs and expenses for any members or officers who are attending meetings to represent all partner funds. This will include but will not be limited to meetings with MHCLG and Cross Pool meetings. This budget will not be used where members and officers are attending meetings to represent their own funds including Joint Committee meetings and Officer Operations Group Meetings.
- 2.4 The budget will also be used to cover travel expenses for scheme member representatives appointed as observers to the Joint Committee. This is because they will be deemed to be representing the scheme members from all twelve funds.
- 2.5 The Budget of £30,000 for nine months was based on a basic cost estimate included in a report from Deloitte, obtained in May 2016, as part of the initial cost benefit analysis for the submission to Government. At the current time it

is difficult to determine whether this budget is at the appropriate level. This will be monitored both in year and for future years and adjusted accordingly.

- 2.6 In line with the cost sharing principles these costs will be shared equally between the partner Funds.

3.0 Forecast Expenditure to 31st March 2019

- 3.1 The following expenditure has either been incurred or is forecast to be incurred before the year end

Secretariat Support to Joint Committee - £1,300

Catering and room Hire for Joint Committee - £2,200

Legal Advice to the funds re ACS - £4,000

Legal Advice to the funds re alternatives - £15,000

Travel and Subsistence - £500

- 3.2 As can be seen from the paragraph above the largest element of cost is in relation to the legal work on alternatives. At the time of writing and based on the price submitted by Burness Paull, it is estimated that the value of this work will come to approximately £15,000 . However, this work is not yet complete and until it is it is not possible to be certain of the exact costs and this will be based on actual time spent of progressing with the legal documentation.

- 3.3 It may prove necessary to commission one further piece of legal work in relation to a Disclosable Pecuniary Interest within the meaning of s31 Localism Act 2011 and dispensations.

- 3.4 Overall, subject to issues noted above it is believed that the forecast expenditure for 2018/19 will be broadly in line with the budget.

4.0 Proposed Budget for 2019/20

- 4.1 It is proposed that the budget for 2019/20 should be £40,000. This is in line with the budget for the nine month period of 2018/19 which was set at £30,000.

- 4.2 It should be noted however, that it remains difficult to determine whether this level of budget is appropriate. However, based on the expenditure incurred in the current year to date a budget at this level appears reasonable.

Report Author:

Ian Bainbridge, ian.bainbridge@southtyneside.gov.uk

Further Information and Background Documents:

N/A



BCPP Joint Committee

Date of Meeting: 11th March 2019

Report Title: Governance Arrangements

Report Author: Ian Bainbridge – Chair of Officer Operations Group and Rachel Elwell CEO of Border to Coast

1.0 Executive Summary:

- 1.1 This report updates the Joint Committee with the outcome of a meeting of a Governance Sub Group, which was held on 11th February to discuss the roles of the funds and administering authorities as both investors in and shareholders of Border to Coast. Part of the remit also included a review of the terms of reference of the Joint Committee.
- 1.2 The Sub Group concluded that roles were reasonably well defined in the Governance Charter and no changes were proposed to either these roles or the terms of reference of the Joint Committee.
- 1.3 To improve the interaction between the administering authorities and Border to Coast, it was proposed that an informal meeting of shareholders should be held on the same day as the Joint Committee meeting. In addition, consideration should be given to co-opting the Partner Fund nominated non-executive directors onto the Joint Committee as non-voting members.
- 1.4 Consideration will also be given to taking legal advice in respect of any conflict of interest for an individual member acting as a Partner Fund nominated non-executive directors as well as members on their own Fund's pensions committee.
- 1.5 The Governance Charter has been reviewed to reflect the feedback provided at the July 2018 Joint Committee meeting (predominantly to more clearly reflect the separate roles of Partner Funds as investors and Administering Authorities as Shareholders) and to update for the introduction of the Border to Coast Private Markets structure. There are also some minor changes following the publication of the new Corporate Governance Code in July 2018.

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 Partner Fund nominated non-executive directors should be co-opted onto the Joint Committee as non-voting members.

2.1.2 That the Governance Charter as included at Appendix A be approved for publication on the Border to Coast website.

3.0 Background:

- 3.1 A draft Governance Charter was presented to the Joint Committee in July 2018, which set out the roles and responsibilities of all parties in the Border to Coast pool. At this meeting, it was agreed that some of the detail and wording would be revisited and changed if appropriate, before this would be put into the public domain.
- 3.2 Following on from this meeting it also became clear that further more significant changes would be needed to reflect the governance arrangements around the operating model for alternatives.
- 3.3 In addition to this, at the Joint Committee meeting in November 2018, further clarity was requested on the role and remit of the Joint Committee, as investors and also the role of the administering authorities acting as Shareholders. It was agreed to set up a Governance Sub Group to look at these issues.

4.0 Meeting of the Governance Sub Group:

- 4.1 A meeting of a Governance Sub Group took place on Monday 11th February. In attendance were:

Councillor McMurdo – Chair of the Joint Committee (Bedfordshire)

Councillor Evans – Vice Chair of the Joint Committee (Surrey)

Councillor Stowe – Joint Committee Member (South Yorkshire)

Councillor Ellis – Partner Fund Nominated NED

Councillor Weighell – Partner Fund Nominated NED

Chris Hitchen – Chair of Border to Coast

David Coleman – Monitoring Officer (Lincolnshire)

Ian Bainbridge – Head of Pensions (Tyne and Wear)

David Hayward – Principal Solicitor (Tyne and Wear)

- 4.2 The Governance Sub Group started by reviewing the roles of investors and as shareholders as set out in the Governance Charter, and how each interacts with Border to Coast. It was agreed that the roles and interaction as defined in the Governance Charter were a good representation of the position and provided sufficient clarity as to the differences between the roles.
- 4.3 It was agreed that whenever a shareholder meeting was held, whether formal or informal, it was up to each individual administering authority to determine who should attend. This could be either a member or an officer, or both. It should be clear, however, that each administering authority would only have one vote, irrespective of the number of representatives at the meeting. It was also up to each individual authority to determine who should cast that vote.

- 4.4 The main area of potential weakness in the governance arrangements centred around the interaction between the shareholders and the Partner Fund nominated non-executive directors. To improve this, the following proposals were made.
- The Partner Fund nominated NEDs should be co-opted onto the Joint Committee. This is allowed under the constitution of the Joint Committee. It should be noted that they will be attending as representatives of Border to Coast and will not have the power to vote.
 - An informal meeting of shareholders will be held on the same day as the Joint Committee to discuss Border to Coast Pensions Partnership company business. Attendance at this meeting will be at the discretion of each individual administering authority in its role as a shareholder. This will be a private meeting, separate from the Joint Committee meeting with its own agenda. It should also be noted that is a shareholder issue and not an issue for the Joint Committee to determine.
- 4.5 The role of the Partner Fund nominated non-executive directors was discussed, in particular the issue of conflicts of interest. It is recognised that acting as a director of the Company will be a Disclosable Pecuniary Interest within the meaning of s31 Localism Act 2011. Depending on the circumstances and arrangements at each individual administering authority, it may then prove necessary to refer the matter to the individual authority's Standards Committee for a dispensation pursuant to s33 of the Localism Act.
- 4.6 It was noted that different administering authorities take different approaches and have different views. It was therefore concluded it may be appropriate for external legal advice to be sought on this matter and this will be discussed with the Monitoring Officers at each authority. Ultimately, however, it is for candidates for the role of partner fund nominated non-executive directors, to satisfy themselves that they are able to carry out such functions in relation to their local pensions committees as they deem desirable.
- 4.7 The terms of reference for the Joint Committee, as set out in the Inter Authority Agreement, were also discussed and at the current time they were considered to be reasonable and not in need of change. It will however, be necessary to keep this under review as arrangements within the Border to Coast pool mature and as guidance from MHCLG develops.
- 4.8 The only other issue discussed was the desire for the individual Joint Committee members to get a greater insight into activities of the other funds with the Border to Coast pool. It was therefore, agreed that one of the reports from Border to Coast will be enhanced to cover activities and progress with each of the funds. The Chief Executive Officer has agreed to incorporate comments on each fund in a report. In addition, it was agreed that the minutes of the Officer Operations Group would be circulated to the members of the Joint Committee for information.

5.0 The Governance Charter:

- 5.1 As part of establishing Border to Coast, the Partner Funds spent significant time in considering an appropriate governance model. Due to the number of stakeholders and the need for public accountability, the model is complex.

- 5.2 Due to this relative complexity involving 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.
- 5.3 Governance is also a significant area of focus for Central Government (MHCLG) and the Scheme Advisory Board. MHCLG's recent draft consultation is covered separately on the JC's agenda and includes specific guidance on governance, consistent with the approach taken by Border to Coast and Partner Funds.
- 5.4 To support understanding in this area, during 2018 a "Governance Charter" setting out roles and responsibilities across the Pool was jointly developed by Border to Coast and Partner Fund Officers. The aim is to have a public document available for all stakeholders to understand their role in the governance of Border to Coast.
- 5.5 The charter is likely to evolve as the governance model evolves and in 2018 we proposed an annual review. Version 0.7 of the charter is presented at Appendix A and includes the following changes, which we propose constitute the first annual review:
- To reflect the feedback provided at the July 2018 Joint Committee meeting (predominantly to more clearly reflect the separate roles of Partner Funds as investors and Administering Authorities as Shareholders)
 - To update for the introduction of the Border to Coast Private Markets structure.
 - To update for changes in the internal governance within Border to Coast (e.g. evolution to Committee structures and to note formal delegation of day-to-day investment matters from the Board to the Executive).
 - To reflect minor changes following the publication of the new Corporate Governance Code in July 2018.
 - To correct Appendix A: Matters Reserved to the Shareholders (a version pre-dating the Shareholder Agreement had been accidentally included in v0.6).

6.0 Conclusion:

- 6.1 The Joint Committee is recommended to approve the recommendations in section 2.

Report Authors:

Ian Bainbridge, Head of Pensions Tyne and Wear Pension Fund
Rachel Elwell, CEO Border to Coast
22 February 2019

Further Information and Background Documents:

Appendix A: Border to Coast Governance Charter v0.7 22 February 2019

DRAFT

Governance Charter

Border to Coast Pensions Partnership



June 2018

Document Control

Version and Review History

Version no.	Version Description	Approver	Date
V0.1	Initial draft template. Issued as work in progress	Rachel Elwell, CEO	8 th May 2018
V0.2	Draft for the Board reflecting OOG feedback	Rachel Elwell, CEO	14 th May 2018
V0.3	Draft for the JC reflecting Board feedback	Rachel Elwell, CEO	25 th May 2018
V0.4	V0.3 updated for OOG feedback	Rachel Elwell, CEO	31 st May 2018
V0.5	V0.4 updated for further OOG feedback	Rachel Elwell, CEO	26 th June 2018
V0.6	V0.5 updated for s151 feedback	Rachel Elwell, CEO	1 st July 2018
V0.7	V0.6 updated for JC feedback (13/7/18) and to reflect build of private markets structure	Rachel Elwell, CEO	22 nd Feb 2019

Governance Approvals

Approved By	Version	Date
OOG	0.5	13/6/18
S151s	0.6	27/6/18
The Board	0.3	24/5/18
The Joint Committee	0.7	[11/3/19]

Key Dates

Event	Date
Effective Date	31/03/2019
Next Review Date	31/03/2020

Key Roles – Border to Coast Pensions Partnership Ltd

Stakeholder	Role	Status
Head of Legal and Company Secretary	Document owner responsible for the management and amendment process, along with ensuring implementation of the framework	Drafter
CEO	Review ongoing drafts to ensure completeness	Reviewer
Border to Coast Board	Approve the framework and any material alteration made thereafter	Approver
Border to Coast Staff	Informed of framework and manage delivery in practice	Informed

Key Roles – Border to Coast Partner Funds

Stakeholder	Role	Status
Officers Operations Group and Section 151 officers	Review ongoing drafts to ensure completeness	Reviewer
Joint Committee	Approve the framework and any material alteration made thereafter	Approver
Partner Fund Pension Committees	Approve the framework and any material alteration made thereafter	Approver

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1. Introduction

Border to Coast Pensions Partnership (“the Pool”) has been formed to enable the pooling of assets of twelve Administering Authorities of the Local Government Pension Scheme (“Partner Funds”). In order to effect the pooling, the twelve Partner Funds have established an FCA-regulated operator of collective investment vehicles, which is also appointed as the Asset Manager for those vehicles. This company is Border to Coast Pensions Partnership Ltd (“Border to Coast”).

Border to Coast is wholly owned by the Partner Funds who are its customers and also shareholders.

The guiding principles set out by the Partner Funds have been reflected in the governance structure:

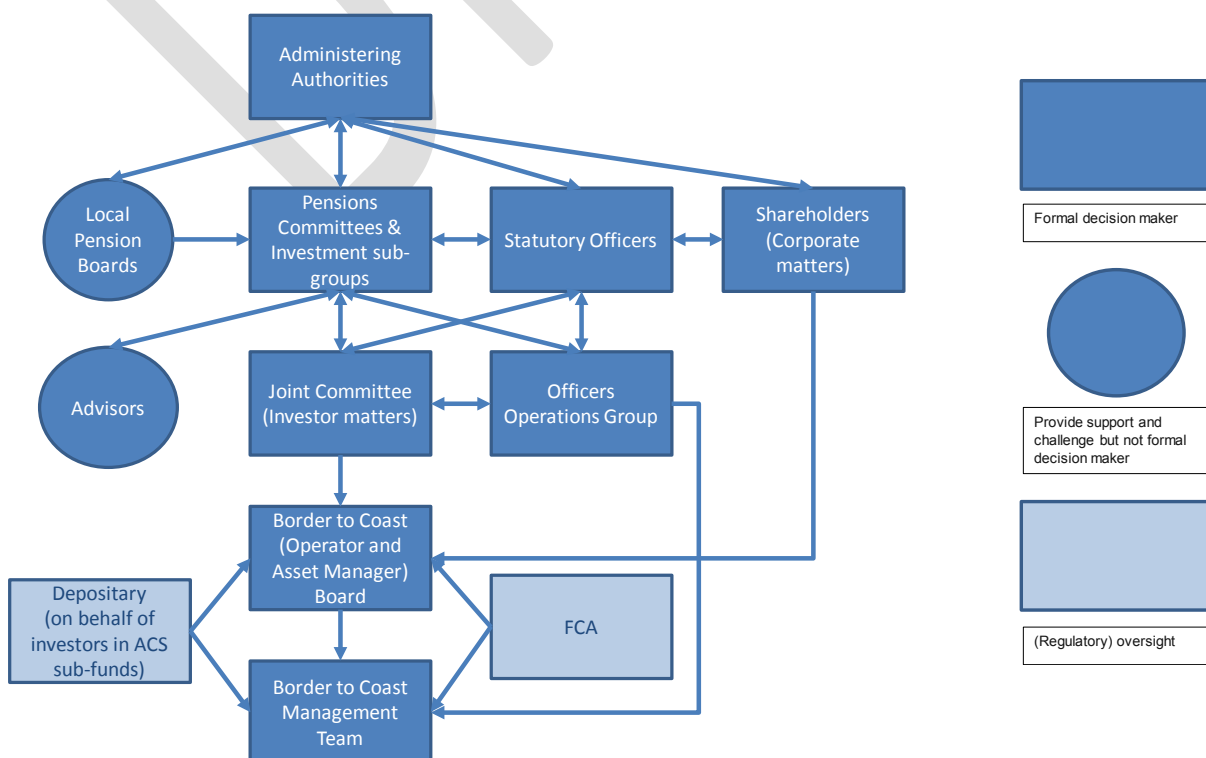
1. Meeting central Government’s aims for governance, responsible investing, infrastructure and value for money
2. One fund, one vote
3. Funds retaining governance role and ownership of asset allocation
4. Generating improved net-of-fees risk adjusted performance
5. Border to Coast internal management capability
6. Improved resilience and capacity over existing structures
7. A shared team in one location

Border to Coast’s investment performance and capability is overseen by the Partner Funds on a day to day basis by the Senior Fund Officers and formally on a quarterly basis by the Joint Committee, which is constituted of elected member representatives from each of the Partner Funds.

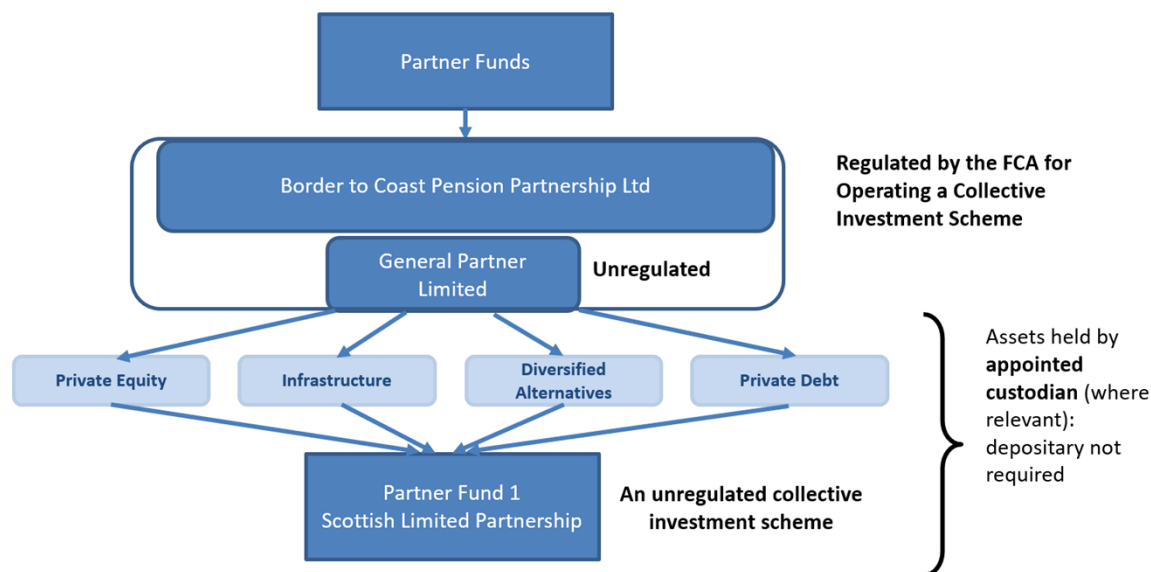
Border to Coast’s performance as a company is overseen by shareholder representatives from the twelve Administering Authorities of the Partner Funds both on an ongoing basis and formally once a year at its AGM.

The Partner Funds and Border to Coast work collaboratively to build the investment capabilities required to ensure that the Partner Funds are able to efficiently and effectively deliver their Strategic Asset Allocations in line with the guiding principles. However, in order to hold Border to Coast to account and to meet FCA requirements for a regulated asset manager, the governance structure is designed to ensure sufficient independence between the Partner Funds and Border to Coast during implementation and ongoing management of the sub-funds.

The diagram below shows the governance structure in place to ensure that appropriate oversight of Border to Coast is carried out both from a shareholder and an investor perspective.



It should be noted that the oversight of the Border to Coast private market structure differs from that of the Border to Coast Authorised Contractual Scheme (“ACS”) as set out in the diagram below (we have chosen to show one of the twelve GP/LP structures for simplicity):



1.1 Purpose of this Document

This “**Governance Charter**” is intended as a summary of the governance arrangements for the Pool, including capturing the structure and roles, responsibilities and authority of the following in relation to Border to Coast (as operator and asset manager):

- The Administering Authorities (section 3)
- The Pensions Committees (section 3)
- Advisors to Pensions Committees (section 3.1)
- Local Pension Boards (section 3.1)
- The Joint Committee (section 3.1)
- Officers Operations Group (section 3.1)
- Statutory Officers (including s151s and monitoring officers) (section 3.1)
- Shareholders (section 4)
- Border to Coast Board (section 5.1)
- Border to Coast Management Team (sections 3.2, 4.1 and 5.2)
- The FCA (section 5.3)
- The Depositary (in respect of regulated collective vehicles such as the ACS) (section 5.4)

The detailed provisions of the governance structure can be found in the following core documents:

- Border to Coast’s Articles of Association;
- the Shareholders’ Agreement; and
- the Inter Authority Agreement (establishing the BCPP Joint Committee and stating its Terms of Reference and Constitution and the Terms of Reference for the Officer Operations Group).

Additional provisions specific to particular investment sub-funds can be found in each sub-fund’s governing documentation (e.g. the ACS prospectus).

To the extent that these differ from the Charter, the underlying documents will be taken as correct.

1.2 Application

The Governance Charter is applicable to everyone within the Border to Coast Pensions Partnership and will be made available to all via the Border to Coast website. It will be reviewed annually by the Border to Coast Head of Legal and Company Secretary and the Officers Operations Group and updated as required to reflect any changes in governance arrangements in agreement with the Border to Coast Board, Joint Committee and Shareholders.

2. Border to Coast's Strategy

Border to Coast has been established by the Partner Funds to deliver the overall pooling agenda set out by central Government in 2015. LGPS pooling is intended to provide improved performance and investment outcomes to the participating funds and Border to Coast's strategic goal and objectives reflect this purpose.

Strategic Goals

Border to Coast's strategic goal is to make a positive difference to the investment outcomes of its partner Local Government Pension Funds through pooling to create a stronger voice; working in partnership to deliver cost effective, innovative and responsible investment now and in the future, thereby enabling great, sustainable performance.

This strategic goal will be achieved via the following three main objectives:

- 1. Strategy:** Delivering Border to Coast's strategy to deliver the benefits of pooling through the creation of a regulated asset manager in line with the guiding principles
- 2. Customer Outcomes:** (i) Putting customers at the heart of Border to Coast and delivering great service, and (ii) meeting customers' expectations of risk-adjusted investment return and performance
- 3. Governance:** Creating a sustainable organisation making efficient and effective decisions with appropriate oversight

The Board of Border to Coast is responsible for setting the strategic direction and objectives for Border to Coast to inform the annual strategic plan and budget for approval by the Shareholders. The Board has delegated the day-to-day management of Border to Coast in achieving these to the Border to Coast CEO, who in turn works with the Border to Coast Management Team to deliver to the Partner Funds (as both investors and shareholders). The responsibilities of the Border to Coast Board and Management team are considered further in section 5.

3. The Role of the Partner Funds as Investors

Each local Administering Authority acts as scheme manager for each Pension Fund, and so is responsible for investing and managing LGPS assets, setting employer contribution rates, collecting employer and employee contributions, paying pension benefits as they fall due, and dealing with various other aspects of administration.

The individual Administering Authority Pension Committees are ultimately responsible and publicly accountable for ensuring that the pension liabilities are appropriately funded and can be paid in accordance with LGPS regulations as they fall due. Specifically, with respect to investment matters, this includes:

- Setting funding and risk management strategies;
- Formulating investment strategy in line with the Investment Strategy Statement, including the approach to Responsible Investment and management of cashflow requirements;
- Complying with Regulations which require the Committee to take advice in determining the Fund's investment policy and making investment decisions;
- Overseeing that asset managers, to whom the delegation of day-to-day investment matters is made, follow the Committee's policies and that investment strategy is implemented in accordance with the Investment Strategy Statement; and
- Approving and monitoring performance targets for the Pension Fund.

To enable the Partner Funds (as investors) to effectively and efficiently implement their investment strategy, Border to Coast, in partnership and working closely with the Partner Funds, is responsible for designing sub-funds with certain risk / return / liquidity characteristics that will provide the strategic "building blocks".

Once the design is agreed, Border to Coast becomes the asset manager responsible for tactical matters such as implementation and ongoing management of each sub-fund, management of internal investment capability, appointment and oversight of external managers, implementation of responsible investment (voting and engagement) policy, and tactical asset allocation within risk parameters agreed with the Partner Funds.

The Partner Funds are responsible for the review of whether the built sub-fund meets their strategic needs and, under their fiduciary duties, will review Border to Coast's capability to deliver the objectives.

The Partner Funds then collectively oversee the performance of Border to Coast as described below. In order to ensure that Border to Coast can be effectively held to account, it is important there is an appropriate degree of separation of duties on implementation of day-to-day business between Border to Coast and Partner Funds. The strategies to ensure this are detailed in this Governance Charter.

3.1 Governance Structures supporting the Pensions Committees

The following groups and individuals support the Pensions Committees in working with and overseeing Border to Coast:

- **Joint Committee** is constituted from the 12 Pension Fund Chairs and has met as required to date but plans to meet quarterly now that Border to Coast is established and functioning. It is the collaborative vehicle through which the individual Partner Funds provide collective oversight of the performance and direction of Border to Coast. Its remit includes oversight of progress towards the pooling of Partner Fund assets.

As a Section 102 Committee¹, there are agreed Terms of Reference (see Appendix I to this Charter) and as meetings are held as public meetings they are operated and reported as is required. It should be noted that the Joint Committee does not have any formally delegated authority, and therefore any matters requiring decision must be considered and approved by each Pension Committee.

The Chair and Vice Chair of the Joint Committee are elected by the members of the Joint Committee on an annual basis. Secretariat functions to support the Joint Committee are provided through South Yorkshire Pensions Authority. Tyne & Wear Pension Fund act as host authority for all other matters.

- **Officer Groups** – The Joint Committee is supported by the respective Authority s151 and Monitoring Officers and the Officer Operations Group (“OOG”), constituted from the 12 Senior Pension Fund Officers. These groups meet to discuss issues and give input to both Elected Members and Border to Coast as required. It is anticipated that the OOG will meet monthly going forward, part of the meeting being attended by Border to Coast, part in closed session. The Officer Operations Group work collaboratively together to ensure that due diligence over Border to Coast investment capabilities is carried out effectively on behalf of the Pension Committees.
- **Local Pension Boards** – in line with their role in other administrative and governance matters, the local pension boards provide support and challenge to the Pension Committee's decisions and decision-making process in relevant investment areas, and look to ensure appropriate governance is in place to provide effective monitoring.
- **Advisors** – Regulations require that Pension Funds take professional advice in respect of any investment decisions, and this is generally provided through Funds appointing Independent Investment Advisors and/or Investment Consultants. They will work with the Pension Committee and Officers to ensure that the strategic asset allocation can be effectively implemented through the use of the sub-funds available at Border to Coast.

¹ A Committee established under section 102(1) of the Local Government Act 1972 (LGA), which permits local authorities to discharge their functions through committees.

3.2 Investor interaction with Border to Coast

In order to enable the appropriate scrutiny of Border to Coast by the Joint Committee and, ultimately, the individual Pensions Committees, Border to Coast has committed to provide the following support and materials, developed in collaboration with the Partner Funds:

What	To Whom**	Frequency
Update on progress through longer-term transition to pooling (NB ongoing discussions with officers during this period)	Joint Committee and Pensions Committees	Quarterly
Performance reporting (generic and Partner Fund specific)	Joint Committee and Pensions Committees	Quarterly
Attendance* at Joint Committee meetings by the CEO and Chair (and other officers as required)	Joint Committee	Quarterly
Membership of Joint Committee (on a co-opted and non-voting basis) of the shareholder nominated non-executive directors	Joint Committee	Quarterly
Attendance* at Partner Fund Pension Committee meetings by a Border to Coast Client Relationship Team representative (and other officers as appropriate)	Pensions Committees	Quarterly
Organisation of calls with s151 officers by the CEO	S151 officers	Quarterly or as required
Attendance* at the OOG by Border to Coast officers	OOG	Monthly or as required
Provision of monthly management accounting information	OOG	Monthly
Organisation of an investment conference for all Pool stakeholders	All stakeholders	Annually
Invitation for all Pension Committees to hold a meeting at Border to Coast's offices to meet the team and hear presentations	Pensions Committees	Annually or as required
Facilitation of collaborative workshops to enable the build of strategic capability including development of investment capabilities, client reporting and approach to transition management	OOG	Ad hoc (as required)
Facilitation of sessions to enable Pension Committee advisors to input to and challenge	Advisors (and OOG as appropriate)	Ad hoc (as required)
Provision of due diligence information to support the review by officers and advisors of the launch of new investment sub-funds	OOG and Advisors	Ad hoc (as required)

* "Attendance" includes preparation and presentation of ad hoc reports as required

** OOG includes officers working separately and working parties with attendees nominated by OOG

To support the Partner Funds, Border to Coast has appointed a Client Relationship Team with experience in pensions investment and asset management. Their role is to:

- Provide a single point of contact for Partner Funds to access the investment capabilities of Border to Coast, including access to underlying asset managers
- Ensure that Partner Fund requests and requirements are appropriately serviced, including that reporting needs are serviced in line with agreed Service Level Agreements
- Support the Partner Funds in meeting their training needs with respect to investment
- Understand and represent the Partner Funds in internal Border to Coast meetings to ensure that customer needs are reflected in all decision-making processes
- Provide a first port of call for the resolution of any concerns or queries

Whilst we expect most issues will be able to be addressed via day-to-day interactions, there is also a formal complaints procedure, which is provided to all investors.

4. The Role of the Partner Funds as Shareholders

Each Partner Fund also has the right to exercise corporate control and oversight through its Administering Authority's ownership of Border to Coast as an equal shareholder. Each Partner Fund, as shareholder, owns a single equity voting share, and through the exercise of its voting rights across a range of reserved matters demonstrates its exercise of "significant control" as required under "teckal"².

In general shareholders' role in the governance of a company is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place within the company. In the case of the Border to Coast, shareholders also retain certain rights under a Shareholder Agreement entered into by all shareholders at the time of its incorporation, including approval of the annual Strategic Plan (including annual Budget, cash flow, balance sheet, cost sharing, regulatory capital assessment), Company pensions provision, admission of new shareholders and cost sharing. The matters reserved to shareholders are set out in Appendix II.

Border to Coast Board has also invited the Joint Committee to nominate two members to the Board, who can broadly be said to provide a shareholder perspective on the operation of the Company.

As noted in the advice provided to the Partner Funds by [Eversheds in January 2017](#), a shareholder representative must be nominated (as the Administering Authority cannot physically appear at a Company's shareholder meeting). Further, "such a person is representing the Administering Authority and acting on instructions from the Authority. It does not therefore matter legally whether that person is a member or an officer since no delegated powers are being exercised."

Eversheds also advised that ordinarily conflicts of interest were not expected to arise between the customer and shareholder roles. It was therefore possible in the ordinary course of events for the same representative to hold both shareholder and Joint Committee roles. However, Eversheds did recommend that each Administering Authority may wish to have a conflicts of interest policy in place.

4.1 Shareholder interaction with Border to Coast

The shareholders carry out their duties under the Shareholder Agreement typically by written resolution, with advice from the section 151 and monitoring officers as deemed appropriate for each Partner Fund. It should be noted that these written notifications of consent to actions made under the Shareholder Agreement are to comply with the terms of that Agreement and are not resolutions of the Company made under the Articles of Association which would require shareholder votes in General Meeting or in accordance with the Articles. These regimes operate alongside one another.

In addition, it is envisaged that Border to Coast will hold an Annual General Meeting to provide the shareholders with a forum for discussion about the Company's performance against the wider pooling objectives and to hold the Border to Coast directors to account for this. This would also provide a forum for discussion regarding future strategic capability build and agreement for changes to the budget to support such developments.

The primary Border to Coast contact for shareholders will be with the Chair, CEO and COO.

5. Border to Coast's Governance Structure

Border to Coast's Board is committed to maintaining high standards of corporate governance and believes that a sound corporate governance framework enables efficient and effective decision making with clear accountabilities, contributing to achieving the Company's objectives and delivering long-term and sustainable value to its customers and shareholders. The Board's intention is to achieve general adherence to the UK Corporate Governance Code³ ("the Code"), notwithstanding business size and closed shareholding.

² <http://www.cipfa.org/policy-and-guidance/articles/teckal-the-basics-explained>

³ [UK Corporate Governance Code July 2018](#)

The responsibilities of the Board include promoting the long-term sustainable success of the Company, establishing the Company's purpose, values and strategy and satisfying itself that these, and its culture, are aligned. The Board must provide the leadership, and ensure that the necessary resources are in place, to put these objectives into effect; supervising the management of the business; and reporting to shareholders on their stewardship. In addition, the Board should ensure effective engagement with, and encourage participation from, its shareholders and other stakeholders. The Board's actions are subject to laws, regulations and the direction of the shareholders whose role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place.

5.1 The Role of the Board

The Board is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs, having due regards to its shareholders, customers and other stakeholders.

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. The Board sets the Company's values and standards and ensures that its obligations to its shareholders, customers and other stakeholders are understood and met.

In carrying out these responsibilities, the Board must have regards to what is appropriate for the Company's business and reputation, the materiality of the financial and other risks inherent in the business and the relevant costs and benefits of implementing specific controls.

The Board should be comprised of suitably skilled and experienced individuals who collectively have sufficient knowledge and understanding of all the Company's markets and products to be able to discharge all their responsibilities in an effective, efficient and compliant manner.

The relevant laws, regulations and the Code all impose duties on the Directors of the Company, as set out in Appendix III to this Governance Charter.

Within the Board, the roles of Chairman and Chief Executive Officer are distinct, but they complement each other. The Code states that the Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The CEO's role is to ensure appropriate day-to-day management of the Company in line with the Board's strategy (see section 5.2 below).

In addition to the general requirements for all Directors, the Company Non-Executive Directors provide:

- Constructive challenge and contribute to the development of strategy;
- Scrutiny of the performance of management in meeting agreed goals and objectives;
- Monitoring of performance; and
- Review that financial information is accurate and that financial controls and systems of risk management are robust.

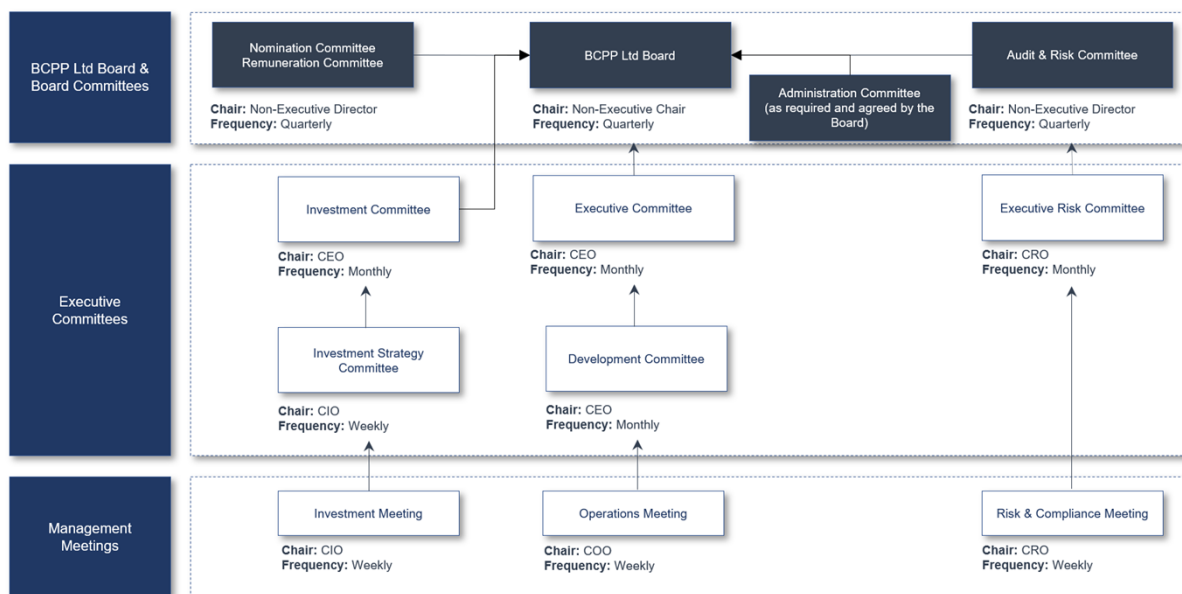
NEDs are also responsible for recommending for approval by the Shareholders appropriate levels of remuneration of Executive Directors and have a prime role in succession planning, appointing, and where necessary removing, senior management.

The Company has sought to include representation from its Shareholders and Partner Funds on the Board. The Partner Funds (via the Joint Committee) have nominated two individuals to act as full Board Members. They are obliged to conduct themselves in the same way as all members of the Board and as described above.

5.2 The Role of the Board to Coast Management Team

The Board has delegated to the Chief Executive Officer the management of the Company on a day-to-day basis, subject always to those matters reserved for decision by the Board or its committees.

The Chief Executive Officer has in turn delegated certain of her responsibilities to her direct reports. A number of committees have been created to assist the Chief Executive Officer in her decision-making or to monitor certain activities. The management and chairing of certain committees have been delegated to certain of her direct reports as shown in the governance chart below.



The Chief Executive Officer reports regularly to the Chairman and the Board with appropriate, timely and quality information so that it can discharge its responsibilities effectively. Her specific responsibilities include the following:

- Strategy and Business Planning
- Leadership and Corporate Governance
- Human Resources
- Pensions
- Risk Management and Controls
- Finance
- Customer Services, Conduct Risk Management and Treating Customers Fairly
- Communications and Shareholder Liaison
- Investment Management

5.3 The Role of the Regulator

Border to Coast is approved and regulated by the Financial Conduct Authority as an Alternative Investment Fund Manager. This means the Company and its employees must meet certain standards of conduct in the operation of its business. These requirements are set out in Appendix III. The Regulator may carry out investigations if it believes that an organisation is not meeting the appropriate standards. It has wide-ranging powers of intervention and sanction.

5.4 The Role of the Depositary

In a regulated collective investment vehicle such as the Border to Coast ACS, a depositary is appointed to act on behalf of investors. Northern Trust has been appointed as the depositary for the Border to Coast ACS. Its duties include:

- Safeguarding assets of the authorised fund via its custody services or utilising a sub-custodian
- Oversight of manager's activities e.g. unit pricing, dealing, portfolio management
- Oversight of how the manager is discharging its responsibilities
- Cash flow / liquidity oversight
- Distributions
- Protecting the best interests of investors
- Reporting breaches of FCA guidance to the FCA (including any due diligence findings).

Appendix I: 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. 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.
 - 2.1.9. 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.

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Appendix II: Schedule of Matters Reserved for Decision by the Shareholders

PART A – Matters for approval by all of the Shareholders (unanimous consent required)

1. subject to FCA rules, extend the activities of the Company outside the scope of the Business or close down any operation of the Business;
2. subject to FCA rules, give any guarantee or indemnity outside the ordinary course of the Business to secure the liabilities of any person or assume the obligations of any person (other than a wholly owned subsidiary) (e.g. guaranteeing a lease that does not relate to the Business of the Company);
3. subject to FCA rules, enter into or vary any contracts or arrangements with any of the Shareholders or directors (other than service agreements and letters of appointment as directors) or any person with whom any shareholder or director is connected (whether as director, consultant, shareholder or otherwise) (e.g. any contract which could give preferential rights to a specific shareholder);
4. enter into any agreement not in the ordinary course of the Business and/or which is not on an arm's length basis;
5. enter into or vary any agreement for the provision of consultancy, management or other services by any person which will, or is likely to result in, the Company being managed otherwise than by its directors;
6. change the name of the Company;
7. pass a resolution or present a petition to wind up the Company or apply for an administration order or any order having similar effect in a different jurisdiction in relation to the Company unless in any case the Company is at the relevant time unable to pay its debts within the meaning of section 123 Insolvency Act 1986;
8. reduce or cancel any share capital of the Company, purchase its own shares, hold any shares in treasury, allot or agree to allot, whether actually or contingently, any of the share capital of the Company or any security of the Company convertible into share capital, grant any options or other rights to subscribe for or to convert any security into shares of the Company or alter the classification of any part of the share capital of the Company (in each case other than as expressly permitted by this Agreement and/or the Articles where no prior consent shall be required including, without limitation, pursuant to either **clause 4 (Finance & Regulatory Capital)** and/or **clause Error! Reference source not found. (Consequences of Breach)** and/or **Article 26** of the Articles (**Issue of Shares and Pre-Emption Rights**));
9. other than as expressly permitted by this Agreement and/or the Articles, redeem or buy any existing Shares or otherwise reorganise the share capital of the Company;
10. admit any person as a member of the Company or an investor in the BCPP pool;
11. enter into any partnership, joint venture or profit sharing arrangement with any person (excluding entering into any investment or investment vehicle);
12. alter any of the provisions of the Articles or any of the rights attaching to the Shares;
13. amalgamate or merge with any other company or business undertaking;
14. sell, lease (as lessor), license (as licensor), transfer or otherwise dispose of any of its material assets otherwise than in the ordinary course of the Business;
15. the removal and replacement of any Interim Directors, but for the avoidance of doubt not including any subsequent or replacement appointments of any director which shall be made under Part B below;
16. commence, settle or defend any claim, proceedings or other litigation brought by or against BCPP, except (i) in relation to debt collection (not exceeding £500,000) in the ordinary course of the Business and (ii) in relation to any investment related claims or proceedings relevant to the ACS or other collective investment vehicles;

17. take out any third party loan(s) in respect of BCPP which (in aggregate) exceed the sum of £5,000,000;
18. form any subsidiary of BCPP, or acquire any shares in any other company, whether through subscription or transfer, such that the company concerned becomes a subsidiary of BCPP;
19. determine the composition, governance arrangements and limits of authority of any and all subsidiaries of BCPP;
20. approving and adopting an Initial Strategic Plan (including the Annual Budget) and/or amending any such Plan; and
21. make any capitalisation, repayment or other distribution of any amount standing to the credit of any reserve of the Company or pay or declare any dividend or other distribution to the Shareholders save that no consent will be required to pay the B Share Dividend.

PART B – Matters for approval by a Shareholder Majority only

1. enter into or materially vary any licence or other similar agreement relating to intellectual property to be licensed to or by the Company which is otherwise than in the ordinary course of the Business;
2. appoint or remove the auditors of the Company;
3. alter the Company's accounting reference date;
4. make any significant change to any of the Company's accounting or reporting practices other than conforming with any changes made to the accounting standards adopted by the Company;
5. approve the annual accounts of the Company;
6. determine the amount of, or any increase in, remuneration payable to any directors from time to time;
7. establish or amend any pension scheme (i.e. for employees of the Company);
8. subject to FCA rules, enter into any agency, distribution or similar agreement which confers or is expressed to confer any element of exclusivity as regards any goods or services the subject of such agreement or as to the area of the agreement or vary such an agreement to include any such exclusivity;
9. incur in any financial year any item or series of items of capital expenditure including finance leases (but excluding operating leases) of more than £5,000,000 (unless provided for in the Initial Strategic Plan or any Subsequent Strategic Plan);
10. enter into or vary any operating lease either as lessor or lessee, of any plant, property or equipment of a duration exceeding 5 years or involving aggregate premium and annual rental payments in excess of £100,000 (unless provided for in the Initial Strategic Plan or any Subsequent Strategic Plan);
11. adoption of (and any amendment of) any written conflicts policy;
12. approval of any conflict or potential conflict of interest any director may have which would preclude him or her from being included in the quorum of any meeting of the directors;
13. appointment of any subsequent director, any alternate director (who is not at the time a director of the Company) and including, for the avoidance of doubt any subsequent Chair in accordance with the Companies Act 2006 or otherwise;
14. removal of any director and, for the avoidance of doubt, the Chair in accordance with the Companies Act 2006 or otherwise; and
15. approving and adopting a Subsequent Strategic Plan (including the Annual Budget) and/or amending any such Plan.

Appendix III: Legal and Regulatory Duties of the Board

Border to Coast's Regulator

As an asset management company, Border to Coast is regulated by the Financial Conduct Authority ("FCA").

Border to Coast Directors are "approved persons" (and at a future date will hold Senior Management Functions / Controlled Functions under the Senior Management Regime ("SMR")) for regulatory purposes and are required to act in accordance with the principles issued by the FCA.

The FCA requires Directors and senior managers to take appropriate practical responsibility for all matters likely to be of interest to the FCA and expects the Board to:

- Determine the Company's strategy and risk appetite;
- Identify and assess risks, implement controls and monitor how the controls are operating;
- Have reporting lines that are clear and appropriate, with the extent and limits of delegation made clear to all concerned; and
- Have regard to such generally accepted principles of good governance as it is reasonable to regard as applicable to it.

Further guidance can be found in the [FCA's handbook](#).

The FCA's Principles of Business

Border to Coast's Directors are responsible for the governance and oversight of the Company in relation to the [11 FCA Principles of Business](#):

1 Integrity	A firm must conduct its business with integrity.
2 Skill, care and diligence	A firm must conduct its business with due skill, care and diligence.
3 Management and control	A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4 Financial prudence	A firm must maintain adequate financial resources.
5 Market conduct	A firm must observe proper standards of market conduct.
6 Customers' interests	A firm must pay due regard to the interests of its customers and treat them fairly.
7 Communications with clients	A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
8 Conflicts of interest	A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
9 Customers: relationships of trust	A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
10 Clients' assets	A firm must arrange adequate protection for clients' assets when it is responsible for them.
11 Relations with regulators	A firm must deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice.

The Company operates its business in accordance with standards outlined above. The Head of Legal and Company Secretary and the Compliance function support the Board in fulfilling its responsibility for the governance and oversight of the Company in relation to the above FCA Principles of Business.

Duties under the Companies Act 2006

The [UK Companies Act 2006](#) requires a Director to display possession of the knowledge, skill and experience that may reasonably be expected of a person carrying out the role. It also codifies the following Directors' duties into law:

- To act within powers;
- To promote the success of the company for the benefit of its shareholders;
- To exercise independent judgment;
- To exercise reasonable care, skill and diligence;
- To avoid conflicts of interest;
- Not to accept benefits from third parties; and
- To declare interests in proposed transactions or arrangements.

Duty two requires Directors to have regard (amongst other matters) to the likely consequences of any decision in the long-term, the interests of employees, the need to foster relationships with customers, suppliers and others, the impact of operations on the community and the environment, the desirability of maintaining a reputation for high standards of business conduct and the need to act fairly as between shareholders. The government has stated that promoting success means striving for a "long term increase in value".

The conflict of interest provisions require Directors to avoid profiting from their position as a Director on an opportunistic basis and apply to exploiting an opportunity, property or information even when the company could not take advantage of it.

Individual Conduct Rules and Standards

Directors who hold Senior Management Functions / Controlled Functions are also subject to the [FCA's Code of Conduct](#). As such they are subject to the following individual conduct rules and standards:

- Rule 1: You must act with integrity.
- Rule 2: You must act with due skill, care and diligence.
- Rule 3: You must be open and cooperative with the FCA, the PRA and other regulators.
- Rule 4: You must pay due regard to the interests of customers and treat them fairly.
- Rule 5: You must observe proper standards of market conduct.

In addition to the above Conduct Rules, those Directors who hold certain specific SMR Functions / Controlled Functions are subject to the following additional FCA Conduct Rules:

- SC1: You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively.
- SC2: You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system.
- SC3: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively.
- SC4: You must disclose appropriately any information of which the FCA or PRA would reasonably expect notice.

The Nolan Principles: the seven principles of public life

The Nolan Principles⁴ are the basis of the ethical standards expected of public office holders. This includes people who are elected or appointed to public office and all people appointed to work in public bodies such as the civil service; local government; the police; the courts and probation services; non-departmental public bodies; and health, education, social and care services. The principles also apply to all those in other sectors that deliver public services.

The principles are Selflessness; Integrity; Objectivity; Accountability; Openness; Honesty; and Leadership.

⁴⁴ <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

The Board expects all representatives of Border to Coast to abide by these principles.

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Border to Coast Pensions Partnership Ltd – Joint Committee

Date of Meeting: 11th March 2019

Report Title: Ministry of Housing, Communities & Local Government (MHCLG) – Statutory Guidance on Asset Pooling

Report Authors: Nick Orton – Member of Officer Operations Group and Fiona Miller - COO of Border to Coast

1 Executive Summary:

1.1 On 2nd January 2019 the Secretary of State for the Ministry for Housing, Communities and Local Government (MHCLG) issued a limited circulation consultation on proposed changes to the current statutory investment pooling guidance issued in September 2016 (attached at Appendix A). The statutory guidance and the proposed changes to it apply to Local Government Pension Scheme (LGPS) Administering Authorities and direct how they are required to invest their assets. As such, the twelve Partner Funds in Border to Coast are all considering whether to make separate responses to the consultation and have shared some draft responses to far. Border to Coast's Board is also making a response. This paper outlines a proposed draft response to the consultation on behalf of the Joint Committee at section 4 which takes into account common elements from draft responses sighted so far, as well as highlighting aspects of the proposed guidance which deal with the role of the Joint Committee.

1.2 The draft guidance is broadly supportive of how Border to Coast has approached pooling. However the draft guidance is much more prescriptive than the existing guidance on how LGPS investment pooling should be approached, and this may require structural change in some of the other LGPS pools. For example, the requirement for every Pool to include at least one Financial Conduct Authority (FCA) entity managing its investments would, if reflected in the final guidance, require changes to at least one other Pool.

2 Recommendation:

2.1 The Joint Committee is asked to agree that a formal response to the consultation should be sent on its behalf based on the comments made in section 4 below. Border to Coast Pensions Partnership Limited is submitting its own response to the consultation, although this paper has been drafted with the assistance of the company to recognise the alignment of interests. Any response provided to the consultation will be on behalf of the Joint Committee itself and not on behalf of the Partner Funds or the company, all of whom can submit their own responses.

2.2 If changes are required to the proposed response, the Joint Committee is asked to delegate the authority to finalise the response to the Chair and Vice Chair of the Officer Operations

Group in consultation with the Chair and Vice Chair of the Joint Committee, with circulation to the Joint Committee by email of any final draft by 21st March to allow onward transmission to MHCLG by the deadline of the 28th March.

3 Background

- 3.1 The reform of investment management in LGPS for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities (including our Partner Funds) responded by coming together in groups of their own choosing to form eight asset pools, one of which was Border to Coast Pensions Partnership.
- 3.2 The stated intention of the latest draft guidance is to clarify several matters raised by Administering Authorities and others (such as by Border to Coast over sharing of transition costs) that have come to light through the implementation to date, and further clarify what MHCLG expects in terms of future progress in the next stage of pooling and reporting / monitoring of associated costs and savings in meeting these obligations.
- 3.3 Once finalised this will replace all matters in the current guidance at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 LGPS Investment Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015. As such it will become part of the LGPS regulations and Administering Authorities will have to either follow the guidance or explain and account for any instances where they have not followed it.
- 3.4 Whilst the guidance specifically applies to the LGPS Administering Authorities in England and Wales, Border to Coast will need to be able to support the Partner Funds in adherence and implementation of the final guidance issued.
- 3.5 One significant change of approach from MHCLG evident in the draft guidance is the move to impose a more consistent approach to investment pooling across the LGPS. Comments from Government in previous years had supported an environment where each LGPS Pool and its constituent funds had scope to determine what structure it would use to meet the Government's pooling criteria, provided those criteria were achieved. For example:

“the Secretary of State's power to intervene provides a backstop in circumstances where insufficient progress is being made. In practice, good progress is being made towards pooling and the Secretary of State currently has no intention of intervening” (from a 13th October 2016 House of Lords statement in relation to the Government's power to intervene in LGPS investment).

Similarly, from a September 2016 response to consultation on the introduction of the 2016 LGPS investment regulations:

“In the case of the new pooling arrangements, the view is taken that it is appropriate for the Secretary of State to be able to intervene in circumstances where administering authorities are failing to comply with the criteria and guidance on the new pooling arrangements. This power would only be used where there is clear evidence that an authority is failing to comply with regulations, guidance or best practice.”

The draft guidance marks a change of tone and imposes a more uniform approach to the way LGPS investment pooling should operate. This includes requiring each Pool to include a Pool company (or companies) to implement investment strategies, and mandating that these Pool companies are regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities.

- 3.6 While this is not a specific concern for Border to Coast, and in fact effectively endorses the approach we have taken to investment pooling, it demonstrates a move away from allowing different versions of pooling to co-exist and towards further central control over the approach to investments in the LGPS.
- 3.7 The draft guidance also applies consistency by including a set of definitions in an attempt to clarify the terminology used in pooling, this starts with the following key definitions – shown below alongside an interpretation of what each definition will represent within our Pool:

Definition in draft guidance	Meaning within our Pool
‘Pool’ the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool	Border to Coast Pensions Partnership
‘Pool member’ an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance	Each of the twelve administering authorities who comprise and jointly own Border to Coast Pensions Partnership
‘Pool governance body’ the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)	Border to Coast Pensions Partnership Joint Committee, together with its supporting groups (such as the Statutory Officer Group and Officer Operations Group)
‘Pool company’ the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members	Border to Coast Pensions Partnership Limited

- 3.8 There are many references to the role of the “Pool governance body” throughout the draft guidance, often stated as working with the Pool company or with reference to the Pool members (individual LGPS administering authorities) working together through the Pool governance body. Taken together this amounts to a significant set of responsibilities, as set out in the table below. However, taking into account the fact that the Joint Committee is currently assisted by other groups, such as the Statutory Officer Group and Officer Operations Group, and work is carried out on its behalf by individual administering authorities as well, the Joint Committee is already undertaking most of the tasks allocated to the ‘Pool governance body’ in the draft guidance.

Ref.	Statement from draft guidance	Current position	Action required for full compliance with draft guidance
3.5	Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency.	The Joint Committee oversees the investment performance of the Pool company and its investment vehicles. The Pool company has engaged with Pool members and the groups supporting the Joint Committee when carrying out procurement exercises. However no formal regular review process has been carried out yet.	Recommend annual report to Joint Committee from Pool company detailing procurements carried out and value for money evaluation.
4.1	Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.	Democratic - One Fund one vote. Resources – supported by the other bodies (the company, the Statutory Officers and Officer Operations Groups)	Already fully compliant – no action required
4.6	Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.	A scheme member representative, sourced from the Pool members' Local Pension Boards is a non-voting member on the Joint Committee	Already fully compliant – no action required
4.8	Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.	Creation of sub-funds discussed through the Joint Committee alongside its supporting bodies	Already fully compliant – no action required

Ref.	Statement from draft guidance	Current position	Action required for full compliance with draft guidance
4.9	Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.	Scope of FCA regulation reported to the Joint Committee	Already fully compliant – no action required
4.11	Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.	Review not required yet (still developing and introducing sub-funds)	Consider annual review process once all planned sub-funds established
5.2	Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.	External transition manager and transition monitor have been engaged through joint procurement by Pool company and Pool members to ensure transition costs and timing are managed effectively.	Already fully compliant – no action required
6.4	During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.	The Joint Committee, working with Pool company and Pool members can make recommendations on the sub-fund range.	Already fully compliant – no action required

4 Response to Consultation

- 4.1 Each individual Administering Authority is able to choose whether to submit its own response to the draft consultation. Border to Coast Pensions Partnership Limited as a Pool company will also submit a response. As a Pool governance body it is also appropriate for the Joint Committee to submit a response. Draft responses from four of Border to Coast's Partner Funds, together with a paper submitted to Border to Coast's Board have been taken into account when preparing the proposed response to the consultation. As would be expected, the responses from all parties involved in Border to Coast will be broadly consistent.
- 4.2 The draft guidance is welcomed and is broadly supportive of how Border to Coast has developed its pooling proposition.
- 4.3 The areas where the guidance is in line with Border to Coast's approach, include
- that all Pool members must pool their assets,
 - the need for an FCA regulated entity at the heart of the pooling proposition (either owned or procured),
 - confirming that strategic asset allocation remains the responsibility of Pool members, recognising their authority's specific liability and cash-flow forecasts,
 - providing definitions to help all when communicating how each Pool works (although these will need some rewording to work for all Pools);
 - clarifying that decision making on selection, appointment and management of asset managers rests with the Pool company,
 - confirming that internal management can be offered by Pool companies, although Pool members can choose whether or not to invest through internal management
 - clarifying that the aim is for reduced costs balanced against risk adjusted returns – so value, not cost, is the key metric
 - highlighting that providing too many asset allocation choices restricts the ability to use scale to drive up value, but recognising there is a need to provide enough choice to provide the diversification needed to meet the Pool members' liability profile and cash flow requirements
 - requiring demonstration of how these considerations have been balanced and that they be kept under regular review,
 - confirmation that a long-term view of implementation costs should be taken, and that Pool members do not seek just to minimise costs in the short term,
 - outlining that transition of existing assets into the Pool should happen as quickly and cost effectively as possible, with transition of listed assets to be undertaken over a relatively short period,
 - providing Government's view that cost sharing of transition expenses (explicit and implicit) is allowable under the regulations
 - requiring that Pool members working with the Pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the Pool,
 - confirming that although no target has been set for infrastructure allocations, MHCLG expects Pool members to "set an ambition on investment in this area". Pool companies are expected to provide access to infrastructure investment in the UK or overseas or both, with the expectation that over time Pools will move towards "levels

of infrastructure investment similar to overseas pension funds of comparable aggregate size”

4.4 The areas where clarification or tightening of the drafting of the guidance is needed include:-

4.4.1 Paragraphs 5.4 and 5.5 are on one level common-sense. However, for alternative assets such as private equity the description of these arrangements as temporary is unhelpful. Holding a private equity fund to maturity where the initial commitment was made this financial year may well be a 10 year period which is not really temporary. The ability of Pool companies to manage these assets either within pooled structures or simply on behalf of its Pool members will very much depending on the pooling vehicle proposed and the regulatory permissions in place. In our case Border to Coast will, in due course, be offering the ability to transfer such legacy assets into the pooled structure but this may not suit all circumstances and may not be the case for all Pools. It should be acknowledged that ‘temporary’ or ‘interim’ arrangements may in fact last a number of years, until an investment matures.

4.4.2 Para 4.4 - While strongly supportive of the general principle of administering authorities taking a long-term view in relation to the cost/benefit of pooling, there is a general issue in regard to how Administering Authorities can possibly “take account of the benefits across the Pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers”. The legal fiduciary duty each Administering Authority has is towards its own beneficiaries, not to those of the “scheme as a whole”. This could be emphasised by adding to the final sentence in Para 4.3 (additional text shown in italics): “In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds *and have a fiduciary duty to the beneficiaries of their respective LGPS funds*, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.”

4.5 As can be seen from the above, with some matters of clarification, overall the draft guidance is supportive of the approach taken by Border to Coast and its Partner Funds. However, there are two specific areas where changes should be made to the intent / drafting of the proposed guidance:

4.6 Para 3.6 – Monitoring to and Potential Requirement to Move Passive: -

4.6.1 Evidence was provided to highlight and counter the flaws in the consultant research that supported the views held in some parts of Government that passive management was the way forward for the industry, including the LGPS in the early 2015/16 discussions on pooling, so it is disappointing that this has been reintroduced as a key theme.

4.6.2 As such we do not accept the premise behind this paragraph that passive management delivers better net of fees long term risk adjusted returns, but that the only relevant test to the chosen implementation model should be that as set out in the final sentence of this paragraph, “*should seek to ensure performance by asset*

class net of total costs is at least comparable with market performance for similar risk profiles”

4.7 Section 8 – 2018 -19 Annual Report and Accounts

4.7.1 Administering Authorities are required to report in line with the CIPFA Guidance on Preparing the Annual Report, the only issue being that this publication is not due to be published until April 2019 when most Funds will already have closed their books and be well on their way to finalising their accounts. Whilst per the regulations the Annual Report does not need to be finalised until December the audit cannot be signed off without it, which means in reality it has to be available in June. Simply put the guidance is too late for application in this reporting period.

4.7.2 Detailed information on reporting requirements should not be included within the draft guidance. It is enough to state that CIPFA guidance should be followed – adding further detail of that guidance just means the overall investment pooling guidance could need amending every time the CIPFA guidance changes in future.

5 Conclusion

5.1 Members are asked to agree that a consultation response is provided to MHCLG as set out in section 4 above.

6 Authors:

Nick Orton
Nick_orton@middlesbrough.gov.uk

Fiona Miller
Fiona.miller@bordertocoast.org.uk



BCPP Joint Committee

Date of Meeting: 11th March 2019

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, the Cross Pool Client Working and the Cross Pool Responsible Investment (RI) Group. There have been no meetings of the Infrastructure Group or the Tax Group.
- 1.2 In general the number of meetings of national working groups, established when pooling was first being progressed, and the value from these meetings appears to be diminishing. Any significant items discussed at these meetings would generally be brought to the Joint Committee, as evidenced by the current MHCLG Consultation paper.

2.0 Recommendations:

- 2.1 The Joint Committee is asked to
- note this update report, and
 - consider whether to continue with this report going forward.

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 28th November)*

- LGA (Bob Holloway) updated the group on the following:
 - **Pooling Guidance**– second draft of guidance is with MHCLG. SAB have not seen the guidance. Statutory consultation will include SAB. Secretariat has written the guidance.
 - **Cost cap** – Board agreed a package that has gone to Minister
 - **Infrastructure Day** – feedback was positive
 - **Responsible Investor** – half the pools have not got a policy on RI
 - **Quadrennial valuation** – still being worked on, MHCLG working on a process to get the valuations aligned with other public sector. Transitional or interim valuation – guidance being worked up and but expect 2019 to go ahead.

- Central Government updated the group on the following:
 - **MHCLG** – Guidance for Funds has been drafted, discussing with lawyers and FCA to make sure all in line, hoping to get out by Christmas for consultation to finalise before end March: Consultation period – likely to be short, will need to ensure that it is a proper consultation.

Key headings:

 - Introduction/definitions i.e. pool company, pool governance.
 - structure- setting out requirement of pool assets, requirement to have an FCA regulated operator.
 - Guidance on regular review of services active vs passive. Over the long term, funds should be looking at what they are paying for active is the return being achieved over and above the cost of passive.
 - Governance – needs to be effective in holding the pool company to account, roles of Pension Fund Committees and Boards.
 - RI policy more details – funds need to take into account RI has costs if all have different policies.
 - Holding Pool to account – having proper guidance.
 - Transition and making new investments outside pool – guidance to Funds about how they participate. New investments outside the pool should only be made in limited circumstances.
 - Infrastructure Investments.
 - Reporting.

What's new – definitions, clarity on reporting requirement – focus on Fund's reporting and SAB reporting.

 - Passive Agenda – not mandated, but expected to justify the approach.

- Investments outside of pool – need to implement strategic decisions, default position should be through the pool, can make investments outside the pool where not available in the pool. Also different strategies for different employers.
 - If we want to have 1-2-1 conversation with MHCLG, then would be sensible to do so in the next 2 weeks.
 - Feedback on infrastructure event – nothing new, good to hear Minister; option to run housing event.
 - No more half-yearly updates, wants more data, some areas not giving enough information, possibly more bilateral information requests in the future but could be everyone.
- **HMT** – not in attendance, follow up on illiquid asset structures, e.g. property.
 - **Cabinet Office** – working group around reporting to meet again – guidance on annual CIPFA consultation, feedback to Neil Sellstrom at CIPFA; narrative piece – broad consensus on what might need to be covered, CIPFA were taking on board the need for examples. Contract management of pools.
 - National Frameworks (Nigel Keogh) attended and updated on the following:
 - AGM of founders' group 12/11/18 – headlines: 6 funds in first framework now 92 have used the frameworks, 32 funds have been founders on one or other.
 - 10 frameworks in operation, 65 service providers, 247 contracts awarded, estimated savings 103 years, cost savings £95m estimated. All frameworks are now GDPR compliant.
 - Transition Management – do we need to re-consider? To be discussed in the client group.
 - 3 frameworks due to expire in 2020: actuarial, TPA – monopoly provider, sold one part of the business (Aquila), not a good governance structure, essential to get Heyward's on framework, potential for additional costs as a result of TPR, key is getting Heyward's to play, need to sign up to common Ts&Cs.
 - Stewardship Advisory Services expires in 2020 – need to start work in May 2019.
 - Nigel Keogh leaving frameworks team, Nicola Mark expressed thanks, will be looking at ways to replace.

3.3 *Cross Pool Infrastructure Group*

No meetings have been held.

3.4 *Cross Pool Responsible Investment Group (last meeting 9th January)*

- The group voted a Chair for the group for the next 12 months. Dawn Turner from Brunel Pension Partnership Ltd was elected (a Vice-Chair will be selected at the next meeting of the group).
- Each pool updated the group on recent developments.
- A presentation was received from Pantheon, an asset manager, on Environmental, Social and Corporate Governance (ESG) issues and Impact Investing in Private Markets.
- The group discussed a number of other matters, including: LAPFF membership, class actions and litigation and Scheme Advisory Board RI guidance next steps.
- The LGA are going to overhaul their training this year to ensure that it meets MIFiDII requirements to allow funds to opt up.
- The forward plan for the group was discussed (including a full day training session on the Task Force on Climate-related Financial Disclosures (TCFD) and Reporting requirements).

3.5 *Cross Pool Tax Group*

No meetings have been held.

3.6 *Cross Pool Client Working Group (last meeting 28th November)*

- A presentation was received from the Cabinet Office on procurement and contract monitoring.
- Discussion was had on the contract management of pools.
- The MGCLG Consultation on update guidance was discussed.
- Pools provided updates, specifically covering client engagement resourcing.

4.0 **Conclusion:**

- 4.1 Work and engagement with different agencies continues on a range of matters to ensure the LGPS can secure best value and exercise its collaborative influence wherever appropriate. However, it is becoming apparent that the value from these national working groups is diminishing and

they are meeting less frequently. This is probably to be expected given that the pools become established and identify their own way forward.

4.2 The most significant issue discussed is the consultation and an updated position is covered elsewhere on the agenda.

4.3 Consequently, members of the Joint Committee are asked consider the need to continue with this report.

5.0 Report Author:

Jo Ray

jo.ray@lincolnshire.gov.uk

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