



**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