

## SOUTH YORKSHIRE PENSIONS AUTHORITY

18 January 2018

### Report of the Interim Fund Director

#### POOLING UPDATE

1) Purpose of the Report

To update on the progress of pooling in the Border to Coast Pension Partnership (BCPP Ltd) and related matters.

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2) Recommendation

**That Members note the report and consider the additional budgetary requests referred to therein:**

- 1. A one off increase of £75k requested for implementation set up costs, per partner Authority.**
  - 2. An ongoing share of the £30k budget proposed for the Joint Committee amounting to £2,500 per partner Authority.**
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3) Background information

- 3.1 Certain reports to the BCPP Joint Committee (JC), 16 January 2018, are excluded from the press and public. Three of those, including the latest BCPP project update report are included elsewhere on this agenda, in the private part, for information. These give quite detailed briefings, consequently, this report is kept as brief as possible, commenting on some of the main issues either ongoing from earlier reports or covered in the agenda for the JC, 16 January 2018. Access is available to all the public Joint Committee papers via the link below:

<http://www.southyorks.gov.uk/JAGUHome/BCPP.aspx>

4) Update

4.1 Overall project timeline/progress

No movement reported on the project plan go-live date of June 2018. An increase of £75k per partner Authority has been requested for set up costs. The detail behind this request is addressed in a BCPP project update report elsewhere on the agenda.

4.2 Amendments to the BCPP Board Structure

Members were advised at the last meeting that the JC had agreed the principle of appointing two shareholder directors; with officers being asked to work with the Governance Sub-Group and report back on method of selection and associated issues after taking advice from monitoring officers.

The Chair and Vice Chair of the JC were proposed to attend the Board with full participatory rights, save for formal voting, until such time as shareholder directors were formally appointed.

The above led to a report to the JC 16 January 2018, included elsewhere on this agenda. This addresses proposals to appoint two additional elected member Directors to the BCPP Ltd Board at the request of the Company. The proposal is that these be drawn from elected members of partner funds and that they be remunerated. The report gives further detail on the rationale, proposed appointment process, tenure of appointments, consideration of conflict of interests and proposed remuneration.

#### 4.3 Joint Committee budget

The agenda papers for the JC 16 January 2018 include a proposal to create a budget for the JC to cover expected costs including secretarial services and external advice which may be required from time to time. £30,000 has been proposed for the period from July 2018 to March 2019. It is proposed that this be met from partner funds equally at £2,500 each.

#### 4.4 Executive Recruitment

Members have been notified previously of appointments made for the Chairman, two Non-Executive Directors, CEO and Chief Operating Officer for BCPP Ltd. Of the remaining senior roles, an interim Chief Investment Officer, John Harrison and a permanent Chief Risk Officer, Manda McConnell, will both start in January 2018. BCPP will commence a recruitment exercise for a permanent Chief Investment Officer in the next few weeks and anticipate an appointment later in 2018.

#### 4.5 Staff structure proposal for BCPP

A draft staffing structure was noted by the JC 20 October 2017. Staffing structures are matters for BCPP Ltd however, they are framed in the context of an overall Budget which is subject to agreement by shareholders. It was noted that BCPP's Board would further consider the structure. Further work was requested on benchmarking the proposed salaries and in considering the merits of offering an open or closed LGPS scheme: i.e. whether new appointments would be offered access to the LGPS. It had already been determined that access to the LGPS would not be offered to senior staff above a certain threshold. Further confidential reports have been prepared for the JC, 16 January 2018, setting out BCPP proposals for staffing, criteria for admission to the LGPS and issues arising from LGPS pension deficits including the Admission Authority 'guarantee' referred to below. These are included in the private part of the agenda for information.

#### 4.6 LGPS admission and guarantee

As previously reported, SYPA has agreed to act as the Administering Authority for BCPP Ltd for their employees who are given access to the LGPS as part of their terms and conditions; subject to appropriate arrangements being in place. This is intended to include a guarantee, currently being drawn up, so that SYPA is not placed in a disadvantageous position should BCPP Ltd cease operations or exit the LGPS for any reason. LGPS pension liabilities are expected to accrue within BCPP Ltd and these are intended to be underwritten by all partners. The guarantee

documentation will set out how responsibility for the guarantee will be apportioned between the partner funds.

#### 4.7 SYPA post pooling structure and related matters

The Authority agreed a report at its last meeting, 5 October 2017, addressing post pooling issues and related staffing matters. The advert for the Fund Director closed on 17.11.17 and the final interviews were scheduled for 11 January 2018.

The advert for Head of Pensions Administration closed 4.1.18 with interviews scheduled for 29 January 2018. Timing of the latter aims to allow for some engagement of the newly appointed Fund Director in the recruitment of the Head of Pensions as well as other new posts reported at the last meeting e.g. the Investment Performance Manager.

### 5. Implications

#### 5.1 Financial

As previously reported the transition to pooling will incur additional set up costs and increased ongoing costs over at least the medium term. Monitoring the performance of BCPP and the costs of the service will be a key issue moving forward. Some additional budgetary implications are referenced in this report.

#### 5.2 Legal

SYPA is in a contractual relationship with 11 other partners who form the shareholders of BCPP Ltd. Governance arrangements have been separately reported to the Authority (March 2016) when seeking approval to formalise arrangements with BCPP Ltd.

#### 5.3 Diversity

There are no particular diversity implications.

#### 5.4 Risk

There are a range of risks involved in setting up new arrangements which are being managed by the project team. There is an unquantifiable risk that the Fund might not perform as well under new arrangements.

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Background papers used in the preparation of this report are available for inspection at the offices of the Pensions Authority.