

SOUTH YORKSHIRE PENSIONS AUTHORITY

30 NOVEMBER 2017

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).

2) Recommendation

That Members note the report.

3) Background information

- 3.1 An extract from the latest available project team progress report to the last Joint Committee (JC) on 20th October 2017 is attached at Appendix 1. This is quite a full and lengthy briefing; it includes a sub-appendix on an update submitted to the DCLG by way of a progress report to government. Accordingly the report below is kept as brief as possible. Access to all the public Joint Committee papers is available via the link below:

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

- 3.2 This report was drafted ahead of the next officer group meeting scheduled for 27th November 2017. A verbal update will be given as appropriate.

- 3.3 Members are also reminded that SYPA agreed policy, at the Authority's March 2017 meeting, is to promote Trade Union representation on behalf of scheme members at Pool level in a non-voting, observer capacity.

- 3.4 The Chair and Vice Chair will hold meetings with the Chair of the LPB and Trade Union representatives, ahead of BCPP JC meetings, to consult on the agenda. The next JC is scheduled for 20th January 2018.

- 4) Section 4 below picks out some of the main issues either ongoing from earlier reports or covered in the progress report attached and the agenda of the last JC on 20th October 2017.

4.1 Overall project timeline/progress

No movement reported on the project plan go-live date of June 2018.

4.2 FCA regulatory approval process

The last JC approved the submission of the application to the FCA.

4.3 Asset allocation template

The JC approved the range of investment sub-funds that BCPP will offer to meet the differing investment requirements of the 12 partner funds and to be included in the FCA application.

4.4 Integration of Responsible Investment/ESG

The Joint Committee agreed a policy consistent with that of SYPA.

4.5 Executive Recruitment

Appointments have now been made for the Chairman, two Non-Executive Directors, CEO and Chief Operating Officer for BCPP Ltd. Members have been notified of these separately. Interviews were planned for November for the two remaining senior roles: Chief Investment Officer and Chief Risk Officer. A verbal update will be given at the meeting.

4.6 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 (at a threshold currently set at salaries above £120k).

4.7 Property update: BCPP Ltd Office Accommodation

The last JC noted that the range of properties being considered in central Leeds, near the station, was narrowed to a choice between two. Final decision awaited.

4.8 LGPS admission and guarantee

As previously reported, SYPA has agreed to host the employees of BCPP Ltd 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 by the project team, so that SYPA is not placed in a disadvantageous position. Should BCPP Ltd cease operations for any reason any pension liabilities are intended to be underwritten by all partners.

4.9 MiFID II - Template for opting up to elective professional status

Steps necessary to respond to the implementation of this directive were set out at the last Authority meeting. There will be a further report to the Investment Board in December.

4.10 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 advert for Head of Pensions Administration will be issued in December closing 4.1.18. Timing of the latter allows 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.

4.11 Amendments to the BCPP Board Structure

The JC agreed that the Chief Investment Officer role should not sit on the Board; preferring the role to be accountable to the Board. The JC also agreed the principle of appointing two shareholder directors; 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.

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.

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.