



BCPP Joint Committee

Date of Meeting: 16 January 2018

Report Title: Partner Fund Director Proposals

Report Sponsor: Governance Sub-Group

Report Author: Governance Sub Group Secretary – David Hayward

1.0 Executive Summary:

- 1.1 This report sets out the recommendations of the Governance Sub Group regarding the appointment of additional director(s) to the BCPP Limited Board at the request of the Company.
- 1.2 At the last meeting of the Joint Committee the Governance sub group was asked to meet and consider how the resolution of the Joint Committee could best be implemented. Such a meeting was held and its recommendations are set out in the body of this report.

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 two representatives of the Partner Funds be nominated by the Partner Funds through the operation of the Joint Committee at its next meeting and that those nominations be adopted by the Board of BCCP Limited and appointed as directors subject to the approval of shareholders.
 - 2.1.2 That the directors should be designated Partner Fund Directors and their nominations should be made by the Joint Committee who should adopt an exhaustive ballot procedure to select those nominees.
 - 2.1.3 That the ballot should take place at the next (March) Joint Committee meeting to allow potential candidates to consider their position
 - 2.1.4 That any member of the Joint Committee appointed to the BCPP board should stand down in favour of another representative of their fund such as a deputy or vice chair for the duration of their appointment.
 - 2.1.5 That until the nominations are confirmed the Board be requested to invite the Chair and Vice Chair of the Joint Committee to attend Board meetings as representatives with full participatory rights save for formal voting until such time as Partner Fund Directors are formally appointed.
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3.0 Background:

3.1 At the last joint committee the Chair of BCPP asked the committee to consider the appointment of two additional directors. The Joint Committee agreed to this as an in principle decision and asked its own Governance Sub Group to meet and consider the implications and mechanics of appointing the said directors and who those directors might be. The minute reflecting this is set out in Appendix A to this report and formed the background to the Governance Sub Group's discussion

3.2 The Sub Group met on 4 December and reached the following conclusions:

3.2.1 The number of Directors was set by the Articles as a maximum of 8, at present it is contemplated that BCPP will have 5 in its initial complement, so the number of directors can be increased by the Company within the existing structure and without shareholder approval for change to the Articles being required.

It was noted that the number of 8 directors was introduced to allow some flexibility to meet this particular need and to ensure that if additional directors were required for proper governance of the Company that they could be introduced. There was a particular concern about the manning of the committees required to run the Company.

3.2.2 The Company suggested to the Joint Committee that it would like 2 of the Board is a matter for the Company subject to the shareholders having the right to approve any new Director. The Shareholder Agreement signed by the administering authorities provides that the initial directors (the 5 – Chair, x2 NEDs, CCEO and COO) be subject to 100% approval and subsequent directors be approved by a minimum of 75% of shareholders (9). This was noted by the Sub Group.

3.2.3 The Governance Sub Group first considered the status of the directors/appointees in the light of the three suggestions outlined in the prior resolution. The consensus was that it would be preferable (with certain provisos noted below) that the new directors should enjoy full director status which in turn would enable the nominated individuals to fully participate in the Board and to provide an LGPS input to the strategic direction of the Company. The alternative of attending representatives or observers without votes was not thought to provide the required commitment to the Board and the Company and would lend itself to standing aside and criticising rather than participating and influencing as was thought desirable.

The Sub Group were strongly of the view that any representation on the Board of the Company should be drawn from elected members of the partner funds. It was considered that neither officers nor "LGPS" representatives from outside the pool would meet the requirement to represent the viewpoint of the Partner Funds and the lack of democratic accountability for such persons would be undesirable. It would be a qualification of retaining the directorship that the Partner Fund directors remained elected members of their administering authority.

3.2.4 It was also concluded that the Joint Committee should democratically select candidates to be put forward to the Company. Selection should be by exhaustive ballot and should take place as soon as reasonably practicable. In practice it was felt that this meant that members should have the opportunity to consider their own candidacy and discuss with their administering authorities before committing to seeking selection. This means that the ballot process should be designed to allow selection at the Joint Committee meeting next following this meeting (prospectively March 2018). It was

thought that the Joint Committee should recommend to the Company that each director should serve an initial two year term with extension subject to re-election. Consideration could be given to one director having an initial one year term to avoid coincident retirements from the Board.

The Company would have to produce a role profile for consideration by potential candidates. Such a role profile would cover the requirement to meet CF2 standards. <https://www.fca.org.uk/firms/approved-persons/requirements> The requirements are set out in the FCA handbook:

<https://www.fca.org.uk/firms/approved-persons/requirements>

It is understood that experience of chairing a pensions committee would be likely to provide a sound base for any individual seeking to take on these roles.

3.2.5 The Sub Group considered whether there was a prospective conflict of interest between being a member of the scrutiny body (the Joint Committee) and the strategic direction body of the Company. It concluded that it would be inconsistent for the Partner Fund directors to maintain a position on the Joint Committee and the Board and that accordingly any member of the Joint Committee appointed to the Board should step down from the Joint Committee for the duration of that appointment and that their alternate should attend Joint Committee in their stead. This conclusion was supported by the Monitoring Officer from North Yorkshire Council who attended the meeting to provide regulatory input. It is therefore recommended that any appointment should be subject to agreement on this point.

It would be a matter for funds to determine how any conflicts within their own committees were managed. It is possible that if the performance of the Company were being discussed in a Fund's pension committee that a nominated director would have to stand aside from any decision at that time.

The importance of performing the role of director rather than representative or observer was also noted. It was agreed that the most appropriate reporting route for the Board to the Joint Committee would still be through regular appearances from the Chair (and the CEO) at the JC Meetings. The Partner Fund Directors would however act as liaison with the Joint Committee with a view to providing input into the Board rather than reporting from it. It was also noted that it would not be appropriate for the Partner Fund directors to report back to their own committees about the proceedings of the Board.

3.2.6 Remuneration for the role was also discussed. It would be for the Company to set the level of remuneration (subject to approval of budget by shareholders) but as an indicative figure it was thought that a Director fee of between £10,000 and £15,000 would be appropriate. This sum is not presently included in any budget as the provision has not been finalised.

Conclusion

4.0 The Sub Group recommended that:

- a) that the Board's wish to have two full director appointees designated as Partner Fund Directors should be accommodated



- b) that such appointees should be drawn from the Joint Committee (or potentially other suitably qualified members from administering authorities and should be elected by the Joint Committee, nominated to the Company and be subject to shareholder approval of the individuals
- c) that an election by means of exhaustive ballot should take place at the next joint committee meeting

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Further Information and Background Documents: N/A

