

## **Pension Fund Committee**

**5 June 2017**

## **Investment Pooling Update**



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### **Report of John Hewitt, Corporate Director, Resources**

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#### **Purpose of the Report**

- 1 To update the Committee on progress towards investment pooling and to ask the Committee to confirm that the Chair will represent the Council on behalf of the Pension Fund on matters relating to the Border to Coast Pensions Partnership.

#### **Background**

- 2 The Border to Coast Pensions Partnership (BCPP) is a group comprising the following Pension Funds which was set up to meet the Government's requirement for Local Government Pension Funds to invest their assets collectively to achieve greater economies of scale:
  - Bedfordshire Pension Fund
  - Cumbria Pension Fund
  - Durham Pension Fund
  - East Riding Pension Fund
  - Lincolnshire Pension Fund
  - North Yorkshire Pension Fund
  - Northumberland Pension Fund
  - South Yorkshire Pension Fund
  - Surrey Pension Fund
  - Teesside Pension Fund
  - Tyne and Wear Pension Fund
  - Warwickshire Pension Fund
- 3 As reported to the 7 March 2017 Pension Fund Committee, the County Council agreed at its meeting on 22 February 2017 to enter into the necessary legal agreements to allow it to become a member of BCPP and to adopt its arrangements. This included agreeing to
  - enter into the Inter-Authority Agreement between the Council and the Administering Authorities of the other Pool Funds

- enter into the Shareholder Agreement between the Council and the Administering Authorities of the other Pool Funds and Border to Coast Pensions Partnership Limited.
- the Articles of Association to be adopted by Border to Coast Pensions Partnership Limited;
- the establishment of the Border to Coast Pensions Partnership Joint Committee as a formal Joint Committee under section 102 of the Local Government Act 1972 of in accordance with and to carry out the functions as set out in the Inter-Authority Agreement;
- approve the subscription by the Durham County Council Pension Fund of 1 Class A voting share in the asset management company, Border to Coast Pensions Partnership Limited;
- nominate the Chair of the Pensions Committee or such other person determined by the Pensions Committee from time to time to vote this shareholding;
- approve the subscription by the Durham County Council Pension Fund for such number of Class B non-voting shares in the Border to Coast Pensions Partnership Limited as shall be necessary to ensure that the Council contributes by way of equity one twelfth of the minimum regulatory capital requirement of the company as determined in by the requirements of the Financial Conduct Authority;
- appoint the Chair of the Pensions Committee or such other person determined by the Pensions Committee from time to time to represent the Council on behalf of the Fund at the Border to Coast Pensions Partnership Joint Committee meetings;
- make the consequential changes required to the Constitution to reflect these new arrangements;
- authorise the Corporate Director Resources in consultation with the Monitoring Officer to finalise the approval and execution, where required, of all legal documents necessary to give effect to the above decisions.

### **Progress in establishing Border to Coast Pensions Partnership**

- 4 At the time of writing this report final versions of the inter-authority agreement and the shareholder agreement were being prepared for circulation and execution by the Partner Funds in BCPP. The final versions are expected to be ready prior to the first Joint Committee meeting (due to be held on 6 June 2017).
- 5 A project team comprising officers from some of the BCPP partner funds has been provided with access to office facilities at Northallerton by North Yorkshire County Council and has continued to work with advisers on:
  - Sourcing a Leeds-based property for the new company.
  - Proposing recommendations for terms and conditions for staff in the new company, including what pension scheme(s) to provide for staff.
  - Developing the operating model for the new company, taking into account the investment sub-funds that will be available for Partner Funds to invest

in, and the need for the company to obtain and retain approval from the Financial Conduct Authority (FCA).

- 6 A recruitment process is underway – initially to appoint the (non-executive) Chair and Chief Executive of BCPP Limited, followed by appointments of two further non-executive directors and appointments of a Chief Investment Officer and a Chief Operating Officer.
- 7 Initial information-sharing meetings have been held with staff at the three internally-managed Funds to ensure a consistent message is being given about issues relating to the establishment of the company.

### **Representation on the Joint Committee**

- 8 The 22 February 2017 Council meeting confirmed that the Pension Fund Committee would be able to determine whether the Chair or one of its other members should represent the Council on the behalf of the Council on BCPP's Joint Committee and vote the Council's shareholding in BCPP Limited.

### **Recommendation**

- 9 That the Committee notes the report and confirms that:
  - a) The Chair of the Pension Fund Committee will represent the Council on behalf of the Pension Fund on the Joint Committee, having previously represented the Pension Fund on the Member Steering Group (the informal group set up prior to the establishment of the Joint Committee); and
  - b) The Chair of the Pension Fund Committee will also vote the Council's shareholding as necessary.

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