

County Council Meeting – 21 March 2023

REPORT OF THE SURREY PENSION FUND COMMITTEE

Elected Members:

- * Nick Harrison (Chairman)
- * David Harmer
- * Trefor Hogg (Vice-Chairman)
- * George Potter
- * Richard Tear
- * Robert Hughes

Co-opted Members:

- * Robert King, Borough & Districts
- * Borough Councillor Steve Williams, Borough & Districts
- * Kelvin Menon, Employers
Philip Walker, Employees

* = Present

CHANGES TO BORDER TO COAST PENSION PARTNERSHIP GOVERNANCE

1. A review of the governance of Border to Coast Pension Partnership (BCPP) has been undertaken to understand whether there are any changes that may be recommended for consideration by Partner Funds (as customers and shareholders) and the BCPP Board.
2. On 16 December 2022, the Committee considered a report that made the case for Surrey County Council to officially endorse proposed changes to governance resulting from this review¹. The report also proposed that future decisions in respect of BCPP matters be delegated to the Pension Fund Committee and Shareholder representative where appropriate.

¹ A proposed change to the Articles of Association post-date the Pension Fund Committee of 16 December 2022. This relates to the removal of the restriction on paying dividends on the B Shares (Article 27.1). This is an issue because a preclusion on paying dividends is deemed by the Financial Conduct Authority to be regarded as a cap, which is not permissible for the shares to be considered for regulatory CERT 1 purposes (their intended purpose in the capital structure). However, notwithstanding a removal of this Article, this does not create a compulsion to pay any dividends on the B shares and this would remain subject to BCPP Board recommendation and shareholder approval. This change is not therefore intended to alter the current position that the B Shares remain as non-dividend paying, as per Partner Fund intention at inception. Additionally, the B Shares are allocated equally between the Partner Funds so any dividends, should they be paid, would be payable equally between the Partner Funds. This proposed change is advised by BCPP lawyers (Eversheds Sutherland) and lawyers for the partner funds of BCPP (Squire Pattern Boggs) are satisfied that we can agree the proposed change. The Chairman and Vice-Chairman of the Surrey Pension Fund Committee have been consulted and support this proposed change.

The Committee **COMMEND** the County Council to:

1. Approve the proposed changes to the Stakeholder agreement, Articles of Association and Inter Authority Agreement.
2. Approve for all future decisions in respect of BCPP matters to be delegated in the following way:
 - a) Inter authority agreement matters (BCPP Joint Committee) – to the Surrey Pension Fund Committee;
 - b) Articles of Association and shareholder agreement matters – to the shareholder representative (the Section 151 officer or their delegate, in consultation with the Chairman of the Surrey Pension Fund Committee).
3. Approve for authority be delegated to the Section 151 officer and the Monitoring Officer in consultation with the Chairman of the Surrey Pension Fund Committee to update the Council's Constitution to reflect the above approvals and to approve for execution by the Council the final versions of any documents necessary to put these decisions into effect.

Nick Harrison
Chairman of the Surrey Pension Fund Committee
16 December 2022