

Teesside Pension Fund Committee ~~(to replace Teesside Pension Fund and Investment Panel)~~

Role and Delegated Functions

The Pension Fund Committee's principal aim is to carry out the functions of Middlesbrough Council as the Scheme Manager and Administering Authority for the Teesside Pension Fund in accordance with Local Government Pension Scheme and any other relevant legislation.

In its role as the administering authority, Middlesbrough Council owes fiduciary duties to the employers and members of the Teesside Pension Fund and must not compromise this with its own particular interests. Consequently this fiduciary duty is a responsibility of the Pension Fund Committee and its members must not compromise this with their own individual interests.

The Pension Fund Committee will have the following specific roles and functions, taking account of advice from the Chief Finance Officer and the Fund's professional advisers:

- a) Ensuring the Teesside Pension Fund is managed and pension payments are made in compliance with the extant Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs requirements for UK registered pension schemes and all other relevant statutory provisions.
- b) Ensuring robust risk management arrangements are in place.
- c) Ensuring the Council operates with due regard and in the spirit of all relevant statutory and non-statutory best practice guidance in relation to its management of the Teesside Pension Fund.
- d) Determining the Pension Fund's aims and objectives, strategies, statutory compliance statements, policies and procedures for the overall management of the Fund, including in relation to the following areas:
 - i) Governance ~~Strategy~~ – approving the Fund's Governance ~~Policy and Compliance Statement~~ Strategy for the Fund within the framework as determined by Middlesbrough Council and making recommendations to Middlesbrough Council about any changes to that framework.
 - ii) Funding Strategy – approving the Fund's Funding Strategy Statement including ongoing monitoring and management of the liabilities, ensuring appropriate funding plans are in place for all employers in the Fund, overseeing the triennial valuation and interim valuations, and working with the actuary in determining the appropriate level of employer contributions for each employer.
 - iii) Investment Strategy - approving the Fund's Investment Strategy Statement ~~and Compliance Statement~~ including setting investment

targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite after taking advice from Border to Coast Pension Partnership.

iv) Conflicts of Interest Policy - approving the Fund's Conflict of Interest Policy setting out the approach to identifying, monitoring and managing actual, potential and perceived conflicts of interest in relation to the scheme.

iii)v) Training Strategy - approving the Fund's Training Strategy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.

iv)vi) Administration Strategy – approving the Fund's Administration Strategy determining how the Council will the administer the Fund including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.

v)vii) Communications Strategy – approving the Fund's Communication Strategy, determining the methods of communications with the various stakeholders including scheme members and employers.

vi)viii) Discretions – determining how the various administering authority discretions are operated for the Fund.

e) Monitoring the implementation of these policies and strategies on an ongoing basis.

f) In relation to the Borders to Coast Pension Partnership; the Asset Pooling Collaboration arrangements:

i) Monitoring of the performance of the Borders to Coast Asset Pooling Collaboration ~~and its Operator and~~ recommending actions to the Joint Committee, The Mayor or his Nominee (in his role as the nominated person to exercise Shareholder rights and responsibilities), Officers Groups or BCPP Ltd, as appropriate.

ii) Undertake the role of Authority in relation to the Inter Authority Agreement, including but not limited to:

- Requesting variations to the Inter Authority Agreement
- Withdrawing from the Inter Authority Agreement.
- ~~Appointing Middlesbrough Council officers to the Officer Operations Group.~~

g) Considering the Fund's financial statements and the Fund's annual report.

- h) Selection, appointment, dismissal and monitoring of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, ~~fund managers~~, lawyers, pension funds administrator, independent professional advisers and AVC provider.
- i) Liaison with internal and external audit, including providing recommendations in relation to areas to be covered in audit plans, considering audit reports and ensuring appropriate changes are made following receipt of audit findings
- j) Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.
- k) Agreeing the terms and payment of bulk transfers into and out of the Fund.
- l) Agreeing Pension Fund business plans and monitoring progress against them.
- ~~m) Agreeing the Fund's Knowledge and Skills Policy for all Pension Fund Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.~~
- ~~n)m)~~ Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.
- ~~o)n)~~ Receiving ongoing reports from the Chief Finance Officer, the ~~Head of Investments and Treasury Management~~ LGPS Senior Officer and other relevant officers in relation to delegated functions.

No matters relating to Middlesbrough Council's responsibilities as an employer participating within the Teesside Pension Fund are delegated to the Pension Fund Committee.

Composition

(a) *Membership*

The Teesside Pension Fund Committee will be composed of 15 members. Its membership will include:

- i) Nine Councillors of Middlesbrough Council, determined by the Council.
- ii) One Councillor from each of Hartlepool Borough Council, Stockton Borough Council and Redcar & Cleveland Borough Council.

- iii) One representative of the other Scheme Employers in the Teesside Pension Fund appointed in accordance with procedures agreed by the Chief Finance Officer and Monitoring Officer.
- iv) Two representatives of the scheme members of the Teesside Pension Fund, appointed in accordance with procedures agreed by the Chief Finance Officer and Monitoring Officer.

Named substitutes are permitted providing they satisfy the knowledge and skills policy of the pension fund.

(b) *Term of office*

- i) The representative members (for other scheme employers and scheme members) are appointed for a period of no more than six years and may be reappointed for further terms.
- ii) Councilors of the participating Councils will have a term of office to the next ordinary local government election following their appointment. They may be reappointed for further terms.

(c) *Quorum.*

A meeting of the Pension Fund Committee shall only be quorate when a third of members are present:

- ~~i) At least eight members are present, and~~
- ~~ii) At least five of the members present are Councillors of Middlesbrough Council.~~

(d) *Voting*

Voting Rights are held by all members including the scheme member representatives ~~as long as they are not employees of Middlesbrough Council~~

(e) *Chairing the Committee.*

- i) Only a Councilor of Middlesbrough Council may be the Chair.
- ii) The Chair will be elected annually by members of Middlesbrough Council.
- iii) The Vice Chair will be decided annually by members of Middlesbrough Council ~~the Teesside Pension Fund Committee.~~

(f) *Procedure Rules*

The Council's Rules of Procedure, Codes and Protocols will apply to this Committee in the same way as they apply to other Committees unless different provision is made in this article.

Members of the Teesside Pension Board shall be permitted to attend Pension Fund Committee meetings, including exempt items.

(g) *Knowledge and Skills Requirements*

Members of the Committee will be obliged to adhere to the Fund's Knowledge and Skills Policy, including attendance at training events.

(h) *Location*

The Pension Fund Committee may occasionally meet outside of Middlesbrough Council area.

Officers

The Committee may delegate a limited range of its functions to one or more officers of the Authority.

The Pension Fund Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pension Fund Committee.

OFFICERS' DELEGATIONS

<u>LGPS Senior Officer</u>Chief Finance Officer and Head of Investments and Treasury Management
The day to day management and administration of Teesside Pension Fund matters including ensuring arrangements for investments of assets and administration of contributions and benefits, excluding matters delegated to the Teesside Pension Fund Committee.

OTHER DELEGATIONS RELATING TO BORDERS TO COAST ASSET POOLING COLLABORATION

At its meeting on the 15th February 2017, Middlesbrough Council approved its participation, acting as the Administering Authority for the Teesside Pension Fund, in the Border to Coast Pension Partnership Pooling Arrangement as the Council's approach to pooling investments in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the Guidance on

Preparing and Maintaining an Investment Strategy. The following are responsibilities delegated relating to this participation (in addition to those mentioned in part (f) of the Teesside Pension Fund Committee responsibilities above).

The ~~Mayor~~ Chief Finance Officer (who is the Section 151 Officer) (or whomever he decides to nominate)

The nominated person to exercise the Council's rights as a shareholder in BCCP Limited and be its representative at shareholder meetings, on behalf of the Teesside Pension Fund. The responsibilities are as set out in the Shareholders Agreement, Articles, Inter Authority Agreement and any other agreements entered into and include, but are not limited to the following :

- a) to serve a written notice on the Board of the Company to cease to be a Shareholder in the Company
- b) to vote on matters, including the reserved matters in Schedule 1 of the Shareholder Agreement as replicated below:

Reserved Matters

PART A – Matters for approval by all of the Shareholders (unanimous consent required)

- 1. subject to FCA rules, extend the activities of the Company outside the scope of the Business or close down any operation of the Business;
- 2. subject to FCA rules, give any guarantee or indemnity outside the ordinary course of the Business to secure the liabilities of any person or assume the obligations of any person (other than a wholly owned subsidiary) (e.g. guaranteeing a lease that does not relate to the Business of the Company);
- 3. subject to FCA rules, enter into or vary any contracts or arrangements with any of the Shareholders or directors (other than service agreements and letters of appointment as directors) or any person with whom any shareholder or director is connected (whether as director, consultant, shareholder or otherwise) (e.g. any contract which could give preferential rights to a specific shareholder);
- 4. enter into any agreement not in the ordinary course of the Business and/or which is not on an arm's length basis;
- 5. enter into or vary any agreement for the provision of consultancy, management or other services by any person which will, or is likely to result in, the Company being managed otherwise than by its directors;
- 6. change the name of the Company;
- 7. pass a resolution or present a petition to wind up the Company or apply for an administration order or any order having similar effect in a different jurisdiction in relation to the Company unless in any case the Company is at the relevant time unable to pay its debts within the meaning of section 123 Insolvency Act 1986;
- 8. reduce or cancel any share capital of the Company, purchase its own shares, hold any shares in treasury, allot or agree to allot, whether actually or contingently, any of the share capital of the Company or any security of the Company convertible into share capital, grant any options or other rights to subscribe for or to convert any security into shares of the Company or alter the classification of any part of the share capital of the Company (in each

case other than as expressly permitted by this Agreement and/or the Articles where no prior consent shall be required including, without limitation, pursuant to either clause 4 (Finance & Regulatory Capital) and/or clause 15 (Consequences of Breach) and/or Article 26 of the Articles (Issue of Shares and Pre-Emption Rights));

9. other than as expressly permitted by this Agreement and/or the Articles, redeem or buy any existing Shares or otherwise reorganise the share capital of the Company;

10. admit any person as a member of the Company or an investor in the BCPP pool;

11. enter into any partnership, joint venture or profit sharing arrangement with any person (excluding entering into any investment or investment vehicle);

12. alter any of the provisions of the Articles or any of the rights attaching to the Shares;

13. amalgamate or merge with any other company or business undertaking;

14. sell, lease (as lessor), licence (as licensor), transfer or otherwise dispose of any of its material assets otherwise than in the ordinary course of the Business;

15. the removal and replacement of any Interim Directors, but for the avoidance of doubt not including any subsequent or replacement appointments of any director which shall be made under Part B below;

16. commence, settle or defend any claim, proceedings or other litigation brought by or against BCPP, except (i) in relation to debt collection (not exceeding £500,000) in the ordinary course of the Business and (ii) in relation to any investment related claims or proceedings relevant to the ACS or other collective investment vehicles;

17. take out any third party loan(s) in respect of BCPP which (in aggregate) exceed the sum of £5,000,000;

18. form any subsidiary of BCPP, or acquire any shares in any other company, whether through subscription or transfer, such that the company concerned becomes a subsidiary of BCPP;

19. determine the composition, governance arrangements and limits of authority of any and all subsidiaries of BCPP;

20. approving and adopting a Subsequent Strategic Plan (including the Annual Budget) and/or amending any such Plan; and

21. make any capitalisation, repayment or other distribution of any amount standing to the credit of any reserve of the Company or pay or declare any dividend or other distribution to the Shareholders save that no consent will be required to pay the B Share Dividend.

PART B – Matters for approval by a Shareholder Majority only

1. enter into or materially vary any licence or other similar agreement relating to intellectual property to be licenced to or by the Company which is otherwise than in the ordinary course of the Business;

2. appoint or remove the auditors of the Company;

3. alter the Company's accounting reference date;

4. make any significant change to any of the Company's accounting or reporting practices other than conforming with any changes made to the accounting standards adopted by the Company;

5. approve the annual accounts of the Company;

6. determine the amount of, or any increase in, remuneration payable to any directors from time to time;

7. establish or amend any pension scheme (i.e. for employees of the Company);
8. subject to FCA rules, enter into any agency, distribution or similar agreement which confers or is expressed to confer any element of exclusivity as regards any goods or services the subject of such agreement or as to the area of the agreement or vary such an agreement to include any such exclusivity;
9. incur in any financial year any item or series of items of capital expenditure including finance leases (but excluding operating leases) of more than £5,000,000 (unless provided for in the Initial Strategic Plan or any Subsequent Strategic Plan);
10. enter into or vary any operating lease either as lessor or lessee, of any plant, property or equipment of a duration exceeding 5 years or involving aggregate premium and annual rental payments in excess of £100,000 (unless provided for in the Initial Strategic Plan or any Subsequent Strategic Plan);
11. adoption of (and any amendment of) any written conflicts policy;
12. approval of any conflict or potential conflict of interest any director may have which would preclude him or her from being included in the quorum of any meeting of the directors;
13. appointment of any subsequent director, any alternate director (who is not at the time a director of the Company) and including, for the avoidance of doubt any subsequent Chair in accordance with the Companies Act 2006 or otherwise; and
14. removal of any director and, for the avoidance of doubt, the Chair in accordance with the Companies Act 2006 or otherwise.

Chairman (or Vice Chairman in their absence) of the Teesside Pension Fund Committee

The nominated representative of the Council on behalf of Teesside Pension Fund on the Border to Coast Pension Partnership Joint Committee, noting that the Joint Committee shall not making binding decisions on the matters in the Terms of Reference of the Joint Committee but may make recommendations to each Authority to individually determine.

Chief Finance Officer (who is the Section 151 Officer)

- a) The nominated officer to meet and resolve any Deadlock Situation as per Clause ~~10~~11 of the Shareholder Agreement
- b) The nominated officer to consider and resolve any Dispute as per Clause 13 of the Inter Authority Agreement