

Pensions CIV Sectoral Joint Committee

Item no: 4

Board Structure

Report by: Mark Hyde-Harrison **Job title:** Chief Executive

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Summary: Questions were asked at the last PSJC about the process for the appointment of Directors to the Board of the London CIV. This paper sets out the formal agreements as laid out in the Articles of Association and the Shareholder Agreement. In addition, each Director has a individual contract with the London CIV. The note also provides details of the processes actually used for the appointment of the Directors to date and in addition details about their individual Terms of Office.

In addition, if the decision to expand the Board of the London CIV with two individuals from London Local Authorities is adopted then it is proposed that those two new Directors form part of the LCIV Nomination Committee going forward.

Recommendation:

The paper is for noting.

Report on the Board Governance of London CIV

Background

Following discussion at the PSJC it was requested that the London CIV clarify the processes for the appointment and removal of Directors. This report sets out the current status and structure of the London CIV Board, as specified by the interaction of the Shareholder Agreement, the Articles of Association of the London CIV and the individual Director's contracts when appointed.

Current Status

The LCIV Board comprises six non-executive directors (including the Chair) and currently two executive directors (the CEO, COO) plus one vacancy for a CIO. The Articles state that the Board should not be less than five Directors. The Shareholder Agreement states that 'as far as possible the Directors shall comprise 3 Executive Directors and at least 3 Non-Executive Directors'.

Appointment of Directors

- The Articles of Association (AA) state that Directors are appointed by the Board. The Shareholder Agreement ('SA') refers to the Articles.
- The Articles state that the Chairman of the LCIV is appointed by the Board of the LCIV. The SA states that one of the Non-Executive Director shall be appointed Chairman of the Board pursuant to the Articles.
- The contracts with Non-Executive Directors are for an initial three years with a potential extension of a further three years.
- The contract of the Chairman is for an initial four years with a potential extension of a further four years.

Removal of Directors

- The SA permits the removal of any Director by the shareholders under the statutory rights set out in the Companies Act 2006. This would require a resolution passed by a majority of shareholders at a General Meeting of the Shareholders.
- The Articles set out that a Director ceases to be a Director if made bankrupt or reaches an arrangement with Creditors, is banned from being a Director under the Companies Act, or is signed off as medically unfit.
- The Articles state that Directors may resign.
- The contracts of the Chair and Non-Executive Director appointments can be terminated with 3 months written notice by the Board.

Current Board Appointments

The current Board was selected following the process outlined below:-

- The interview panel for the prospective Chair (Lord Kerslake) comprised 3 leaders, Councillors Dombey and O'Neill and John O'Brien.
- The Non-Executive Directors were interviewed by the Chair and interim directors in an open recruitment process managed by Odgers, an executive search firm
- The Executive Directors (CIO, COO) were interviewed by a selection panel following an open recruitment process also managed by Odgers.
- The interim CEO was appointed following an interview process involving Non-executive directors following a search by Odgers.
- In 2017, as the assets under management of LCIV increased, it was recognised that additional non-executive investment expertise was required.
- Accordingly, the Board appointed two additional NEDs in September 2017 following an open selection process. The interview panel included Non-executive and Executive Directors.

Practical appointment of Board Directors:

- Future Directors of the LCIV are proposed by the Nomination Committee of the LCIV.
- It is proposed that the LCIV Board is expanded with at least one or two additional Board members representing the LLA community. These Directors along with the Chairman of the LCIV plus one other to ensure Diversity would form the Nomination Committee.
- In appointing the next Chairman of the LCIV it is proposed that the Nomination Committee of the LCIV chaired by the senior Independent Director undertakes initial screening. The final choice from the shortlisted candidates is made by a x-party group of London Leaders representing all the political parties running London Boroughs.

Appendix 1

Relevant Text from the Shareholder Agreement:

- 1.1 The parties agree that the Directors shall be appointed by the Board in accordance with the Articles. At all times the Directors shall comprise at least five (5) Directors. The intention of the Shareholders is that, as far as possible, the Directors shall comprise (3) Executive Directors and at least three (3) Non-

Executive Directors. One of the Executive Directors shall be appointed by the Board as the Chief Executive Officer. One of the Non-Executive Directors shall be appointed by the Board as the Directors' Chairman pursuant to the Articles. The Company, acting through the Directors, shall notify the Shareholders in writing upon the appointment of each Director. The Board will at all times ensure there is a company secretary. The first company secretary shall be Eversecretary Limited. Should any Director, the Chief Executive Officer, the Chairman or the company secretary resign or be removed from their position, the Company shall procure that the Board will replace such officer as soon as reasonably practicable.

Name	Contract Termination Date	Bios
<p>Bob Kerslake Chairman</p>	<p>7 September 2019 (fixed term)</p>	<p>Lord Kerslake was appointed Chair of London CIV in September 2015. In addition to this role, he is Chair of London's King's College Hospital NHS Foundation Trust. Lord Kerslake is President-Elect of the Local Government Association.</p> <p>A former Head of the Civil Service, Lord Kerslake led the Department for Communities and Local Government (DCLG) from 2010 to 2015.</p> <p>Before joining the Civil Service Lord Kerslake received a knighthood for his services to local government, spending eight years serving the London Borough of Hounslow and then a further 11 years leading Sheffield Council.</p>
<p>Mark Hyde-Harrison Interim CEO</p>	<p>11 May 2018 (contract)</p>	<p>Mark Hyde Harrison is the interim Chief Executive Officer of the London CIV since November 2017. Mark has over 30 years' experience in investment management, defined benefit and defined contribution pensions. Mark led the transformation of a top 10 UK pension fund into one of the top pension funds in Europe. He also held positions as Director of Pension Infrastructure Platform and Chair of the National Association of Pension Funds.</p> <p>Mark developed the defined contribution business strategy for a leading global consultancy, Willis Towers Watson and was the Chief Executive Officer of Barclays UK Retirement Fund. Mark has represented the pensions industry at the highest levels of Government in the UK and Europe.</p>

Name	Contract Termination Date	Bios
<p>Brian Lee COO</p>	<p>-</p>	<p>Brian Lee is the Chief Operating Officer and Compliance Officer . Brian is a Chartered Accountant and has been responsible for the management and operation of substantial investment management and fiduciary services businesses including the asset management division of a major bank, a FTSE 250 wealth manager, and a NYSE listed hedge fund and private equity manager.</p> <p>Brian has broad experience in the set up and operation of investment management businesses and has been responsible for the operation and compliance of mainstream and alternative asset class collective investment schemes.</p>
<p>Carolann Dobson Non-executive</p>	<p>28 February 2019 (fixed term)</p>	<p>Mrs. Dobson has over 30 years' experience in investment, pensions and financial markets and has held positions as trustee, chairman and non-executive director for pension schemes and investment trusts. She has a strong understanding of governance matters, with particular regard to investment, and has a strong working knowledge of risk and controls. In her career she has worked as a fund manager, head of research.</p> <p>In her capacity as an independent investment adviser, Mrs. Dobson advises numerous local authority pension scheme in addition to non-executive director appointments for five investment trusts and private sector pension fund appointments. She is Chairman of Nest's ISC.</p>

Name	Contract Termination Date	Bios
Chris Bilsland Non-executive	7 September 2018 (fixed term)	<p>Chris is a non-executive director for London CIV. His experience with the LGPS dates back to 1991 when as the Somerset County Treasurer he was responsible for the Somerset Fund. He previously served as the Chamberlain of London where he was responsible for the finances of an organisation with turnover in excess of £500m p.a. and property and investment assets of over £4bn.</p> <p>Chris has worked in both the public and private sector. He has been an advisor to the LGPS Scheme Advisory Board, was President of CIPFA from 2011/2012 and received the OBE in 2014 for his services to local government finance. In February 2015 he was appointed as the Chair of Lewisham Southwark FE College.</p> <p>Chairs the IOC.</p>
Eric Mackay Non-executive	31 October 2018 (fixed term)	<p>Eric Mackay has over 18 years' experience in investment management, where he has held a number of senior roles in authorised firms. Eric spent fourteen years at F&C Asset Management where he was Chief Risk Officer and in 2013 joined TT International. At TT Eric is a Partner of the firm and Chief Operating Officer.</p> <p>Eric has extensive experience providing oversight and bringing appropriate independent challenge within an investment firm managing over £100bn of assets. He also has a range of other relevant experience, including responsibility for the risk management framework, legal, compliance and operational functions.</p> <p>Chairs the CARCO.</p>

Name	Contract Termination Date	Bios
<p>Linda Selman Non-executive</p>	<p>31 October 2020 (fixed term)</p>	<p>After almost 40 years in financial services, Linda retired in 2016. She is an actuary who has spent almost her entire career in a wide range of investment roles, including managing fixed income and derivative portfolios for a mutual life company where she was ultimately Group Investment Manager.</p> <p>After a period as a client director for a fund management company she spent the later stages of her career as an investment consultant providing advice to pension funds in both the private and public sectors, including London boroughs. She contributed to the research on the establishment of investment pools for the LGPS.</p>
<p>Paul Niven Non-executive</p>	<p>31 October 2020 (fixed term)</p>	<p>Paul is Head of Multi-Asset Investment at BMO Global Asset Management, which manages in excess of £180bn. He has over twenty years of investment experience and is Fund Manager of the FTSE 250 listed Foreign & Colonial Investment Trust, one of the largest Investment Trusts in the UK.</p> <p>Paul has invested across a wide range of traditional and alternative asset classes and has experience across a number of relevant areas including manager and product selection, strategic and tactical asset allocation as well as risk and portfolio management.</p>