

Pensions CIV Sectoral Joint Committee

Item no: 5

Governance

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Date: 14 March 2018

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Summary: Following the Governance Review by Willis Towers Watson the PSJC has debated what changes need to take place in how the London CIV interacts with its Shareholders and Clients. Proposals were made at the PSJC in January around changes to the PSJC, a formation of a smaller shareholder committee and the addition of individuals to the Board of the London CIV. Each London Local Authority was asked to comment on these proposals and the vast majority were in favour of the recommendations. This paper sets out the summary of the consultations responses.

Recommendation:

The shareholder Governance of the London CIV moves to the revised meeting structure of two General Meetings and Quarterly Shareholder Meetings in line with the Terms of Reference and this sectoral joint committee of London Councils is dissolved with the written agreement of all the participating local authorities all being shareholders in the London CIV.

At the next AGM of the London CIV the Chairs, Directors and members would be confirmed.

A consultation with all London Local Authorities on the future governance arrangements as shareholders in the London CIV has been held and many thanks for all those who responded.

The summary of the responses to the Governance Questions is included in annex 1.

In addition representations have been made by the Unions to be included in the LCIV governance arrangements. Following conversations it is recommended that Union representation is made on the Shareholder Committee and that they are able to send a Representative to the General meetings.

Following the consultation it is proposed that:-

Pensions CIV Sectoral Joint Committee

As engagement with shareholders (being all the London local authorities) and the exercise of their shareholder rights in the London CIV are intended to be delivered through the new governance arrangements, set out below, this Pensions CIV Sectoral Joint Committee will be dissolved. In accordance with London Councils' Governing Agreement, under which the sectoral joint committee was established, this will require all the participating London local authorities to give written notice to London Councils that they have agreed to revoke the

delegation of the discharge of the relevant functions to the sectoral joint committee. A separate communication will be sent to all the local authorities to prompt that action before the London CIV AGM on 12th July.

General Meetings

All Shareholders meet twice a year in General Meetings of the London CIV Ltd. In July to approve the Accounts at an AGM and in January to approve the Medium Term Financial Strategy.

This meeting is held under the terms of the London CIV Articles of Association and the Shareholder Agreement. Attached to this paper in Annex 2 is a paper setting out the relevant extracts of those documents as related to Shareholder meetings.

Shareholder Meeting

A quarterly meeting is held of 12 Shareholders (six Treasurers, six Pension Chairs), Chairman of the London CIV and a Union representative. This meeting is only consultative and cannot make decisions, its aim is to promote an effective dialogue between all the main stakeholders. Decision making rests with the Board of the London CIV and the Shareholder General Meetings.

A paper in Annex 3 sets out the Terms of Reference of the Shareholder Meeting, the membership, terms of office and its role.

Next Steps

The AGM of the London CIV is due to be held on the 12th July. At this meeting, the Chairs of the AGM and Shareholders Meeting would be selected. The members of the Shareholders Committee would be nominated. In addition the two new Board Directors of the London CIV would also be confirmed.



LCIV Strategy – Governance Responses to Proposal

March 2018

Common themes:

Broadly Supportive of the New Governance Proposals

Establishment of new shareholders committee welcomed

The IAC should meet quarterly, needs terms of reference

Board appointments restricted to four years

Treasurer on Board with full voting rights

The vast majority of LLAs agree to have two meetings a year with all shareholders and disband the PSJC under the London Councils framework

Over 70% of LLAs agree with formation of a consultative shareholder committee of 12 treasurers and pension chairs

Nearly two thirds of LLAs would like us to invite the Chair of the main shareholder group onto the board of the London CIV and a Treasurer as an observer, most feel the treasurer should have full voting rights.

The majority of LLAs would like the Chair of the main shareholder group to be elected from the shareholders.

Around 40% of LLAs would like the Chair of the shareholder consultative group to be elected by shareholders, whereas 29% would like it to be the Chair of the London CIV, and 26% would like it to be the Chair of the shareholder group.

Over 80% of LLAs would like the London CIV Board to be expanded by a shareholder nominated by all shareholders, with 20% who would rather it be the Chair of the main shareholder group.

Over half of LLAs agreed that the IAC becomes a forum to share ideas and consult, however the ones that disagreed clarified that it should meet every 2-3 months and not 'when appropriate'. It should also have clear terms of reference.

- Almost all LLAs would like to formalise their relationship with LCIV by having a Service Level Agreement in place to set out how we would service and consult with them.
- 80% of LLAs agreed that there should be a responsible investment policy for the Pool which is proposed by the London CIV and agreed by shareholders
- Nearly 90% of LLAs agreed that an individual investment consultation would be useful to help them choose between earlier or later pooling.



Annex 2

London LGPS CIV Limited (the “Company”) Shareholders General Meeting

Objective

1. The objective of this document is to set out in detail those matters that have been reserved for the shareholders and the framework of the Annual General meeting which operates under the Articles of Association and the Shareholders Agreement. This document reflects these agreements but does not override them. The annual general meeting (AGM) is a mandatory yearly gathering of the Company's interested shareholders. The shareholders may meet more frequently at their discretion. At the AGM, the directors of the company present an annual report, which contains information for shareholders about its performance and strategy. Shareholders vote on current issues, such as appointments to the company's board of directors and selection of auditors. If the Shareholders have appointed a Shareholders' Chairman, the Shareholders' Chairman shall chair general meetings. It is expected that the Chairman will be selected after consultation with members.

Shareholders who do not attend the meeting in person may vote by proxy, which can be done online or by mail.

The following items to be discussed at the AGM are as follows;

- Minutes of previous meeting: The minutes of the previous meeting must be presented and approved.
- Financial statements: The company presents its annual budget to the shareholders for approval.

ORGANISATION OF GENERAL MEETINGS

1. NOTICE OF GENERAL MEETINGS

Every notice convening a general meeting shall:

- 1.1 comply with section 325(1) of the 2006 Act as to giving information to shareholders relating to their right to appoint proxies; and
- 1.2 be given in accordance with section 308 of the 2006 Act but shall not be given by means of a website.

2. ATTENDANCE AND SPEAKING AT GENERAL MEETINGS

- 2.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

2.2 A person is able to exercise the right to vote at a general meeting when:

2.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and

2.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

2.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

2.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

2.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

3. **CHAIRING GENERAL MEETINGS**

3.1 If the Shareholders have appointed a Shareholders' Chairman, the Shareholders' Chairman shall chair general meetings if present and willing to do so.

3.2 If the Shareholders have not appointed a Shareholders' Chairman, or if the Shareholders' Chairman is unwilling to chair the meeting or is not present within 30 minutes of the time at which a meeting was due to start, the meeting must appoint a director or shareholder to chair the meeting by simple majority, and the appointment of the chairman of the meeting must be the first business of the meeting.

3.3 The person chairing a meeting in accordance with **Article 3** (Articles of Association) is referred to as "the chairman of the meeting".

4. **ATTENDANCE AND SPEAKING BY DIRECTORS AND NON-SHAREHOLDERS**

4.1 Directors may attend and speak at general meetings, whether or not they are shareholders.

4.2 The chairman of the meeting may permit other persons who are not:

4.2.1 shareholders of the Company, or

4.2.2 otherwise entitled to exercise the rights of shareholders in relation to general meetings, to attend and speak at a general meeting.

5. MINUTES OF MEETINGS

5.1 The Committee Secretary shall minute any significant items of discussion, action points and decisions of all meetings of the Committee, including recording the names of those present and in attendance. Conclusive evidence of the business transacted at each meeting will be recorded in the minutes which will include an up-to-date actions and issues log.

5.2 The Committee Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

5.3 Minutes and action points of Committee meetings shall be circulated promptly to all members of the Committee and will be available for review by the Board.

6. QUORUM AT GENERAL MEETINGS

6.1 No resolution shall be voted on and no other business shall be transacted at any general meeting of the Company unless a quorum is present when such vote is taken or other business is transacted and no resolution or transaction shall be effective unless a quorum is so present.

6.2 A quorum shall consist of one third in number of the shareholders of the Company for the time being present by proxy or by representative.

6.3 If a quorum is not present within half an hour from the time appointed for a general meeting or if, during any general meeting, a quorum ceases to be present, the general meeting shall stand adjourned until such other day and at such other place as the chairman of the meeting may determine (or, if the chairman does not so determine any outstanding business to be discussed at the meeting shall be adjourned to the next general meeting) and if at the adjourned general meeting a quorum is not present within half an hour from the time appointed for the same such adjourned general meeting, the general meeting shall be dissolved.

VOTES OF SHAREHOLDERS

7. VOTING: GENERAL

7.1 A resolution put to the vote of a general meeting must be decided on a show of hands. No resolution shall be decided on a poll.

8. ERRORS AND DISPUTES

8.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

8.2 Any such objection must be referred to the chairman of the meeting, whose decision is final.

9. CONTENT OF PROXY NOTICES

9.1 Proxies may only validly be appointed by a notice in writing (a "proxy notice") which:

9.1.1 states the name and address of the shareholder appointing the proxy;

9.1.2 identifies the person appointed to be that shareholder's proxy and the general meeting in relation to which that person is appointed;

9.1.3 is signed by or on behalf of the shareholder appointing the proxy, or is authenticated in such manner as the directors may determine; and

9.1.4 is delivered to the Company in accordance with these Articles and any instructions contained in the notice of the general meeting to which they relate.

9.2 The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.

9.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

9.4 Unless a proxy notice indicates otherwise, it must be treated as:

9.4.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and

9.4.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

10. DELIVERY OF PROXY NOTICES

10.1 A person who is entitled to attend, speak or vote at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the Company by or on behalf of that person.

10.2 An appointment under a proxy notice may be revoked by delivering to the Company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.

10.3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.

10.4 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

11. **AMENDMENTS TO RESOLUTIONS**

11.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:

11.1.1 notice of the proposed amendment is given to the Company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), and

11.1.2 the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.

11.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:

11.2.1 the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and

11.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

11.3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

12. **WRITTEN RESOLUTIONS**

12.1 A written resolution, proposed in accordance with section 288(3) of the Companies Act 2006, will lapse if it is not passed before the end of the period of 40 days beginning with the circulation date.

12.2 For the purposes of this **Article 54** (Articles of Association) "circulation date" is the date on which copies of the written resolution are sent or submitted to shareholders or, if copies are sent or submitted on different dates, to the first of those dates.

13. **NUMBER OF VOTES**

13.1.1 Subject to any rights or restrictions for the time being attached to any class or classes of Shares, on a written resolution every holder of A Shares has one vote in respect of each A Share held by him and on a show of hands at a general meeting every holder of A Shares entitled to vote and who is present by a representative has one vote.

SCHEDULE

Matters reserved for approval of Shareholders

Unless approved in accordance with the requirements of **clause 4.7** (Shareholders Agreement), the Parties shall procure that the Company does not:

PART A (Requiring unanimous approval of all shareholders)

1. subject to FCA rules, extend the activities of the Company outside the scope of the business or close down any business operation;
2. subject to FCA rules, give any guarantee or indemnity outside the ordinary course of 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) (eg 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 contemplated by this Agreement and/or the Articles including, without limitation, pursuant to **clauses 3 and 9** and Article 26 of the Articles (*Issue of Shares and Pre-Emption Rights*));

9. redeem or buy any shares or otherwise reorganise the share capital of the Company (in each case other than as expressly contemplated by this Agreement and/or the Articles including, without limitation, any redemption of B Shares by the Company pursuant to **clauses 3 and 9** and Article 27 of the Articles (*Rights Attaching to the Shares*), Article 34 of the Articles (*Shareholder Withdrawal*) and Article 35 of the Articles (*Deemed transfers to the Company*);
10. admit any person (other than a London Local Authority) as a member of the Company or an investor in the LGPS;
11. enter into any partnership, joint venture or profit sharing arrangement with any person;
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), license (as licensor), transfer or otherwise dispose of any of its material assets otherwise than in the ordinary course of the business;

PART B (Requiring majority approval of all shareholders)

1. enter into or vary any licence or other similar agreement relating to intellectual property to be licensed to or by the Company which is otherwise than in the ordinary course of 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. establish or amend any pension scheme (i.e. for employees of the Company);
7. remove any Director of the Company in accordance with the Companies Act 2006;
8. 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;
9. 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.

Annex 3

London LGPS CIV Limited (the “Company”) Shareholders Committee: Terms of Reference

Objective

- 1.1. To consult on the strategy, business plan and financial performance of the Company as mandated by the Board of Directors.
- 1.2. Identify, assess, discuss and establish effective solutions to address emerging issues and opportunities facing shareholders which may impact the Company and escalate to the Board as appropriate.
- 1.3. Consult and advise on Company policies such as Responsible Investment and Reporting and Transparency.

2. Membership

- 2.1. Shareholders of the Company in good standing. The Committee membership shall be comprised of six Members and six Treasurers with one being the Chair, the Chair of the London CIV and one trade union representative.
- 2.2. The Committee Chair shall be one of the existing committee members. In the absence of the Committee Chair or a deputy nominated by the Committee Chair (the “**Nominated Deputy**”), the remaining members present shall elect one of themselves to chair the meeting.
- 2.3. The quorum for meetings of the Committee shall be seven members.
- 2.4. No more than one Member and one Treasurer can be from a London Local Authority without direct investments in the London CIV Funds.
- 2.5. London Local Authorities which have Directors on the Board may not be members of the Shareholders Committee.
- 2.6. Appointments to the Committee shall be for two and three year terms split evenly between Members and Treasurers as appointed by the Shareholders at the Annual General Meeting.

3. Attendance at Meetings

- 3.1. Only the Committee Chair (or Nominated Deputy) and Committee members are entitled to be present at a meeting of the Committee. The Committee, at the Committee Chair’s discretion, may invite to attend its meetings, other non-members including Board members, trade union representatives or representatives from within the Company or from appropriate third parties.
- 3.2. An appropriate individual shall be the secretary of the Committee (the “**Committee Secretary**”).

4. Frequency of Meetings

- 4.1. The Committee shall meet quarterly.
- 4.2. Meetings of the Committee shall be summoned by the Committee Secretary at the request of any member of the Committee.

5. Minutes of Meetings

- 5.1. The Secretary shall minute any significant decisions and action points of all meetings of the Committee, including recording the names of those present and in attendance. The minutes will include an up-to-date actions and issues log.
- 5.2. The Committee Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.3. Minutes and action points of Committee meetings shall be circulated promptly to all members of the Committee and will be available for review by the Board.

6. Reporting Procedures

- 7. The Committee Chair shall provide regular reports of the Committee's activities as considered reasonable and necessary to the Board. These reports will also be circulated to the Executive Committee and any other Committee as appropriate to ensure governance of issues and risks.