

Pensions CIV Sectoral Joint Committee (PSJC)

27 May 2015

Minutes of a meeting of the Pensions CIV Sectoral Joint Committee held on Wednesday 27 May 2015 at 10:30am in the Conference Suite, London Councils, 59½ Southwark Street, London SE1 0AL

Present:

City of London	Mark Boleat (Chair)
Barking and Dagenham	-
Barnet	-
Bexley	Cllr John Waters
Brent	-
Camden	Cllr Rishi Madlani
Croydon	-
Ealing	Cllr Yvonne Johnson
Enfield	Cllr Toby Simon
Greenwich	-
Hackney	-
Hammersmith and Fulham	-
Haringey	-
Harrow	Cllr Adam Swersky
Hounslow	Cllr Mukesh Malhotra
Islington	Cllr Richard Greening
Kensington and Chelsea	-
Kingston Upon Thames	Cllr Eric Humphrey
Lambeth	-
Lewisham	Cllr Mark Ingleby
Merton	Cllr Imran Uddin
Newham	Cllr Ted Sparrowhawk (Deputy)
Redbridge	Cllr Elaine Norman
Richmond Upon Thames	-
Southwark	Cllr Fiona Colley
Sutton	-
Tower Hamlets	Cllr Clare Harrison
Waltham Forest	-
Wandsworth	Cllr Maurice Heaster
City of Westminster	Cllr Suhail Rahja

Apologies:

Barnet	Cllr Mark Shooter
Hackney	Cllr Robert Chapman
Hammersmith & Fulham	Cllr Ian Cassidy
Haringey	Cllr Jason Arthur
Greenwich	Cllr Don Austin
Newham	Cllr Forhad Hussain
Sutton	Cllr Sunita Gordon
Richmond-upon-Thames	Cllr Thomas O'Malley

Officers of London Councils were in attendance as was Mr Chris Buss (Chair of the Technical Sub-Group) and Mr Ian Williams (Director of London LGPS CIV Ltd)

1. Declaration of Interests

- 1.1. There were no declarations of interest that were of relevance to this meeting.

2. Apologies for Absence & Notification of Deputies

- 2.1. Apologies and deputies are listed above.

3. Minutes and Matters Arising from the Meeting held on 25 March 2015

- 3.1. The minutes of the PSJC meeting held on the 25 March 2015 were agreed as an accurate record.
- 3.2. It was noted that Hugh Grover had been interviewed and offered the position of Chief Executive of London LGPS CIV Ltd. This was ratified by the company Board on 12 May 2015.
- 3.3. It was noted that a sub-group of the committee (comprised of the Chair, the two Vice-Chairs and Cllr. Toby Simon) met on 30 April 2015 to look at the draft operating budget in more detail. Members were satisfied that the budget was appropriate, but strongly advocated the inclusion of a Remuneration Committee in the company's governance structure, which had now been added.
- 3.4. It was noted that the recruitment of permanent Board members had begun. The Board would be comprised of 3 Executive Directors - CEO, a Chief Operating Officer (COO) and an Investment Oversight Director (IOD), and 3 Non-Executive Directors (NEDs), one of which would be the Chair.
- 3.5. Councillor Johnson highlighted that the Board should be representative of the London community from a diversity perspective, and also proposed that an extra NED be recruited (making 4 NEDs in total). Councillor Greening concurred with the proposal noting that it was good practice to have a majority of NEDs to Executive roles. He felt that the current structure might not be sufficiently robust from a challenge perspective.
- 3.6. **The Committee** agreed to discuss the issue of having an additional NED at the end of the meeting and who the interview panel would comprise of.

4. Programme Overview and Risk Register

- 4.1. The Chair invited the CEO of London LGPS CIV Ltd to introduce the item, which he did, noting that it was agreed at the last meeting that the programme plan and risk register would become standing items for review at each future meeting. The current risk register had been developed under the London Councils' framework and would need to be modified later to be fit for purpose for the CIV once it becomes operational. The following points were noted:

Programme Overview

- 4.2. The Programme had been split into 4 "project" areas, namely: Company establishment, Operator set-up, Fund establishment and Legal documentation.
- 4.3. The 4 currently identified "amber" ratings in the programme plan were as follows:
 - *Recruitment of senior roles* - the roles needed to be in place before the CIV could become operational and this needed to be monitored closely in

case of any potential slippage in the recruitment process which would have knock-on effects to the timetable overall;

- *Finance systems* – the financial system needed to be in place and details need to be finalised;
- *Regulatory application* - this had taken longer to draft than originally anticipated, resulting in some slight slippage. It is now at the final draft stage. Eversheds would be reviewing this the following week, with the aim of getting the application to the FCA within the next fortnight;
- *Project initiation* – this simply reflected that final contract documentation with Northern Trust had still to be completed. It was noted that this was not unusual for this type of contract and was not a cause for concern;

4.4. The two red blocks in the programme plan represented CIV establishment “milestones” (not RAG indicators). The two milestones were the Operator authorisation in late August 2015 and the Fund launch in late September 2015

4.5. It was noted that once the finance system was in place, an invoice for the third instalment of £25,000 would be raised and sent to the boroughs. This money would go into the Company accounts. Members should expect to receive an invoice for the final £25,000 shortly.

Risk Register:

4.6. It was noted that the register represented perceived risks to the establishment of the CIV, and not current “issues”. The two high (red) levels of risk were:

- *Recruitment* – if key positions were not filled within the proposed timescale this would delay FCA authorisation; and
- *Government action* – the risk would be that the Government might decide to take its own actions to reform the LGPS and the viability of the CIV model might be impacted. A meeting was being set up with the new Local Government Minister at DCLG, and the CEO would be meeting departmental officers shortly.

4.7. In discussion, the following points were made:

- i. The CEO confirmed that there was a contingency plan to employ Executive Directors on an interim basis, should long notice periods need to be worked out by the successful applicants. However, there would be cost implications to this.
- ii. It was agreed that a risk would be added to the register covering the possibility that savings will not be delivered to the boroughs. The CEO confirmed that details covering potential borough savings would be sent to them shortly.
- iii. It was decided that a risk would be added to cover the possibility of unexpected costs arising.

4.8. **The Committee** agreed that the risk register would be amended to incorporate the two additional risks (above).

5. Stewardship and Voting

- 5.1. The Chair noted that the report set out the latest thinking and detail about possible voting options that the CIV could employ at its launch.
- 5.2. The CEO highlighted that the CIV's ability to vote would be similar to the position across the boroughs now, ie where investments were in pooled funds, the fund manager would be responsible for implementing their own policy, and the CIV would only have the power to vote where investments were held as segregated accounts.
- 5.3. Councillor Johnson proposed that option "c" be adopted – to *"adopt the voting principles of the LAPFF and consider membership of the CIV"*. This was seconded by Councillor Malhotra
- 5.4. Councillor Rahuja said that the ISS acted as the voting agent on behalf of the City of Westminster. He said that his preferred option would be "b" – *"hire a voting consultant to handle the voting on behalf of the CIV"*, as this would increase the value to shareholders.
- 5.5. **The Committee** discussed the report and after careful consideration resolved to adopt recommendation "c" – *"adopt the voting principles of the LAPFF and consider membership of the CIV"*.

6. London LGPS CIV Ltd Governance Structures

- 6.1. At its meeting of 25 March 2015 the committee received a presentation from Anthony Gaughan (Partner, Deloitte) on the proposed governance structures for London LGPS CIV Ltd. The Committee provided feedback on the proposed structures and that feedback informed further consideration that was used to present refined proposals to the Board of the company at its meeting of 12 May 2015. This report provided the Committee with final proposals for consideration with a view to including them in the regulatory application that will be presented to the Financial Conduct Authority for authorisation.
- 6.2. The committee considered the make-up of the interviewing panels for the exec and non-exec appointments. It was proposed that Mark Boleat would sit on the NED Chair interview panel with two of the current interim company directors (preferably elected members). It was further proposed that the newly recruited NED Chair should be on the panel for the NED interviews, again with two of the current directors.
- 6.3. It was proposed that an extra NED (a third) would be beneficial as it would add experience to the governance structure and a balance towards NEDs rather than execs, which was seen as in line with best practice. The CEO said that having an additional NED would not be a problem, although there would be additional costs associated with this - NEDs were currently being offered £15,000, with the NED Chair being offered £30,000.
- 6.4. For the exec director panel it was agreed that Hugh Grover, as the newly appointed CEO, would be on the panel, with one or two of the current directors.

- 6.5. It was noted that the number of meetings in the committee structure had been reduced, with some committees taking place on the same day. This revised structure would need to be acceptable to the FCA.
- 6.6. There were concerns that the Audit Committee was now only meeting tri-annually, rather than quarterly, as previously proposed. It was agreed that the Audit Committee would meet 4 times in the first year, while the Company was being set-up.
- 6.7. It was noted that it was a requirement of the FCA that the “Risk and Compliance” Committee was separate from the Audit Committee, although both committees would probably be represented by the same people.
- 6.8. **The Committee:**
- Agreed that the Audit Committee would revert back to meeting 4 times a year, rather than 3, whilst the Company was being set-up;
 - Agreed to the proposed governance structures included in the report being adopted by the Company, subject to any changes that were agreed by the PSJC (above).

7. Any Other Business

- 7.1. It was agreed that the next PSJC meeting would now be moved from 29 July 2015 to **Tuesday 21 July 2015**. The meeting would take place at 10.30am to 12.30pm. The first section of the meeting would be the AGM of the Company, where members would be sitting as the shareholders. The second section of the meeting would be the normal business of the day. An email would be sent to members confirming the date change

The meeting closed at 11:40am