



## **BCPP Joint Committee**

**Date of Meeting:** 10 July 2018

**Report Title:** Conduct of Elections for Chair and Vice-Chair of Joint Committee and Nominees for Directorships of Border to Coast Pensions Partnership Limited (“the Company”)

**Report Sponsor:** Governance Sub-Group

**Report Author:** Governance Sub Group Secretary – David Hayward

### **1.0 Executive Summary:**

1.1 This report sets out the procedures to be followed by the Joint Committee in selecting a Chair and Vice Chair of the Committee for the coming year and the nominating of two candidates for approval by the Board of the Company and subsequently by its shareholders.

### **2.0 Recommendation:**

2.1 That Members consider the report and adopt the following recommendations for the reasons set out in detail in this paper.

2.1.1 That the elections should take place in the order and at the time proposed in this paper for the reasons set out herein

2.1.2 That the procedure for elections should be as set out in this report

### **3.0 Background:**

3.1 Joint Committee has previously agreed that it should have a Chair and Vice Chair appointed by agreement amongst the members of the Joint Committee. It was agreed that the appointment should be made annually following any May local government elections and that there should be no restrictions on members seeking to be re-elected for subsequent terms. The role of the Chair is described in the role profile appended to this Report as Appendix 1. The Vice Chair is required to shadow the Chair and to Chair any Joint Committee meetings that the Chair is unable to attend.

3.2 The selection of candidates for the positions for additional Non-Executive Directors on the Company Board has been covered extensively in papers to the previous two Joint Committee meetings. For completeness the role profile for these positions is attached as Appendix 2.

3.3 Details of the candidates for the roles have been supplied with the papers for this meeting. All candidates were required to make themselves known to the Committee

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by submitting a written application form two weeks before the meeting date as previously resolved by Joint Committee..

#### **4.0 Timetable**

4.1 The elections will take place immediately following the close of the meeting and in the following order:

4.1.1 Election of candidates for Non-Executive Director roles

4.1.2 Election of Chair of Joint Committee

4.1.3 Election of Vice Chair of Joint Committee

4.2 Elections are proposed in this order because successful candidates for the Non-Executive Director roles will be ineligible for chairing the Joint Committee as they will have to stand down from that in order to avoid conflicts of interest. The Chair is elected in advance of the Vice Chair as a matter of convenience and to allow unsuccessful candidates for Chair to stand for Vice Chair.

#### **5.0 Elections**

5.1 As previously agreed the election of the Chair and Vice Chair will be undertaken by exhaustive ballot and where there are more than two candidates additional ballots will be held until a winner is determined. In order to win a simple majority of the votes cast in the current ballot will be required. The candidate with the lowest number of votes will be eliminated.

5.2 It is not practical to have an exhaustive ballot for two posts simultaneously - the mechanism simply won't work to provide two clear winners from one ballot. It is therefore suggested that consecutive ballots be held. On this occasion there will be one director appointed for two years and another for one year only. It is therefore proposed that the director for the two year term be selected first and then a second ballot be held for the second position. The problem will not recur as we will in future only elect one director in each year.

#### **Conclusion**

6.0 That the Joint Committee is required to select candidates for the roles stated above and that the procedures and order set out above are appropriate and they should be adopted to conduct said elections at the conclusion of the meeting.

#### **Report Author:**

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#### **Further Information and Background Documents:**

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## Proposed Role Profile for Chair and Vice-Chair

### Overall

- Leading the BCPP Joint Committee to enable it to fulfil its purpose.
- To ensure an effective relationship between:
  - the Joint Committee and BCPP Limited
  - the Joint Committee and the partner funds
  - the Joint Committee and the external stakeholders/community
- Acting as a spokesperson and figurehead as appropriate.
- To supervise and support the Chief Executive and Non-exec Chair of BCPP Limited

### Specifically

- Plan and prepare the BCPP Joint Committee meetings with others as appropriate.
- Chair BCPP Joint Committee meetings ensuring:
  - A balance is struck between time-keeping and space for discussions.
  - Business is dealt with and decisions made.
  - Decisions, actions and deliberations are adequately minuted.
  - The implementation of decisions is clearly assigned and monitored.
- Ensure adequate support and supervision arrangements are made for the management and staff of the pool company.
- Ensure that a successor is found before the term of office finishes.

### Experience and Qualities

- A willingness to lead the partnership.
- A strong background/working knowledge of the LGPS.
- Recent experience of serving on an LGPS Pensions Committee.
- A working knowledge of asset strategy and implementation thereof.
- Possesses tact, diplomacy and powers of persuasion.
- Has the relevant skills and experience to run a meeting well.

### Capacity

- The capacity to commit the time that will be required to undertake this role, including any travel that may be required to undertake duties associated with the role to represent BCPP nationally.

### Role of the Chair

#### 1. Chairing the Joint Committee Meeting

The Chair (or in his/her absence, the Vice-Chair) will be the person presiding over BCPP Joint Committee meetings. The Chair of the BCPP Joint Committee does not have a casting vote.

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## **2. Election of the Chair**

The Chair will be elected by the Joint Committee in accordance with an agreed procedure annually from among the Joint Committee Members and will receive regular briefings by the Chief Executive and Chair of the BCPP Company on current issues. They will also receive direct support from the Chair of the Officer Operations Group.

## **3. Responsibilities of the Chair**

The Chair will have the following responsibilities:

- 3.1 to uphold and promote the purposes of the terms of reference and constitution, and to interpret the constitution when necessary during BCPP Joint Committee meetings;
  - 3.2 to preside over meetings of the BCPP Joint Committee so that its business can be carried out efficiently and with regard to the rights of Members and the interests of the Partner Funds and their employers and members;
  - 3.3 to ensure that the BCPP Joint Committee is a forum for the debate of matters of concern to Partner Funds and their employers and scheme members
  - 3.4 to be the public face of the BCPP Joint Committee and to represent the Partner Funds at wider events as required
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## Appendix 2

### Draft Role Profile

#### Role Profile for Additional Non- Executive Directors

The Company is seeking nominations for two additional Non-Executive Directors.

#### What the Company is seeking

When the concept was first introduced to the Joint Committee the Chris Hitchen said:

“However, it is the view of the Chair of BCPP that direct shareholder involvement in the Board would be invaluable, particularly at this critical stage in the company’s development. Unity of purpose and alignment of interest are vital if BCPP is to win and retain the confidence of its clients and shareholders, and, even more importantly, build a successful long-term-oriented investing institution. A shareholder voice in the Boardroom would greatly mitigate the risk of the Company setting itself at odds, however unintentionally, with stakeholder concerns, and would greatly assist mutual understanding. Shareholder involvement would also mitigate a concern that the Board as currently structured may not have sufficient numbers to populate the necessary committees whilst minimising conflicts of interest.” (Paper to Joint Committee October 2017)

This has since been discussed at successive Joint Committee meeting and officers are presently charged with developing the Role Profile for use in selection of the two additional non-executive directors.

#### Process

The process which selection will follow and the stages are as follows:

1. Nominations will be sought from Partner Funds through the Joint Committee. The criteria are that:
    - The nominee be an elected representative
    - The nominee be a fit and proper person in terms of FCA requirement
    - The nominee be able to commit a reasonable amount of time to the performance of the Director role
    - The nominee has the agreement of their “home” Council
  2. The Joint Committee will select two candidates by a vote at their July Committee Meeting by exhaustive ballot.
  3. Those nominees will be put to the Board and the Board will vote to accept their nomination.
  4. The Shareholders will then be asked to approve the nominees by way of formal consent pursuant to the Shareholder Agreement. As these are additional directors at least 75% of the Funds must approve the nomination.
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## **The Commitment**

At present the Board is meeting most months in person and allowance is made for telephone meetings where urgent matters are under consideration. The full meetings usually last about 5 hours and meetings of the Remuneration and Nomination and the Audit and Risk Committee are usually held (alternately) on the same day. Telephone meetings are shorter and are held to deal with urgent business.

From May it is intended that all meetings in person be held in the Company's office in Leeds.

Papers are circulated a week before the meeting and some reading time is required.

## **Qualifications**

The Role will be classified as a CF2 (Controlled Function) Non-Executive Director by the FCA. This requires an application for approval to FCA for approval which is usually done on papers. The following is extracted from the FCA Handbook as at May 2017:

*Approved persons have to:*

- *meet and abide by the rules of our fit and proper test*
- *comply with the Statements of Principle and the Code of Practice*
- *report anything that could affect their ongoing suitability to us and the authorised firm via Form D (PDF)*

## **Statements of Principle and Code of Practice**

*These are the standards of behaviour we expect of approved persons. The code of practice outlines the behaviour that, in the regulators' opinion, will or will not meet a statement of principle.*

*An approved person:*

- *must act with integrity in carrying out their controlled function*
  - *must act with due skill, care and diligence in carrying out their controlled function*
  - *must observe proper standards of market conduct in carrying out their controlled function*
  - *must deal with all regulators in an open and co-operative way and must disclose appropriately any information of which we or Prudential Regulation Authority would reasonably expect notice*
  - *performing a significant influence function (SIF) must take reasonable steps to ensure that the business of the firm for which they are responsible in their controlled function is organised so that it can be controlled effectively*
  - *performing a SIF must exercise due skill, care and diligence in managing the business of the firm for which they are responsible in their controlled function*
  - *performing a SIF must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function complies with the relevant requirements and standards of the regulatory system.*
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The Company has sought advice from its advisors on the suitability of members of the Joint Committee to perform these roles and have been advised that a reasonably experienced Chair of a Pension Committee should meet the requirement of the FCA.

Shareholder Directors would enjoy the benefit of the Company's Directors and Officers Insurance policy to cover them for any liabilities incurred as a result of becoming a director. The cover does not extend to personal dishonesty or criminal liabilities.

### **The Role**

It is emphasised that individuals will sit as directors of the Company and provide expert input as such based on their personal knowledge and experience. They are not holding office as representatives of individual funds and will be expected to act in their view of the best interests of the Company.

Reporting back to the Joint Committee will generally be undertaken by the Chair and CEO. The Directors will be asked to stand down from the Joint Committee for the period of the term of office. Funds will be able to send an alternate to Joint Committee.



## **Shareholder Director Role Profile (Based on NED Role Profile used for initial recruitment)**

### **Core Purpose**

- Challenging and contributing to the development of strategy, performance and the management of risk with Border to Coast.

### **Primary Responsibilities**

- Provide the necessary support and guidance to the executive team.
- Provide an independent oversight and scrutiny of Border to Coast
- Provide insight to the Board on the workings of Local Government and LGPS Funds with particular regard to ethos and governance
- Provide a breadth of experience and specialist knowledge to the Board
- Support the Chair and the executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond

### **Detailed Role Specification**

- Provide a view of Border to Coast and its operations, removed from the day-to-day running of the business from the perspective of shareholders and pension fund members
  - To assist the Chair and CEO in their reporting to Joint Committee and the Partner Funds generally
  - Challenge and contribute to the development of the strategy of Border to Coast
  - Draw on wider experience, in public office and in particular in participating on the governance of LGPS Pension Funds, to provide Border to Coast with a breadth of understanding of its clients and of LGPS investment generally
  - Use specialist knowledge to input to decision making processes
  - Scrutinise the performance of the Board and other management in meeting objectives, including monitoring financial controls and risk management systems
  - Support management in developing a suitable succession plan
  - Commit to building a full understanding of Border to Coast, especially in those areas of the business with a significant level of risk
  - Provide insight into various stakeholder needs and ensure these are addressed at Board level
  - To promote a culture of responsible investment and stewardship throughout the organisation
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## Requirements<sup>1</sup>

- Elected member of the Pensions Committee (or equivalent) of an Administering Authority of one of the Partner Funds
- Demonstrable experience of working on pension committee of a partner fund
- Understanding of requirements of pooling and in particular the development of the pooling project by DCLG and Treasury
- Excellent inter-personal and communication skills
- Excellent understanding of working across multiple stakeholders
- Awareness of all of Border to Coast's clients and their particular needs (understanding of LGPS investment requirements).
- Ability to satisfy fitness and properness test for Approved Person (and, in future, Senior Manager or Certified Person) status and to continue to satisfy test and comply with FCA Statements of Principle for Approved Person (and, in future, FCA Conduct Rules).

## Commitment

- The candidate will be expected to attend (within reason) all meetings of Border to Coast's board. At present these occur on a six weekly cycle with occasional "telephone" boards. In steady state the Board will meet [6] times a year. The meetings will usually be held at the Leeds office once established.
- To attend, if invited, Board Committees. These will usually be held on the same day and location as Board Meetings.
- To attend the annual general meeting of Border to Coast.
- The Shareholder Directors will be appointed for a term of two years and with a maximum of one renewal of term. It is possible that one initial appointment will be for one year to avoid both directors retiring at once.

## Remuneration

- To be determined in the range of £10-15,000 pa subject to budget approval by Partner Funds

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<sup>1</sup> Successful candidates will be required to step down from the Joint Committee for the period of their membership of the Board.

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