



**Terms of Reference
With-Profits Committee**

**Last updated
26 September 2018**

1.0 Objective

- 1.1 The With-Profits Committee is responsible for acting in an advisory capacity to inform the decision making of the Managing Board on the way in which the with-profits business is managed and a means by which the interests of with-profits policyholders are appropriately considered, in particular whether this is reflected in or compliant with the Principles and Practices of Financial Management (PPFM). It should address issues affecting with-profits policyholders as a whole or as separately identifiable groups rather than dealing with individual with-profits policyholders or taking management decisions relating to the with-profits business.

2.0 Composition

- 2.1 The members of the Committee shall be appointed by the Managing Board, having consulted with the With-Profits Actuary (WPA). Membership of the Committee shall consist of at least three members of the Managing Board and include at least two non-executive directors. In addition, there may be one or more non-director members of this Committee. Any non-director will be independent of Police Mutual.
- 2.2 Any person appointed as a member of the With-Profits Committee must have the appropriate skills, knowledge and experience to perform, or contribute to, as appropriate, the role of the With-Profits Committee.
- 2.3 The Managing Board will appoint the Chair of the Committee.
- 2.4 In the absence of the Committee Chair, the remaining members present shall elect one of their number to chair the meeting.
- 2.5 The Company Secretary, or their nominee, shall be the secretary of the Committee.
- 2.6 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as members of the Actuarial function together with other relevant persons may attend meetings at the invitation of the Committee Chair as and when appropriate. Other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.7 The With-Profits Actuary will be invited to attend all meetings of the Committee either in person, by telephone or video conference.
- 2.8 Attendees are not members of the Committee and they may be collectively or individually requested to withdraw from meetings of the Committee if required to do so by the Chair of the Committee.
- 2.9 The Chair of the Committee is responsible, supported by the Company Secretary, for agreeing and setting agenda items and for challenging the level of detail and format of Committee submissions. Matters reported should be summarised in a way which allows the Committee members to understand any key issues.

3.0 Meetings

3.1 Quorum

- 3.1.1 The quorum necessary for the transaction of business shall be at least half the number and no less than two members present in person or in communication with each other by telephone or video conference. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. . To count in the quorum a person who is in communication with the others by telephone or video conference must be able to hear fully, and participate in, the proceedings.

3.1.2 Questions arising at a meeting of the Committee will be decided by a majority of votes and (in the event of a tie) the Chair of the meeting will have a second or casting vote unless the issue is material in which case it should be escalated to the Managing Board for a decision in line with the escalation requirements in section 5.0 of these terms of reference.

3.2 **Frequency**

3.2.1 The Committee will meet no less than four times in one calendar year. Additional ad-hoc/event-driven meetings may be convened by the Company Secretary at the request of any member of the Committee, the Company Secretary or the With-Profits Actuary.

3.2.2 Outside of formal meetings, the Committee Chair will work and liaise as necessary with key individuals involved in the Police Mutual Group's governance, including the Chair of the Managing Board, the Chief Executive, the Chief Actuary, the With-Profits Actuary and Chief Risk Officer as they consider it necessary.

3.3 **Notice**

3.3.1 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time.

3.3.2 Ad hoc meetings to deal with unexpected or unusual events may be called at short notice. However no acts of any meeting of the Committee shall be invalid merely because less than three days' notice of any meeting was given.

3.3.3 It shall not be necessary to give notice of a meeting of the Committee to a Committee member who is absent from the United Kingdom.

3.4 **Minutes**

3.4.1 The Company Secretary shall keep appropriate records of all meetings with appropriate minutes of the proceedings and resolutions so as to provide evidence that the Committee is discharging its responsibilities.

3.4.2 Committee minutes are to be circulated by the Company Secretary to all members of the Committee and Managing Board. Any member of the Committee of Management can request copies of the records and minutes at any time.

3.5 **Decisions made outside of meetings**

3.5.1 The Committee may reach decisions outside of meetings in writing (invariably by email) at the discretion of the Chair of the Committee, taking into account the materiality and timeliness of the decision required and provided all members of the Committee respond to confirm their approval of the decision. In exercising this authority the Chair must balance the need for urgency with the overriding principle that each Committee member has a right to participate in the decision and has responsibility for the outcome, should be given as much information as possible, the time to consider it properly and an opportunity to discuss the matter prior to the conclusion of a decision.

3.5.2 It shall not be necessary to receive a response for a decision made in writing from a Committee member who is absent from the United Kingdom at the time the decision is concluded through the responses of all other Committee members.

3.5.3 The decision will be valid and effectual as if it had been approved at a meeting of the Committee that had been duly convened and held, on the basis that all those entitled to participate in the decision and responsible for the outcome have had the opportunity to consider the matter and confirm their position.

3.5.4 Unless the Chair of the Committee exercises their discretion otherwise due to time being of the essence, decisions made outside of meetings should be put to members of the Committee with at least 5 clear working days' notice to respond.

3.6 **Record keeping**

3.6.1 Records of all Committee meetings including but not limited to committee packs and minutes will be kept at Alexandra House, Lichfield in hard and soft copy and maintained by the Company Secretary.

3.6.2 A copy of any decisions made outside meetings in writing, any supporting documentation provided and all Committee member responses will be presented to the next formal meeting of the Committee following the decision and noted in the minutes of that meeting as a formal record of the decision.

3.6.3 All Committee records will be retained in perpetuity.

3.7 **Maintaining Terms of Reference**

3.7.1 These terms of reference are reviewed on an annual basis and at any time a change is identified as required. The Committee is responsible for this periodic review and submitting any recommended changes to the Managing Board for approval. The Managing Board or Company Secretary may also recommend changes to the terms of reference at any time.

3.7.2 No changes to the terms of reference may be submitted for approval to the Managing Board without the prior consideration of the Company Secretary in order that any implications for the Delegated Authority Matrix can be assessed and no amendments are made to the standardised aspects of the terms of reference that apply to all sub-committees without the Company Secretary's approval. The Company Secretary is responsible for executing the required changes and presenting the updated version to the Committee for review and to the Managing Board for approval.

3.7.3 The Company Secretary will maintain records of each approved version of the terms of reference for a period of 10 years in line with regulatory requirements for the retention of Governance Map records.

3.8 **Effectiveness & Training**

3.8.1 The Committee shall arrange for periodic reviews of its own effectiveness and recommend any changes it considers necessary to the Managing Board.

3.8.2 The Chair of the Committee is responsible for ensuring Committee members are provided with appropriate and timely training, both in the form of induction arrangements for new Committee members and an ongoing basis for all members.

3.9 **Conflicts of Interest**

3.9.1 Each member of the Committee should consider whether they have any conflicts of interest prior to participating in meetings of the Committee and making decisions regarding the business of the Police Mutual Group. In the event an actual or potential conflict of interest exists the Committee member should discuss the matter with the Committee Chair, if and how the conflict should be managed or mitigated, confirm the conclusion of that discussion at the affected meeting and report the conflict to the Chief Risk Officer in order that it can be recorded in the Conflicts of Interest register.

4.0 Duties

4.1 Allocated duties

4.1.1 The Committee is not a decision making body. The role of the With-Profits Committee is, as relevant, to assess, report on, and provide clear advice and, where appropriate, recommendations to the Managing Board on the following:

- The way in which the Life Fund is managed and whether this is properly reflected in the PPFM.
- Whether Police Mutual is complying with the principles and practices set out in the PPFM.
- The way in which Police Mutual has exercised its discretion in the conduct of its with-profits business.
- Whether Police Mutual has addressed effectively the conflicting rights, interests of expectations of with-profits policyholders and other policyholders or stakeholders including, if applicable, members in a way that is consistent with Principle 6 (treating customers fairly).
- Any other issues which the Managing Board or With-Profits Committee considers with-profits policyholders might reasonably expect the With-Profits Committee to be involved.
- advise on the suitability of candidates proposed for appointment as the WPA
- assess and report to the Managing Board on the performance of the WPA at least annually

4.2 The With-Profits Committee must decide on the specific matters it will consider in order to enable it to carry out its role described in 4.1 above as appropriate to the particular circumstances of the with-profits business and in any event give appropriate consideration to the following non-exhaustive list of specific matters:

- The identification of surplus or excess surplus, the merits of its distribution or retention and the proposed distribution policy.
- How bonus rates, smoothing and, if relevant, market value reductions have been calculated and applied.
- The relevant interests of policyholders with and without guarantees.
- With-profits customer communications such as annual policyholder statements and product literature.
- Significant changes to the risk or investment profile of the with-profits business including the management of material illiquid investments and Police Mutual's obligations in relation to strategic investments.
- The strategy for future sales supported by the assets of the with-profits business and its impact on surplus.
- The impact of any management actions planned or implemented.
- Relevant management information such as customer complaints data (but not necessarily information relating to individual customer complaints).
- The drafting, review, updating of and compliance with run-off plans, court schemes and similar matters.
- The costs incurred in operating the with-profits business.
- Identification and extent of Police Mutual's with-profits business, with particular regard to the considerations as to whether a part of the with-profits business constitutes a separate with-profits fund (sub-fund).
- The use and purpose of, and terms under which, support assets are available to the with-profits business.

5.0 Reporting and Escalation

5.1 Reporting

5.1.1 The With-Profits Committee receives various reports throughout the year although regular reporting includes:

- Payout and capital update
- With-profits product monitoring reporting & customer documentation
- Annual business plan
- Benevolent activity funding
- Complaints
- Projection rates
- Guarantee charges
- Annual bonus rates
- With-Profits Actuary PPFM compliance report & report to with-profits policyholders
- Experience analysis/cancellation experience
- Surrender payouts

5.1.2 In addition, the With-Profits Committee receives ad hoc and event-driven reports on key changes and developments.

5.1.3 The Chair of the Committee shall report its proceedings to the Managing Board.

5.1.4 The Committee shall make whatever recommendations it deems appropriate on any area within its remit where action or improvement is needed.

5.1.5 The Committee may wish to make a statement or report to with-profits policyholders. Police Mutual will facilitate this and annex any such report to its own report on its compliance with PPFM. Any such report must take account of the annual report produced by the With-Profits Actuary on Police Mutual's exercise of discretion.

5.2 Escalation

5.2.1 The Committee will escalate to the Managing Board any decision or action required which is in excess of authority limits allocated to it and any other issue which the Committee deems material and or escalation is required in order for the Managing Board and the Committee of Management to effectively exercise their duties.

5.2.2 If the Managing Board departs from the advice of the Committee on a sufficiently significant issue then the Committee may wish the Managing Board to inform the regulator of this.

6.0 Authority

6.1 The Committee is authorised by the Managing Board, when fulfilment of its duties requires and at the Police Mutual Group's expense, to obtain independent legal or professional advice and secure the attendance of external advisers at its meetings on any matters within its terms of reference. The Committee shall have full authority to commission any reports or surveys it deems necessary to help fulfil its obligations.

6.2 The Committee is authorised to seek any information it requires from any employee of the Police Mutual Group in order to perform its duties.

6.3 The Committee is authorised to call any officer or employee, including the With-Profits Actuary to provide relevant information or input at a meeting of the Committee to assist with its role.

6.4 The Committee shall have access to sufficient resources to carry out its duties, including access to the company secretariat for assistance as required.

6.5 The delegations set out in the duties of the Committee and the duties allocated to other sub-committees are also set out in the Delegated Authority Matrix which provides an aggregated picture of the delegation of authority to all corporate committees and the individuals to which those committees have in turn delegated specific responsibilities.