



# PENSIONS COMMITTEE

---

Thursday, 30 June 2016 at 5.30 p.m.,

Room MP701, 7th Floor, Town Hall, Mulberry Place, 5 Clove Crescent,  
London E14 2BG

## SUPPLEMENTAL AGENDA

**This meeting is open to the public to attend.**

**Contact for further enquiries:**

Nishaat Ismail, Democratic Services.  
1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, E14 2BG  
Tel: 020 7364 4120  
E-mail: [nishaat.ismail@towerhamlets.gov.uk](mailto:nishaat.ismail@towerhamlets.gov.uk)  
Web: <http://www.towerhamlets.gov.uk/committee>

Scan this code for  
an electronic  
agenda:

For further information including the Membership of this body and public information, see the main agenda.

**2. MINUTES OF THE PREVIOUS MEETING(S) (TO FOLLOW)**

**1 - 8**

To confirm as a correct record the minutes of the meeting of the Committee held on 9 March 2016.

# Agenda Item 2

## LONDON BOROUGH OF TOWER HAMLETS

### MINUTES OF THE PENSIONS COMMITTEE

HELD AT 7.00 P.M. ON WEDNESDAY, 9 MARCH 2016

ROOM MP702, 7TH FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE  
CRESCENT, LONDON E14 2BG

#### Members Present:

Councillor Andrew Cregan (Chair)  
Councillor Clare Harrisson (Vice-Chair)  
Councillor Candida Ronald

#### Admitted Bodies, Non-Voting Members

Kehinde Akintunde

#### Others Present:

Raymond Haines	– Independent Investment Adviser
Alex Bark	– GMO
Tommy Garvey	– GMO

#### Apologies:

Councillor Abdul Mukit MBE  
Councillor Harun Miah  
Tony Childs  
Kevin Miles (Chief Accountant)

#### Officers Present:

Bola Tobun	– (Investments and Treasury Manager, Resources)
Ngozi Adedeji	– (Team Leader Housing Services, Legal Services, Law Probity & Governance)
Anant Dodia	– (Pensions Manager)
Zena Cooke	– Corporate Director of Resources
Charles Yankiah	– (Democratic Services)
Seye Aina	– (Democratic Services)

#### 1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No declarations of disclosable pecuniary interests were made.

#### 2. MINUTES OF THE PREVIOUS MEETING(S)

The unrestricted minutes of the Pensions Committee held on 25 November 2015 were approved as a correct record of proceedings.

### **3. PETITIONS**

No petitions were received relating to matters which the Committee is responsible.

### **4. VARIATION TO THE ORDER OF BUSINESS**

The Chair moved and it was

#### **RESOLVED**

That the order of business be varied to enable the Committee to first consider agenda items 5.6, 5.7 and item 4 and then move into a closed session.

Thereafter the Committee- returned to an open session to consider agenda items 5.1, 5.2, 5.3, 5.4, 5.5, 5.8, 6 and 7 as detailed in the agenda.

### **5. REPORTS FOR CONSIDERATION**

#### **5.1 Market Update**

Mr Haines, Investment Adviser to the Pensions Committee presented a verbal report providing a summary of market conditions. The Committee noted as follows:

- The fourth quarter of 2015 was one of recovery from an indifferent third quarter which had been adversely affected by a mini-China crisis.
- The outlook is one of continuing growth in the US and UK, improving Europe and slowing in China. Consumer and business confidence has held up reasonably well to date, but financial market turmoil, and increasing anxiety over the EU referendum vote, may hit first half economic activity. Full year forecasts are moving towards 2.0% from 2¼%.
- In equity markets a palpable shift has occurred over Developed Market growth and heightened fears that there are developing signs of financial market distress. In this environment and with so many uncertainties, recession probability has risen and will likely continue to do so.
- 2016 will be a challenging year for investors and asset allocation. There is a need to monitor foreign exchange reserves.
- Mr Haines expressed the view that the caution expressed at previous meetings was understated, however on the central assumption of modest growth and benign inflation, but not deflation this should provide a positive outcome for equity from here, albeit with a fair risk of more volatility.
- Mr Haines was of the opinion that the effect of the EU referendum on the markets will not be dissimilar to the Scottish referendum and there is likely to be no volatility.

## **RESOLVED**

That The verbal update be noted.

### **5.2 Pension Fund Managers Investment Performance Review for Quarter End 31 December 2015**

Ms Tobun, Investment and Treasury Manager presented the report which informed Members of the performance of the fund and its investments for the quarter ending 31 December 2015.

The Committee noted the following:

The fund is behind its benchmark for the last 12 months to the end of December 2015, the fund returned 2.9% and is behind the benchmark by 1.1%.

For this quarter 5 out of the 8 mandates matched or achieved returns above the benchmark. The fund performance lagged behind due to poor returns from GMO, Schroder and Investec.

The fund is still in line with its long term strategic equity asset allocation and the distribution of the fund's asset amongst the different asset classes is broadly in line with the strategic benchmark weight. An outline of the discussions may be summarised as follows:

The charts setting out the pension fund performance, returns in the last 3 years and management structure.

The Committee was advised that GMO had not performed as well as the other Fund Managers and that is why GMO are meeting with the Committee in order to provide additional information.

## **RESOLVED**

1. That the report be noted.
2. That it be noted that Schroder is underperforming. Officers are instructed to arrange a meeting with the Fund Managers and report back at a future meeting.
3. The Committee noted that GMO are on a performance related fee. Officers are instructed to consider a similar arrangement with Schroder and report back at a future meeting.

### **7. EXCLUSION OF PRESS AND PUBLIC**

The Chair moved and it was

**RESOLVED**

that press and public be excluded from this section of the meeting in that under the provisions of section 100A of the Local Government Act 1972 as amended by the Local Government (Access to Information) Act 1985, the press and public should be excluded from the remainder of the meeting for the consideration of Section Two business on the grounds that it contains information defined as exempt in Part 1, of Schedule 12A of the Local Government Act 1972, which relates to information which is commercially, legally or personally sensitive and should not be divulged to third parties.

**6. 7.1 Restricted Pensions Committee Minutes**

The minutes of the meeting held on 25 November 2015 were considered in closed session. **7.2 Update on Fixed Income Investment**

The Committee discussed this matter which involved commercially and legally sensitive information in closed session.

On the conclusion of this discussion, the Chair

**RESOLVED**

**6.1** to end the closed session and returned to an open meeting.

**7. 4. Presentation from Fund Managers - GMO**

Mr Alex Bark and Mr Tommy Garvey of GMO presented a verbal report and provided the Committee with a presentation booklet on the London Borough of Tower Hamlets Pension Fund and Global all country allocation strategy.

They introduced themselves giving a background of their career and experience. Mr Bark is the lead on client relationship and business development in London and Mr Garvey is a member of GMO's Asset Allocation team.

GMO advised as follows:

GMO had not met the benchmark and that there had been issues which affected the performance of the fund.

Tower Hamlets portfolio has outperformed MSCI Value, but value has underperformed growth and also the set benchmark.

GMO continue to firmly believe that value wins over time and the best relative returns for investors have typically followed periods of underperformance. Tower Hamlets portfolio is positioned to benefit from such mean reversion.

GMO retains full conviction in its ability to deliver and Tower Hamlets performance-based fee structure means that you are paying a reduced fee until performance is brought back into positive territory.

Last year GMO :

- had a disaster with Valiant and a success with Amazon. We have learnt from our experience and now would not invest in such businesses.
- Was early into emerging markets and others in our peer group do not have as much exposure to emerging markets.

The 7-year global equity forecast is that the emerging markets will deliver 9 - 10 5 points? ahead of inflation. As value managers GMO prefers a predictable market.

GMO is unable to give a timescale for a turn-around but believe that, in the long run, value investment works and we will deliver in future. GMO believes that, as a partnership our interests are aligned with those of Tower Hamlets LGPS .

## **RESOLVED**

1. That the presentation and booklet be noted.
2. That it be noted that GMO will continue to keep officers updated on performance.

## **8. EXCLUSION OF PRESS AND PUBLIC**

The Chair moved and it was resolved that press and public be excluded from this section of the meeting in that under the provisions of section 100A of the Local Government Act 1972 as amended by the Local Government (Access to Information) Act 1985, the press and public should be excluded from the remainder of the meeting for the consideration of Section Two business on the grounds that it contains information defined as exempt in Part 1, of Schedule 12A of the Local Government Act 1972, which relates to information which is commercially, legally or personally sensitive and should not be divulged to third parties.

## **9. CLOSED MEETING**

1. The Chair held a closed meeting to consider commercially, legally or personally sensitive matters.
2. On conclusion of discussions concerning the exempt minutes and the update on fixed income investment, the Chair resolved to end the closed session and returned to an open meeting.

## **10. EXEMPT MINUTES**

- 10.1** The exempt minutes of the Pensions Committee held on 25 November 2015 was considered in a closed session since the matters were considered as commercially, legally or personally sensitive.
- 10.2** Amendments to the exempt minutes were received and noted.

**11. UPDATE ON FIXED INCOME INVESTMENT – EXEMPT REPORT**

This report was considered in closed session since the matters discussed were considered as commercially, legally or personally sensitive.

**12. REPORTS FOR CONSIDERATION**

**12.1 QUARTERLY REPORT - KEY PENSION ADMINISTRATION PERFORMANCE INDICATORS: OCTOBER 2015 TO DECEMBER 2015**

Mr Dodia, Pensions Manager, presented the report which provided the Committee with quarterly monitoring information on the performance of the pensions administration service relating to key performance indicators in the period October to December 2015.

**RESOLVED**

1. That the report be noted.
2. The Officers agreed to continue to keep the Committee updated by providing a quarterly report. The Officers were advised to review the format of the report in order to present a clearer analysis of the key performance indicators and to enable the Committee to assess the impact on members of the pension scheme.

**12.2 THE PENSIONS REGULATOR CODE OF PRACTICE FOR PUBLIC SECTOR PENSIONS**

Ms Tobun, Investment and Treasury Manager presented the report informing the Committee of the policy issued by the Pension Regulator concerning compliance and enforcement of its code of practice for the management of the public sector pension schemes. The report provided an analysis of the Tower Hamlets compliance checklist setting out the areas of full, partial or non-compliance and also highlighting actions being taken to improve current practices.

**RESOLVED**

1. That the report be noted.
2. That a pension working group is set up to review the areas of non-compliance.
3. Once the risk register is set up this will be a standing item on the agenda.

4. A dedicated website is required to resolve some of the non-compliance issues and if necessary instructed officers can consider alternative IT options.

### **12.3 TRAINING AND DEVELOPMENT POLICY AND CIPFA GUIDANCE**

Ms Tobun, Investment and Treasury Manager presented the report informing the Committee on the updated training and development policy for the London Borough of Tower Hamlets Pension Fund, which now includes the new CIPFA guidance.

#### **RESOLVED**

1. That the report be noted.
2. The Committee approved the updated training and development policy.
3. The Committee acknowledged there was a need for Pension Committee and Pension Board members to attend the training. It was also acknowledged that it was important that Members are given sufficient notice of the training dates and that consideration is also given to their other meeting commitments.

### **12.4 PENSIONS COMMITTEE WORK PLAN FOR 2016/17**

Ms Tobun, Investment and Treasury Manager presented the report outlining the work plan of the Council's statutory function as the administering authority of the London Borough of Tower Hamlets Pension Fund.

#### **RESOLVED**

1. That the report be noted.
2. The Committee approved the work plan for 2016/17.
3. It was agreed that going forward the work plan should incorporate additional standing items such as risk registers and compliance.

### **12.5 COUNCIL RESPONSES TO GOVERNMENT INVESTMENT REFORM CRITERIA & GUIDANCE AND THE CONSULTATION ON THE REFORMATION OF INVESTMENT REGULATIONS**

Ms Tobun, Investment and Treasury Manager presented the report with information on the Government reform for investments, pooling investments and the criteria and guidance in relation to these. Tower Hamlets has been involved in the establishment of the London Collective Investment Vehicle (CIV) and is already participating in in a pooled vehicle. Detailed proposals for

pooling are required by 15 July 2016 and plans are being made to prepare a submission by this date.

**RESOLVED**

1. That the report be noted.
2. The Investment Reform Criteria and Guidance and a response to the proposals submitted 19 February be noted.
3. The consultation on Investment Regulations and a response to the proposals submitted 19 February be noted.

**10.5 COLLABORATION WORK UPDATE – NATIONAL LGPS PROCUREMENT FRAMEWORK AND LONDON CIV**

Ms Tobun, Investment and Treasury Manager presented the report with an update on the progress of the Collective Investment Vehicle and the National Local Government Pension Scheme (LGPS).

**RESOLVED**

1. That the report be noted.
2. The agreed to fund participation in the re-letting of the National LGPS Procurement Framework.
3. Noted the progress made of the National LGPS Procurement Framework for Actuaries and Benefits Consultancy Services, the Investment Consultancy Services and the implementation and fund launch of the CIV.
4. The Committee would like a presentation from the CIV fund management section.

**11 ANY OTHER BUSINESS CONSIDERED TO BE URGENT**

- 11.1** It was agreed that officers should provide the Committee with information or analysis on the likely impact of the European Referendum and also any available information of action plans of other Local Authorities.
- 11.2** It was agreed to circulate to the Pension Board members the decisions of the Pension Committee.

The meeting ended at 10.00 PM

Chair, Councillor Andrew Cregan  
Pensions Committee