

**LONDON BOROUGH OF TOWER HAMLETS**

**MINUTES OF THE PENSIONS COMMITTEE**

**HELD AT 6.30 P.M. ON THURSDAY, 28 NOVEMBER 2019**

**COMMITTEE ROOM ONE - TOWN HALL MULBERRY PLACE**

**Members Present:**

Councillor Kyrsten Perry (Chair)  
Councillor Rachel Blake (Vice-Chair)  
Councillor Mohammed Ahbab Hossain  
Councillor Eve McQuillan  
Councillor Ayas Miah  
Councillor Abdal Ullah  
Councillor Andrew Wood

**Apologies:**

John Jones – Chair of Pension Board  
Kehinde Akintunde – GMB Union Representative

**Others Present:**

Colin Robertson	Independent Advisor
Hemal Popat	Mercers
Jack Bladon	Schroders
Pedro Moura	Schroders
Steve Turner	Mercers

**Officers Present:**

David Knight	Principle Committee Services Officer
Kevin Bartle	Interim Divisional Director Finance Procurement & Audit
Miriam Adams	Interim Pension & Investment Manager
Neville Murton	Acting Corporate Director of Resources
Ngozi Adedeji	Team Leader Housing – Legal Services
Rushena Miah	Committee Services Officer

**1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST**

Declarations were made by Ngozi Adedeji and Neville Murton with regards to item number 9.2.

**2. MINUTES OF THE MEETING HELD ON 24TH SEPTEMBER, 2019**

Councillor Blake raised a point of accuracy with regards to the minutes. She said the first and second bullet point on page 14 of the agenda and reports

pack should be reworded to say a discussion took place on the decarbonisation approach and that it should have been clarified that the decarbonisation approach outlined was one view of a consultant and a decision had not been made on an exclusionary approach. It was suggested the minute should be redrafted to provide the following information: what is the approach? what is the view of the consultants? and what was agreed at the meeting. Miriam Adams and Kevin Miles agreed to draft a paragraph to correct the minutes and share with the chair for approval.

**RESOLVED:**

1. The minutes of the meeting held on 24 September 2019 we approved as an accurate record subject to the above amendment.

**3. PETITIONS**

None

**4. SUBMISSIONS / REFERRALS FROM PENSION BOARD**

A report was tabled from John Jones Chair of the Pensions Board. The note highlighted the key issues that had been considered by the Board at its meeting on 25 November 2019.

**RESOLVED:**

1. To note the Chair of Pensions Board report.

**5. REPORTS FOR CONSIDERATION****5.1 Equity Protection - Presentation and Training**

The Committee received an update from Jack Bladon and Pedro Moura (representatives from Schroders) on the funds equity protection. A presentation booklet was tabled at the meeting.

**5.2 Quarterly Voting and Engagement Update for September 2019****RESOLVED:**

1. The Committee noted the report on Quarterly Voting and Engagement September 2019.

**5.3 Report on Fund Liquidity**

The Committee received the report of Miriam Adams (Interim Pension and Investment Manager) on Fund Liquidity.

The Committee were in agreement to sell Bailey Gifford in order to balance the funds risk portfolio. The Committee instructed finance officers to contact the London CIV on their behalf to initiate the process.

There was a suggestion that the fund could benefit in the long term if it paid out dividends. Officers were asked to contact the CIV to find out if there was an option to do this.

The Committee agreed that the cash flow appendix on page 97 of the pack was useful and requested the document be presented to the Committee on an annual basis including figures on income received.

**ACTIONS:**

1. Senior officers to contact the London CIV to sell Bailey Gifford.
2. Senior officers to contact the London CIV to find out if the fund could pay out dividends.
3. Senior officers to add Pension Fund Cash Flow Forecast to the committee forward plan to be reviewed on an annual basis.

**RESOLVED:**

1. To note the estimated cash flow deficit of £13m from operational activities (Appendix A).
2. Approve the recall of £2m dividend and rental from Schroders into the LBTH Pension Fund bank account to help meet the cost of in-year liabilities.
3. To approve the sale of Ballie Gifford equity investments £11m.

**5.4 Pensions Administration Quarterly update- Quarter End September 2019**

The Committee received the report of Neville Murton (Interim Corporate Director of Resources) and Miriam Adams (Interim Pension Manager), on the Pension Administration Quarterly Update – quarter ending September 2019.

The Committee **RESOLVED** to:

1. Note the contents of the report.
2. Note the identified regulatory breaches to be reported to the Pension Regulator.
3. Agreed to report the regulatory breaches to the Pensions Regulator
4. Note that a detailed remediation plan which has the deadlines for all actions, owners and up to date status will be provided to the Board in February 2020.

**5.5 The Investment Consultancy and Fiduciary Management Market Investigation Order 2019**

The Committee received the report of Neville Murton (Interim Corporate Director of Resources) and Miriam Adams (Interim Pension Manager), on the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

**The Committee RESOLVED:**

1. To note the contents of the report.
2. Consider the example investment consultant objectives
3. Note the legal requirement for trustees of occupational pensions (including the LGPS) to set objectives comes into effect from 10 December 2019
4. To consider the draft strategic objectives in relation to the provision of Investment Consultancy and Fiduciary Management Market Investigation Order 2019.
5. To delegate to the Director of Resources/Section 151 Officer in consultation with the Pension Committee Chair and Vice-Chair authority to agree final strategic objectives.

**6. TRAINING EVENTS**

It was noted that a training needs assessment template had been circulated to Members. Members were encouraged by the Chair to complete the form and return to Miriam Adams.

**RESOLVED:**

1. To send completed training needs form to Miriam Adams.

**7. ANY OTHER BUSINESS CONSIDERED TO BE URGENT**

Nil items

**7.1 Investment and Fund Managers Performance Review for Quarter End September 2019**

The Committee noted the report of Neville Murton (interim corporate director of resources) and Miriam Adams (Interim Pensions Manager), on the Investment and Fund Managers Performance Review for Quarter Ending September 2019.

The Independent Advisor highlighted key points from his quarterly commentary. These included:

- Equity markets have gone up by 23% (S&P 500) and 27% (NASDAQ) so although equity markets were vulnerable the same could be said of other asset classes such as bond markets which appear even less attractive.
- The funds equity weighting should be no greater than the strategic equity benchmark, funds with a cash plus return target such as diversified growth funds can provide a suitable home until other asset classes become more attractive.
- Infrastructure was recommended as an asset class to invest in without delay.
- Baillie Gifford had performed poorly this quarter and was underperforming by its benchmark by 1.5% over the last year and has

continued to underperform. This could be attributed to Ballie Gifford's philosophy for managing the fund which focuses on longer term themes such as technology which results in holding greater growth stocks as opposed to value stocks. This could be a case of waiting out the period of underperformance in the belief that longer term returns would be good, as they have been in the past.

- It should be noted that the London CIV do not offer a 'value' fund and that the LCIV Sustainable Equity Fund has some similarities with the Ballie Gifford equity fund.
- The London CIV appeared to be in crisis and was facing difficulties retaining or attracting suitable staff. The chief investment officer had resigned within weeks of joining the CIV and one of two senior managers was due to depart at the end of 2019. There were also concerns about the quality of monitoring reports which showed a limited ability in being able to look beyond what is being told by managers.

The Committee expressed concern at the report that the London CIV was experiencing a management crisis. The independent advisor advised against any new ventures with the CIV until the management issues had resolved. After meeting with the CIV he reported that they said they would work out the issues within six months however he advised that it should be noted that the CIV was on a 'watch list' due to internal management issues.

The Chair reported that previously the CIV advised that they had a limited demand for and supply of green investment funds but if there was demand they would be able to start research in the area. Since then she had met with Councillor Mark Engleby at Lewisham Council and they had formed a group of councils that would be interested in a green fund. Councillors in the group had received verbal confirmation from CIV officers that they were willing to look into starting a green option. However, given the independent advisors report, the Chair said there appeared to be a mixed signal on the London CIV's capability to manage.

It was advised that it would be best to formally contact the CIV with regards to starting a green fund and await a response. The Chair and Senior Officers to draft a letter to the CIV with regard to an update on a green fund.

**ACTION:**

1. The for Chair and Senior Officers to write to the Chair of the CIV informing them a group of councils are interested in a green fund and a request for options to be presented in the next year.

The Committee **RESOLVED** to:

1. Note the content of the report.
2. Note the independent advisors quarterly commentary report.
3. Note the PIRC reports
4. Note the detailed fund performance by Mercer

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

In view of the contents of items 9.2 on the agenda the Committee agreed to adopt the following motion:

"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 be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government Act, 1972."

**EXEMPT/CONFIDENTIAL SECTION (Pink Papers)**

The exempt committee papers in the agenda will contain information, which is commercially, legally or personally sensitive and should not be divulged to third parties. If you do not wish to retain these papers after the meeting, please hand them to the Committee Officer present.

**9.1 EXEMPT/ CONFIDENTIAL MINUTES**

There were not exempt minutes to review.

**9.2 Report on the Annual Allowance and the treatment of individual pension tax charges**

The Committee received the report of Kevin Bartle (Interim Divisional Director of Finance) on Annual Allowance and the treatment of individual pension tax charges.

**The meeting ended at 9.30 p.m.**

**Chair, Councillor Kyrsten Perry  
Pensions Committee**