

Meeting of the

PENSIONS COMMITTEE

Thursday, 10 June 2010 at 5.30 p.m.

A G E N D A

VENUE
COMMITTEE ROOM C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE

Members:

Deputies (if any):

Chair: Councillor Anwar Khan

Vice – Chair:

1 Vacant Post - Non-Voting Member (Trade Union)

1 Vacant Post - Non-Voting Member (Admitted Body)

Councillor Craig Aston

Councillor Alibor Choudhury

Councillor Shafiqul Haque

Councillor Rabina Khan

Councillor Rania Khan

Councillor Mohammed Abdul Mukit MBE

Councillor Tim Archer, (Designated Deputy representing Councillor Craig Aston)

Councillor David Snowdon, (Designated Deputy representing Councillor Craig Aston)

Councillor Lutfa Begum, (Designated Deputy representing Councillors Anwar Khan, Shafiqul Haque, Alibor Choudhury, Mohammed Abdul Mukit, MBE, Rabina Khan and Rania Khan)

[Note: The quorum for this body is 3 Members].

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact: Daniel Hudson, Democratic Services
Tel: 020 7364 4881, E:mail: daniel.hudson@towerhamlets.gov.uk

LONDON BOROUGH OF TOWER HAMLETS

PENSIONS COMMITTEE

Thursday, 10 June 2010

5.30 p.m.

1. ELECTION OF VICE-CHAIR FOR THE MUNICIPAL YEAR 2010/2011

To receive nominations for the position of Vice- Chair of the Committee for the Municipal Year 2010/2011.

2. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

3. DECLARATIONS OF INTEREST (Pages 1 - 2)

To note any declarations of interest made by Members, including those restricting Members from voting on the questions detailed in Section 106 of the Local Government Finance Act, 1992. See attached note from the Chief Executive.

4. UNRESTRICTED MINUTES (Pages 3 - 4)

To confirm as a correct record of the proceedings the unrestricted minutes of the ordinary meeting of the held on 17th February 2010.

5. DEPUTATIONS & PETITIONS

To receive any deputations or petitions

6. UNRESTRICTED REPORTS FOR CONSIDERATION

6 .1 Pension Committee Terms of Reference, Membership and Quorum (PC/001/011) (Pages 5 - 8)

6 .2 Composition of the Pension Fund Investment Panel (PC/002/011) (Pages 9 - 14)

7. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT

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Agenda Item 3

DECLARATIONS OF INTERESTS - NOTE FROM THE CHIEF EXECUTIVE

This note is guidance only. Members should consult the Council's Code of Conduct for further details. Note: Only Members can decide if they have an interest therefore they must make their own decision. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending at a meeting.

Declaration of interests for Members

Where Members have a personal interest in any business of the authority as described in paragraph 4 of the Council's Code of Conduct (contained in part 5 of the Council's Constitution) then s/he must disclose this personal interest as in accordance with paragraph 5 of the Code. Members must disclose the existence and nature of the interest at the start of the meeting and certainly no later than the commencement of the item or where the interest becomes apparent.

You have a **personal interest** in any business of your authority where it relates to or is likely to affect:

- (a) An interest that you must **register**
- (b) An interest that is not on the register, but where the well-being or financial position of you, members of your family, or people with whom you have a close association, is likely to be affected by the business of your authority more than it would affect the majority of inhabitants of the ward affected by the decision.

Where a personal interest is declared a Member may stay and take part in the debate and decision on that item.

What constitutes a prejudicial interest? - Please refer to paragraph 6 of the adopted Code of Conduct.

Your personal interest will also be a prejudicial interest in a matter if (a), (b) and either (c) or (d) below apply:-

- (a) A member of the public, who knows the relevant facts, would reasonably think that your personal interests are so significant that it is likely to prejudice your judgment of the public interests; AND
- (b) The matter does not fall within one of the exempt categories of decision listed in paragraph 6.2 of the Code; AND EITHER
- (c) The matter affects your financial position or the financial interest of a body with which you are associated; or
- (d) The matter relates to the determination of a licensing or regulatory application

The key points to remember if you have a prejudicial interest in a matter being discussed at a meeting:-

- i. You must declare that you have a prejudicial interest, and the nature of that interest, as soon as that interest becomes apparent to you; and
- ii. You must leave the room for the duration of consideration and decision on the item and not seek to influence the debate or decision unless (iv) below applies; and

- iii. You must not seek to improperly influence a decision in which you have a prejudicial interest.
- iv. If Members of the public are allowed to speak or make representations at the meeting, give evidence or answer questions about the matter, by statutory right or otherwise (e.g. planning or licensing committees), you can declare your prejudicial interest but make representations. However, you must immediately leave the room once you have finished your representations and answered questions (if any). You cannot remain in the meeting or in the public gallery during the debate or decision on the matter.

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 8.35 P.M. ON WEDNESDAY, 17 FEBRUARY 2010

COMMITTEE ROOM C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE

Members Present:

Councillor Rajib Ahmed (Chair)
Councillor Denise Jones
Councillor Fozol Miah
Councillor David Snowdon
Councillor Dr. Emma Jones

Officers Present:

Alan Finch – (Service Head, Corporate Finance, Resources)
Oladapo Shonola – (Chief Financial Strategy Officer, Resources)

Nadir Ahmed – (Democratic Services)

Members of the Public Present:

Frank West – (GMB Union)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received on behalf of Councillors Helal Abbas and Marc Francis.

NOTED

2. DECLARATIONS OF INTEREST

No declarations of interest were made.

3. UNRESTRICTED MINUTES

The Chair **MOVED** and it was

RESOLVED

That the unrestricted minutes of the ordinary meeting of the Pensions Committee held on 19th November 2009 be approved and signed by the Chair, as a correct record of the proceedings.

4. UNRESTRICTED REPORTS FOR CONSIDERATION

4.1 Report of the Investment Panel for Quarter Ending 30th September 2009

After a brief introduction from Alan Finch, Service Head, Corporate Finance, the Chair **MOVED** and it was

RESOLVED

That the contents of the report be noted.

4.2 Proposals for a National Challenge Trust at St Paul's Way Community - admission of support staff to Local Government Pension Scheme

Alan Finch, Service Head, Corporate Finance, in introducing the report, summarised the salient points contained therein.

Responding to a question from Members, Mr Finch clarified that the number of people affected by the proposals would be low as the proposal was only for the admission of the school's support staff, e.g. caretakers and administrative staff, to the Local Government Pensions Scheme.

The Chair then **MOVED** and it was

RESOLVED

That the Corporate Director, Resources be authorised, on receipt of consent from the governing body of St Paul's Way School, to designate non-teaching staff employed by the Trust as persons who are eligible for membership of the Local Government Pension Scheme.

5. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT

There was no other unrestricted business considered to be urgent.

The meeting ended at 8.41 p.m.

Chair, Councillor Rajib Ahmed
Pensions Committee

Agenda Item 6.1

Committee	Date	Classification	Report No.	Agenda Item No.
Pensions Committee	10th June 2010	Unrestricted		
Report of: Service Head, Democratic Services		Title : Pensions Committee Terms of Reference, Membership and Quorum		
Originating Officer(s) : John Williams		Ward(s) affected: N/A		

1. Summary

- 1.1 This report sets out the Terms of Reference, Membership and Quorum of the Pensions Committee for the Municipal Year 2010/11 for Members' information.

2. Recommendation

- 2.1 That the Pensions Committee note its Terms of Reference, Membership and Quorum as set out in Appendix A to this report.

3. Background

- 3.1. At the Annual Council Meeting on 26th May 2010, Members were appointed to the various Committees and Panels established for the new municipal year as set out in the Constitution.
- 3.2 The terms of reference for the Pensions Committee together with the appointed Membership and Quorum thereof are set out in Appendix A.

4. Membership

- 4.1 Council on 26th May 2010 agreed that the Membership of the Committee be expanded from 7 to 9 Members in line with the recommendations of the Constitutional Working Party adopted by Council in April to ensure the proportionality arrangements are upheld.
- 4.2 Council also agreed that one Admitted Body and one Trade Union representative be invited to join the Committee on a non voting basis in line with the recommendations of the Constitutional Working Party . Officers will verbally update Members on the process for appointing to these positions at the meeting.

5. Programme of Meetings

- 5.1 The Council has agreed a programme of meetings for the municipal year. Further meetings of the Pensions Committee are scheduled as follows (start time 7.30 p.m.):

- Thursday 10th June 2010
- Thursday 5th August 2010
- Thursday 18th November 2010;
- Thursday 17th February 2011

4. Comments of the Chief Financial Officer

There are no specific comments arising from the recommendations in the report.

5. Concurrent report of the Assistant Chief Executive (Legal)

The Committee is recommended to note the terms of reference for the current municipal year.

6. Equal Opportunities Implications

There are no specific equalities considerations arising from the recommendation in the report.

7. Anti Poverty Implications

There are no specific anti poverty implications arising from the recommendations in the report.

8. Risk Management Implications

There are no specific risk management implications arising from the recommendations in the report.

9 Sustainable Action for a Greener Environment

There are no specific risk management implications arising from the recommendations in the report.

LOCAL GOVERNMENT ACT, 1972 SECTION 100D (AS AMENDED) LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background paper"	If not supplied Name and telephone
Council's Constitution	Daniel Hudson 4881
Council AGM 26 May 2010 – Report and Decision - Agenda item 11 "Appointment to Committees and Panels of the Council" and Council 26 th May 2010 – Report and Decision - Agenda item 10.1 "Programme of Meetings 2010/11"	

Appendix A

PENSIONS COMMITTEE TERMS OF REFERENCE

Terms of Reference:

- To consider pension matters and meet the obligations and the duties of the Council under the Superannuation Act 1972, and the various statutory requirements in respect of investment matters.

Membership:

Members	Substitutes
7 Members of the Council	Up to three substitutes maybe appointed for each Member

At the Annual General Meeting of the Council held on 20th May 2009 the following appointments were made to the Pensions Committee.

Members	Substitutes
Cllr Anwar Khan (Chair) Cllr Shafiqul Haque (Vice-Chair) Cllr Alibor Choudhury Cllr Mohammed Abdul Mukit, MBE Cllr Rabina Khan Cllr Rania Khan	(Deputy- Cllr Lutfa Begum)
Cllr Craig Aston	(Deputies:- Cllr Tim Archer Cllr David Snowdon)
Non Voting Members	
Trade Union Representative Admitted Body	

The quorum of the Pensions Committee is three Members.

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Agenda Item 6.2

COMMITTEE: Pensions Committee	DATE: 10TH June 2010	CLASSIFICATION: Unrestricted	REPORT NO.	AGENDA NO.
REPORT OF: Corporate Director of Resources ORIGINATING OFFICER(S): Investment Panel	TITLE: Composition of the Pension Fund Investment Panel Ward(s) affected: N/A			

1. SUMMARY

- 1.1. This report informs Members of the current arrangements for the provision of Investment advice to this Committee and recommends that these arrangements continue.

2. RECOMMENDATIONS

- 2.1 Members are recommended to :
- 2.1.1 To establish an Investment Panel.
- 2.1.2 That membership of the Investment Panel comprise:-
- All Members of the Pensions and Accounts Committee or their designated deputies.
 - A Investment Professional as Chair
 - An Independent Financial Advisor
 - The Corporate Director of Resources or nominee
- 2.1.3 Provide that up to two Trade Union representatives (or their designated deputies) as nominated by the Staffside Secretary attend the Investment Panel as observers.
- 2.1.4 To establish terms of reference for the Investment Panel as set out in Appendix 1.

LOCAL GOVERNMENT ACT, 1972 SECTION 100D (AS AMENDED) LIST OF BACKGROUND PAPERS USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"

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of "background papers"

3. BACKGROUND

- 3.1 The Pension Fund Regulations require the Council to establish arrangements for monitoring the investment activities of the professional fund managers and ensuring that proper advice is available on investment issues.
- 3.2 This role is currently undertaken by the Investment Panel the composition and terms of reference of which were established by this Committee on the 28th July 2004.
- 3.3 The terms of reference satisfy the Regulations, which require a formal statement of the responsibilities of the different parties involved in the investment process.

4. THE REGULATIONS

- 4.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 require Councils to invest pension fund cash, which is not immediately required to pay pensions.
- 4.2 The Regulations require that Councils when undertaking such investment take proper advice at reasonable intervals and consider the need for diversification of investments.
- 4.3 The Regulations enable Councils to appoint one or more investment managers but in these circumstances are required: -
 - To take proper advice
 - To consider at least every three months the investments undertaken by the manager.
 - To periodically review the managers appointment
- 4.4 To satisfy the requirement to obtain proper advice the Council has engaged an investment professional to act as chair of the investment panel and a firm of investment consultants to advise on the technical issues.
- 4.5 In addition the Council employs an independent performance measurement service to provide an analysis of individual manager's performance on a quarterly basis.
- 4.6 The Regulations have been supplemented by guidance on best practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in response to the Myners report, an independent review of pension investment, which reported in 2001.
- 4.7 The CIPFA best practice guidance sets out the responsibilities of the different parties involved in the investment process and requires that a periodic review be made of these arrangements and of the performance of the individual parties.

5. CURRENT ARRANGEMENTS

- 5.1 Currently the Council is advised on investment issues by a Investment Panel which holds morning meetings on a quarterly basis and comprises the following members :-

- An independent Chair (Raymond Haines)
 - All Members of the Pensions and Accounts Committee or their designated deputies.
 - An independent advisor (Hymans Robertson & Co.)
 - The Corporate Director of Resources
 - Two observers from the Trade Unions.
- 5.2 The terms of reference of the Investment panel were established by this Committee on the 28th July 2004 and satisfy the requirements of the Regulations.
- 5.3 It should be noted that the Investment Panel is purely advisory and has no executive powers. It advises this Committee on investment issues and this Committee decides on the basis of this advice what action is appropriate.
- 5.4 The terms of reference of the Investment Panel are as set out in Appendix 1.

6. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 6.1. The comments of the Corporate Director of Resources have been incorporated into the report.

7. RISK MANAGEMENT IMPLICATIONS

- 7.1 There is inevitably a relatively high degree of risk associated with investment in financial markets.
- 7.2 The Regulations attempt to mitigate this risk by ensuring that arrangements are in place to monitor the activities of investment managers and proper advice is taken.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 8.1 The legal considerations are set out in Sections 3 and 4 of the report.

9. ANTI-POVERTY IMPLICATIONS

- 9.1 There is no specific anti poverty implications.

10. EQUAL OPPORTUNITIES IMPLICATIONS

- 10.1 There are no equality implications.

11. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 11.1 There are no Sustainable Action for A Greener Environment implications.

APPENDIX 1: INVESTMENT PANEL TERMS OF REFERENCE

The Investment Panel is responsible for monitoring all aspects relating to the investment of the assets of the Scheme. Its specific responsibilities are as follows: -

- The Investment Panel will formally review the Scheme's asset allocation at least every three year's taking account of any changes in the profile of Scheme liabilities and will assess any guidance regarding tolerance of risk. It will recommend changes in asset allocation to the Pensions Committee.
- The Investment Panel will consider and monitor the Quarterly Reports produced by their Investment Managers and independently produced performance measurement reports. The contents and formats of the reports will be specified by the Investment Panel.
- The Investment Panel will formally review annually each manager's mandate, and its adherence to its expected investment process and style. The Investment Panel will ensure that the explicit written mandate of each of the investment managers is consistent with the Scheme's overall objectives and is appropriately defined in terms of performance target, risk parameters and timescale.
- The Investment Panel will consider the need for any changes to the Scheme's investment manager arrangements (e.g. replacement, addition, termination) at least annually and make recommendations to the Pension and Accounts Committee if necessary.
- In the event of a proposed change of managers, the Investment Panel will evaluate the credentials of potential managers and make recommendations to the Pensions Committee
- The Investment Panel will consider the Scheme's approach to social, ethical and environmental issues of investment, corporate governance and shareholder activism and recommend revisions to the Pensions Committee.
- The Investment Panel will review the Scheme's AVC arrangements annually. If it considers a change is appropriate, it will make recommendations to the Pensions Committee.
- The Investment Panel will assess the investment advice from their investment consultant and investment services obtained from other providers (e.g. custodian) at least annually.
- The Investment Panel will consider and conclude the negotiation of formal agreements with managers, custodians and other investment service providers on behalf of the Pensions Committee.
- The Investment Panel is able to take such professional advice, as it considers necessary in order to fulfil its responsibilities.
- The Investment Panel will keep Minutes and other appropriate records of its proceedings, and circulate these minutes to the Pensions Committee.
- The Investment Panel may also carry out any additional tasks delegated to it by the Pensions Committee.

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