

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 7.30 P.M. ON THURSDAY, 15 NOVEMBER 2012

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

Members Present:

Councillor Zenith Rahman (Chair)
Councillor Craig Aston
Councillor Abdal Ullah
Councillor Marc Francis

Admitted Bodies, Non-Voting Members Present:

Frank West - Non-Voting Member (Trade Union) – - Non-Voting Member (Trade Union)
John Gray - Non-Voting Member (Admitted Body) – Non-Voting Member (Admitted Body)

Other Councillors Present:

Officers Present:

Alan Finch – (Interim S151 Officer, Service Head Financial Services, Risk & Accountability, Resources)
Anant Dodia – (Pensions Manager)
Oladapo Shonola – (Chief Financial Strategy Officer, Resources)
Lisa Stone –
Simon Kilbey – (Service Head, Human Resources and Workforce Development)

Antonella Burgio – (Democratic Services)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Motin Uz-Zaman.

2. DECLARATIONS OF INTEREST

No declarations of disclosable pecuniary interests were made.

3. UNRESTRICTED MINUTES

The unrestricted minutes of the Pensions Committee meeting held on 20 September 2012 were approved as a correct record of proceedings.

4. DEPUTATIONS & PETITIONS

Nil items.

5. UNRESTRICTED REPORTS FOR CONSIDERATION

5.1 Annual Pension Fund Report and Statement of Accounts

The Chief Financial Strategy Officer presented the report containing the audited final Pension Fund statement of accounts for 2011/12. The Committee was informed that the fund total asset value and annual statement of accounts had been audited. No material information changes had been found at audit.

RESOLVED

That the following be approved:

- a) 2011/12 final Pension Fund Statement of Accounts;
- b) Pension Fund Annual Report
- c) Funding Strategy Statement;
- d) Statement of Investment Principles.

5.2 Proposed (2014) LGPS Scheme

The Chief Financial Strategy Officer presented the report which informed the Committee of proposed changes to the Local Government Pension Scheme (LGPS) emerging from the Public Service Pensions Bill 2012-13 presently being considered by Parliament.

In discussing the report, the Committee noted the following matters:

- It was not possible to predict how the changes would affect the workforce at present.
- It was anticipated that the option to pay half contribution for half pension benefits would be popular.
- The new scheme was not yet implemented although Government and Unions had given agreement, therefore actuarial calculations based on the new terms might be delayed. This would be factored in.
- The interim actuarial report anticipates a fund reduction of 1%.
- To mitigate the effects of member opting to leave the scheme officers were working on a strategy to build liquidity into the fund using

payments received into the fund and matured investments.
Additionally officers would monitor entry into and exit from the fund.

- There would be implications on the long term value of the fund.

RESOLVED

That the report be noted.

5.3 Report of the Investment Panel

The Chief Financial Strategy Officer presented the report of the Investment Panel for the quarter April – June 2012. He highlighted that:

- Markets had not performed well during the period
- The value of the Fund decreased by 0.5%
- In the period, Fund manager Baillie Gifford had performed well against benchmark

In discussing the report, the Committee noted the following matters:

- In general, the Fund had performed as expected and investments had been diversified to spread risk.
- Other than Schroders and GMO, there were no concerns with fund managers. However all managers' performance would be kept under observation.
- The Investment Panel had interviewed underperforming Fund Managers Schroders and GMO to hear how these would ensure that poor performance would not continue. Additionally a new fee structure had been negotiated with GMO.
- Fund Manager Ruffer underperformed as equities had performed poorly in the quarter. To mitigate the risk, the portfolio had been divided between Ruffer and Baillie Gifford previously.
- Ruffer was looking to reduce exposure to equities.
- It was felt that the present strategy was right for the economic times and the markets. However the Council would keep the matter under review and assess if the present strategy continued to be suitable or would need to be changed.
- It was agreed that the Investment Panel be asked to interview Ruffer and two other absolute return managers

RESOLVED

- 1) That the report be noted

- 2) That the Investment Panel be asked to interview Ruffer and two other absolute return managers at its next meeting

5.4 Workforce Pension Reform: Automatic Enrolment

The Service Head, Human Resources and Workforce Development presented the report which set out the Council's response to the Government's workplace pension reform which initiated phased automatic enrolment into a qualifying pension scheme for most employees. The Council has been given a staging date of 1st March 2013 at which time it will be required to comply with its new duties and offer new employees the opportunity to opt out of auto-enrolment and existing employees the opportunity to opt into the pension scheme.

In discussing the report, the Committee noted that it was an employer's responsibility to contact employees to advise them of the staging date and require employees to respond, therefore any admitted bodies would have to carry out this task for their own workforce where staff were admitted into the Council's pension scheme. It was agreed that a letter be written to admitted bodies reminding them of this new duty.

RESOLVED

- 1) That the report be noted
- 2) That a letter be written to admitted bodies reminding them of this new duty.

6. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT

Nil items.

7. EXCLUSION OF THE PRESS AND PUBLIC

Under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985, the Chair moved that Press and Public be excluded from the remainder of the meeting for the consideration of the Section Two business.

RESOLVED

That press and public be excluded from the meeting during the discussion of Section Two business on the grounds that the items contained information defined as Exempt in Parts 1, 2, 3 and 4 of Schedule 12A to the Local Government, Act 1972". ('information relating to an individual', 'information which may reveal the identity of a person, information relating to the financial or business affairs of a person' and 'information relations to any consultations or negotiations or contemplated consultations or negotiations in connection with any labour related matter arising between the authority , or a Minister of the Crown and employees of, or officer holders under, the authority..').

8. RESTRICTED MINUTES

The restricted minutes of the Pensions Committee meeting held on 20 September 2012 were approved as a correct record.

9. ANY OTHER RESTRICTED BUSINESS CONSIDERED TO BE URGENT

Nil items.

The meeting ended at 8.05 p.m.

Chair, Councillor Zenith Rahman
Pensions Committee