

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 7.00 P.M. ON WEDNESDAY, 19 NOVEMBER 2014

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

Members Present:

Councillor Rajib Ahmed (Chair)
Councillor Andrew Cregan
Councillor Clare Harrison
Councillor Ayas Miah
Councillor Mohammed Mufti Miah
John Gray
Frank West

Non-Voting Member (Admitted Body)
Non-voting Member Representing Trade
Unions

Admitted Bodies, Non-Voting Members Present:

John Gray	– Non-Voting Member (Admitted Body)
Frank West	– Non-voting Member Representing Trade Unions

Others Present:

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Officers Present:

Anant Dodia	– (Pensions Manager)
Chris Holme	– (Acting Corporate Director - Resources)
Kevin Miles	– (Chief Accountant, Resources)
Bola Tobun	– (Investments and Treasury Manager, Resources)
Nishaat Ismail	– (Committee Officer, Democratic Services, Directorate Law Probity and Governance)
Antonella Burgio	– (Democratic Services)

Apologies:

Councillor Shafiqul Haque and Councillor
Harun Miah

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No declarations of disclosable pecuniary interests were made.

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes of the previous meeting held on 17th September 2014 were presented for approval.

Cllr Harrison – noted that information previously requested on the investment strategy and ethical investments strategy had yet to be circulated

RESOLVED:

- That the minutes of 17th September 2014 be approved as a correct record of proceedings.

ACTION BY: Kevin Miles (Chief Accountant) Bola Tobun (Treasury and Investment Manager)

3. PETITIONS

No requests to present petitions were received.

4. REPORTS FOR CONSIDERATION**4.1 Brief overview of roles, responsibilities & statutory documents**

The Treasury and Investment Manager delivered a presentation outlining the different roles involved in the management of a Local Government Pension Scheme (LGPS) fund.

Which include;

- The investments or pensions committee
- The Fund administrator
- The administering authority
- Employers
- Investment managers
- Custodians
- The actuary
- Professional advisers

The presentation explained how the Fund Managers for the London Borough of Tower Hamlets (LBTH) Pension Fund are selected.

The committee were informed that the Fund Manager's strategy statement comes every three years following a tri-annual review. This is to allow a hundred percent representation.

Members were informed that one of the crucial roles under the new LGPS structure is that of fund administrator. For LBTH this role is carried out by the

Acting Corporate Director, ensuring compliance with the statutory rules governing the investment of LGPS assets, including the various policy documents and statements required under the regulations.

Another role the committee were informed about was that of the administering authority; (LBTH) Some of the responsibilities carried out by LBTH as the administering authority are collecting and accounting for employer/employee contributions and transfer values, maintaining an accurate data base, monitoring and managing all aspects of the Fund's performance and managing communication with employers, members and pensioners.

Noted:

- underpinning principles for choice of investments and the managers
- funding strategy statement is revised triennially by the actuary
- the different elements incorporated in the roles and responsibilities

Action - Cllr Harrison requested that a further report be presented at the first meeting of the municipal year

RESOLVED

- that the report be noted.

4.2 LGPS - The structure and Governance Arrangements of the LBTH Pension Fund

John Jones, presented the report on LGPS- The structure and governance arrangements of the LBTH Pension Fund.

The Committee were informed about the proposed changes to the structure and governance arrangements of Local Government Pension Schemes. New structures and terminologies will be introduced. This will introduce new duties and responsibilities on local authorities as well as new bodies at a national level.

Members were informed, the most significant change will be the establishment of the Pensions Board.

The Pension Board must consist of an equal number of employer and member representatives with the draft regulations requiring that there be a minimum number of four in total.

The committee was told those with membership on the Pensions Board, must display knowledge and understanding of pensions and investments and training would be a requirement.

The Pensions Board must be up and running by 1st April 2015- which means the council has to make the necessary arrangements before this date.

The new structures that must be in place:

- Scheme advisory board

- Scheme Manager (the Council)
- Pensions Board (mirrors private sector practice, review function)

The Committee were informed that membership of the Pensions Board must consist of employers and councillors who are not members of the Pensions Committee but are required to have understanding and knowledge of pension and others nominated by Council which may be equal in number but not exceed the number of employer members

A number of issues surrounding the establishment of the Pensions Board was highlighted:

- Conflicts of interest
- Role of board and its interaction with Pens Cttee
- Knowledge, understanding and capacity to undertake duties
- Board must be established by 1 April 2015
- Size / membership / recruitment
- Recommend Council delegate work to establish Board to Officers in consultation with Chair
- DCLG amenable to proposal for joint boards

Members requested;

- To see collaboration proposals before giving view. Especially interested in reporting and accountability matters.
- Clarity on proposed size and makeup.

And more information on;

- Breadth of employee representation.
- How selection will be decided

Members highlighted that composition must be sufficient to manage potential conflicts and ensure expertise.

RESOLVED

- That the Members approve recommendations to full Council and establish a working group.
- Cllrs, Clare Harrisson, Ayas Miah and John Gray to work with the Acting Corporate Director on the proposals.

4.3 Investment Performance Review for Quarter End 30 September 2014

The Investment and Treasury Manager presented the Investment Performance Review for Quarter End 30 September 2014 informing the Committee about the performance of the Fund and its investment managers for the quarter ending 30th September 2014.

The Members were told about the recent economic performance in the UK, Europe, USA and the East, highlighting the UK economy's position.

The Members were told, this quarter, Japanese equities stood out however sterling returns were lower.

UK and European markets performed badly with low returns and are lagging behind global equity markets.

For the quarter end 30th September 2014, the Fund performance was below the benchmark over the quarter, this was due to the poor performance and low returns from fund managers Baillie Gifford Global Equities, GMO and Schroder.

Members were also informed that had matured from the GMO and Legal and General portfolios were being held as cash funds awaiting market development to determine where best future investment opportunities would lie.

In response to Members comments and questions, the Committee were;

- Advised by the independent investment advisor at the meeting, not to place unallocated cash in UK equities as it is not performing well at but present and to retain cash and invest at a more opportune moment.
- Regarding concerns over performance of fund managers the Members were told; that Schroder and Investec showed improvement in performance and the committee were also advised to take long term view of performance monitoring instead of taking the quarter by quarter approach.
- Note: Schroder and Investec are bond and property managers which are long term categories of investment.

RESOLVED

That the report be noted.

4.4 Presentation & Training on Fixed Interest by Fund Manager - Legal & General (James Sparshott)

The Committee received a presentation and training delivered by the Head of Local Authorities.

The presentation and training was on bond asset class investments, explaining terminologies, categories, yields and their drivers and risks and ratings.

Bonds

- A bond is a loan from one organisation to another. Issuers and buyers include governments and banks and insurance companies.
- The amount of bonds issued by the UK government has gone up to one trillion.
- Bonds deliver set amount of cash flow over time.

- There are two types of bonds; Conventional Gilts and Index-linked Gilts.
- Pension schemes prefer index-linked gilts because pension schemes are linked to liability and investment in index-link gilts provides protection from inflation.
- The Committee were told that in general Bonds are good for Pension scheme investors.

RESOLVED

That the presentation be noted.

4.5 Hymans - Overview of actuarial valuation by Barry McKay (Actuary)

Members received a presentation on the overview of the Actuarial Valuation delivered by Barry McKay of Hymans.

The Actuarial review is an assessment of solvency of a fund and calculation for all contributors of the benefits at joining or leaving the fund

Barry McKay informed Members that;

- The fund valuation has to be carried out every three years due to amount of work involved.
- The funding strategy purpose is to ensure long term solvency and stable and affordable contribution rates.
- Actuaries are based on gilt yields

The presentation also noted the changing nature of the LGPS;

- Active membership is declining which means less income coming in
- This may then require the use of investment income.

The Committee also heard that discounting permits LGPS' to determine how much money needs to be held to meet pay outs required now and for the future which is also an indication of how mature the fund is

It was noted that Hymans and Mercer use similar evaluation principles

The representative accompanying Mr McKay informed the Committee further about the establishment of a Pensions Board.

- The Pensions Board covers all of the public sector
- It was noted that every fund must have its individual board and a shared pensions board may not be permissible.

A suggestion was made to the working group, to consult the draft code of practice for LGPS and Pensions board as the codes of practice can be applied to many areas and not just for the governance of Pensions.

It was emphasized that the Pensions Board has much more onus on it as there is a legal requirement for all members of the Board to be trained and have knowledge to be able to carry out duties and be willing to commit.

RESOLVED

That the report be noted

4.6 2013/14 Local Government Pension Fund Annual Report

The Chief Accountant introduced this report

The Committee were informed that auditors at KPMG had finished audit of the Pension Fund and if the Committee agreed the report, auditors would provide the Council with an official statement of accounts.

It was also said that the accounts had not gone through much change since the last audit.

The Investment and Treasury Manager informed the Committee that Fund Managers would be invited to present on the assets at a future Committee meeting.

She also informed Members that the Council had joined the Collective Investment Vehicle (CIV) which required a representative from each LGPS, so Members were asked to nominate a representative as the first meeting had been scheduled to be held on 22nd December 2014.

Members requested to see a report on early retirement.

It was

RESOLVED

- That Members agreed on the accounts

5. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

Report to be presented on early retirements and implications on the Pensions fund.

Councillor nominations requested for London CIV committee membership – Councillor Clare Harrisson volunteered, the first meeting to be held on the 22nd December and the Acting Corporate Director agreed to send the details of the meeting to Cllr Harrisson.

The meeting ended at 8.59 p.m.

Chair, Councillor Rajib Ahmed

