

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 7.10 P.M. ON TUESDAY, 24 FEBRUARY 2015

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

Members Present:

Councillor Rajib Ahmed (Chair)

Councillor Clare Harrisson

Councillor Ayas Miah

Councillor Mohammed Mufti Miah

Admitted Bodies, Non-Voting Members Present:

John Gray – Non-Voting Member (Admitted Body)

Other Councillors Present:

None.

Apologies:

Councillor Andrew Cregan

Councillor Harun Miah

Frank West

Others Present:

Evan Grace – Asset Allocation Portfolio Manager

Tim Sutton – Vice President

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)

David Knight – (Senior Democratic Services Officer)

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 19th November 2014 were presented for approval.

Cllr Harrison-requested that the spelling of her name on page 8 at 4.1 be corrected.

RESOLVED:

- That the minutes of 19th November be approved as a correct record of proceedings.

ACTION BY: Nishaat Ismail (Committee Officer)

3. TRAINING - ASSET ALLOCATION BY WELLINGTON MANAGEMENT

The Committee received a training session on Asset allocation by representatives from Wellington Management.

The Committee were informed about the 3 main functions carried out by Wellington Management as an investment management firm, known as the "Spectrum of asset allocation services"

1. Research
2. Advise
3. Solve

The Committee were also told the following;

- The economic environment is important to asset allocation
- It is important to diversify exposure across economic environments
- Tactical Asset Allocation is important;
 - There are different ways of making tactical decisions; Direct approach, outsourced approach and a hybrid approach.

Members were also told about the importance of having a combination of Active and Passive Management to manage the LGPS portfolio.

It was

RESOLVED:

That the presentation be noted by Members of the Committee.

4. REPORTS FOR CONSIDERATION

4.1 Investment Performance Review for Quarter End 31 December 2014

The Investment and Treasury Manager presented the Investment Performance Review for Quarter End 31 December 2014. The report informed Members of the performance of the Fund and its' investment managers for the quarter ending 31st December 2014.

The Committee were informed;

- For the quarter end December 2014, the US dollar strengthened against the sterling and Euro.
- The equity market for UK only rose by 0.4%
- US equities rose by 4.1% for the quarter
- US equities performed best than any other market.

Performance of Tower Hamlets Pension Fund

The Committee heard that;

- Five of Tower Hamlet's Pension Fund managers performed well.
- The Fund's overall value has increased by £31.77m from £1,049.7m as of 30 September 2014 to £1,081.5m as of 31 December 2014.
- Tower Hamlets has 2 global equities; GMO and Baillie Gifford.
- GMO made absolute return of 1.3% in the quarter, underperforming the benchmark of 2.8% by 1.5%.
- Baillie Gifford Diversified Growth Fund generated a return of 0.6% for the quarter, underperformed the benchmark of 1.0% by 0.4%
- Ruffer performed very encouragingly by posting a positive return of 4.2% against a target return of 0.6% over the quarter.

In response to Member's questions the Committee were told that;

- GMO's performance will be better in the coming quarter.
- Baillie Gifford takes a different approach to asset allocation in comparison to GMO.
- Baillie Gifford and GMO perform and produce returns at different times.
- The equities market was performing well.

The Chair requested to arrange a meeting with officers to discuss the Fund Managers further.

RESOLVED:

That the contents of the report be noted.

4.2 Investment in London LGPS Collective Investment Vehicle - Joint Committee Meeting 17th December 2014

The Chief Accountant presented the report which summarised the business of a Pensions CIV Sectoral Joint Committee meeting on 17th December 2014.

Cllr Clare Harrisson and Kevin Miles (Chief Accountant) attended the joint committee meeting where the terms of reference for the CIV were covered.

The Committee were told that the CIV asked an additional £50,000 from all authorities involved.

Members noted that one of the key concerns raised in the CIV joint committee meeting was concerns of accountability raised by most councils involved.

The Committee also heard that ultimately it was up to councils how much they wished to invest in the CIV.

In response to Member's questions, the Investment and Treasury Manager and the Acting Corporate Director said they would find out if Tower Hamlets has any non-disclosure clauses with any of the fund managers.

RESOLVED:

That Member's approved the recommendations to invest a further £50,000 into the CIV.

4.3 Tower Hamlets Pension Scheme- Social, Environmental and Ethical Investment

The Chief Accountant presented this report which informed the Committee of the Pension Fund's approach to socially responsible investments.

The Committee were told that the Council has a fiduciary responsibility to obtain the best level of investment return consistent with the defined risk parameters as embodied in the strategic benchmark.

Members were also informed that the Council recognises that Social, Ethical and Environmental issues are factors to be taken into consideration in assessing investments.

Members raised their concerns about the importance of knowing exactly where LBTH's pension fund managers are investing the Council's money.

RESOLVED:

That the report be noted.

4.4 LGPS Governance Regulations and LBTH Local Pensions Board Establishment

The Investment and Treasury Manager presented this report explaining the planned changes to the governance of the Local Government Pension Scheme (LGPS) as a result of the public Service Pensions Act 2013 and regulations issued on 28th January 2015.

Members were informed about the discussions of the meeting of Pension Board Working Group meeting.

Members requested that changes be made to the Local Pension Board of LBTH Terms of Reference, at points 19.b & c under the Employer representatives section.

RESOLVED:

- That the report be noted
- The monitoring officer will make the necessary changes to the constitution that the Pensions Committee has the delegated authority and power to create the Local Pension Board be noted.
- And the Local Pension Board Terms of Reference be approved with amendments.

4.5 Pension Fund Business Plan and Budget for 2015/16

The Investment and Treasury Manager presented the Pension Fund Business Plan and Budget for 2015/16.

The report outlined the Work Plan for the Council's statutory function as the administering authority of the LBTH Pension Fund.

The Committee were told about the Key Performance Indicators that cover the following areas:

- Investment performance
- Funding level
- Death benefit administration
- Retirement administration
- Benefit statements
- New Joiners
- Transfers in and out
- Employer and member satisfaction
- Data quality
- Contributions monitoring
- Overall administration cost
- Audit

Members were told that the Pensions Committee will receive update on those performance indicators.

In response to Members questions, the Committee were told that;

- From 1st April 2015, changes will enable people to opt for Pension scheme outside. There will be procedures in place to advise the individual by independent advisors.
- Officers are in the process of finding out more information from the Council's actuaries to prevent loss of cash flow as a result of people transferring to private pension schemes.
- People would be made aware of the implications of opting for a pension scheme elsewhere.

RESOLVED:

- 1 That the work plan be agreed.
- 2 The revenue budget for 2015/16 also be agreed.

4.6 Review of discretions under the Local Government Pension Scheme

The Pensions Manager presented the Review of discretions under the Local Government Pension Scheme.

Members were told about the Pension Policies which need reviewing. There were five discretions to reconsider;

- Whether the Council will pay towards the cost of Shared Cost Additional Pension Contributions (SCAPC) made by an active scheme member to purchase extra Pension benefits of up to £6,500 per annum.
- Whether to permit flexible retirement for staff aged 55 or over.
- Whether to waive in whole or part any actuarial reduction on benefits which a member voluntarily draws before normal pension age.
- Whether to grant an additional pension of up to £6,500 to an active pension scheme member or within six months of leaving to a member whose employment was terminated on the grounds of redundancy or retirement on grounds of efficiency.
- Whether to apply the "85 year rule" for a scheme member wishing to voluntarily draw benefits on or after age 55 and before age 60.

RESOLVED:

That the employer discretions set out in Section 4 of this report and the policy statement be approved.

5. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

Nil items.

The meeting ended at 9.00 p.m.

Chair, Councillor Rajib Ahmed
Pensions Committee