

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS BOARD

HELD AT 10.05 A.M. ON FRIDAY, 20 NOVEMBER 2015

**ROOM C1, TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT, LONDON
E14 2BG**

Members Present:

Minesh Jani (Chair)	(Head of Audit and Risk Management, Resources)
David Stephen Thompson (Member)	
Stephen Stratton (Member)	Pensions Board Member representing Active Fund Members
Councillor Dave Chesterton (Member)	
Andrew Crompton (Member)	

Officers Present:

Ngozi Adedeji	– (Team Leader Housing Services, Legal Services, Law Probity & Governance)
Anant Dodia	– (Pensions Manager)
Kevin Miles	– (Chief Accountant, Resources)
Bola Tobun	– (Investments and Treasury Manager, Resources)
Antonella Burgio	– (Democratic Services)

APPOINTMENT OF CHAIR FOR THE DURATION OF THE MEETING

Mr Thompson nominated and Councillor Chesterton seconded that Minesh Jani be appointed Chair for the duration of the meeting. There being no other nominations it was

RESOLVED

That Minesh Jani be appointed Chair for the duration of the meeting.

1. APOLOGIES

Apologies for absence were received from John Gray.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No declarations of disclosable pecuniary interests were made.

3. UNRESTRICTED MINUTES

The minutes of the meetings held on 28 July 2015 and 1 October 2015 were approved as a correct record of proceedings

3.1 MATTERS ARISING

The following arising matters were discussed:

RECRUITMENT OF CHAIR

Councillor Chesterton expressed concern that there was no Chair yet in post. The Board was informed that the recruitment process had been initiated but, it had been necessary to extend the closing date for applications by 7 days. Interviews were scheduled to take place on 7 December 2015. Councillor Chesterton expressed a view that a member of the Pensions Board should participate in the interviews and was informed that this request would be checked against procedures and a response provided to the Board. Mr Thompson agreed to serve on this Panel should a Board representative be permitted to participate.

Action by: N Adedeji, Legal Advisor

UPDATE ON OTHER PENSION BOARD POSITIONS

Ms Tobun, Treasury and Investments Manager, informed the Board that the following vacant positions on Board had been appointed:
Member Representing Active Fund Members - Stephen Stratton
Board Member representing Active Admitted Bodies Fund Members - John Gray.

STANDING AGENDA ITEM "SUBMISSIONS"

The Board enquired whether the introduced standing item "Submissions from Fund Members" had been advertised to scheme members and was informed that this new opportunity to engage with the Board had yet to be fully advertised because the Council's website was being redesigned. This would be completed by March 2016. In the meantime, the facility would be communicated by means of:

- the Tower Hamlets LGPS pages which are part of the Council's website once installed and
- the annual LGPS letter to all Fund members.

It was noted also that this matter was mentioned in the pension fund members' newsletter circulated in the spring.

PENSION COMMITTEE MEMBERS' TRAINING RECORD

Concerning the Board's request to inspect the training record of Pensions Committee members to determine adequacy of training, Ms Tobun Investments and Treasury Manager, informed the Board that it was not

possible to provide this information in the current municipal year as, at Annual Council 2015, the membership of the Committee had been completely refreshed. However a paper showing of the intended training schedule to be undertaken during the current municipal year was tabled for inspection. Ms Tobun advised that:

- a training session would be incorporated into each of the Committee's meetings.
- to ensure that training was fit for purpose, the CIPFA skills audit pack would be used. This included a questionnaire to all members.

The Board requested that members' attendance at pensions committee training should be recorded for audit purposes

Action by: B Tobun, Investments and Treasury Manager

4. TERMS OF REFERENCE

The Board:

- Considered its Terms of Reference and requested that this document should be included in the agenda at the first meeting of each municipal year and that a copy, for reference, be available at each meeting afterwards.
- Noted that three of its core functions (page 22 of the agenda) were:
 - I. Monitor complaints and performance of the administration and governance of the scheme
 - II. Assist with the application of the internal dispute resolution process
 - III. Review the complete and proper exercise of pensions ombudsman cases

The Board requested that this information should be presented at the meeting annually in the form of a report

RESOLVED

1. That the terms of reference be noted
2. That the Pension Board Terms of Reference be included in the agenda at the first meeting of each municipal year and a copy, for reference, be available at each meeting afterwards.
3. That an annual report be made to include information on:
 - a. complaints and performance of the administration and governance of the scheme
 - b. any internal dispute resolution matters
 - c. the complete and proper exercise of pensions ombudsman cases in the period

Action by: B Tobun, Investments and Treasury Manager

5. SUBMISSIONS FROM FUND MEMBERS

No written submissions from fund members or stakeholders were received

6. REPORTS FOR CONSIDERATION

6.1 LGPS - Current Developments and Update

Ms Tobun Investments and Treasury Manager introduced the report which sought update board members on matters relating to:

- pooling of investments in the LGPS,
- EU directive - Markets In Financial Instruments Directive (MIFID II) to impact on LGPS and local authorities,
- fossil fuel divestments campaign,
- scheme advisory board work on separation of pension funds

The following information on the above matters were noted:

Pooling:

To make savings, the Government was steering towards pooled LGPS funds. More information was awaited in March 2016 in the form of draft regulations. These would indicate whether pooling of pension schemes would be mandatory. The Board noted that the arrangement, if implemented, was likely to permit pension funds to access other categories of investments such as infrastructure investments. However it would be necessary to consider how the risks of these types of investments would be balanced against financial returns. The Board was informed that 31 London Borough's had expressed an interest in investing in the London CIV pooled fund. The body had received approval from FCA and was now able to trade.

MIFID II

The Board was informed that Local Authority Pension Funds were required to comply with this EU directive but it would affect how councils would be able to undertake investments and increase costs. Therefore representations were being made by the Local Government Association to Department for Communities and Local Government (DCLG). DCLG in turn would make representations to the European Commission and the outcome would be reported back to local authorities in due course.

Fossil Fuels Divestments Campaign

The Board noted that the Council's approach to this campaign was to manage its risks while identifying opportunities for investments through sustainable investment (by considering the financial impact of environmental social and governance factors on investments and by stewardship and governance - acting as a responsible and active investor through considered voting of shares and engaging with company management when required). It was noted that the Pensions Committee as trustee of the LGPS have a fiduciary duty to act in the best interests of their members as well as acting prudently responsibly and honestly. In this context, the Committee must aim to achieve the best realistic return over the long-term; for the (Tower Hamlets) Pension Fund this means that the long-term solvency of the fund must be ensured, so

that sufficient funds are available to meet all benefits as they become payable and not to unnecessarily restrain the investment strategy so that returns can be maximised. Additionally Tower Hamlets LGPS is a member of the Local Authorities Pension Fund Forum (LAPFF) which does not support divestment but has chosen the approach of active engagement with companies as a means of achieving a move away from reliance on fossil fuels. Its approach is to encourage a carbon transition by requiring companies to identify and tackle carbon risks in their business models and has had some success. The Board noted the information provided and advised that, in their view, the Pension Committee's role was to monitor how LAPFF delivered this outcome. Councillor Chesterton offered to act as a contact regarding queries on this matter.

RESOLVED

That the report be noted

7. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

Councillor Chesterton clarified that the Board wished to inspect the minutes of the Pensions Committee's preceding meeting and the agenda of its forthcoming meeting as part of the Board's business.

The Board considered the following items printed in the agenda of the Pensions Committee to be held on 25 November 2015:

The Pensions Regulator

The Board heard that Pension Committee would receive training and a report on the role of the Pensions Regulator. The following matters were also noted:

- Coverage of code 14 as set out at paragraph 3.3 of the report.
- Matters relating to Board Members in regard to training, and demonstrable knowledge and understanding required.
- A checklist would be prepared and circulated to the Board to indicate whether Tower Hamlets Pension Fund complied with the Regulators Code, including reporting breaches of the Law.

Quarter 2 KPIs

The Board noted the performance indicators reported for this period which related to the performance of the Council's Pensions Administration Service.

Update on LGPS Related Issues

The Board noted that Pensions Committee would receive an update on matters that had been discussed by the Board at agenda item 6.1.

Annual Report

The Chief Accountant informed the Board that Pension Committee would receive the Fund's annual report and annual accounts for approval. He also highlighted the unqualified opinion issued by the external auditors in its ISA260 report.

Knowledge and Skills Audit

The Board was informed that both Pension Board and Pension Committee would receive a questionnaire to enable a training programme to be tailored to meet the needs of the Fund Trustees and Board Members.

Quarterly Performance

The Board was informed that Pensions Committee would be asked to consider a report on Fund and Investment Manager Performance for the quarter ending 30 September 2015. In particular the Board was asked to note:

- paragraphs 3.12.2 relating to stock selection for GMO and 3.12.4 factors affecting the performance of the GMO portfolio.
- the portfolio total returns against benchmark relating to the Schroder property mandate as at 30 September 2015.

Collaboration Work Update - (London CIV and National LGPS Framework)

The Pensions Committee would be asked to consider a paper on the structure of London CIV and progress of the company since its incorporation. The Board also considered the report noting:

- governance arrangements
- implementation of the CIV
- investment options which might benefit Tower Hamlets Pension Fund

RESOLVED

1. That the Board's discussion of the Pension Committee agenda be noted
2. That Board Members receive the minutes of the Pensions Committee's preceding meeting and the agenda of its forthcoming meeting as part of the Board's business.

8. KNOWLEDGE AND SKILLS AUDIT

Ms Tobun Investments and Treasury Manager tabled a questionnaire the purpose of which was to ascertain the skills and knowledge that members of the Board and of the Pensions Committee already possessed and thereby identify areas of training which required which were required to be undertaken. Board Members were asked:

- to complete the form and return it in the pre-addressed envelope.
- that the audit forms be completed by 17th of December 2015 and returned to Resources Directorate by early January 2016.

Members agreed the timescales for the audit questionnaire.

9. ANY OTHER URGENT BUSINESS

Board requested that a presentation/report on fixed income investments be made at its next meeting

10. DATE OF NEXT MEETING

The Board noted the date of the next ordinary meeting 4 March 2016 at 10.00 AM.

The meeting ended at 11.35 a.m.

In the Chair, Minesh Jani
Pensions Board