

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS BOARD

HELD AT 10.00 A.M. ON MONDAY, 7 MARCH 2016

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

Members Present:

John Jones (Independent Chair)
David Stephen Thompson
Councillor Dave Chesterton
Andrew Crompton

Officers Present:

Anant Dodia – (Pensions Manager)
Bola Tobun – (Investments and Treasury Manager, Resources)
Antonella Burgio – (Democratic Services)

1. APOLOGIES

Introductions

John Jones, had been recently appointed Independent Chair of Pension Board. He introduced himself and provided a background of his expertise and experience relating to pensions and financial investments. He then invited all present to introduce themselves

Apologies for absence were received from Steve Stratton and Minesh Jani.

It was noted that Member John Gray work had been absent from two meetings and it was agreed that the Clerk would investigate and report back to the Treasury Manager.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS

No declarations of disclosable pecuniary interest were made.

3. UNRESTRICTED MINUTES

The minutes of the meeting were agreed and approved as a correct record.

4. TERMS OF REFERENCE

The minutes of the meeting held on 20 November 2015 were agreed and approved as a correct record.

Matters arising

- Submissions from Pensions Fund Members - Mr Thompson asked for an update on the progress of the implementation of a framework through which pension fund members might contact the Board and was informed that presently, a number of structural IT improvements were being made to the Council's website; following this, a Pension Fund micro-site would be developed and was expected to be operational by late summer 2016. Mr Thompson was concerned that delivery was not progressing at an acceptable pace and Ms Tobun agreed to investigate how delivery of the site could be accelerated.
- Recruitment of Pensions Board Chair - Councillor Chesterton noted that no members of Pension Board or Committee had been involved in the recruitment of the Independent Chair and requested that this should be investigated. He felt it was appropriate that elected/appointed members should be involved and asked officers to investigate if this could be incorporated into in future recruitment.

Action by: Ngozi Adedeji, Team Leader, Legal Services.

5. SUBMISSIONS FROM FUND MEMBERS

Nil items

6. REPORTS FOR CONSIDERATION**6.1 Quarterly Report - Key Pension Administration Performance Indicators: October 2015 to December 2015**

Mr Dodia Pensions Manager presented the report which concerned performance information relating to the administration of the Pension Fund in the quarter ending 31 December 2015. Mr Dodia advised that a reduction in performance against certain targets had been caused by the introduction of the CARE scheme which caused problems with the function of a number of interfaces. As a result calculations were being carried out manually. A Board Member enquired whether there were resources to deliver the service and Mr Dodia advised that the team structure would be reviewed to assess pressure on resources.

The Board noted that:

- Performance data was being generated through use of Northgate and Excel applications, in the interim, and enquired what mechanisms were in place to deliver data in the long term. Mr Dodia advised that there were discussions with the software provider at present after which a review of options would be undertaken by Human Resources.
- Northgate was a supplier of HR software to most organisations therefore the supplier was being reviewed

Referral from Pension Board to Pension Committee to pursue the IT issues around Northgate Software - A Board Member noted that there were both legal and financial implications relating to the performance of the H R software supplied by Northgate. The Board was concerned that poor software would impact the good administration of the fund and asked that the matter be referred to Pension Committee to be pursued and promptly resolved. The Chair asked for a report back at the next Pensions Board meeting.

Action by: Anant Dodia, Pensions Manager, H R.

RESOLVED

1. That the report be noted
2. That the issues with Northgate HR software and its impact on the on the good administration of the Fund be referred to Pension Committee to raise and pursue for prompt resolution.

6.2 The Pensions Regulator Governance and administration Survey

The Chair introduced the item. He advised that he wished the Board to consider the survey and to use the document as a tool to examine/assess the arrangements for Fund governance:

- Policies to help board members acquire and retain knowledge
- Conflicts policy and procedure for Pension Board Members
- Procedures relating to publishing information
- Documenting procedures for assessing and managing risk
- Recordkeeping policies and procedures for all members
- Processes monitoring payments of contributions
- Procedures to identify and assess breaches

The results of the governance and administration survey revealed that, across pension schemes, governance was delivered in general but performance needed to be improved in the areas of:

- Procedures to identify and assess breaches
- Recordkeeping policies and procedures for members
- Documented procedures for assessing and managing risk
- Conflicts policy and procedures for pensions board members delete that

The Board discussed the following governance elements/themes:

Policies to help board members acquire and retain knowledge:

The Chair proposed that the survey provided a good basis on which to assess/monitor the Council's own pension scheme in this respect. He noted that arrangements at Tower Hamlets were good but up-take was not uniform.

The Board noted the measures in place to ensure/encourage members to use the web training modules on the Pensions Regulator website and that the modules were not been completed by all Pension Committee Members. The Chair stressed the importance of successful training and development since this was an area that was recorded via the survey. The Board was informed

that, to ensure that member training took place, training sessions had been delivered as part of pension committee meetings. The Chair agreed to send some further training information to Ms Tobun.

Conflicts policy and procedure for Pension Board Members:

The Board was informed that these were in line with the Members' Code of Conduct and formed part of the Board's terms of reference.

Documenting procedures for assessing and managing risk:

The Board was informed that managing risk policies were in place to ensure that risk was assessed and managed. There were full policies and sourcing procedures for managing risk.

Recordkeeping policies and procedures for members:

The Board noted that the Council had a recordkeeping policy and document retention policy. A copy of these policies would be provided to Ms Tobun by the Clerk.

Procedures to identify and assess breaches

The Board was informed that a policy addressing beach breaches was being developed in conjunction with the conflict-of-interest policy and the risk management policy. The Chair requested that an update on these be brought to the next meeting.

Board Member Mr Thompson noted:

- That at the previous meeting, it had been requested that core functions A - K as outlined at paragraph 55 of the Pension Board Terms of Reference paragraph 55 should be reported.
- The risks that had been identified concerning issues with the operation of Northgate software.

RESOLVED

1. That the report be noted
2. The recommendations above be pursued outside of the meeting

6.3 Introduction to Local Pension Board General Remit and LBTH Pensions Board Work Plan For 2016/17

Ms Tobun, Treasury Manager presented the report which outlined proposals for a work plan. The report was presented for consideration and approval

The Board noted that:

- The contents of the draft plan highlighted a risk of unnecessary duplication between the Pension Board and Pensions Committee.
- Review of the administration's strategy was not a function of the Board but a function of the pension committee.
- The Board needed to be assured that the pensions committee was reviewing its investment strategy and monitoring the administration of the fund.

- It needed to ensure it had an effective strategy in regard to its approach to areas of concern and its actions to address these.

The Board suggested that:

- the titles/headlines of the work plan should be more focused
- the risk register should be regularly reviewed
- the Investment Adviser to the Fund make a presentation to the Board on the investment strategy

The Board discussed how it would perform its role and how its messages would be conveyed to the pension committee.

The Chair summarised the messages that the Board wished to report back to Pension Committee concerning a discussion about performance of the Fund and the Committee's intended response. The Board confirmed it was concerned to hear from the Committee and know its response concerning what timely actions were being taken in relation to the management of the Fund's performance and investments.

The Chair also asked that the Fund's Investment Adviser be invited to answer questions from the Board in this regard.

RESOLVED

1. That the report be noted
2. That the Committee be requested to respond to the Board relation to the management of the Fund's performance and investments.
3. That the Investment Adviser to the Fund be invited to attend the next Pension Board meeting.

6.4 The Council Responses to the Government Investment Reform Criteria & Guidance and the Consultation on the Reformation of Investment Regulations

Ms Tobun, Treasury Manager presented the report which provided information on the Government's reform for investments, pooling of investments and criteria and guidance relating to fees.

The Board discussed the response to the Consultation on the Reformation of Investment Regulations and noted the following:

- The Government supported pooled funds
- Many local authorities had requested that the Government provide further information regarding the introduction of a safeguard/Secretary of State's power of intervention which proposed that the Secretary of State have the power to intervene in the investment function of an administering authority which he/she believes has not had regard to guidance and regulations concerning powers to adopt a local approach to investment.

- Paragraph 4, outlined an improved capacity to invest in industry infrastructure. The Board commented that the Government had given a case to make regarding how much local authorities wished to invest in infrastructure.
- There was presently no local policy relating to non-financial factors described at paragraph 3.25 of the report. Managers were able to invest where they would receive the best returns; additionally it was not recommended / advisable to produce a new policy until the investment strategy had been agreed. The triennial pension-fund review was pending after which the investment strategy would be reviewed and reset.

The Chair, noting the Council's response to the consultation, revoking and replacing the local government pension scheme (management and investment funds) regulations 2009, highlighted the financial risks of derivatives and asked that it be ensured that the Pension Committee receive proper training in this area of investments.

The Board enquired what discussions Pensions Committee had had around infrastructure developments and suggested that this be an area to which the Pensions Committee should give consideration and discuss.

RESOLVED

1. That the investment reform and guidance and response to the proposals submitted on 19 February 2016 attached appendix 1 be noted
2. That the consultation on investment regulations and a response to the proposal submitted on 19 February 2016 as provided in appendix 2 be noted
3. That the comments of the Board be conveyed to the Pension Committee

6.5 Training and Development Policy and CIPFA Guidance For Members

The Chair invited the Board to consider how it should monitor and review training. The Board considered the following methods:

- Six-monthly report
- Data obtained via Pensions Regulator training modules

The Board then:

- Considered and discussed what forms of monitoring would be effective and recommended that an interactive approach be adopted.
- Asked that a link to the Pensions Regulator website should be published on the Council's Pension Fund micro-site.
- Noted that Pension Board and Committee Members were required to be trained and suggested that each Pension Committee/Board meeting should include a standard training item.

RESOLVED

1. That the updated training and development policy of London Borough of Tower Hamlets pension fund as it relates to Pensions Board be adopted
2. That the need for each pension board member, committee member and senior officer to adhere to the training and development policy and maintain the required level of knowledge required be noted

7. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

The Board noted that items 5.1 – 5.5 had been discussed as part of the Board's own agenda and agreed to consider the salient matters in the Pensions Committee agenda and then provide its comments/feedback to the Pension Committee.

7.1 Minutes of Pension Committee 25 November 2015

Item noted but not discussed.

7.2 Petitions

Item noted but not discussed.

7.3 Presentation from Fund Manager GMO

Item noted but not discussed.

7.4 PC Item 5.1 Quarterly Report - Key Pension Administration Performance Indicators: October 2015 to December 2015

- The record of this discussion is given at minute 6.1.
- The Board noted that performance was rated "red" under RAG ratings and asked to see a diagnosis of the committee's response to the analysis.

7.5 PC Item 5.2 The Pensions Regulator Code of Practice for Public Sector Pensions Compliance Checklist For Tower Hamlets Pension Fund

The record of this discussion is given at minute 6.2

7.6 PC Item 5.3 Training and Development Policy and CIPFA Guidance For Members

The record of this discussion is given at minute 6.3

7.7 PC Item 5.4 Pensions Committee Work Plan for 2016/17

The Board noted that the Committee work plan operated in a similar fashion to the work programme of the Board.

7.8 PC Item 5 .5 The Council Responses to the Government Investment Reform Criteria & Guidance and the Consultation on the Reformation of Investment Regulations

The record of this discussion is given at minute 6.5

7.9 PC Item 5 .6 Market Update

Nil items.

7.10 PC Item 5 .7 Pension Fund Managers Investment Performance Review for Quarter End 31 December 2015

The Board noted:

- That performance was against benchmark that that investment managers targets were 200 points above this therefore performance was very poor as not all managers had delivered against benchmark.
- That performance of Baillie Gifford Ruffer and Investec was below benchmark.
- That reviews of which investment managers would be incorporated into the London CIV was still awaited. The Board asked that Pension Committee ensure that it actively analyses the performance of those managers that are proposed to go forward into the London CIV before any investment decisions are made

7.11 PC Item 5.8 Collaboration Work Update -National LGPS Procurement Framework and London Collective Investment Vehicle (CIV)**7.12 PC Item 7. EXCLUSION OF THE PRESS AND PUBLIC**

Nil items

7.13 PC Item 7 .1 Restricted Pensions Committee Minutes 25 November 2015

Nil items

7.14 PC Item 7 .2 Update - Fixed Income Investment

Nil items

8. DATES OF FUTURE MEETINGS

The Clerk informed the Board that the draft dates the Pension Committee, had been revised. The following draft dates of Board meetings were noted:

6th June 2016, 19th September 2016, 5th December 2016 and 13th March 2017.

RESOLVED

That the dates be noted.

9. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT

Councillor Chesterton asked that colour copies of charts be circulated to Board Members in future.

The meeting ended at 12.00 p.m.

Chair, John Jones
Pensions Board