

**Tower Hamlets Council
Local Government Pension Scheme**

PENSIONS BOARD

Monday, 19 September 2016 at 10.00 a.m.

This meeting is open to the public to attend.

Members:

Chair: John Jones

Vice-Chair:

Stephen Stratton, (Active Fund Members' Representative)

John Gray, (Admitted Bodies Representative for Active Fund Members)

David Stephen Thompson, (Representing Retired/Deferred Pension Fund Members)

Councillor Dave Chesterton, (Representing Pension Fund Employers)

Andrew Crompton, (Representing Admitted Bodies Employers)

Minesh Jani, (Representing Pension Fund Employers)

Substitutes:

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Web: <http://www.towerhamlets.gov.uk/committees>

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Committee
website.



1. **APOLOGIES**
2. **DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
3. **UNRESTRICTED MINUTES**

To confirm as a correct record of the proceedings the unrestricted minutes of the meeting of the Pensions Board held on 26 June 2016

4. **PRESENTATION FROM LONDON CIV (HUGH GROVER AND JILL DAVYS)**
5. **REVIEW AND UPDATED WORK PLAN FOR 2016/17 (TO FOLLOW)**
6. **UNRESTRICTED MINUTES OF PREVIOUS PENSIONS COMMITTEE**
7. **PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING**

APOLOGIES FOR ABSENCE

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

To note any declarations of interest made by Members, including those restricting Members from voting on the questions detailed in Section 106 of the Local Government Finance Act, 1992. See attached note from the Monitoring Officer.

2. MINUTES OF THE PREVIOUS MEETING(S) 5 - 12

To confirm as a correct record the minutes of the meeting of the Committee held on 30 June 2016.

3. PETITIONS

To receive any petitions relating to matters for which the Committee is responsible.

4. REPORTS FOR CONSIDERATION

4.1 Actuarial Valuation Update – presentation from Hymans Robertson (Barry McKay) on initial triennial valuation results (20 mins) - Will include outline of trends and changes affecting scheme funding level and contribution rates.

4.2 Presentation from London Collective Investment Vehicle (CIV) (30 mins) – Julian Pendock and Jill Davys (London CIV) to outline progress CIV has made since inception; appointment of global equity managers in early 2017; development of CIV longer term strategy.

4.3 Review of Pension Fund Investment Strategy (10 mins) – following on from the initial results of the triennial valuation, the approach and timeline for reviewing the investment strategy will be discussed. The strategy will identify options for meeting pension liabilities and closing the funding gap drawing upon items 4.1 and 4.2

4.4 Academy Conversion - Mulberry School and Ian Mikardo High School – Pension Contribution Rates (10 mins) – Report to approve that pension contributions for the two schools above will be calculated on the same basis as other academies (including the same deficit recovery period).

4.5 Market Update (15 mins)

To receive a verbal update on recent market activity from Raymond Haines.

4.6 Pension Fund Managers Investment Performance Review for Quarter End 30 June 2016 (15 mins) – routine report detailing investment managers performance against benchmark over previous periods. Includes update on manager review

4.7 Quarterly Report - Key Pension Administration Performance Indicators: Period to June 2016 (10 mins) – routine report on administration activities, including new member enrolment, publication of annual benefit statements.

4.8 Pension Fund Annual Report 2015/16 (10 mins) – Approval of annual pension fund report for 2015/16. This will include pension fund annual accounts, statement of investment principles, funding and communication strategy and governance compliance.

4.9 Pension Fund Procurement activity(15 mins) – proposed tender processes to appoint investment consultants, investment adviser and custodian in coming year where current contracts have expired.

8. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

The next meeting will be held at Monday, 5 December 2016.

Agenda Item 2

DECLARATIONS OF INTERESTS - NOTE FROM THE MONITORING OFFICER

This note is for guidance only. For further details please consult the Members' Code of Conduct at Part 5.1 of the Council's Constitution.

Please note that the question of whether a Member has an interest in any matter, and whether or not that interest is a Disclosable Pecuniary Interest, is for that Member to decide. Advice is available from officers as listed below but they cannot make the decision for the Member. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending a meeting.

Interests and Disclosable Pecuniary Interests (DPIs)

You have an interest in any business of the authority where that business relates to or is likely to affect any of the persons, bodies or matters listed in section 4.1 (a) of the Code of Conduct; and might reasonably be regarded as affecting the well-being or financial position of yourself, a member of your family or a person with whom you have a close association, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward affected.

You must notify the Monitoring Officer in writing of any such interest, for inclusion in the Register of Members' Interests which is available for public inspection and on the Council's Website.

Once you have recorded an interest in the Register, you are not then required to declare that interest at each meeting where the business is discussed, unless the interest is a Disclosable Pecuniary Interest (DPI).

A DPI is defined in Regulations as a pecuniary interest of any of the descriptions listed at **Appendix A** overleaf. Please note that a Member's DPIs include his/her own relevant interests and also those of his/her spouse or civil partner; or a person with whom the Member is living as husband and wife; or a person with whom the Member is living as if they were civil partners; if the Member is aware that that other person has the interest.

Effect of a Disclosable Pecuniary Interest on participation at meetings

Where you have a DPI in any business of the Council you must, unless you have obtained a dispensation from the authority's Monitoring Officer following consideration by the Dispensations Sub-Committee of the Standards Advisory Committee:-

- not seek to improperly influence a decision about that business; and
- not exercise executive functions in relation to that business.

If you are present at a meeting where that business is discussed, you must:-

- Disclose to the meeting the existence and nature of the interest at the start of the meeting or when the interest becomes apparent, if later; and
- Leave the room (including any public viewing area) for the duration of consideration and decision on the item and not seek to influence the debate or decision

When declaring a DPI, Members should specify the nature of the interest and the agenda item to which the interest relates. This procedure is designed to assist the public's understanding of the meeting and to enable a full record to be made in the minutes of the meeting.

Where you have a DPI in any business of the authority which is not included in the Member's register of interests and you attend a meeting of the authority at which the business is considered, in addition to disclosing the interest to that meeting, you must also within 28 days notify the Monitoring Officer of the interest for inclusion in the Register.

Further advice

For further advice please contact:-

Melanie Clay, Corporate Director, Law Probity and Governance
Telephone: 0207 364 4800

APPENDIX A: Definition of a Disclosable Pecuniary Interest

(Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, Reg 2 and Schedule)

Subject	Prescribed description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by the Member in carrying out duties as a member, or towards the election expenses of the Member.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority—</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	<p>Any tenancy where (to the Member's knowledge)—</p> <p>(a) the landlord is the relevant authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p>
Securities	<p>Any beneficial interest in securities of a body where—</p> <p>(a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS BOARD

HELD AT TIME NOT SPECIFIED ON MONDAY, 27 JUNE 2016

Members Present:

John Jones (Chair)	(Independent Chair)
Stephen Stratton (Member)	Pensions Board Member representing Active Fund Members
John Gray (Member)	(Representing Active Admitted/Statutory Bodies Pension Fund Members)
David Stephen Thompson (Member)	
Councillor Dave Chesterton (Member)	
Andrew Crompton (Member)	

Other Councillors Present:

Officers Present:

Minesh Jani	(Service Head, Risk Management)
Neville Murton	– (Service Head, Finance & Procurement)
Bola Tobun	– (Investments and Treasury Manager, Resources)
	– (Committee Clerk)

1. APOLOGIES

No apologies of absence were received.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS

No declarations of disclosable pecuniary interest were made.

3. PETITIONS

Nil.

4. UNRESTRICTED MINUTES

The minutes of the meeting of the Pensions Board held on 7 March 2016 were agreed and approved as a correct record with the following amendments;

- John Gray sent apologies of absence for previous Pensions Board meetings.

Matters arising

- The Board heard that daytime meetings can be a problem for some Members
- Councillor Chesterton noted in the previous meeting that no members of the Pensions Board or Committee had been involved in the recruitment of the Independent Chair and requested that this should be investigated- Ngozi Adedaji, Team Leader Legal Services informed the Board that regulations are set out explaining how the Council is to appoint Board Members
- Councillor Chesterton suggested an amendment to the Pensions Board Terms of Reference.

5. LBTH PENSIONS FUND LONG-TERM PERFORMANCE- TO FOLLOW

The Board received a presentation from Raymond Haines, the Independent Adviser to the Pensions Committee informing them of LBTH's Pensions Fund long term performance. The key points noted from the presentation;

- The performance of the Fund is the result of a combination of a number of factors the most significant of which is strategy
- The Fund's strategy is determined in light of the scheme actuary's triennial valuation.
- Fund performance is independently measured by State Street Global Services (SSGS) on a time weighted basis such that cash flows into and out of the fund are recognised.
- Strategic performance needs to be considered against the fund's liabilities.
- SSGS considers the performance of the fund both in aggregate and at the underlying manager level.
- Returns are annualised; Impact is weighted effect of the performance on the total fund
- The Fund's global equity is managed by GMO and Baillie Gifford. These two managers have contrasting "styles", that is investment approaches.
- GMO was appointed as a "value" manager aiming to capitalise of investments prospects.
- There are three managers with which the Investment Committee has had concern, Investec, GMO and Schroders.
- GMO- after a period of underperformance in 2012 GMO were invited to "contribute" to the recovery of LBTH's losses by moving to a performance fee that would only provide fees when previous underperformance was recovered.
- GMO recovered the lost performance but the last two years have been disappointing with relative underperformance of 1.8% and 06% respectively.
- Investment performance needs to be considered over the long rather than short term.

- Managers are seen on a 1-1 basis on an annual basis, however if they are underperforming they are seen more frequently.
- LBTH has always adopted a low risk strategy both to avoid swings in funding rate and in recognition that governance resources are limited.

In response to board Members questions, attendees heard that;

- By 2017 liabilities will have changed slightly and the main driver will be yields.
- The Fund is progressively moving into the CIV. 25% of assets have moved into CIV.
- Historically in times of sterling crisis, interest rates go up and this favourable for the pension fund. The fall in sterling has historically been good for UK equities.

It was

RESOLVED

That the information given in the presentation be noted.

6. INCORPORATING OF PENSIONS BOARD CORE FUNCTIONS INTO ANNUAL WORK PLAN AND QUARTERLY ADMINISTRATION PERFORMANCE INDICATOR REPORT- TO FOLLOW

Ms Tobun, Treasury Manager presented the Board with a Pensions Board work plan for the municipal year 2016/17. Ms Tobun informed the Board that the work plan indicates the overall work of the Board. The key points raised in discussion were;

- Concerns were raised about the Board duplicating the role of the Pensions Committee.
- It was suggested that the Board needs to take a more strategic oversight.

It was suggested that the work plan template be revised;

Action by:

Bola Tobun
John Jones

7. MINUTES OF PREVIOUS PENSIONS COMMITTEE- TO FOLLOW

Nil items.

8. DATE OF FORTHCOMING MEETINGS

The Clerk informed the Board of the following dates of Board meetings;

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

It was

RESOLVED

9. That the dates be noted
ANY OTHER BUSINESS

Nil items.

The meeting ended at 12:20PM

Chair, John Jones
Pensions Board

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT TIME NOT SPECIFIED ON THURSDAY, 30 JUNE 2016

**ROOM MP701, 7TH FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON E14 2BG**

Members Present:

Councillor Andrew Cregan (Chair)

Councillor Md. Maium Miah
Councillor Abdul Mukit MBE
Councillor Candida Ronald
Councillor Andrew Wood

Union and Admitted Bodies, Non-Voting Members Present:

Kehinde Akintunde – Unions Representative

Other Councillors Present:

Apologies:

Councillor Gulam Kibria Choudhury
Councillor Clare Harrisson

Others Present:

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Officers Present:

Bola Tobun – (Investments and Treasury
Manager, Resources)
Kevin Miles – (Chief Accountant, Resources)
Neville Murton – (Service Head, Finance &
Procurement)
Nishaat Ismail – Committee Officer

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No declarations of disclosable pecuniary interests were made.

2. APPOINTMENT OF VICE CHAIR

The Chair proposed that Councillor Clare Harrisson be appointed Vice-Chair of Pensions Committee for the duration of the municipal year. The proposal was seconded by Councillor Candida Ronald and, there being no other nominations, it was

RESOLVED

That Councillor Clare Harrisson be appointed Vice-Chair of Pensions Committee for the duration of the municipal year.

3. MINUTES OF THE PREVIOUS MEETING(S) (TO FOLLOW)

The Pensions Committee minutes of the 9th March were approved as a correct record of proceedings.

4. PETITIONS

No petitions were received relating to matters which the Committee is responsible.

5. SUBMISSIONS / REFERRALS FROM PENSION BOARD

An update was given informing the Committee of referrals made by the Pensions Board. The Committee heard that;

- An issue was raised by Pension Board Members about the performance of the Fund; its effect on the funding level and the consequential impact on the Council's budget
- The Chair was asked by the Board to write to the Chair of the Pensions Committee on this subject and draw attention to the importance of regular Member attendance at the Committee and at training events so these issues can be fully understood and addressed as appropriate
- The Board were updated on developments with the London CIV. One issue that emerged was some concern over lack of representation of beneficiaries in the CIV and how the overall governance arrangements can be improved.

6. REPORTS FOR CONSIDERATION

7. PENSIONS COMMITTEE TERMS OF REFERENCE, MEMBERSHIP, QUORUM AND DATES OF MEETINGS

The Clerk introduced the report informing Members that this annual report was presented to enable the Committee to note its arrangements and, if desired, agree an alternative meeting time for the duration of the municipal year.

RESOLVED

1. That the Terms of Reference, Membership and Quorum as set out in Appendix A to the report be noted.

8. MARKET OUTLOOK AND SMART BETA PRESENTATION

In the absence of Mr Haines, the Investment Adviser to the Committee, Ms Tobun the Investment and Treasury Manager delivered the presentation on Mr Haines behalf. The presentation gave a summary of Smart Beta and a summary of market conditions in the current period.

It was

RESOLVED

- That the contents the presentation be noted.

9. INVESTMENT PERFORMANCE REVIEW QUARTER END 31ST MARCH 2016 AND FUND REVIEW FOR FINANCIAL YEAR 2015/16

Bola Tobun, Investment and Treasury Manager presented the report which informed Members of the performance of the Fund in the preceding quarter. The following matters were noted:

- For the quarter, the Fund underperformed the benchmark by 0.4%
- The Fund is behind its benchmark for the last twelve months to end of March 2016
- For this quarter end, four out of eight mandates matched or achieved returns above the benchmark
- GMO underperformed the benchmark by posting a positive return of 2.5% against a target return of 2.9%
- Shroeder outperformed the benchmark for this quarter.

In response to Members questions the Committee heard that;

- The performance of Fund Managers was not impacted by budget cuts.
- It is important to identify poor performance of Managers and challenge strategies.

RESOLVED

1. That the contents of the report be noted.

10. REPORTING ON BREACHES POLICY

Ms Tobun, the Investment and Treasury Manager presented the report on Reporting Breaches Procedure. The following matters were noted:

- There is a statutory obligation to report “materially significant” breaches of the law to The Pensions Regulator (TPR) under section 70 of the

Pensions Act 2004 for the persons involved in running or advising Pensions Schemes.

- Those subject to this reporting requirement (Reporters) are: Scheme managers (in this case the Council as the Administering Authority, with responsibility delegated to the Pensions Committee), Pension Board Members, persons otherwise involved in the administration of the scheme, employer, professional advisers and persons otherwise involved in advising the Scheme Manager in relation to the scheme.

RESOLVED

1. That the Reporting Breaches Policy be noted.
2. The duties required of the Pensions Committee in its capacity as Scheme Manager be noted.

11. DATE OF FUTURE MEETINGS

22nd September 2016 and 7th December 2016.

12. TRAINING EVENTS

Nil.

13. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

Nil items.

14. EXCLUSION OF THE PRESS AND PUBLIC

The Chair moved and it was

RESOLVED

That press and public be excluded from the remainder of the meeting in that under the provisions of section 100 of the Local Government (Access to Information) Act 1985 the press and public should be excluded the remainder of the meeting for the consideration of Section Two business on the grounds it contains information defined as exempt in Part One, Paragraph 3, Schedule 12 A to the Local Government Act 1972, which relates to information relating to the financial or business affairs of any particular person including the authority holding the information.

15. RESTRICTED MINUTES

The restricted Pensions Committee minutes of the 9th March were approved as a correct record of proceedings.

16. LGPS UPDATE - LCIV

This report was discussed in closed session and it was

RESOLVED

1. That the contents of the report be noted.

17. INVESTMENT UPDATE- REVIEW

The meeting ended at 19:08

Chair, Councillor Andrew Cregan
Pensions Committee

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