

**Tower Hamlets Council
Local Government Pension Scheme**

PENSIONS BOARD

Monday, 13 March 2017 at 10.00 a.m.

This meeting is open to the public to attend.

Members:

Chair: John Jones

Vice-Chair: David Stephen Thompson

Stephen Stratton, (Active Fund Members' Representative)

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

Councillor Dave Chesterton, (Representing Pension Fund Employers)

Andrew Crompton, (Representing Admitted Bodies Employers)

Minesh Jani, (Representing Pension Fund Employers)

Substitutes:

Contact for further enquiries:

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

Scan this code
to your mobile
phone to view
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 5th December, 2016

4. **REPORTS FOR CONSIDERATION**
5. **PRESENTATION FROM LAPFF - ENGAGEMENT, APPROACH AND PRACTICE**
6. **PENSION ADMINISTRATION UPDATE WITH PERFORMANCE INDICATOR FOR YEAR TO REPORTING QUARTER (TO FOLLOW)**
7. **PENSION BOARD WORK PLAN FOR 2017/18**
8. **INVESTMENT STRATEGY STATEMENT CONSULTATION/COMMENTS AS PER REPORT INCLUDED IN PENSIONS COMMITTEE AGENDA PACK (TO FOLLOW)**
9. **FUNDING STRATEGY STATEMENT CONSULTATION/COMMENTS AS PER REPORT INCLUDED IN PENSIONS COMMITTEE AGENDA PACK (TO FOLLOW)**
10. **MINUTES OF THE PREVIOUS PENSIONS COMMITTEE**
11. **PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING (TO FOLLOW)**

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 Probit 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, 5 DECEMBER 2016

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

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)	(Mayoral Adviser for Strategic Planning) (Mayor's Cycling Adviser)
Andrew Crompton (Member)	
Raymond Haines (Independent Investment Advisor)	

Officers Present:

Kevin Miles	(Chief Accountant, Resources)
Bola Tobun	(Investments and Treasury Manager, Resources)

1. APOLOGIES

Apologies received from Minesh Jani and Neville Murton.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS

None declared.

3. UNRESTRICTED MINUTES

The minutes of the Pensions Board meeting held on 19th September 2016 were agreed and approved as a correct record of proceedings.

4. PRESENTATION FROM DIVEST TOWER HAMLETS

The Chair of the Pensions Board welcomed Divest Tower Hamlets. Divest Tower Hamlets made a presentation on the case for divesting from investments in fossil fuels. The Board welcomed the presentation and had a detailed discussion on the issues raised. The main points arising were:

- How does the Tower Hamlets Fund with £91 million (80% of the total) compare with other comparable LGPS funds
- The process of disinvest from fossil fuels should form part of a wider strategic investment and asset allocation review planned to take place in 2017
- The process of disinvesting must be managed carefully to minimise costs
- The carbon footprint of the fund should be monitored and reported periodically
- Concern was expressed over the potential impact on returns from any disinvestment policy and the future viability of the fund
- The use of fossil fuels also has an impact on air quality in Tower Hamlets with a health effect on residents and others working in the borough.

It was **RESOLVED** that the presentation be noted.

5. REPORT ON 31ST MARCH 2016 TRIENNIAL VALUATION - INITIAL RESULTS AND PUBLIC SERVICE PENSIONS ACT - SECTION 13 VALUATION

The Investment and Treasury Manager informed the Board Members, this report provides the board with a summary of progress to date on the 2016 actuarial valuation. Whilst a full report was not available for distribution, preliminary work gives a guide to the outcome of the valuation.

It was highlighted that:

- The funding level has improved from 71.8% to 82.7%.
- In monetary terms the deficit has reduced by £130m to £235m from £365m as at March 2013. This funding position was based on the Fund having assets of £1,126m and liabilities of £1,361m

The Board were pleased to see the position had improved since the last valuation but there was concern over the variation in funding levels produced by the different methods of actuarial calculation. This does not help with clarity and communication of funding levels and future financial viability. The outcome of the recent valuation also appears at odds with some of the training given to Board Members last year. Nonetheless the Board noted that the Fund is in a much healthier position than expected from earlier reports and this was welcomed.

It was **RESOLVED** that the report be noted.

6. REPORT ON 2015/16 PENSION FUND ANNUAL REPORT AND AUDIT REPORT (ISA 260 REPORT)

This report was introduced by the Investment and Treasury Manager, the report presents the Pension Fund Annual Report and Statement of Accounts for 2015/16 and 2015/16 Pension Fund Audit Report (ISA 260 Report) following the audit by KPMG.

The Board were pleased to read that in the financial statements there are no significant risks identified for the Pension Fund, although some work has not yet been completed.

Members of the Board noted that as part of the overall governance of the Fund, it is very important that Members of the Pensions Committee attend Committee meetings and training events on a regular basis. In the Boards view attendance during 2015-16 as set out in the annual report did not fully meet the expected level and would like Members to be reminded for future meetings.

It was **RESOLVED** that the report be noted

7. MINUTES OF PREVIOUS PENSIONS COMMITTEE

The minutes of the previous Pensions Committee held on 22nd September 2016 was noted by the Pensions Board.

8. DATE OF FUTURE MEETINGS

The next meeting of the Pensions Board is to be held 13th March 2017.

9. ANY OTHER BUSINESS

None

10. EXCLUSION OF THE PRESS AND PUBLIC


10.1 Report on London Collective Investment Vehicle (CIV) and FCA MiFID II Consultation

This report was presented to Members of the Board by the Investment and Treasury Manager.

Members noted the subject of employee representation on the CIV and they urged the Chair of the Committee to raise this at meetings when the governance arrangements of the CIV are discussed.

It was **RESOLVED** that the report be noted

**Chair, John Jones
Pensions Board**

Non-Executive Report of the: PENSIONS BOARD 13 March 2017	
Report of: Zena Cooke, Corporate Director Resources	Classification: Unrestricted
Local Pension Board General Remit and LBTH Pensions Board Work Plan For 2017/18	

Originating Officer(s)	Bola Tobun, Investment and Treasury Manager
Wards affected	All

Summary

The key decision making and management of the Fund has been delegated by the London Borough of Tower Hamlets (the Council) to a formal Pension Fund Committee, supported by officers of the Council and advisers to the Pension Fund. The Corporate Director, Resources is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the council including Fund matters.

A local pension board has been in place since April 2015 to assist in:

- securing compliance of Fund matters; and
- ensuring the efficient and effective governance and administration of the Fund.

The work of the local pension board in assisting the Scheme Manager is broad and extensive and understanding what the remit for the Board is undoubtedly complex.

This report outlines the general remit of a local pension board and the indicative Work Plan for 2017/18 for Tower Hamlets Pensions Board.

Recommendations:

The Pension Board is asked to note this report and to agree the work plan attached as Appendix 1 to this report.

1. REASONS FOR THE DECISIONS

- 1.1 The indicative work plan for the board has been put together to assist in the management of the Fund, so that the Council is able to perform its role as the administering authority in a structured way. The Work Plan is not intended to cover all aspects of Pension Fund administration; rather it is designed to assist with meeting part of its delegated function as administering authority to the Fund.
- 1.2 The Pensions Board's role is to assist the Administering Authority in ensuring compliance with the regulations. There are no immediate financial implications attached to this report, although it is recognised that the Pensions Board are able to ask for additional information or resourcing in order to help them to fulfil their role as the Pension Board.

2. ALTERNATIVE OPTIONS

- 2.1 The development and implementation of a work plan should ensure that a structured approach is in place for the monitoring and management of the Pension Fund. This should in turn ensure that the Council meets its statutory obligations as administering authority to the Fund. However, the Board is under no obligation to adopt a work plan in carrying out its duties.

3. DETAILS OF REPORT

- 3.1 In accordance with the Public Service Pensions Act 2013 (PSPA) All Board members are legally required to have knowledge and understanding of pension scheme matters at a level that will allow them to properly exercise the functions of their role.
- 3.2 Although it is early days in terms of the establishment of Pension Boards in the Local Government Pension Scheme (LGPS), there has clearly been a range of approaches to how Boards are established and the matters being considered by individual boards.
- 3.3 At the time the local Pension Boards were being established, the National Scheme Advisory Board issued a Q&A for Pension Boards that included a question on the role of the Board is and it is worth covering the response on this from the Scheme Advisory Board:

What is the role of a Local Pension Board?

- a) Regulation 106(1) specifies that each Administering Authority shall establish its own Local Pension Board with responsibility for assisting the Administering Authority to secure compliance with the Regulations, other legislation relating to the governance and administration of the LGPS and the requirements imposed by the Pensions Regulator in relation to the LGPS. In addition it must ensure the effective and efficient governance and administration of the LGPS.
- b) The Local Pension Board does not replace the Administering Authority as scheme manager or make decisions which are the responsibility of the

Administering Authority in that role and have been properly delegated to a Pension Committee or officer. The role of the Board should be interpreted as covering all aspects of governance and administration of the LGPS including funding and investments.

- c) The remit of the Local Pension Board can be as wide or as narrow as is decided upon locally. However, it should be borne in mind that under regulation 106(8) of the Regulations, the Local Pension Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
- d) There are many areas of work which a Local Pension Board may be the most appropriate place for that work to take place, consider for example the requirements of the new code of practice no. 14 from the Pensions Regulator. The Local Pension Board could be tasked with reviewing whether the Administering Authority is compliant with the requirements of that code.

3.4 The following extract from Schedule A in the full guidance on the establishment and operation of local Pension Boards sets out an example of the remit of a Local Pension Board

SCHEDULE A

Example of a remit of a Local Pension Board

Administering Authorities should remember that the Local Pension Board does not replace the Administering Authority or make decisions or carry out other duties which are the responsibility of the Administering Authority.

- 1) The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:
 - a. Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
 - b. Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code of Practice.
 - c. Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.
 - d. Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.

- e. Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.
 - f. Monitor complaints and performance on the administration and governance of the scheme.
 - g. Assist with the application of the Internal Dispute Resolution Process.
 - h. Review the complete and proper exercise of Pensions Ombudsman cases.
 - i. Review the implementation of revised policies and procedures following changes to the Scheme.
 - j. Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
 - k. Review the complete and proper exercise of employer and administering authority discretions.
 - l. Review the outcome of internal and external audit reports.
 - m. Review draft accounts and scheme annual report.
 - n. Review the compliance of particular cases, projects or process on request of the Committee.
 - o. Any other area within the core function (i.e. assisting the Administering Authority) the Board deems appropriate.
- 2) The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:
- a. Assist with the development of improved customer services.
 - b. Monitor performance of administration, governance and investments against key performance targets and indicators.
 - c. Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
 - d. Monitor investment costs including custodian and transaction costs.
 - e. Monitor internal and external audit reports.
 - f. Review the risk register as it relates to the scheme manager function of the authority.

- g. Assist with the development of improved management, administration and governance structures and policies.
 - h. Review the outcome of actuarial reporting and valuations.
 - i. Assist in the development and monitoring of process improvements on request of Committee.
 - j. Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.
 - k. Any other area within the core function (i.e. ensuring effective and efficient governance of the Scheme) the Board deems appropriate.
- 3.5 In support of its core functions the Local Pension Board may make a request for information to be presented to the Pensions Committee with regard to any aspect of the Administering Authority function. Any such request should be reasonably complied with in both scope and timing.
- 3.6 In support of its core functions the Local Pension Board may make recommendations to the Pensions Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Schedule A has been added as an example only - it should not be considered an exhaustive list and full consideration should be given locally to the remit of the Local Pension Board.

- 3.7 The Council has specific delegated functions that it has to fulfil as the administering authority to the Pension Fund. This requires that a number of monitoring and management activities are undertaken to ensure that it fully discharges its oversight and governance responsibilities to the Fund.
- 3.8 It is appropriate that the Board should set out how it intends to fulfil its roles and responsibilities. Adopting a planned approach should make monitoring easier for the Board and ensure that activities critical to the effective management of the Fund are being undertaken.
- 3.9 The Key Performance Indicators cover the following areas:
- a. Investment performance
 - b. Funding level
 - c. Death benefit administration
 - d. Retirement administration
 - e. Benefit statements
 - f. New Joiners
 - g. Transfers in and out
 - h. Employer and member satisfaction
 - i. Data quality
 - j. Contributions monitoring
 - k. Overall administration cost
 - l. Audit

3.10 In line with best practice, a schedule of Pension Fund key performance indicators (KPIs) covering investment and administration practices, will be provided at Pensions Board meetings.

3.11 An annual Work Plan will be presented to the Board for agreement. The Work Plan should be presented to the Pension Board by the last board meeting of the prior financial year to which the Work Plan applies.

3.12 WORK PLAN

In designing the work plan, the priorities of the Council as the administering authority of the Fund have been considered and incorporated into the Plan. The Work Plan has been developed using the below outline action plan.

ACTIVITY	PURPOSE
Administration & Governance	
Member training on specific and general issues	To provide training on specific issues based on identified need or emerging/ current issues. To provide ongoing training to members to enable them to challenge the advice received and equip them with the tools to enter into constructive dialogue with advisers.
Pensions Board to receive key performance indicators report on a quarterly basis.	To ensure scheme is run in accordance with agreed service standards; and compliance with regulations and to deal with and rectify any errors and complaints in a timely way.
Review the current pension administration strategy	To ensure scheme is run in accordance with the rules.
Review and refresh key policy documents; the Statement of Investment Principles, Funding Strategy Statement, Governance & Communications Policy Statement as necessary (i.e. where significant changes are made)	Seek member approval and formally publish any updated documents where this is deemed appropriate.
Set up pensions specific website or microsite	A pension specific website is scheduled to be set up towards the latter half of 2017, which will include details on pension administration, pension investments. And to provide a platform for on-line training facilities.
Investment & Accounting	
Draft Pension Fund Annual Accounts approved by the Corporate Director Resources in June 2017.	To ensure that the Council meets the regulatory timetable and fulfils its stewardship role to the Fund.
Audited Pension Fund Annual Report to be published on or before the statutory deadline of 1 December 2017	Ensure that the Council fulfils its statutory obligation and to keep members abreast of the Pension Fund activities in a transparent and accessible way.

Review of the Funds investment strategy	To ensure that the Fund's investment strategy is optimal. There are no current plans for a major investment strategy review over the financial year, although manager underperformance/ market developments may require a review of Strategy.
Review of (Actuarial, Investment Consultant and Independent Adviser and Custodian Services)	This may not lead to full re-tendering for these services, but reviews will be commissioned to ensure that the Fund is still receiving good value for its major services. All options will be considered in the review including joining existing framework contracts.
Review the process of 2016, Triennial Valuation of Pension Fund Assets and Liabilities	The Fund is bound by legislation to undertake an actuarial valuation of its assets and liabilities to ensure that appropriate future contribution rates are set and that any Fund deficit is recovered over an appropriate period of time in line with the Fund's Strategy Statement. This report will present to Members the outcome of this exercise.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 The comments of the Corporate Director, Resources are incorporated in the report.

5. LEGAL COMMENTS

5.1

5.3

- 5.1 Regulation 106(1) of the Local Government Pension Scheme Regulations 2013 provides for each Administering Authority to establish its own Local Pension Board with responsibility for assisting the Administering Authority to secure compliance with the Regulations, other legislation relating to the governance and administration of the LGPS and the requirements imposed by the Pensions Regulator in relation to the LGPS. The Board must also ensure the effective and efficient governance and administration of the LGPS.

- 5.2 To that end, it is necessary and appropriate for the Pensions Board to have a Work Plan that sets out in detail how it will fulfil its role and comply with its statutory duties.

- 5.3 This Work Plan provides for Board members to be well trained and kept up to date and thus fit for purpose.

- 5.4 When making decisions regarding investment of pension funds, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to

foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 The London Borough of Tower Hamlets Pension Fund represents an asset to the Council in terms of its ability for attracting and retaining staff who deliver services to residents. The adoption of a Work Plan should lead to a more effective management of the Fund.
- 6.2 A significant element of the Council's budget is the employer's contribution to the Fund. Therefore, any improvement in the efficiency of the Fund that leads to improvement in investment performance or cost savings will likely reduce contributions from the Council and release funds for other corporate priorities.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 A work plan should result in a more efficient process of managing the Pension Fund.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 There is no Sustainable Action for A Greener Environment implication arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 The adoption of a work plan will minimise risks relating to the management of the Fund and should assist in managing down the risk of non-compliance with the Council's obligations under the Regulation as the administering authority of the London Borough of Tower Hamlets Pension Fund.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 There are no any crime and disorder reduction implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report - None

Appendices

- Appendix 1 – Pensions Board Work Plan for 2017/18

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report - None

Officer contact details for documents:

- Bola Tobun - Investment & Treasury Manager x4733
- Mulberry House, 5 Clove Crescent E14 2BG

PENSIONS BOARD

Work Plan

2017/18

Date of Meeting	Title of Report	In-line with PB Terms of Reference (no.)	Responsible Officer
June 2017	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	54a	Investment & Treasury Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55b	Pensions Manager
	Review of The Pensions Regulator Code of Practice	54a-54e	Investment & Treasury Manager/Pensions Manager
	Review of Risk Management Policy and Risk Register	55f	Investment & Treasury Manager
	Review of Pensions Administration Policy	54f & 54g	Pensions Manager
	Review of Funding Strategy Statement	54j & 54h	Investment & Treasury Manager
	Review of Investment Strategy Statement	54j & 54h	Investment & Treasury Manager
September 2017	Received and Review Pensions Committee Meetings agenda (reports & minutes)	54a	Investment & Treasury Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55b	Pensions Manager
	Review Draft Account and Fund Annual Report	54j & 54m	Investment & Treasury Manager
	Review of Governance Compliance Statement	54e & 54j	Investment & Treasury Manager
	Review of Communications Policy Statement	54d & 54j	Pensions Manager
	Other Ad-hoc items for consideration		Various

November 2017	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	54a	Investment & Treasury Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55b & 54c	Pensions Manager
	Review of Communications Policy Statement	54d & 54j	Pensions Manager
	Review of The Pensions Regulator Code of Practice	54a-54e	Investment & Treasury Manager/Pensions Manager
	Review Asset Voting, Engagement Processes & Compliance with the UK Stewardship Code	55j	Investment & Treasury Manager
	Review of Risk Management Policy and Risk Register	55f	Investment & Treasury Manager
	Monitor Internal and External Audit Reports	55e & 54i	Investment & Treasury Manager
	Review the outcome of actuarial reporting and valuations	55h	Investment & Treasury Manager
March 2018	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	54a	Investment & Treasury Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55b	Pensions Manager
	Review of Customer Services Survey	55a	Pensions Manager
	Monitoring Report of Investments Costs	55d	Investment & Treasury Manager
	Review the Performance and Contracts of Service Providers to the Fund	55c	Investment & Treasury Manager
	Member Training - Training Needs Analysis	54i	Investment & Treasury Manager
	Pension Fund Work Plan 2018/19		Investment & Treasury Manager
	Other Ad-hoc items for consideration		Various

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT TIME NOT SPECIFIED ON WEDNESDAY, 7 DECEMBER 2016

IDEA STORE CANARY WHARF, CHURCHILL PLACE, LONDON E14 5RB

Members Present:

Councillor Andrew Cregan (Chair)
Councillor Clare Harrisson (Vice-Chair)
Councillor Candida Ronald
Councillor Andrew Wood

Apologies:

Kehinde Akintunde
Councillor Gulam Kibria Choudhury
Councillor Md. Maium Miah
Councillor Abdul Mukit MBE

Officers Present:

Ngozi Adedeji	(Team Leader Housing Services, Legal Services, Law Probity & Governance)
Kevin Miles	(Chief Accountant, Resources)
Bola Tobun	(Investments and Treasury Manager, Resources)
Nishaat Ismail	(Democratic Services Officer)

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

None declared.

2. MINUTES OF THE PREVIOUS MEETING(S)

Minutes of the previous meeting held on 22nd September were agreed as a correct record of proceedings with the following amendments;

- Cllr Harrisson requested that the value of projected new funding be reflected in the minutes which is 85%
- Mr Raymond Haines requested that his attendance in the Committee be reflected.

3. PETITIONS

Nil Items

4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

Nil Items

5. REPORTS FOR CONSIDERATION

Nil Items

6. PRESENTATION FROM DIVEST TOWER HAMLETS

The Committee received a presentation from Divest Tower Hamlets and the following points were highlighted;

- The campaign to divest from fossil fuels (FF) has grown into a significant global movement.
- Divest Tower Hamlets told the Committee that they believe that the Tower Hamlets Pension Fund's investments in FF companies are not in "the best financial interests of all its stakeholders, "the primary investment objective of the Pension Fund.
- The Committee were advised that the Pension Fund should divest the approximately £91 million it reportedly has invested in FF companies.
- The Committee were told about major divestments which include Rockefeller Brothers Fund, Norges Bank and the University of Oxford.
- Divest Tower Hamlets told the Committee why engagement has not worked; FF companies have not responded to engagement efforts in the past and FF companies' actions indicate they are likely to continue to ignore engagement.
- The Committee were presented with the environmental and financial factors for divesting.
- Divest Tower Hamlets recommendations for the Pensions Committee:
 1. Divesting its holdings in the World's top 200 oil; coal and gas companies in full, or at least to the level adopted by the Environment Agency in 2015, that is to a level consistent with keeping below 2 degrees of global warming.
 2. A time frame for doing so (e.g. over the next 5 years)
 3. Refraining from making any new investments in FF companies
 4. Reinvesting a proportion of the divested funds in low carbon solutions.

It was **RESOLVED** that the presentation be noted.

7. PRESENTATION BY PAUL SPEDDING FROM CARBON TRACKER

The Committee welcomed Paul Spedding from Carbon Tracker to give a presentation to the Committee:

- Carbon Tracker is an independent non-profit financial think tank funded by European and US foundations interested in climate.

- Their vision is to enable a climate secure global energy market by aligning the capital markets with climate reality.
- Their mission is to map the transition for the fossil fuel industry to stay within a two degree budget.
- The Committee were told in order to limit global warming to 2 degrees, CO2 concentrations need to be limited to 450ppm.
- By 2040, coal demand needs to be 45% below business as usual levels.
- Oil and gas needs to be 30% below.
- The Committee heard that oil poses as a greater threat to institutions than coal does.
- Companies should be willing to share more information with the Local Authority, if they're not then this is a cause for concern.

In response to Members questions the Committee heard that:

- Due to the American election results oil prices had gone up
- Every single oil company at the moment is investing in low cost institutions.
- You have to be cautious with subsidies and tax on capital allowance may not be considered subsidies.

It was **RESOLVED** that the presentation be noted.

8. PRESENTATION BY CLIFFORD SIMS (PARTNER, SQUIRE, PATTON, BOGGS (LLP))

The Chair welcomed Clifford Sims (Partner, Squire, Patton, Boggs LLP) to give his presentation to the Committee.

The Committee heard that trustees of investment fund should divest only for two reasons. Trustees think scheme members share their outlook. Firstly to divest for purely ethical reasons.

There is a restriction now in terms of divesting due to the Boycott, Divestment & Sanctions movement (BDS)

The Committee were told that the local Pensions Board does not have any powers of investment, it has an advisory role and whilst it is important to take into account its view, they are not fiduciaries.

It was **RESOLVED** that the presentation be noted.

9. PRESENTATION BY IAN WILLIAMS (151 HACKNEY)

Members welcomed Ian Williams from 151 Hackney.

The Committee heard that they have 40 million pounds held in fossil fuels. The Committee were also told that fund investment partners must be used for fund investment, a fund should not seek to impose particular views not shared

by members or employers. There is a duty to protect the Fund in financial terms, not based on ethics.

The Committee were told that society at present is highly dependent on fossil fuels.

Other points highlighted:

- Passive funds perform better than active funds
- They have almost completed investing 25 million into low carbon property.

It was **RESOLVED** that the presentation be noted.

10. EXAMINATION OF APPROACHES FOR MANAGING FOSSIL FUELS AND CLIMATE CHANGE ISSUES AS PART OF THE FUND ETHICAL, SOCIAL AND GOVERNANCE (ESG) POLICY

Bola Tobun, the Investment and Treasury Manager introduced this report to the Committee. The report provided the Committee with recommendations to be approved in relation to the Fund's approach to climate change issues and fossil fuel investment in order to formulate the Fund's Ethical, Social and Governance (ESG) Policy.

In response to Members questions the Committee heard that:

- The recommendations from Divest Tower Hamlets can be included in the 2017 policy statement.
- Changing the portfolio to low carbon will reduce some of the risks, but officers can approach the Fund's active managers to see how they approach it.
- Divesting from FF companies and moving to renewables is dependent on the size of the funds.
- It is important to get the recommendations of actuaries.
- Only where we have a regular portfolio can we divest.

Members raised concerns that the recommendations are not robust enough and they would like to know the risks before approving the recommendations.

Members requested another meeting in January to discuss the Strategy.

It was **RESOLVED** that the contents of the report be noted.

11. TRIENNIAL VALUATION- INITIAL RESULTS AND PUBLIC SERVICE PENSIONS ACT- SECTION 13 VALUATION

Bola Tobun, the Investment and Treasury Manager introduced the report on the Triennial Valuation. This report provided the Committee with a summary of progress to date on the 2016 actuarial valuation. Full report was not available to distribute but the preliminary work gives a guide to the outcome of the

valuation. The result of this preliminary work was presented at the Committee by the Fund's actuary, Hyman's Robertson. The Committee were told that the Actuarial Valuation is undertaken every 3 years and is an assessment of the assets and liabilities of the Pension Fund which then determines the funding level.

Kevin Miles, Chief Account informed the Committee that he is confident the contribution rate will remain relatively stable.

The Pensions Committee was recommended to:

- Agree the assumptions and methodology used by the Actuary to determine the actuarial funding level and a standardised basis for setting employer contribution rates.
- Note the content of this report and the draft results of the triennial valuation of the Fund.

It was **RESOLVED**:

- That the report be noted
- That the assumptions and methodology used by the Actuary to determine the actuarial funding be agreed.

12. VERBAL UPDATE ON MARKET OUTLOOK AND INVESTMENT BY THE INDEPENDENT ADVISOR

Raymond Haines, the Independent Investment Advisor provided the Committee with an update on the market outlook.

The Committee heard that:

- The UK is stronger post Brexit vote
- The US economy post Trump's election is working well
- The European market is growing at a slower rate.
- There are three major elections in 2017 in Europe, French, Dutch and German elections may put market into disarray.

It was **RESOLVED** that the verbal update be noted by the Committee.

13. INVESTMENT PERFORMANCE REVIEW FOR QUARTER END 30 SEPTEMBER 2016

The Investment Performance Review Quarter End 30th September was presented by Bola Tobun, the Investment Treasury Manager.

This report informs Members of the performance of the Fund and its investment managers for the quarter ending 30th September 2016. For the quarter, the Fund outperformed the benchmark by 1.5%, delivering a positive absolute return of 6.9% against benchmark return of 5.4%.

The Committee were told that:

- The Fund is ahead of its benchmark for the last twelve months to end of September 2016.
- The Fund returned 18.1% which was ahead of the benchmark return of 17.6% by 0.5%.
- For longer term performance, the Fund matched the benchmark return of 9.2% for three year returns and outperformed the benchmark marginally by posting five year returns of 10.5%; this is 0.1% above the benchmark return of 10.4%.
- For this quarter end, all the eight mandates matched or achieved returns above the benchmark.
- The Committee also heard that all Managers added something to the Fund.
- Ruffer did particularly well percentage wise.

It was **RESOLVED**:

- That the report be noted.
- And the current Fund strategic asset allocation be approved.

14. 2015/16 PENSION FUND ANNUAL REPORT AND AUDIT REPORT (ISA 260 REPORT)

The Pension Fund Annual report was presented by Bola Tobun, the Investment and Treasury Manager.

This report presents the Pension Fund Annual Report and Statement of Accounts for 2015/16 and 2015/16 Pension Fund Audit Report (ISA 260 Report) following the audit by KPMG.

The Statement of Accounts has been prepared under International Financial Reporting Standards (IFRS) rules and was presented for consideration at the last meeting of the Pensions Committee. For completeness, this report is included on the December 2016 Pension Committee agenda for noting.

Members thanked officers for completing the report.

It was **RESOLVED**:

- That the 2015/16 Pension Fund Annual Report and Audit Report be noted.

15. TRAINING EVENTS

Nil Items

16. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

Nil Items

17. EXCLUSION OF THE PRESS AND PUBLIC**18. MAXIMUM DEFICIT RECOVERY PERIOD FOR ACADEMIES (TO FOLLOW)**

Members were informed that this report outlines the latest government guidance on Local Government Pension Scheme (LGPS) liabilities for academy conversion, including guidance from the actuary and details the possible risks to the LBTH Local Government Pension Scheme (LGPS) as a consequence of extending the maximum deficit recovery period of academies so that it is the same as the Council's deficit recovery period, which is currently 20 years.

The Committee agreed to leave the decision made during the meeting of 22nd September in regards to Mulberry deficit recovery period to be 14 years from November 2016 to March 2017.

The Committee were told that the report tabled at the meeting was flawed by not advising them of the pension's liability provision by the government, the Committee then indicated this was not enough to vary the length of deficit recovery period from 14 years to a longer period for that valuation cycle.

The Committee agreed a maximum deficit recovery period to be the same as the Council (currently 20 years) for academies from April 2017. This is primarily due to the improved funding position of the Fund as the deficit of the Fund has reduced by £130m from £365m to £235m; this gave the Committee assurance to take on the risk of accepting the pseudo guarantee provision from the government.

It was **RESOLVED:**

- that the contents of the report be noted;
- that the maximum deficit recovery period for academies be the same as the Council's deficit recovery period (20 years) at a given valuation cycle from 1st April 2017; and
- that the guidance in the Funding Strategy Statement be amended to reflect the above changes from 1st April 2017.

18.1 London Collective Investment Vehicle (CIV) and FCA MiFID II

The Investment and Treasury Manager, Bola Tobun introduced this report

The Committee were informed that this report provides the Committee with an update on general developments in Local Government Pensions Scheme arena and also the progress of the London Collective Investment Vehicle (CIV).

Over the last three years, the 32 London Boroughs and the City of London have been collaborating through London Councils to establish a route through

to reduced costs and overall improved investment returns for the Local Government Pension Scheme funds across the Capital.

The London Collective Investment Vehicle is an (FCA regulated, Authorised Contractual Scheme) through which the Boroughs will be able to invest, achieving economies of scale, providing a platform for significant cost savings, and opening up opportunities to invest in alternative asset classes (e.g. direct investment in infrastructure) that may not be easily achievable for individual funds.

With over £24 billion of assets under management with 87 fund managers, across 253 mandates, and £72.8 million paid in fees in 2012/13, collaboration through the CIV is likely to deliver substantial savings.

Importantly the CIV will open up significant opportunities to invest collaboratively in a range of alternative asset classes.

It was **RESOLVED**:

- That the contents of this report be noted.

**Chair, Councillor Andrew Cregan
Pensions Committee**