

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS BOARD

HELD AT 10.25 A.M. ON MONDAY, 12 MARCH 2018

MP704 - TOWN HALL MULBERRY PLACE

Members Present:

John Jones (Chair)	(Independent Chair)
John Gray (Member)	(Representing Active Admitted/Statutory Bodies Pension Fund Members)
Councillor Dave Chesterton (Member)	(Pensions Board Member representing Pension Fund Employers)

Others Present:

Rebecca Woodley	(Industry Liaison Manager, The Pensions Regulator)
Andrew Burton	(Industry Liaison, The Pensions Regulator)

Officers Present:

Ngozi Adedeji	(Senior Lawyer, Legal Services)
Neville Murton	(Divisional Director, Finance)
Kevin Miles	(Chief Accountant, Resources)
Bola Tobun	(Investments and Treasury Manager, Resources)
Georgina Wills	(Committee Services Officer)

1. APOLOGIES

The Chair noted apologies from Stephen Stratton, David Stephen Thompson and Roger Jones.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS

None.

VARY ORDER OF BUSINESS

At the request of the Chair, the Board agreed to vary the order of business. To aid clarity, the minutes are presented in the order that the items originally appeared on the agenda.

3. PETITIONS

None received.

4. UNRESTRICTED MINUTES

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

Matters Arising

Item 4 Unrestricted Minutes; Matters Arising (Item 5.1 ESG Factors) Baillie Gifford / Tesla Poor Labour Practise.

Members were advised that Tesla was still refusing to engage with Trade Unions and that the Companies stance may have an impact on Investments. The Board was advised that further enquiries will be made about the Company's non-engagement and noted that the London CIV was to hold a Quality Management Meeting.

Item 7 Discussion and Presentation from London CIV on Governance Arrangement / Non adherence to agreed voting rules.

Members requested that Officers try to ascertain why some Fund Managers fail to follow the set voting rules at the London CIV and suggested that they forward recommendations about voting practises to the Body.

RESOLVED

That Officers seek reasons for why some Fund Managers fail to adhere to set voting rules at the London CIV and that they forward recommendations about voting practise.

5. SUBMISSIONS FROM FUND MEMBERS

None.

6. SUBMISSIONS / RESPONSES FROM PENSIONS COMMITTEE

None.

7. DISCUSSION AND PRESENTATION FROM THE PENSIONS REGULATOR (TPR)

The Board received a presentation from Rebecca Woodley, Industry Liaison Manager and Andrew Burton, Industry Liaison, The Pensions Regulator. The Pensions Regulator (TPR) regulates the governance and administration of public service pensions schemes, which provide pensions for civil servants, the judiciary, public sector workers, members of the police forces and members of the armed forces. In total 37% of the Pensions Regulator membership comprises of LGPS Scheme.

The TPR regulate compliance with the Governance and Administration Requirements which were introduced by the Public Service Pensions Act 2013. Their Code of Practice sets out the standards of conduct and practice which members are expected to adhere to. The Regulator mainly engages with scheme managers and Pensions Boards and focuses on investment governance and uses there educate, enable and enforce regulatory approach to help schemes comply and address key issues. The Board during a question and answer session noted the following.

- TPR 2016 Survey response rate was good and that the overall response had improved when compared to the previous year.
- That one of the main focus for the TPR for 2017/18 was looking at locally-administered schemes, record-keeping and data quality. The Pensions Board noted that they their Chair was invited to attend the Pensions Committee and that they could refer matters onto the Committee. The Board noted that the above arrangement was not replicated in other Local Authorities.
- That the Board had requested Indemnity Insurance. Ms Woodley advised that the Local Government Association had raised the issue about Indemnity and commented that she was of the view that Pensions Boards did not need to have a separate Insurance and that the overall responsibility for schemes did not rest on the Boards. The Board held a short discussion about Indemnity and noted that they had a legal requirement and duty to assist in ensuring the well-being of the Pensions Scheme.
- That there was an increase focus on Pensions Administration in particular payments made to scheme members. The Board noted that an assessment about the quality of their data had been undertaken and that they scored positively and also had an Improvement Plan.
- That all Schemes are required to undertake an Annual Review of their Data and be able to evidence all improvements made in this area and that only 20% of Pensions Schemes had an Improvement Plan. There are concerns over the rate of improvement. Data improvement will need to be continually monitored.
- That it was imperative for Schemes to ensure that scheme members data was correct and that the above mentioned receive the correct payments at specified time and that overfunding is avoided. A percentile of 36% of respondents to a TPR Survey reported that delays in benefit payment as one of the top three complaints that are received.
- That Scheme Members are informed of expectations and works which need to be undertaken. This is hoped to prevent any material breaches. In areas where there are concerns, the TPR will review what systems are in place to address any anomalies. A record of all breaches should be kept by Scheme Administrators; this information should be used for future references and help to prevent the same issue recurring. The Board was advised that the TPR will take a more stringent approach if breaches are not reported especially if information about a breach is provided by a 'Whistleblower'. The Board suggested that the TPR should publish breaches and agreed that this information could be used in 'benchmarking exercises'.

- TPR will be visiting the LBTH Pension Scheme in May 2018
- One of the key focuses of the TPR for 2018 was 21st Century governance. The Board was advised that Pension Schemes were to be requested to provide information on eleven items of command data; these include National Insurance Numbers final salaries and dates of birth. The aim of the exercise is to produce a 'snap shot' of Schemes specific data. A total of 55% of Scheme Managers produce data. Scheme Managers of LGPS find this exercise more difficult than their other counterparts and this is due to the high numbers of employees involved.
- That it was good practise for Pensions Board to have a Risk Register and for Scheme Managers to attend Board Meetings.
- That the LBTH Pensions Board submission to the TPR on 'ability' was viewed as being slightly 'modest' and that one of the concerns about the Board was maintaining its knowledge. This aspect was reported to be difficult as their membership changed every year, in particular that of elected members. The Board commented that new members were required to quickly 'get up to speed' on areas. The Board noted that their members were granted leave to attend meetings by their employee and commented that remuneration for Pension Board Members would help to ensure the right calibre of individuals are appointed onto Boards. This would ensure that Boards remain robust.
- That the common breaches of the law made by Schemes were them failing to produce their Annual Benefits on time. Schemes which encountered a number of issues were School Academies. The Panel noted that services were often outsourced to 3rd Parties and that factor such as staff absences could have an adverse effect on the production of benefit statements. The Board commented that Service Level Agreements with contractors should help to negate concerns and noted that School Academies could be fined.
- That the quality of data was equally important as to benefit statements and that a breach of the former could be more detrimental and that both areas needed to be weighed when undertaking required exercises. Pensions Administrators should use their knowledge base when conducting the above. On average around 45% of Schemes get both exercises correct, the Fire Brigade and Police Services were reported to perform better than LGPS in the above mentioned areas. In 2017, 70% of all scheme members took part in all of the key exercises.
- That cyber security was paramount and needed to be given priority and maintained. The Board noted that the information kept on scheme members was a valuable resource to cyber fraudsters and were advised that all attempts made to 'hack' into the IT database should be monitored. The UK was reported to be at the forefront in cyber security and was ahead of other EU States in this area. The Board noted that I Connect was currently being used by their Pensions Administrators.
- That the Department of Work And Pension were currently developing a Pensions Dashboard, the Dashboard will inform the public about their pension's entitlement. There is uncertainty on whether Public Services Pension Schemes would be requested to provide information.

- The Board held a brief discussion about the governance arrangements of pools within the London CIV and the lack of representation for beneficiaries. The Board commented that the LGPS governance arrangement could be used as a model. At current the TPR does not hold a view about the governance arrangements of the London CIV.

Members thanked Ms Woodley and Mr Burton for their presentation. Ms Woodley advised the Board that she will share recommendations made by Members to colleagues.

Ms Woodley and Mr Burton left the meeting at 11.25am.

8. REPORTS FOR CONSIDERATION

8.1 The Pensions Regulator Compliance Checklist For Tower Hamlets Pension Fund

Bola Tobun, Investment and Treasury Manager presented a report which provided an update on the Compliance Checklist for the London Borough of Tower Hamlets Pension Fund. From 1 April 2015 the Pensions Regulator (TPR) assumed responsibility for public service pension schemes and put in place codes of practice for public service pension schemes covering a number of areas relating to the management of schemes. The Code of Practice for Public Service Pension Schemes came into force from 1 April 2015 and all schemes must now consider whether they comply with the Code.

Members were advised that further work needed to be carried out in relation to liabilities and also in Section H, Providing Information to Members, and Section I, Internal Disputes. There are a number of items requiring attention in Section H; the principal concern relates to the dispatch of the Annual Benefits Statements. In Section I, the main concern is the Internal Dispute Resolution Procedure (IDRP) and in particular the requirement for the IDRP to be kept undated and it having all the required and additional helpful information.

Members were advised that a couple of areas had been identified as needing improvement and these were indicated in red in the committee report. There are 3 areas which have been coded in red and 17 areas which have been identified as being partially met. A report will be presented at the next Board and will detail what actions are being taken and the Officers responsible for them. It is envisaged that programmes such as I Connect and Member Self Programme will help to address the above concerns.

The Board noted that attendance at training and membership on the Pensions Board and Pensions Committee needed to be included in their Risk Register. Members were reminded that the membership on both the Pensions Board and Pension Committee would be affected by the local elections. There will be bespoke training for both members of the Board and Committee in the next Municipal Year.

Members noted that Party Group Leaders will be encouraged to appoint members to the Pensions Board and Pensions Committee that have experience or awareness of financial management. The Board noted the importance of the performance of the Pensions Committee and its direct correlation on the LBTH Pensions Fund.

The Board requested that their meetings during the next Municipal Year are held during the day.

RESOLVED

1. That a report be provided at the next Pensions Board which gives an update on Section H, Providing Information to Members, and Section I, Internal Disputes of The Pensions Regulator Compliance Checklist For Tower Hamlets Pension Fund and also areas which have been coded in green and amber on the Checklist. The report should also include an 'action column'; and
2. To note the Code of Compliance Checklist and the further work which is required and being undertaken

8.2 Local Pension Board General Remit and LBTH Pensions Board Work Plan For 2018/19

Bola Tobun, Investment and Treasury Manager presented a report which outlines the general remit of a local Pension Board and the indicative Work Plan for 2018/19. In accordance with the Public Service Pensions Act 2013 (PSPA) all Board members are required to have knowledge and understanding of pension scheme matters at a level which will allow them to properly exercise the functions of their role.

Members held a brief discussion about the proposed Work Plan and noted that there were to be induction training for new members on the Pensions Committee and suggested that a joint training be organised for both the Board and the Committee. Members requested that future presentations dovetail with their training programme and that training which was provided three years previous be repeated.

RESOLVED

1. That a joint training be organised for members of the Pensions Board and Pensions Committee
2. That presentations to the Pensions Board dovetail with their Training Programme for 2018 – 2019
3. To note the contents of the report; and
4. To agree the Work Plan attached as Appendix 1 to the report.

9. DISCUSSION ON OUTCOME OF THE PENSIONS BOARD TRAINING ANALYSIS

Members held a brief discussion on the outcomes of their training analysis and noted that more training on the legal aspects of their role had been requested. Members advised that they had not received any information about the Pensions Regulators Training Programme for 2018 and requested that Officers investigate.

RESOLVED

1. That Pensions Board Members inform Officers of training needs; and
2. That Officer obtains information about the Pensions Regulator Training Programme for 2018 and recirculates the programme to Board Members.

10. MINUTES OF THE PREVIOUS PENSIONS COMMITTEE

The Board reviewed the minutes of the Pensions Committee held on 29 November 2017 and noted the contents.

11. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

The Board noted the Agenda for the meeting which was to be held on 14 March 2018.

Verbal update on letter sent to London CIV on behalf of the Pensions Board and Pensions Committee and discussion on the response to the London CIV Strategy Consultation.

The Board was advised that a joint letter by both the Chairs of the Pensions Board and Pensions Committee had been sent to the London CIV about the Bodies governance arrangement. The letter raised concerns over the Audit Committee and Remuneration Committee not being independent. The meeting was advised that the London CIV were in the process of changing their governance and investment structure and had consulted its members about the proposals. The Board was advised that Officers had responded to the consultation and that the results will be circulated to members of the Board and the Committee.

6.1 Revised Investment Strategy Statement and Investment Options Considerations

Members were advised that the Investment Strategy Statement has been set out to reflect the funding position of the Fund and the investment beliefs of the Committee. Members were advised that there was to be an allocation to Multi-Asset Credit (MAC), Equity gains protection were to be undertaken and that allocation to long-term illiquid asset classes (long lease, private debt and infrastructure) were to be made. Members were advised that the Chair of the

Pensions Committee had requested that Infrastructure be thoroughly reviewed. The Board was advised that the Independent Investment Consultants were consulted and that Officers will be meeting with the Actuaries. The Fund's current funding level is at 90% and this equates to £150million.

6.2 Pension Scheme Administration Update

Tim Dean, Pensions Administration Team Leader advised the Board that Members had requested that the Pension Scheme Administration Update Report is more detailed and provides an in-depth information about staffing and the performance of the Pensions Team. Officers advised that the Pensions Team was still encountering difficulties with resources. The Council will be appointing more permanent Pensions staff members; the prospective staff members will be required to have experience in pension's administration. At current there are 4 permanent staff members in the Pensions Team. The HR Payroll Pensions Team and the Pensions Administration Team was included as part of the Finance Directorate restructure and both are expected to be moved into this Service Area.

Members were advised that external contractors will be used to help ensure that the Team met set deadlines.

6.4 Update on Pension Fund Procurement Plans 2017/18

The Board was advised that the Global Custodian Service was now to be provided by The Northern Trust Company and that contract was due to start from 2 April 2018. Members commented that the mentioned contractor should ensure that all 'Class Action Reports' are undertaken in-house and are not contracted to a third party.

The advertisement for an Independent Advisor is now closed and 12 applications were received. The Board was advised that the vacancy had a good response and attracted a broad range of applicants. Officers will be shortlisting. Prospective candidate will be required to answer seven questions as part of the selection process.

RESOLVED

1. That officers provide a briefing note about the outcome of the London CIV Governance and Investment restructure; and
2. That the Pensions Board be provided an update on the changes made to the Pensions Administration Team following the Finance Service restructure.

12. ANY OTHER UNRESTRICTED BUSINESS

Verbal update on Insurance Indemnity for Pensions Board Members

Members were advised that Indemnity Insurance for the Pensions Board was to be arranged. There are various options being considered, these include a bespoke coverage for the Board or extending existing insurance to cover Pension Board Members. There will be no cost incurred with the latter. Members welcomed the proposal and agreed that it was good practise to be cautious and have appropriate coverage.

Pensions Board Membership.

The Pensions Board thanked Cllr Dave Chesterton and Minesh Jani Head of Audit and Risk Management, Resource – Representing Pension Fund Members for their hard work and contribution to the Pensions Board and Pensions Committee. The Board noted that both Board members were to step down from Board.

13. DATES OF FUTURE MEETINGS

Members were advised that the Scheduled Pensions Board dates for the 2018 – 2019 had yet to be confirmed.

14. EXCLUSION OF THE PRESS AND PUBLIC

The Chair moved and it was

RESOLVED

“That, under the provisions of Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985, the press and public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.” This information pertains to paragraphs 1 and 3 of Schedule 12A – information likely to reveal the identity of an individual and information pertaining to the financial and business affairs of an individual including the authority including the authority holding that information.

15. RESTRICTED MINUTES

The restricted minutes of the meeting held on 27 November 2017 were agreed and approved as a correct record.

16. RESTRICTED MINUTES OF THE PENSIONS COMMITTEE

The restricted minutes of the Pensions Committee held on 27 November meeting held on 27 November 2017 were noted.

The meeting ended at 12.20 p.m.

Chair, John Jones
Pensions Board