

**Tower Hamlets Council  
Local Government Pension Scheme**

# **PENSION BOARD**

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**Thursday, 7 March 2019 at 5.00 p.m.  
C3 - Town Hall Mulberry Place**

**This meeting is open to the public to attend.**

**Members:**

Chair: John Jones  
Vice-Chair: David Stephen Thompson  
John Gray, (Admitted Bodies Representative for Active Fund Members)  
Steve Hill, (Representing Pensions Fund Employers)  
Nneka Oroge, Active Fund Members' Representative  
Annette McKenna, (Representing Admitted Bodies Employers)  
Councillor Puru Miah, (Representing Pensions Fund Employers)

**Substitutes:**

Roger Jones, (Representing Pensions Fund Employers)

Contact for further enquiries:

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Committee  
website.



- 1. APOLOGIES**
- 2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS** (Pages 5 - 8)
- 3. PETITIONS**
- 4. MINUTES OF PREVIOUS PENSIONS BOARD MEETING** (Pages 9 - 14)  
To approve as a correct record of proceedings, the minutes of the meetings held on the 26<sup>th</sup> of November 2018.
- 5. SUBMISSIONS FROM PENSION FUND MEMBERS**  
To receive verbal submissions.
- 6. SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE**  
To receive written representations from the Pensions Committee.
- 7. PRESENTATION FROM LAPFF-LATEST DEVELOPMENTS AND ACTIVITIES UPDATE**
- 8. PENSIONS BOARD REPORTS FOR CONSIDERATION**
  - 8 .1 Training & Development Plans For Pension Board Members For 2019/20** (Pages 15-28)
  - 8 .2 Local Pension Board General Remit and LBTH Pensions Board Work Plan For 2019/20** (Pages 29 - 52)
- 9. MINUTES OF THE PREVIOUS PENSIONS COMMITTEE** (Pages 53 - 64)  
To receive for information, the minutes of the Pensions Committee Meeting held on 29<sup>th</sup> of November 2018.
- 10. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING**
  - 10 .1 Pensions Committee Agenda\_13MAR2019** (Pages 65 - 66)
- 11. DATES OF FUTURE MEETINGS**
- 12. EXCLUSION OF THE PRESS AND PUBLIC**
- 13. RESTRICTED MINUTES**
- 14. RESTRICTED MINUTES OF THE PENSIONS COMMITTEE**
- 15. ANY OTHER RESTRICTED BUSINESS**

Verbal update on London CIV Pension recharge and guarantee

The next meeting will be held at a date to be notified.

# 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:-

Asmat Hussain, Corporate Director for Governance and Monitoring Officer.  
Tel 020 7364 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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# Agenda Item 4

PENSION BOARD, 26/11/2018

SECTION ONE (UNRESTRICTED)

## LONDON BOROUGH OF TOWER HAMLETS

### MINUTES OF THE PENSIONS BOARD

HELD AT 10.00 A.M. ON MONDAY, 26 NOVEMBER 2018

MP702 - TOWN HALL MULBERRY PLACE

#### Members Present:

John Jones (Chair)	Independent Chair
David Stephen Thompson (Vice-Chair)	
Nneka Orogé (Member)	Trade Union Representative
Annette McKenna (Member)	Pensions Board Member representing Admitted Bodies Employers
Roger Jones	Head of Revenues
Nneka Orogé	GMB

#### Officers Present:

Ngozi Adedeji	Legal Services
Bola Tobun	Investment and Treasury Manager
Kevin Miles	Chief Accountant
Tim Dean	Pension Team Leader
Rushena Miah	Committee Officer

#### Others:

Colin Robertson	Independent Advisor
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#### 1. APOLOGIES

Apologies for absence were received from Councillor Puru Miah and John Grey. Annette McKenna sent apologies for lateness.

#### 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 taking the presentation items first. To aid clarity, the minutes are presented in the order that the items originally appeared on the agenda.

#### 3. PETITIONS

No petitions were received.

#### 4. UNRESTRICTED MINUTES

The Chair did not have an opportunity to review the minutes in advance and they were not included in the agenda pack. The Board requested they be given one week to review the minutes before sign off by the Chair.

#### RESOLVED:

- For the Committee Officer to circulate the minutes of the 18 September 2018 Board meeting for comment before final sign off by the Chair.

**5. SUBMISSIONS FROM FUND MEMBERS**

None.

**6. SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE**

None.

**7. PRESENTATIONS:****7.1 PRESENTATION FROM PIRC - LOCAL AUTHORITY PENSION PERFORMANCE ANALYTICS ANNUAL REVIEW**

The Board received a presentation from Pensions & Investment Research Consultants (PIRC) on the Pension Performance Annual Review.

Board Members received the following in response to their questions:

- It was difficult to generalise why there has been a move from equity towards diversification.
- The LGPS was performing well as a higher risk fund.
- The Fund had equity protection which reduced the risk of holding equities.
- With regard to the Risk and Return Last Five Years slide, Tower Hamlets Council was placed on the top half along the risk line.
- With regard to the Fund Structures slide, the blue arrow showed the number of managers had increased from 5 to 13. The figures 5, 7 and 13 represented the number of fund managers. The percentage numbers represented the proportion which is actively managed.
- With regard to the Top and Bottom Performers – Ten Years slide, the yellow dots represented underperforming funds and the red dots represented outperforming funds.
- It was noted that Bromley was doing well on the league tables and advisors suggested this may be due to a larger allocation on equities.
- It was clarified that the performance value dots on the diagram represented the whole of the UK not just the London boroughs. They represented the 63 funds covered by PIRC. There are 89 local authorities joined to the Fund in England and Wales. There are 101 authorities joined to the Fund in the UK.
- Members requested a clarification on point two of the What Can Be Learnt slide. It was clarified that Tower Hamlets had more active managers because it had invested in alternatives. The advisor explained that a wider range of investments tended to result in the need for additional specialist managers. It was noted that Tower Hamlets had two absolute return funds and two DGF (Diversified Growth Fund) managers. The Chair understood this to mean that the Council should be mindful to not lose manager value by investing in a pool with too many managers as there may be a risk of in effect moving towards passive management.
- It was clarified that the data presented on the table in the Tower Hamlets Fund Structure included funds which are not in the pool, namely GSAM, Insight and Schroders. It was noted that L&G was

separate but the Council was paying the London CIV fees for managing the relationship with L&G and this would count towards the pooling arrangement.

- It was reported that the Fund had done well and was performing well relative to the benchmark. Significantly over the past year the Fund outperformed the average by 1.5%, this ranked it in the 7<sup>th</sup> percentile out of the 63 local authorities covered by PIRC and about the 4<sup>th</sup> or 5<sup>th</sup> ranked fund. It was noted that Baillie Gifford's success contributed to this result.
- It was concluded that the Fund had outperformed over 1, 3 and 5 years and performed broadly in line with benchmarks over the long term which was a positive outcome.

**ACTION:** for a PIRC update to be on the meeting agenda for Board and Committee meetings in summer 2019. Bola Tobun to action.

**RESOLVED:**

1. To note the presentation.
2. To receive a PIRC update in summer 2019.

**7.2 PRESENTATION: VIEWS ON CURRENT FUND INVESTMENT STRATEGY AND DIVESTMENT CONSIDERATION PROCESS FROM THE FUND INDEPENDENT ADVISOR**

The Board received a presentation from Colin Robertson, Independent Advisor, on the soundness of the Council's investment strategy and consideration of fossil fuels.

- The independent advisor explained that there were two types of bond fund. Firstly there were those unlikely to fall much in absolute terms and so often considered low risk and secondly those which might fall significantly in absolute terms but which moved more in line with the liabilities, crucial to a pension fund. The Board were advised that this second category included index linked gilts, so they had strong defensive characteristics.
- It was clarified that strategic weight was a long term goal and could be found recorded in the investment strategy statement. Actual weight was dependent on how markets perform in the short term. In the case of equities, the actual was higher than strategic so there could be an argument for reducing closer to the strategic 50% mark. The equity protection strategy would protect the Fund from a fall in equity markets to some extent.
- It was noted that the pension fund's current investment strategy was sound and appropriate for current conditions but probably not the best place to be in the longer term.
- The strategic weight for the Council's Diversified Growth Funds and Absolute Return Funds combined was 32%. Having heard the performance in this type of fund had been poor, Members' queried if this would be an issue in the long term. The advisor explained that the majority of the pension fund's investments in these asset classes were

of the same type or nature in that they aimed to produce a return above cash utilising the skills of an investment manager. Consequently these assets should be thought of as less sensitive to market movements than other asset classes and hence less vulnerable to falls in markets. However Members were cautioned against holding onto them on the current scale in the long term.

- The Council has some protection against inflation through property and index linked gilts and potentially through infrastructure.
- The Fund did not have a lot of exposure to the credit cycle which was a positive thing at this time.
- It was concluded that the Fund's overall position was sound but in due course the council may wish to consider a move into bonds which would match the liabilities to some extent (second category above) However this would be dependent on where markets were at the time.
- It was noted that Investment Strategy Statements were usually reviewed every three years unless there was an issue.

**Fossil fuels:**

- Government advice has stated that Funds could be environmentally conscious as long as it was expected that this would not lead to significant financial loss.
- Tower Hamlets Fund already had a low carbon exposure. Carbon exposure would to some extent be accidental depending on the individual stock selection of the manager.
- It was noted that Councils' had an obligation to invest via the London CIV, however the London CIV had a limited offer in environmentally friendly stocks, this may present a dilemma for a local authority.
- Bola Tobun, Investment and Treasury Manager, said the London CIV were planning a fossil fuel free equity fund in second quarter next year however this would be dependent on demand as was an expensive process.

**RESOLVED:**

1. To note the presentation.

**8. REPORTS FOR CONSIDERATION:**

**8.1 Voting and Engagement Update for Quarter Ending September 2018**

The Committee received a report from Bola Tobun, Investment and Treasury Manager, on voting and engagement LAPFF Fund for quarter ending September 2018.

Members requested a presentation form LAPFF to learn how they effectively manage a large number of assets. Bola Tobun agreed to invite someone from LAPFF to speak.

Members wished to query why the newsletter did not provide a reason for why there was a variance and why there was only a 50% return rate. Bola Tobun agreed to look into this and provide a briefing note.

**ACTION:**

- Bola Tobun to request reasons for variance from fund manager.
- Bola Tobun to invite LAPFF to speak at a Board meeting on asset management.

**RESOLVED:**

1. To note the report.

**8.2 Local Pension Board General Remit and LBTH Pensions Board Draft Work Plan For 2019/20**

The Board received the report of Bola Tobun, Investment and Treasury Manager, on the draft work plan for the Pension Board 2019/20.

**ACTIONS:**

- Finance Officers agreed to provide a Breaches Report as a standing item at every Board meeting.
- Board Members agreed that a key performance indicators report covering the areas outlined in point 3.9 of the report, should be made available at every Board meeting. Finance Officers agreed to provide this.
- The cost of managing the Fund is to be reported on at the end of the financial year. Finance Officers to add this to the work programme.
- The Board thanked Bola for the comprehensive training programme that she had organised for the financial year. They said it was useful to conduct training alongside the Pensions Committee and this practice should continue into the next year.
- The Vice-Chair informed the committee that he had almost finished drafting the Trustee Toolkit which will include e-learning and videos. The Board were instructed to contact Bola or Vice-Chair if they wished to contribute to the toolkit.

**RESOLVED:**

1. To note the report.
2. Note the Pension Board's Terms of Reference attached at Appendix 1 of the report.
3. To agree the work plan as attached at Appendix 2 of the report.

**9. MINUTES OF THE PREVIOUS PENSIONS COMMITTEE**

It was noted that Councillor Puru Miah had raised the following query outside of the meeting: 'given that Tower Hamlets has the most assets in the London CIV pool, should it not have representation on the CIV Board?'

**RESOLVED:**

1. The minutes of the previous pension committee were agreed as an accurate record.

**10. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING**

Bola Tobun summarised the reports that would go to the Committee. It was noted that divestment to fossil fuels would be discussed at the meeting.

**11. ANY OTHER UNRESTRICTED BUSINESS**

The Chair said that Councillor Puru Miah had requested that meetings be moved later in the day due to his daytime work commitments. Other Board Members agreed that they would also prefer a later start. The Board proposed meetings be held at 5pm. It was agreed that the Committee Officer should contact the Board to confirm a preferred start time.

**ACTION:**

- Committee Officer to confirm with Board Members whether a 5pm start time was acceptable.

**12. DATE OF NEXT MEETING**

13 March 2019, time to be confirmed.

**13. 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 holding that information.

**14. RESTRICTED MINUTES OF THE PENSIONS BOARD**

None.

**15. RESTRICTED MINUTES OF THE PENSIONS COMMITTEE**

None.

The meeting ended at 12.15 p.m.

Chair, John Jones  
Pensions Board

Non-Executive Report of the: <b>Pensions Board</b> 7 <sup>th</sup> March 2019	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Neville Murton, Corporate Director, Resources	<b>Classification:</b> Unrestricted
<b>Training &amp; Development Plans For Pension Board Members</b>	

<b>Originating Officer(s)</b>	Bola Tobun, Investment & Treasury Manager
<b>Wards affected</b>	All wards

## Summary

This report sets out the need for a training and development programme for members of the Pension Board and Committee.

There are requirements for LGPS Pension Committee members, Pension Board members and officers to have an appropriate level of knowledge and skills. These are being driven by the Chartered Institute of Public Finance and Accountancy (CIPFA) publication “Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector” (2010) (referred to elsewhere in this report as the “CIPFA knowledge and skills framework (2010)”, the Pensions Regulator (TPR), legislation and recently CIPFA publication - A Technical Knowledge and Skills Framework for local Pension Boards.

## Recommendations:

Members are asked to consider this report and to:

- a) Note the assessment and training resources provided by the Pensions Regulator (paragraph 3.21 – 3.24);
- b) Note the adoption of the CIPFA Local Pensions Boards Technical Knowledge and Skills framework (paragraph 3.25 – 3.32), including the self-assessment matrix (attached as Appendix 2) and
- c) Agree the training framework and programme for 2019/20 set out within the report (para 3.33 and 3.35).

## **1. REASONS FOR THE DECISIONS**

- 1.1 Governance is defined as the action, manner or system of governing. Good governance is vital and is promoted in the context of a pension scheme/fund by having Members and Observers on the decision making body who have the ability, knowledge and confidence to challenge and to make effective and rational decisions. The “CIPFA knowledge and skills framework (2010)” provides a framework for the training and development of members/observers with the objective of improving knowledge and skills in all relevant areas of the activity of a Pensions Board.

## **2. ALTERNATIVE OPTIONS**

- 2.1 No alternatives

## **3. DETAILS OF REPORT**

- 3.1 The Pension Fund recognises the importance of training of Committee members, Board members and officers in relation to Pension Fund matters. The Fund’s Governance Policy Statement refers to the Fund’s current policy with regard to training. Also the Annual Report and Statement of Accounts for the Fund include a statement setting out governance compliance against the Myners effective decision making principle.
- 3.2 Arrangements for regular training of members and officers are in place, with training delivered through a number of means including: online training on the Pension Regulator website; external seminars and events (in person or via video conference); training delivered as Committee agenda items; and other briefings and research material.
- 3.3 The CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills, and CIPFA’s supporting Framework and guidance documentation was formally adopted by the Pensions Committee in November 2013 and adopted by Pensions Board in July 2016.
- 3.4 Following the introduction of the Public Service Pensions Act 2013 the Pensions Regulator has outlined the legal requirements for individual Pension Board members to have the correct level of knowledge and understanding to undertake their role. The training policy with regards to Pension Board members is addressed separately in this document.

### **The CIPFA Code and Framework**

- 3.5 In order to ensure all members and officers involved in Pension Fund decisions are adequately trained, CIPFA has developed a Public Sector Pensions Knowledge and Skills Framework to support the Code. The Code and Framework are seen as supporting the requirements of the Public Sector Pensions Act 2013 and Pension Regulator code.
- 3.6 The CIPFA Framework supporting the Code of Practice is intended to have two primary uses:

- i) as a tool for organisations to determine whether they have the right skill mix to meet their scheme financial management needs,
  - ii) as an assessment tool for individuals to measure their progress and plan their development.
- 3.7 The Framework sets out 6 core areas of knowledge and skills for those involved in LGPS pensions finance (both members and officers):
- i) pensions legislative and governance context
  - ii) pensions accounting and auditing standards
  - iii) financial services procurement and relationship management
  - iv) investment performance and risk management
  - v) financial markets and products knowledge
  - vi) actuarial methods, standards and practices
- 3.8 An extract of the competency assessment for members has been included with this report at Appendix 1 and is further described at section 3.14 - 3.16.
- 3.9 The CIPFA Framework recognises that all LGPS Funds will differ, and each fund will wish to adapt the framework to suit their own requirements e.g. not all funds will be of a size, or take an investment approach, whereby all activities and knowledge are in-house. The framework acknowledges that some Funds will choose to access certain types of expertise from external sources such as investment managers and investment advisers.
- 3.10 The key recommendations of the Code and Framework are:
- i) Formal adoption of the CIPFA Framework as the basis for training and development of members and officers involved in Pension Fund finance matters.
  - ii) Disclosure within the Pension Fund Annual Report and Financial Statements how the framework has been applied, what assessment of training needs has been undertaken, and what training has been delivered against the identified training needs.

Tower Hamlets Pension Fund complies with both of these recommendations.

### **Training Policy**

- 3.11 Training needs will be assessed using the structure of the 6 core knowledge and skills areas set out at paragraph 3.7 Training needs assessment and delivery will be based upon a group (Committee and Board) and individual (member/officer) approach.

### **Group Needs and Training**

- 3.12 It is likely that most aspects of training will be delivered on a group basis, either at Committee and Board or through separate events to which all members will have the opportunity to attend. For this type of training, the training programme and assessment of needs will be based on a consideration of; new developments and legislation, topical/live issues, as well as member feedback and specific requests for training.
- 3.13 Group training will be delivered through a variety of mediums including:

- provided directly at Pensions Committee and Board through reports and presentations.
- specific training sessions/conferences/seminars/visits, provided by e.g. Council officers, investment managers, investment advisors, national bodies such as Chartered Institute of Public Finance and Accountancy (CIPFA), National Association of Pensions Funds Ltd (NAPF), The Pensions Regulator (TPR), etc.
- provision of and reading of relevant material e.g. research, briefing papers, website content, industry magazines, etc.

### **Individual Needs and Training**

- 3.14 To further support the identification of training needs, and recognising some individuals may have specific requirements the CIPFA Framework provides for self-assessment to identify training needs.
- Appendix 1 provides further details of the 6 core competencies and members are asked to review this to self-assess any personal knowledge and skills requirements they feel they may have.
  - And for officers this will be part of the Council's Employee Review and Development (PDR- personal development review) process to identify any specific individual officer training needs.
- 3.15 Having reviewed these learning assessment tools, members may wish to approach the Investment & Treasury Manager to discuss any individual queries or training needs they may have identified. It is important that members appreciate that an in-depth understanding of all the core knowledge areas is neither assumed nor necessary. In many cases what the framework expects is only an understanding or awareness of the area, and knowledge of where more detailed knowledge could be sought e.g. members are not necessarily expected to have in depth knowledge of a matter, but a general awareness of the issue and understanding of where they might source further information if required.
- 3.16 Following the meeting, officers will follow up with members to capture feedback from the self-assessment process. An annual report on training will be considered by the Pensions Committee and Board in future, to ensure that training needs are regularly assessed and training arrangements developed.

### **Pension Board**

- 3.17 The Pension Board has been established from 1 April 2015 under the provisions of section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013.
- 3.18 The regulations require that pension board members must meet certain legal requirements that relate to their knowledge and understanding. Members must:
- i) have a working knowledge of the scheme rules and of any policy document for the scheme
  - ii) have knowledge and understanding of the law relating to pensions
- 3.19 The Pension Regulator and CIPFA have produced material to assist with training needs assessment and the acquisition of the identified knowledge and

skills and are described in the following sections. Pension Board members should take advantage of either or both of these learning resources, if required, to help ensure the attainment of the appropriate level of knowledge and understanding.

- 3.20 Following the meeting, officers will follow up with members to capture feedback from the self-assessment process. An annual report on training will be considered by the Pensions Committee and Board in future, to ensure that training needs are regularly assessed and training arrangements developed.

### **The Pensions Regulator**

- 3.21 The Pensions Regulator is the UK regulator of work-based pension schemes. The Pensions Regulator works with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them.
- 3.22 The principal aim of the Pension Regulator is to prevent problems from developing. The Regulator uses their powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long term.
- 3.23 The Pensions Regulator also provides training resources. On the Pension Regulator website there is a learning assessment tool available which is a useful resource to help Pension Board members identify any training requirements. <http://www.thepensionsregulator.gov.uk/public-service-schemes/knowledge-and-understanding-duty-on-board-members.aspx>
- 3.24 The Pensions Regulator also provides a free online learning programme called the Public Service toolkit which Pension Board members should complete; <https://education.thepensionsregulator.gov.uk/login/index.php>. These resources are freely available to all members and officers.

### **CIPFA: Local Pension Boards A Technical Knowledge and Skills Framework (TKSF)**

- 3.25 This TKSF has been developed as following the introduction of the Public Pensions Act 2013. This is an extension of the previous CIPFA Knowledge and Skills framework (para 3.5) which had to be revised to include specific reference to the knowledge and skills required by Pension Board Members.
- 3.26 TKSF is intended to have two primary uses:
- i) as a tool to help organisations establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.
  - ii) as an assessment tool for individuals to measure their progress and plan their development in order to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of a pension board
- 3.27 The TKSF covers eight key areas:
- i) Pensions Legislation
  - ii) Pensions Governance
  - iii) Pensions Administration

- iv) Pensions account and auditing standards
  - v) Pensions services procurement and relationship management
  - vi) Investment performance and risk management
  - vii) Financial markets and products knowledge
  - viii) Actuarial methods standards and practices.
- 3.28 This framework will be formally adopted by the fund to assist with planning and monitoring training for Pension Board members.
- 3.29 Tower Hamlets Council members can register on the CIPFA website (<http://www.cipfa.org/>) to download copies of the whole framework document or can contact the Investment & Treasury Manager for assistance in accessing a copy of the framework.
- 3.30 Appendix 2 provides a copy of the Self-Assessment Matrix from this framework. Pension Committee members may consider referencing this to identify any training requirements.
- 3.31 A very short training session to ensure that all Members and Observers of the Pensions Committee have an understanding of the roles, responsibilities and statutory documents of the fund would be held on 24<sup>th</sup> July 2018 at the first meeting of the Committee for this municipal year.
- 3.32 Details of further training to be delivered will be recorded by officers, and will be used for annual disclosure within the Pension Fund Annual Report, in line with the CIPFA framework expectations.

### **Training Programme 2019/20**

- 3.33 The following training programme is proposed for the remainder of the 2019/20 financial.

Date	Event and Core Knowledge & Skills Areas Covered	Potential Attendees
July - March	AON / CIPFA Pension Network Workshop <ul style="list-style-type: none"> <li>• Pensions legislative &amp; governance context</li> <li>• Pensions Accounting and Audit Standards</li> <li>• Investment performance/risk management</li> <li>• Financial markets &amp; products knowledge</li> <li>• Actuarial methods, standards &amp; practices</li> </ul>	All
September	Presentation on Infrastructure <ul style="list-style-type: none"> <li>• Financial markets &amp; products knowledge</li> </ul>	All
July - March	LGA / Pension Fund Actuary & Investment Consultant training sessions <ul style="list-style-type: none"> <li>• Triennial Valuation</li> <li>• Investment Strategy</li> </ul>	All
July	Fund Managers Training seminars	All

March	<ul style="list-style-type: none"> <li>• Investment performance/risk management</li> <li>• Financial markets &amp; products knowledge</li> </ul>	
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- 3.34 The training programme can be revised going forward based on member feedback and any additional training requirements emerging from discussion of this report and self-assessment of needs (para 3.16 and 3.20).
- 3.35 An updated training programme for 2020/21 will be brought back to a future Committee meeting.

#### **4. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 4.1 This report details the pension fund commitment to training and training plan for 2019/20. There are no specific financial implications arising from this report and any costs associated with delivering training to the Board members and officers will be met by the pension fund.

#### **5. LEGAL COMMENTS**

- 5.1 Whilst there are no immediate legal consequences arising from this report it is important that members are trained appropriately so that decisions are made from a sound knowledge base thereby minimising the risk of any legal challenge.
- 5.2 When carrying out its functions, 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 employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for corporate priorities.
- 6.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

#### **7. BEST VALUE (BV) IMPLICATIONS**

- 7.1 This report helps in addressing the required knowledge and skills needed for Members to understand the duties and responsibilities of a trustee and how best to fulfil these effectively, efficiently and in accordance with regulatory requirements.

#### **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 Any form of decision making process inevitably involves a degree of risk.

9.2 Effective training and development will help Members to gain sufficient knowledge and skills necessary to make appropriate decisions in minimising risk associated with their roles and responsibilities.

## **10. CRIME AND DISORDER REDUCTION IMPLICATIONS**

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

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- [None]

#### **Appendices**

Appendix 1 - CIPFA Knowledge and Skills Framework for Members

Appendix 2 - Self-Assessment Matrix

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

#### **List of “Background Papers” used in the preparation of this report**

Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector, CIPFA (2010)

Investment decision making and disclosure in the Local Government Pension Scheme, A Guide to the Application of the Myners Principles, CIPFA (2009)

#### **Officer contact details for documents:**

- Bola Tobun Investment & Treasury Manager x4733

## **Appendix 1**

### **CIPFA Knowledge and Skills Framework for Members of Pension Committees**

#### **Core Areas:**

#### **1. Pensions Legislative and Governance Context**

##### ***General Pensions Framework***

A general awareness of the pensions legislative framework in the UK.

Scheme-specific legislation

- An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.
- An awareness of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and Local Government Pension Scheme (Administration) Regulations 2008 and their main features.
- An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.
- A regularly updated appreciation of the latest changes to the scheme rules.
- Knowledge of the role of the administering authority in relation to LGPS.

##### ***Pensions regulators and advisors***

An understanding of how the roles and powers of the Pension Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.

##### ***General constitutional framework***

- Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.
- Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

##### ***Pensions scheme governance***

- An awareness of the LGPS main features.
- Knowledge of the Myners principles and associated CIPFA and Society of Local Authority Chief Executives (SOLACE) guidance.
- A detailed knowledge of the duties and responsibilities of committee members.
- Knowledge of the stakeholders of the pension fund and the nature of their interests.
- Knowledge of consultation, communication and involvement options relevant to the stakeholders.

#### **2. Pensions Accounting and Standards**

- Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.

**Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements**

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
<b>1 – Pensions legislation</b>			
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
<b>2 – Pensions governance</b>			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5		
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5		
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5		
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5		

**Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements**

Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.		1 2 3 4 5	
A detailed knowledge of the duties and responsibilities of pension board members.		1 2 3 4 5	
Knowledge of the stakeholders of the pension fund and the nature of their interests.		1 2 3 4 5	
Knowledge of consultation, communication and involvement options relevant to the stakeholders.		1 2 3 4 5	
Knowledge of how pension fund management risk is monitored and managed.		1 2 3 4 5	
An understanding of how conflicts of interest are identified and managed.		1 2 3 4 5	
An understanding of how breaches in law are reported.		1 2 3 4 5	
<b>3 – Pensions administration</b>			
An understanding of best practice in pensions administration eg performance and cost measures.		1 2 3 4 5	
Understanding of the required and adopted scheme policies and procedures relating to:	<ul style="list-style-type: none"> <li>• member data maintenance and record-keeping processes</li> <li>• internal dispute resolution</li> <li>• contributions collection</li> <li>• scheme communication and materials.</li> </ul>	1 2 3 4 5	

**Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements**

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
Knowledge of how discretionary powers operate.	1 2 3 4 5		
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	1 2 3 4 5		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	1 2 3 4 5		
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.	1 2 3 4 5		
<b>4 – Pensions accounting and auditing standards</b>			
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	1 2 3 4 5		
An understanding of the role of both internal and external audit in the governance and assurance process.	1 2 3 4 5		
An understanding of the role played by third party assurance providers.	1 2 3 4 5		
<b>5 – Pensions services procurement and relationship management</b>			
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.	1 2 3 4 5		

**Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements**

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)
A general understanding of the main public procurement requirements of UK and EU legislation.	1 2 3 4 5		
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	1 2 3 4 5		
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	1 2 3 4 5		
<b>6 – Investment performance and risk management</b>			
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	1 2 3 4 5		
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	1 2 3 4 5		
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	1 2 3 4 5		

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# Agenda Item 8.2

Non-Executive Report of the: <b>PENSIONS BOARD</b> <b>7 March 2019</b>	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Neville Murton, Corporate Director Resources	<b>Classification:</b> Unrestricted
<b>Local Pension Board General Remit and LBTH Pensions Board Work Plan For 2019/20</b>	

<b>Originating Officer(s)</b>	Bola Tobun, Investment and Treasury Manager
<b>Wards affected</b>	All

## Summary

The key decision making for, 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, therefore the 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 2019/20 for Tower Hamlets Pensions Board.

## Recommendations:

The Pension Board is asked to

- a) note the contents of this report;
- b) note the pension board terms of reference attached as Appendix 1; and
- c) agree the work plan attached as Appendix 2 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 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 still relatively early days in terms of the establishment of Pension Boards in the Local Government Pension Scheme (LGPS), there has been a range of approaches to the way that 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**

### **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

## I. 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
<b>Administration &amp; Governance</b>	
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 Investment Strategy Statement, Funding Strategy Statement, Governance & Communications Policy Statement as necessary (i.e. where significant changes are made)	Seek pension committee approval and formally publish any updated documents where this is deemed appropriate.
Review on-line functionality of pensions specific website or microsite	To ensure pension specific website is running with agreed service standards with easy access for employers and members for operational usage. The site to include details on pension administration information & forms, pension investments. And to provide a platform for on-line training facilities.
<b>Investment &amp; Accounting</b>	
Draft Pension Fund Annual Accounts approved by the Corporate Director Resources in June 2019	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	Ensure that the Council fulfils its statutory obligation and to keep members abreast of the

before the statutory deadline of 1 December 2019	Pension Fund activities in a transparent and accessible way.
Scrutinise and Review the Fund 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.
Training, review preparation and process of 2019, 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 This report details the pension board remit and draft work plan for 2019/20. There are no specific financial implications arising from this report and any costs associated with delivering the pension board workplan will be met by the pension fund.

#### **5. LEGAL COMMENTS**

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

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report - None**

#### **Appendices**

- Appendix 1 – LBTH Pension Board Terms of Reference
- Appendix 2 – Pensions Board Work Plan for 2019/20

#### **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

## **LOCAL PENSION BOARD OF LONDON BOROUGH OF TOWER HAMLETS TERMS OF REFERENCE**

### **Introduction**

1. This document sets out the terms of reference of the Local Pension Board of [LONDON BOROUGH OF TOWER HAMLETS] (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

### **Interpretation**

5. The following terms have the meanings as outlined below:

<b>'the Act'</b>	The Public Service Pensions Act 2013.
<b>'the Code'</b>	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
<b>'the Committee'</b>	means the committee who has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972 (i.e. the Pensions Committee at LBTH).
<b>'the Fund'</b>	means the Fund managed and administered by the Administering Authority.
<b>'the Guidance'</b>	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.

<b>'the Regulations'</b>	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
<b>'Relevant legislation'</b>	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
<b>'the Scheme'</b>	means the Local Government Pension Scheme in England and Wales.

## **Statement of purpose**

6. The purpose of the Board is to assist<sup>1</sup> the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
  - (a) secure 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 and;
  - (b) to ensure the effective and efficient governance and administration of the Scheme.

## **Duties of the Board**

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members<sup>2</sup>.

## **Establishment**

The Board is established on [01 APRIL 2014] subsequent to approval by [FULL COUNCIL] on [26 NOVEMBER 2014]. (subject to the agreement of the Pensions Committee on 24 February 2015).

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<sup>1</sup> Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

<sup>2</sup> See paragraphs 7.9 to 7.11 of the Guidance for more information on a Code of Conduct for Boards.

8. As stated above, the Pensions Board is not explicitly bound by the rules governing Committees established under Section 101 of the Local Government Act 1972, however, for consistency and best practice, the Pensions Board will, where practicable and subject to specific rules set out in these Terms of Reference, operate in the same way as the Council's other Committees as set out in the Constitution. This includes:
  - Rules 6 - 10, 17.3, 17.6 and 18 to 25 of the Council Procedure Rules (Part 4 – Rules of Procedures) relating to :
    - Notice and summons to meetings
    - Chair of meeting (except in relation to casting votes)
    - Quorum
    - Duration of meetings
    - Cancellation of meetings
    - Voting (certain rules)
    - Minutes
    - Petitions
    - Record of Attendance
    - Exclusion of the Public
    - Members' Conduct
    - Disturbance by Public
    - Suspension of Amendment of Council Procedure Rules
  - Access to Information Procedure Rules (Part 4.2 of the Constitution)
  - Code of Conduct for Members (Part 5.1 of the Constitution) – with specific reference to registering and disclosing interests.
  - Members' Allowance Scheme (Part 6 of the Constitution) – with particular reference to allowances and expenses payable.

## **Membership**

9. The Board shall consist of [SIX] voting members, as follows:

[THREE] Member Representatives; and

[THREE] Employer Representatives.
10. There shall be an equal number of Member and Employer Representatives.
11. There shall also be [ONE] other representatives who is not entitled to vote.

### ***Member representatives***

12. Member representatives shall either be scheme members<sup>3</sup> or have capacity to represent scheme members of the Fund.
13. Member representatives should be able to demonstrate their capacity<sup>4</sup> to attend and complete the necessary preparation for meetings and participate in training as required.

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<sup>3</sup> Active, deferred or pensioner members

<sup>4</sup> See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

14. Substitutes [SHALL] be appointed. Where appointed substitutes should be named and must undertake the same training as full members.
15. A total of [THREE] member representatives shall be appointed<sup>5</sup> from the following sources:
  - a) [ONE] member representative shall be appointed by the recognised trade unions representing employees who are scheme members of the Fund.
  - b) [ONE] member representative shall be appointed by [ADMITTED BODIES FORUM] where that body is independent of the Administering Authority and open to and representative of all scheme members of the Fund.
  - c) [ONE] member representative shall be appointed following a transparent recruitment process which should be open to all pensioners and be approved by the Administering Authority.

### ***Employer representatives***

16. Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.
17. Employer representatives should be able to demonstrate their capacity<sup>6</sup> to attend and complete the necessary preparation for meetings and participate in training as required.
18. Substitutes [SHALL] be appointed. Where appointed substitutes should be named and must undertake the same training as full members.
19. A total of [THREE] employer representatives shall be appointed<sup>7</sup> to the Board from the following sources:
  - a) [ONE ELECTED MEMBER] employer representatives shall be appointed by [FULL COUNCIL] to and representative of all employers in the Fund.
  - b) [ONE] employer representatives shall be appointed following a transparent recruitment process which should be open to all employers in the Fund and be approved by the Administering Authority.

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<sup>5</sup> See paragraphs 5.25 to 5.28 of the Guidance for further information on the process for appointing member representatives.

<sup>6</sup> See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

<sup>7</sup> See paragraphs 5.25 to 5.28 of the Guidance for further information on the process for appointing employer representatives.

- c) [ONE] employer representatives shall be appointed by the Administering Authority where all employers will have been asked to submit their interest in undertaking the role of employer representative on the Board.

### **Other members<sup>8</sup>**

20. [ONE] other member shall be appointed to the Board by the agreement of both the Administering Authority and the Board to act as an Independent Chair.
21. Other members do not have voting rights on the Board.

### **Appointment of chair**

22. Subject to the meeting arrangements in paragraphs 35 to 37 below a chair shall be appointed for the Board as set out below:
  - a) *An independent chair to be appointed by the Administering Authority but shall count as an 'other' member under paragraphs 20-21 above. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Fund or not being a member of the Fund.*

### **Duties of chair**

23. The chair of the Board:
  - (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
  - (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
  - (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

### **Notification of appointments**

24. When appointments to the Board have been made the Administering Authority shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

### **Terms of Office<sup>9</sup>**

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<sup>8</sup> When considering whether to have other members on the Board regard should be given to the advice provided in paragraphs 5.21 to 5.24 of the Guidance.

25. The term of office for Board members is [FOUR] years.
26. Extensions to terms of office may be made by the Administering Authority with the agreement of the Board.
27. A Board member may be appointed for further terms of office using the methods set out in paragraphs 15 and 19.
28. Board membership may be terminated prior to the end of the term of office due to:
  - (a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund<sup>10</sup>.
  - (b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.
  - (c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
  - (d) A Board member no longer being able to demonstrate to [LONDON BOROUGH OF TOWER HAMLETS] their capacity to attend and prepare for meetings or to participate in required training.
  - (e) The representative being withdrawn by the nominating body and a replacement identified.
  - (f) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
  - (g) A Board member who is an elected member becomes a member of the Pensions Committee.
  - (h) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.

#### **Conflicts of interest<sup>11</sup>**

29. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
30. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
31. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure

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<sup>9</sup> See paragraphs 5.29 and 5.30 of the Guidance which outlines points to consider when setting out the term of office for Board members. In particular consideration should be given to allowing members to retire on a rolling basis to ensure experience is retained.

<sup>10</sup> This includes active, deferred and pensioner members.

<sup>11</sup> See section 7 of the Guidance for more information on Conflicts of Interest.

that any potential conflict is effectively managed in line with both the internal procedures of the Board's conflicts policy and the requirements of the Code.

## **Knowledge and understanding (including Training)<sup>12</sup>**

32. Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
33. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
34. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

## **Meetings**

35. The Board shall as a minimum meet [FOUR] times<sup>13</sup> each year.
36. Meetings shall normally take place between the hours of [09:00] and [21:00] at [LBTH TOWNHALL].
37. The chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

## **Quorum**

38. A meeting is only quorate when at least one person of each member and employer representatives are present including an independent chair. Or 50% of both member and employer representatives are present.
39. A meeting that becomes inquorate may continue but any decisions will be non-binding.

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<sup>12</sup> See section 6 of the Guidance for more information on Knowledge and Understanding.

<sup>13</sup> See 5.35.11 in Guidance for more advice on the number of meetings to hold each year.

## **Board administration**

40. The Chair shall agree with [AN OFFICER FROM DEMOCRATIC SERVICES] (the 'Board Secretary') an agenda prior to each Board meeting.
41. The agenda and supporting papers will be issued at least [SEVEN] working days (where practicable) in advance of the meeting except in the case of matters of urgency.
42. Draft minutes of each meeting including all actions and agreements will be recorded and published within [TWENTY - ONE] working days of the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.  
  
Where necessary any information considered exempt as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or considered confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998 shall be included in a Part II minute that is not made available to the public.

43. The Board Secretary, in consultation with [Investment & Treasury Manager] shall support Board members in maintaining their knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.
44. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.
45. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.
46. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

## **Public access to Board meetings and information**

47. The Board meetings will be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).
48. The following will be entitled to attend Board meetings in an observer capacity:
  - (a) *Members of the Pensions Committee,*
  - (b) *Any person requested to attend by the Board.*

Any attendees will be permitted to speak at the discretion of the Chair.

49. In accordance with the Act the Administering Authority shall publish information about the Board to include:
  - (a) The names of Board members and their contact details.
  - (b) The representation of employers and members on the Board.
  - (c) The role of the Board.
  - (d) These Terms of Reference.
50. The Administering Authority shall also publish other information about the Board including:
  - (a) Agendas and minutes
  - (b) Training and attendance logs
  - (c) An annual report on the work of the Board to be included in the Fund's own annual report.
51. All or some of this information may be published using the following means or other means as considered appropriate from time to time:
  - (a) On the Fund's website.
  - (b) As part of the Fund's Annual Report.
  - (c) As part of the Governance Compliance Statement.
52. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

### **Expenses and allowances<sup>14</sup>**

53. The Administering Authority [SHALL] meet the expenses of Board members in line with the Administering Authority's policy on expenses as set out in the Members Allowances Scheme

### **Budget**

54. The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board will be met from the Fund and determined by:
  - a) *The Board will seek approval from the Corporate Director of Resources for any expenditure it wishes to make.*

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<sup>14</sup> Provision for the payment of expenses and allowances is a decision to be made locally by each Administering Authority. Full consideration should be given to information in Guidance - see section 9 and paragraphs 5.18 and 5.35.17 for more information. Administering authorities should aim to ensure that no Board member is either better or worse off as a result of fulfilling their duties as a member of the Board.

## **Core functions<sup>15</sup>**

55. The first core function of the Board is to assist<sup>16</sup> 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.*
- 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 Fund annual report.*
- n) *Review the compliance of particular cases, projects or process on request of the Committee.*
- o) *Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate.*

56. 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

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<sup>15</sup> In determining the role of the Board, further information can be found in paragraphs 3.27 to 3.29 of the Guidance.

<sup>16</sup> Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

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 statement of purpose (i.e. ensuring effective and efficient governance of the scheme) the Board deems appropriate.*
57. In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.
58. In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

## **Reporting<sup>17</sup>**

59. The Board should in the first instance report its requests, recommendations or concerns to the Committee. In support of this any member of the Board may attend a Committee meeting as an observer.
60. Requests and recommendations should be reported under the provisions of paragraphs 59 and 60 above.
61. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.
62. On receipt of a report under paragraph 63 above the Committee should, within a reasonable period, consider and respond to the Board.

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<sup>17</sup> See section 8 of the Guidance for more information on Reporting.

63. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
64. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 63 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
65. The appropriate internal route for escalation is to the Monitoring Officer and/or Acting Corporate Director of Resources, the Section 151 Officer.
66. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
67. Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy].

#### **Review of terms of reference**

68. These Terms of Reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every [THREE] years.
69. These Terms of Reference were [adopted on [01 APRIL 2015]].

.....  
**Signed on behalf of the Administering Authority**

.....  
**Signed on behalf of the Board**

**Published 24 February 2015**

# **PENSIONS BOARD**

## **Work Plan**

**2019/20**

Date of Meeting	Title of Report	In-line with PB Terms of Reference (no.)	Responsible Officer
June 2019	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	55a	Investment & Treasury Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b	Pensions Manager
	Quarterly LAPFF Voting and Engagement Update	56j	Investment & Treasury Manager
	Receive and review The Pensions Regulator Code of Practice – TPR Checklist	55a-55e	Investment & Treasury Manager/Pensions Manager
	Review of Risk Management Policy and Risk Register	56f	Investment & Treasury Manager
	Review Draft Account and Fund Annual Report	55l, 55m & 56e	Investment & Treasury Manager
	Receive Investment Strategy Statement and review changes	55d & 55i	Investment & Treasury Manager
	Review the Performance and Contracts of Service Providers to the Fund	56c	Investment & Treasury Manager
September 2019	Received and Review Pensions Committee Meetings agenda (reports & minutes)	55a	Investment & Treasury Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b	Pensions Manager
	Quarterly LAPFF Voting and Engagement Update	56j	Investment & Treasury Manager
	Review of the actuarial valuations process and results	56h	Investment & Treasury Manager
	Receive Funding Strategy Statement and review changes	55d & 55i	Investment & Treasury Manager
	Review of Governance Compliance Statement	55d, 55e & 56g	Investment & Treasury Manager

November 2019	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	55a	Investment & Treasury Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b	Pensions Manager
	Quarterly LAPFF Voting and Engagement Update	56j	Investment & Treasury Manager
	Review of Communications Policy Statement	55e & 55i	Pensions Manager
	Receive Internal and External Audit Reports	56e & 55i	Investment & Treasury Manager
	Receive the actuarial valuations results and review decision making process	56h	Investment & Treasury Manager
	Other Ad-hoc items for consideration		Various
	Review of The Pensions Regulator Code of Practice – TPR Checklist	55a-55e	Investment & Treasury Manager/Pensions Manager
March 2020	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	55a	Investment & Treasury Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b	Pensions Manager
	Quarterly LAPFF Voting and Engagement Update	56j	Investment & Treasury Manager
	Review of Customer Services Survey	56a	Pensions Manager
	Member Training - Training Needs Analysis	55j	Investment & Treasury Manager
	Review the process of actuarial valuations	56h	Investment & Treasury Manager
	Pension Fund Work Plan 2020/21	55i & 55j	Investment & Treasury Manager
	Other Ad-hoc items for consideration		Various

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# **Agenda Item 9**

PENSIONS COMMITTEE, 29/11/2018

SECTION ONE (UNRESTRICTED)

## **LONDON BOROUGH OF TOWER HAMLETS**

### **MINUTES OF THE PENSIONS COMMITTEE**

**HELD AT 6.30 P.M. ON THURSDAY, 29 NOVEMBER 2018**

**ROOM C3, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE  
CRESCENT, LONDON E14 2BG**

#### **Members Present:**

Councillor Muhammad Harun (Chair)  
Councillor Rachel Blake  
Councillor Leema Qureshi  
Councillor Andrew Wood

#### **Union and Admitted Bodies, Non-Voting Members Present:**

Kehinde Akintunde – Unions Representative

#### **Apologies:**

Councillor Ehtasham Haque  
Councillor Sabina Akhtar

#### **Officers Present:**

Ngozi Adedeji	– (Team Leader Housing Services, Governance)
Tim Dean	– (Senior Pensions Team Leader)
Neville Murton	– (Acting Corporate Director, Resources)
Bola Tobun	– (Investments and Treasury Manager, Resources)
David Knight	– (Senior Democratic Services Officer)

#### **1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST**

No declarations of disclosable pecuniary interest were received.

#### **2. PETITIONS**

None received.

#### **3. MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 18<sup>th</sup> September, 2018 were agreed as a correct record. Copy to sign.

#### **4. SUBMISSIONS / REFERRALS FROM PENSION BOARD**

The Committee received an update from John Jones, Chair of the Pensions Board.

The Committee noted that:

- The Pensions Board had met on 26th November 2018;
- The vacancies on the Board have been filled and the Board is now back to a full complement of 7 members: 3 employee and 3 employer representatives with John Jones as Independent Chair;
- The Board received 2 presentations at the meeting: the first from PIRC reviewing the performance of the Tower Hamlets Fund and the second from Colin Robertson on the Fund's Investment Strategy and Divestment from Fossil Fuels;
- The PIRC presentation looked at the investment performance from 63 Local authority Funds in England, Wales and Scotland in terms of overall results, identified trends in asset classes and risk return. The Funds that have performed best tended to have less complex structures, hold a higher percentage in equities and have longer term relationships with managers. It was noted that Tower Hamlets meets these criteria. The Fund has performed very well in 2017/18 and ahead of its peers and ahead of inflation over all timeframes. A key factor in recent good performance has been the contribution from Baillie Gifford that offset weaker performance elsewhere. The Board agreed that the Committee should consider receiving the same presentation at a future meeting;
- Colin Robertson made a very useful presentation on the Funds Investment Strategy covering liability matching, return seeking and other risks. He went on to outline the context and approach to disinvestment from fossil fuels based on the report you have on the agenda today. This included discussion on the role of the London CIV and noting the relatively low carbon of the Tower Hamlets Fund compared to other similar Funds. The Board is supportive of the approach as set out in the report on the agenda today.
- The Board discussed the latest report on Voting and Engagement asked for more information in future from LAPFF and the CIV on the effect of their engagement with companies as much of it is described as dialogue.
- The Board also had a preliminary discussion on next year's work plan. This also included feedback on the recent training sessions held for Board and Committee members. The unanimous view of those who attended was that the sessions had been very good and further training sessions should be arranged in 2019;
- It is very important that Board and Committee members can evidence effective training and development as this is an area of interest for the Pensions Regulator; and
- The monitoring report on Pensions administration was not available at the meeting so it could not be discussed on this occasion.
- Finally, it was noted that the issue of non-representation at the London CIV shareholder committee had been raised and given that Tower Hamlets has the largest percentage of pooled assets of all the London

Boroughs. The Board made a recommendation that this issue should be raised by the Chair of pensions committee with the board of LCIV and the LCIV Shareholder Committee.

The Chair Moved and it was:-

**RESOLVED**

To

1. Note the Chair of Pension Boards submission; and
2. Officers to write on behalf of Pension Committee to the Board of LCIV and the LCIV Shareholder's Committee highlighting the Committee concerns on the issue of LBTH Pension Fund not being part of the Shareholders Committee in spite of having the largest percentage of assets on LCIV platform and asking for explanation why this issue is so.
- 3.

**5. PRESENTATION AND TRAINING**

**5.1 Presentation - Renewable Energy Infrastructure Training by Temporis Capital Ltd - To follow**

The Committee received a presentation from Andres Senouf and Matthew Ridley from the Temporis Equity Infrastructure team which manages a number of private and public renewable energy portfolios across onshore wind, hydro, biomass and solar.

The Committee noted:

- The modern world depends on food, energy and water. The world is facing crises in the availability of these vital natural resources. Temporis' investment philosophy is that the global economy is facing huge structural change across these fundamental sectors. These dislocations are creating excellent conditions for implementing an active investment strategy. Disruptive technology and government interference are creating uncertainty and volatility in global equity prices leading to undiscovered investment opportunities. Climate change, shifting demographics and the pursuit of food-energy-water security present opportunities as well as challenges. Temporis Capital combines financial and sector expertise to take advantage of these opportunities;
- Temporis have a team of over thirty investment professionals with combined experience of over 170 years in renewables and over 400 years in financial services. Temporis feel that their investment and operational policies enable them to deliver consistent returns for our clients. Temporis see challenges and uncertainty as an opportunity. Their approach it was noted was manage and mitigate it carefully such risks;

- Temporis work to build mutually beneficial relationships with clients and counterparties leads to long term working relationships that they see as core to their philosophy and strengthen their success as a business.
- Cohesive and High Performance Team.

The questions and comments from Members on the report may be summarised as follows

The Committee noted that:

- One of the most important economic benefits of wind power is that it reduces the exposure of fuel price volatility;
- Whilst offshore wind capacity is more expensive than onshore wind there is an expected benefit of higher wind speeds and the lower visual impact of the larger turbines;
- Wind power is one of the oldest-exploited energy sources and today is considered to be the most seasoned and efficient energy of all renewable energies provided by companies such as Siemens a trusted technology partner;
- There is benefit in the amalgamation of several wind farms than investment in the development of a larger new wind farm;
- Temporis are one of the few companies that invest across the supply chain;
- Whilst Temporis will outsource element of the development and running of schemes they have a skilled Asset Management Team who maintain an oversight of the scheme; and
- Whilst solar and wind farms provide a valuable contribution to the National Grid on a daily basis there can be fluctuations. However, there is the ability to use gas/nuclear to address such fluctuations.

Andres Senouf and Matthew Ridley were thanked for their presentation.

The Chair **Moved** and it was:-

### **RESOLVED**

To note the Presentation.

The Chair gave a quick update on the Infrastructure training he attended, which was organised by LGA (Local Government Association) & SAB (Scheme Advisory Board):

- Pension funds are trying to diversify their portfolios and to enhance their long-term asset-liability management with infrastructure assets;
- There is an appetite for infrastructure projects with local government schemes to increase their investment in infrastructure;
- Infrastructure is an asset class that can help preserve capital, deliver diversification and potentially generate stable cash flows;

- Infrastructure (i) Provides a stable long term cash return; (ii) there are many projects within the UK that are significant in terms of scale; and (iii) investment in scheme could be undertaken through pooling;
- Currently LGPS invests just 0.5% in UK infrastructure whilst overseas investment is up to 20%; and
- Greenfield infrastructure investment finances new assets at the construction stage, in contrast to acquiring already-operational "brownfield" infrastructure. This offers investors an early entry [point to ownership of infrastructure, typically at a higher return than brownfield and with a steady yield over the very long term, in return for accepting a degree of execution risk.

## 5.2 Presentation - LCIV Governance Update by LCIV

The Committee received a Governance Update from Kevin Cullen regarding the London CIV Investment Strategy and the Divestment from Fossil Fuels. The questions and comments from Members on the presentation may be summarised as follows

The Committee noted that:

The CIV are offering training with StepStone on infrastructure to meet the needs of institutional investors at any stage of their investment program

Kevin Cullen was thanked for his presentation.

The Chair **Moved** and it was:-

### **RESOLVED**

To note the Presentation

## 6. REPORTS FOR CONSIDERATION

### 6.1 Quarterly Investment Performance Review

Bola Tobun, Investment and Treasury Manager presented the Quarterly Investment Performance Review.

- The Fund underperformed its benchmark return of 3.24% by 0.84% for the quarter.
- Five mandates matched or achieved returns above the set benchmark. The five that did not achieve the benchmarks were the mandates with LCIV BG (DGF), LCIV BG (GE), Insight and GSAM bond portfolios.
- The Fund Valuation of £1.560bn, a £35m increase over the quarter. For the twelve months to September 2018, the Fund returned 7.81% marginally underperforming the benchmark of 7.88%; the Fund is behind its benchmark by 0.08%.

- Four mandates underperformed their respective benchmark. The mandates that underperformed their respective benchmarks were LCIV RF lagged behind by 1.66%, LCIV BG (DGF) lagged behind by 2.45%, GSAM lagged behind by 6.34% and Insight by 7.82%.
- The three year return for the Fund was 12.45%, above its benchmark return by 0.54% for that period. Over the five years, the Fund posted a return of 9.42% outperforming the benchmark return of 9.19% by 0.23%.
- The Fund remains in line with its long term strategic equity asset allocation and the distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight.

The questions and comments from Members on the report may be summarised as follows

The Committee:

1. Noted performances of Goldman's and Insight were bad and there is a need to meet with them.
2. Considered inviting Goldman and Insight to the next meeting to discuss their current performances, or for Officers to review their performances and report back to the Committee.

The Chair **Moved** and it was:-

#### **RESOLVED**

- I. To note the report; and
- II. For officers to review Goldman's and Insight performances and report back to the committee with recommendation/s.

#### **6.2 Market Outlook Update by the Fund Independent Adviser**

Colin Robertson, Independent Adviser presented the Market Outlook Update in respect of the performance of the markets and the Pension Fund investment managers for the first quarter of 2018/19. The questions and comments from Members on the report may be summarised as follows

The Committee noted that:

- Tower Hamlets has a lower carbon exposure than a benchmark of other pension funds and the fund's equity portfolio also has a lower carbon exposure;
- This is partly attributable to a commitment to the L&G Passive Low Carbon Global Equities fund, as well as to the relatively low carbon exposure of other funds held;
- These other funds do not specifically target low carbon exposure and low exposure will have arisen for a number of reasons, including stock

- selection and sector allocation for other reasons e.g. the very large tech stocks such as Alphabet (Google) and Facebook have relatively low carbon exposures;
- The stage in the economic cycle will have a major influence on the performance of low carbon or fossil free portfolios e.g. the energy and material sectors are carbon heavy and cyclically sensitive;
  - Therefore it will not be easy to establish whether bad performance is caused by an environmental strategy or for other reasons and the time period for measurement will be critical;
  - The situation will be fluid over the next 5 years and flexibility will be required as regulations and the investment manager products on offer change;
  - There is an increasing prominence of Environmental, Social and corporate Governance (ESG) factors on pension trustee agendas and, as a result, a corresponding need for clarity on how, in practice, these fit with trustees' legal duties and how they might realistically be taken into account as part of the investment decision making process.
  - There is a danger that stocks which tick the environmental boxes become very expensive compared to their fundamental values as investors embrace ESG to an ever greater extent. Timing purchases could become important in avoiding unfavourable short term supply / demand imbalances;
  - A transition to "fossil fuel free" from "low carbon" will need to be handled carefully as clearly the scoring system will change. More generally, environmental scoring systems will no doubt become standardised with distortions in the first instance; and
  - The LCIV Ruffer fund performed poorly, falling by 0.4% over the quarter. This was surprising given that the fund's performance is sensitive to equity market movements and equities performed strongly over the quarter. This it was noted can be partly attributed to the significant exposure to the UK equity market which did not perform well but the fund also has a significant exposure to Japanese equities which did perform well. Negative factors are reported to have been the large holding of index-linked gilts and the investment in gold. It was understood that Ruffer has now hedged the interest rate component of the index-linked gilts holding, but not the inflation component.

The Chair **Moved** and it was:-

**RESOLVED**

To note the Update Report

### **6.3 Responsible Investment and ESG Considerations**

Bola Tobun, Investment & Treasury Manager to present the report that outlined the Funds current position on responsible investments, and discusses the Environmental, Social and Governance (ESG) issues currently

dominating Pension Fund investment debate. The report also considered what other LGPS funds are doing and recommends alternative ways in which the London Borough of Tower Hamlets Pension Fund (LBTHPF) can further promote the integration of ESG issues into its investment decision making. Amendments made to recommendations VI and deletion of recommendation VII as LCIV not currently considering or have investment in fossil fuel fund on their platform.

In addition, the following recommendations and amended recommendations were noted:

- II. Note the LBTHPF regulatory obligations in respect of responsible investments (para. 3.6);
- III. Note the LBTHPF's current responsible investment stance (para. 3.8);
- IV. Maintain the Fund's current engagement activities which the Local Authority Pension Fund Forum (LAPFF) carries out on behalf of the Fund (para. 3.13 - 3.14);
- V. Note the outcome of carbon foot print analysis as at 31st March 2018 as set out in paragraph 3.33;
- VI. consider a policy (recommendations as set out in paragraph 3.43) regarding the LBTH Pension Fund's approach to fossil fuel investment with a view to incorporating this within the Fund's Investment Strategy Statement;
- VII. Note the returns delivered by LCIV (BG) GA portfolio as set out in paragraph 3.40;
- VIII. Consider allocation of some 5% of total fund assets to Renewable Energy Strategy and or Infrastructure Fund.

The questions and comments from Members on the main body of the report may be summarised as follows

The Committee:

- Noted that the overall Equity portfolio exhibits approximately 38% lower carbon exposure relative to each Equity mandate held by the Fund contributes to carbon efficiency of the Fund as follows a) Baillie Gifford Global Equities: 40% reduction in Carbon exposure relative to the MSCI ACWI benchmark; b) L&G Passive Global Equities: This passive equity fund demonstrates a very similar carbon intensity to its benchmark; and c) L&G Passive Low Carbon Global Equities: This passive equity fund demonstrates a very similar carbon intensity to its benchmark but has a 72% reduction in carbon exposure;
- Agreed that there was a need for more training and further analysis as to what is appropriate for the Fund;
- Wished going forward to undertake a transition to "fossil fuel free" from "low carbon" and to see examples from other Funds on how they had transited to "fossil fuel free";
- Noted that there is an increasing demand by members of the London Collective Investment Vehicle for a reduction in fossil fuel investment and a reduction in the Carbon Footprint;

- Considered that careful consideration was needed regarding the priorities on investment with a balance between the benefits of reducing the Funds Carbon footprint without a significant reduction in performance;
- Indicated that it would wish to receive a report providing a clearer picture of the costs and benefits of moving towards “fossil fuel free” investment; and
- Wanted to receive the necessary training to provide the Members with the required skill sets to manage the towards “fossil fuel free” investment.

The Chair **Moved** and it was:-

**RESOLVED**

To

- I. Note the LBTHPF regulatory obligations in respect of responsible investments (para. 3.6);
- II. Note the LBTHPF’s current responsible investment stance (para. 3.7);
- III. Maintain the Fund’s current engagement activities which the Local Authority Pension Fund Forum (LAPFF) carry out on behalf of the Fund (para. 3.13 - 3.14);
- IV. Note the outcome of carbon foot print analysis as at 31st March 2018 as set out in paragraph 3.33;
- V. Consider and develop a policy (recommendations as set out in paragraph 3.43) regarding the LBTH Pension Fund’s approach to fossil fuel investment with a view to incorporating this within the Fund’s Investment Strategy Statement; and;
- VI. Note the returns delivered by LCIV (BG) GA portfolio as set out in paragraph 3.40;
- VII. Consider allocating some 5% of total assets to Renewable Energy Strategy and or Infrastructure Fund;
- VIII. To receive a report providing a clearer picture of the costs and benefits of moving towards “fossil fuel free” investment; and
- IX. To receive the necessary training to provide the Members with the required skill sets to manage the towards “fossil fuel free” investment

#### **6.4 Pensions Administration Performance targets and indicators**

Tim Dean, Pensions Team Leader presented a report that covered the activities and performance of the Pensions administration team.

The Committee noted that

- There have been no changes to the staffing situation since the last committee report in July 2018;
- Overall, in the second quarter of 2018/19, the Pensions team has completed 87.91% of its workload in line with the services standards measured by the performance indicators. Noted that this is an

- improvement from the 85.66% completed in line with service standards during the 2017/18 year, but down from the first quarter figure of 89.43%;
- A change to the SCAPE discount rate, which is used to set employer contribution rate in unfunded public service pension schemes and actuarial factors across all public service pension schemes, means that transfer payments, both in and out, have been put on hold since 29th October 2018. New transfer factors are expected by mid-December;
  - New regulations to correct the unintended error in the LGPS (Amendment) 2018 Regulations have been consulted on. The new regulations, if approved, would allow deferred members who left prior to 1st April 1998, to access their benefits from age 55 without the consent of their former employer;

The Chair **Moved** and it was:-

**RESOLVED**

To

- I. Note the information provided in this report in respect of the scheme administration and the performance metrics;
- II. Note that payment of member's transfers has current been suspended; and
- III. Receive details of the backlog of data in the next report.

**6.5 Update on GAD Section 13 Valuation Results based on 31st March 2016 Triennial Valuation of Pension Schemes**

The Chair to invite Bola Tobun, Investments and Treasury Manager to present the report that provided Members with information on the Section 13 analysis completed by the Government Actuary's Department (GAD) using the 2016 valuations.

The Committee noted that:

- The LGPS is a funded scheme and periodic assessments are needed to ensure the fund has sufficient assets to meet its liabilities. Employer contribution rates may change depending on the results of valuations. Scheme regulations set out when valuations are to be carried out;
- Each LGPS pension fund is required to appoint its own fund actuary, who carries out the fund's valuation. The fund actuary uses a number of assumptions to value the liabilities of the fund. Liabilities are split between those that relate to the past (the past service cost), and those that relate to the future (the future service cost). The results of the valuation may lead to changes in employer contribution rates for both future and past service costs.
- The report is based on the actuarial valuations of the 91 funds, with data provided by the funds and their actuaries, and a significant engagement exercise with affected funds. GAD is committed to preparing a section 13 report that makes practical recommendations to

advance the reporting aims. Also expecting that their approach to section 13 will continue to evolve to reflect ever-changing circumstances and feedback received.

The Chair **Moved** and it was:-

**RESOLVED**

To note the report.

**7. TRAINING EVENTS**

Members were advised that they will be receiving training on Infrastructure at the next Committee.

A list of LGA Training for Pensions Committee Members will be circulated to Members. Members were asked to inform Bola Tobun if they wish to attend any of the training events.

**8. ANY OTHER BUSINESS CONSIDERED TO BE URGENT**

None.

**The meeting ended at 9.20 p.m.**

**Chair, Councillor Muhammad Harun  
Pensions Committee**

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# PENSIONS COMMITTEE

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**Wednesday, 13 March at 6.30 p.m.**

**MP702 - Town Hall Mulberry Place**

**This meeting is open to the public to attend.**

1. Apologies for absence
2. Declaration of Interest
3. Petitions
4. Minutes of previous meeting
5. Submissions from Pensions Board
6. Presentation – Baillie Gifford on Performance, ESG and Sustainability  
by Baillie Gifford 20 minutes
7. Presentation – Insight on Performance & Strategy of BNY Mellon ARB Fund  
by Andrew Wickham, 15 minutes
8. Presentation - Goldman Sachs on Performance & Strategy of STAR II  
by Iain Lindsay, 15 minutes
9. Report - Quarterly Investment Performance Review  
by Bola Tobun, 5 minutes
10. Report - Market Outlook Update by the Fund Independent Adviser  
by Colin Robertson, 10 minutes
11. Report – Update on LBTH Responsible Investment and Implementation Considerations  
by Bola Tobun, 5 minutes
12. Report – Pensions Administration Performance targets and indicators  
by Tim Dean, 7 minutes

13. Report – LGPS Current Issues and Updates  
by Bola Tobun, 7 minutes

14. Report - Pensions Committee Work Plan, Pension Fund Business Plan & Budget 2019/20  
by Bola Tobun, 5 minutes

15. Report – Training & Development Plans for 2019/20  
by Bola Tobun, 5 minutes

16. Date of future training/seminar/conference events  
by Bola Tobun, 3 minutes

17. Date of future meetings  
by Committee Officer, 2 minutes