

**Tower Hamlets Council
Local Government Pension Scheme**

PENSIONS BOARD

**Monday, 26 November 2018 at 10.00 a.m.
MP702 - 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:

David Knight, Democratic Services.

Tel: David Knight, Democratic Services.

E-mail: Tel: 0207 364 4878 Email:

david.knight@towerhamlets.gov.uk

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

Scan this code
to your mobile
phone to view
Committee
website.



1. APOLOGIES

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS (Pages 5 - 8)

3. PETITIONS

4. UNRESTRICTED MINUTES

To confirm as a correct record of the proceedings the unrestricted minutes of the meeting of the Pensions Board held on 18th September, 2018. – To follow.

5. SUBMISSIONS FROM FUND MEMBERS

To consider any written submissions from Fund Members/Stakeholders.

(Submissions must be received by the Clerk to the meeting no later than 5.00p.m. on the day before the meeting.)

6. SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE

7. PRESENTATIONS

7.1 PRESENTATION FROM PIRC - LOCAL AUTHORITY PENSION PERFORMANCE ANALYTICS ANNUAL REVIEW

The Board will receive a presentation from PIRC– Local Authority Pension Performance Analytics Annual Review.

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

Presentation: Views on current Fund Investment Strategy and Divestment Consideration Process from the Fund Independent Advisor – Colin Robertson

8. REPORTS FOR CONSIDERATION

8.1 Voting and Engagement Update for Quarter Ending September 2018 (Pages 9 - 24)

8.2 Local Pension Board General Remit and LBTH Pensions Board Draft Work Plan For 2019/20 (Pages 25 - 48)

9. MINUTES OF THE PREVIOUS PENSIONS COMMITTEE (Pages 49 - 58)

10. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

Pensions Committee Agenda to follow.

11. ANY OTHER UNRESTRICTED BUSINESS

To consider any other unrestricted business which the Chair has deemed to be urgent.

12. DATE OF NEXT MEETING

The next scheduled Pensions Board meeting will be on 7th March, 2019.

13. EXCLUSION OF THE PRESS AND PUBLIC

In view of the contents of the remaining items on the agenda the Committee is recommended to adopt the following motion:

“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.”

EXEMPT SECTION (Pink Papers)

The exempt committee papers in the agenda will contain information, which is commercially, legally or personally sensitive and should not be divulged to third parties. If you do not wish to retain these papers after the meeting, please hand them to the Committee Officer present.

14. RESTRICTED MINUTES OF THE PENSIONS BOARD

15. RESTRICTED MINUTES OF THE PENSIONS COMMITTEE

The next meeting will be held at Thursday, 7 March 2019 and MP702 - Town Hall Mulberry Place

This page is intentionally left blank

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>

This page is intentionally left blank

Non-Executive Report of the: PENSIONS BOARD 26 November 2018	
Report of: Neville Murton, Acting Corporate Director of Resources	Classification:
Voting and Engagement Update for Quarter Ending September 2018	

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

Introduction

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and the Committee and Board has previously agreed that the Fund should cast its votes at investor meetings in line with LAPFF voting recommendations. This report provides an update on voting activities on behalf of the Fund.

Recommendations:

Members of the Pensions Board are asked to note the contents of this report.

1. REASONS FOR THE DECISIONS

- 1.1 The exercise of voting rights and engagement with investee companies are a key part of the Fund's role as a long term steward of assets. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund.

2. ALTERNATIVE OPTIONS

- 2.1 The Fund would remain a member of LAPFF but to ensure the Fund's Responsible Investment (RI) approach is enhanced the engagement approach can be improved by procuring an overlay service rather than relying on delegation to fund managers.

3. DETAILS OF REPORT

- 3.1 The subject of voting and engagement has been considered by the Pensions Committee on a number of occasions. The Fund wishes to ensure that it is able to effectively express its views on ESG issues through the exercise of the Fund's voting rights, as well as enhancing the Fund's approach to engagement with its investee companies more generally. However, the rapid changes currently taking place across the sector have raised a number of questions about how voting rights, and Responsible Investment (RI) approaches more generally, can best be delivered through the new pooled structures.
- 3.2 The Fund currently delegates the exercise of its voting rights to its external equity managers, who are asked to comply as far as possible with the Fund's voting policies. The move to a pooled structure over the medium term would significantly impact this arrangement as voting rights would need to be exercised at pool level rather than fund level. The Fund will therefore need to ensure that it works with other London funds as well as the pool itself to ensure that in the future it is able to effectively express its views through the exercise of voting rights.
- 3.3 The Fund also currently delegates broader engagement with investee companies around ESG issues to its external managers. The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), which currently comprises 71 local authority pension funds with combined assets of £175 billion. The Forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.
- 3.4 The voting alerts received from LAPFF and the outcome of votes, as well as how the fund's equity manager, Legal & General Investment Management (LGIM) and London CIV, is detailed below. Managers have been asked to provide voting information in light of LAPFF recommendations.

Company	Proposal Description	LAPFF Recomm endation	Vote For / Oppose		AGM Vote outcome
			LGIM	LCIV	
Sports Direct	1. Receive the Annual Report	Oppose	For	N/A	
	2. Approve the Remuneration Report	For	For	N/A	
	3. Approve the Remuneration Policy	Abstain	For	N/A	
	4. Re-elect Keith Hellawell	Oppose	Oppose	N/A	
	5. Re-elect Mike Ashley	Oppose	Oppose	N/A	
	6. Re-elect Simon Bentley	Oppose	Oppose	N/A	
	16. Authorise share repurchase	Oppose	For	N/A	
Ryanair Holdings plc	1. Consider Financial Statements and Reports	Oppose	For	N/A	
	3a. Re-elect David Bonderman	Oppose	Oppose	N/A	

*Where N/A means information not available at the time of writing or the Fund Manager has not invested in the company.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 This is a noting report and there are no direct financial implications as a result of the contents of this report.
- 4.2 The exercise of voting rights and engagement with investee companies are a key part of the Fund's role as a long term steward of assets. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund. Poor corporate governance and unsustainable business practices can impact on share prices and increases the risk that the Fund may experience a loss of value in its investments in the future.

5. LEGAL COMMENTS

- 5.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 Regulation 7 requires Administering Authorities to publish and maintain an Investment Strategy Statement which includes, amongst other items, details of:
- The authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.
 - The authority's policy on the exercise of the rights (including voting rights) attaching to investments.

- 5.2 In addition, Government guidance on the preparation and maintenance of the Investment Strategy Statement states that Administering Authorities should explain their policy on stewardship with reference to the Stewardship Code, the seven principles of which apply on a 'comply or explain' basis.
- 5.3 There are no immediate legal implications arising from this report.
- 5.4 When making decisions regarding investment of pension funds, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment management and performance will reduce the contribution and increase the funds available for other 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 The effective and efficient management of Fund assets are key to the achievement of the funding strategy objectives and this is considered to be a good decision which can result in greater cost savings to the fund.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 Poor corporate governance and unsustainable business practices can impact on share prices and increases the risk that the Fund may experience a loss of value in its investments in the future.
- 8.2 There is no Sustainable Action for A Greener Environment implication arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 The rigorous robust management of LBTH Pension Fund results in better quicker and more effective decision making which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund.
- 9.2 Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

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

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 – Quarterly LAPFF Voting and Engagement Update September 2018

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

This page is intentionally left blank

QUARTERLY ENGAGEMENT REPORT

JULY TO SEPTEMBER 2018



Vote recommendations to oppose the election of Ryanair and Sports Direct Chairs amid employment concerns

Response to the Kingman Review sets out that the Financial Reporting Council is 'beyond repair'

Meetings with the Chairs of Sainsbury's and Pearson on governance risks prove useful

Executive Summary

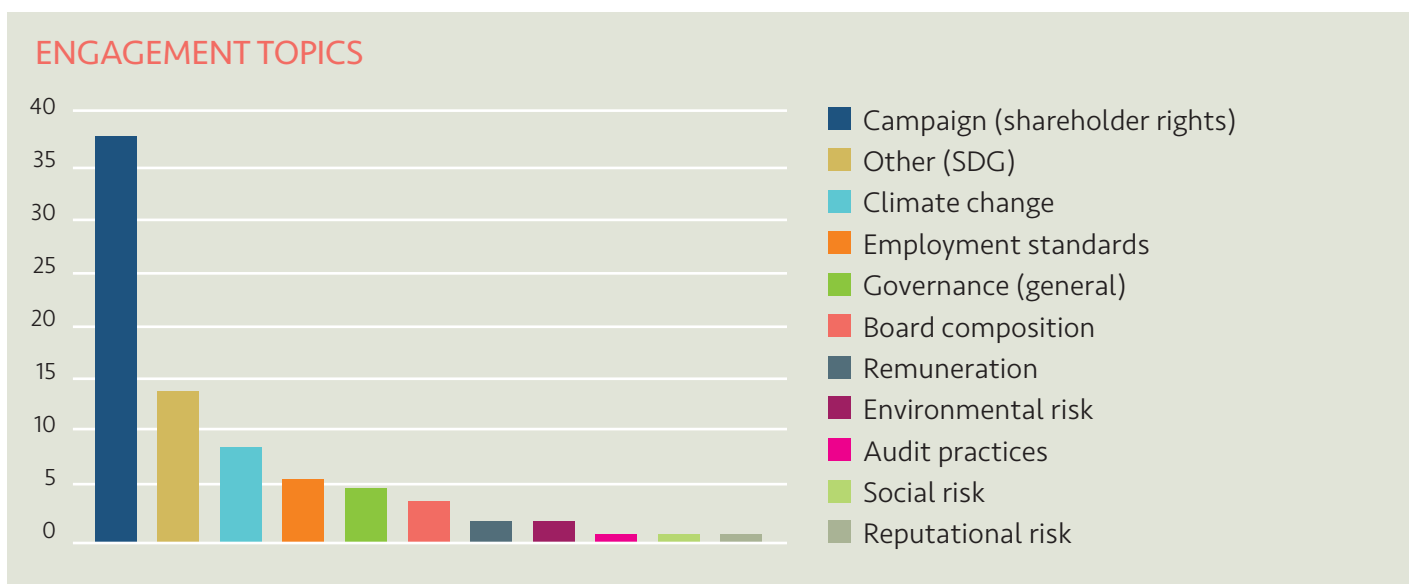
During the last quarter, LAPFF has engaged with 63 companies on issues ranging from employment standards to Sustainable Development Goals and shareholder rights.

The Forum issued two voting alerts ahead of the Ryanair and Sports Direct AGMs in September. Poor human capital management, along with continued concerns related to poor board oversight over governance issues led to recommendations to oppose annual reports and the Chair at both companies. The Forum also attended both companies' AGMs.

With an aim to better understand how companies approach the UN Sustainable Development Agenda, LAPFF has liaised with 14 companies to discuss the topic of sustainable cities and climate risk management, as well as water stewardship and access to water and sanitation.

The Forum has submitted its response to the Kingman Review that aims to review the role and power of the Financial Reporting Council (FRC). Despite the responses not being public, the Forum considers that its position on disbanding the current FRC is widely shared.

Company Engagement



GOVERNANCE RISK



Sidney Taurel, Chair of Pearson

At a meeting with **Sainsbury's**, LAPFF Executive member Cllr Doug McMurdo spoke with Chair David Tyler about cybersecurity management post-General Data Protection Regulation (GDPR) and how this is managed at the Board level. The meeting also covered the 2016 acquisition of Argos as well as the planned Asda merger and how these can impact investor value, customer experience and employment.

LAPFF also met with the Chair of **Pearson**, Sidney Taurel, to better understand the company's approach to the changing publishing environment and to discuss the new focus on digital content and book rentals. The Forum was also pleased to hear about positive changes to the Company's executive remuneration and plans to increase female representation throughout the Company. Other topics covered included climate-related financial disclosure and eliminating plastics in packaging for printed materials.

Along with 80 investors, the Forum was named on letters to more than 40 US companies that serve on the **National Association of Manufacturers' (NAM)** board. NAM has launched an aggressive critique of shareholder engagement especially on climate and is working against shareholders being able to file resolutions as well as any responses received. The letter expressed concerns regarding a recent report funded and distributed by NAM, which states that shareholder resolutions diminish company value. The letters call for the companies to distance themselves from NAM's position and to communicate their concerns to NAM leadership.

With an aim of gaining a better understanding of companies' approach to the Sustainable Development Goals, LAPFF wrote to **Stagecoach Group, Go-Ahead Group, Taylor Wimpey, Persimmon, Berkeley Group, Bovis Homes** and **Barratt Developments** on the topic of sustainable cities and climate risk management. The Forum also wrote to the most widely-held food and beverage companies on their approach to water stewardship and ensuring adequate water and sanitation practicalities across the supply chain, as well as to **United Utilities** and **Severn Trent** on sustainable and efficient water use.

Voting alerts

Ahead of the **Sports Direct International** Annual General Meeting, LAPFF issued a [voting alert](#) advising members to oppose the annual report, share repurchase and the re-election of Chair Keith Hellawell, Chief Executive Mike Ashley and Senior Independent Director Simon Bentley. Owing to the unresolved employment issues, the Forum continues to consider that the company does not have adequate governance structures and processes in place to foster the creation of long-term shareholder value. The Forum further recommended a vote in favour of the remuneration report and to abstain on the remuneration policy.

An [alert](#) was also issued recommending a vote against **Ryanair's** annual report and the Chair, David Bonderman, amid continuing human capital management issues across the company and the company's failure to deliver adequate customer service during flight cancellations. There are further concerns over the overall level of independence on the board, including Mr Bonderman himself, who has been on the Board for over twenty years.

ENVIRONMENTAL AND CARBON RISK

The Forum Vice Chair Cllr Doug McMurdo spoke with **Unilever** representatives on the topic of sustainable palm oil and the recent critiques of the Roundtable on Sustainable Palm Oil (RSPO), of which Unilever is a founding member. The Forum was interested to know how the Economic, Social and Governance (ESG) components are balanced within RSPO and discussed how the S component can be more integrated within the work of RSPO. The Company also provided insight into the decision to move to a single share class structure.



Amu Power plant

LAPFF co-signed a letter to the chair and chief executive of **General Electric**, John Flannery, asking the company to re-consider the acquisition of a stake in Amu Power coal plant in Kenya. The Forum is of the view that the investment is at odds with the Company's public positioning on climate change and the Paris Agreement.

Collaborative engagement with **BP** continued with one of the regular '8 on 8' meetings with investors and senior BP staff, as part of the Climate Action 100+ initiative.



Discussions focused on the company's 'race to lower carbon' including an efficiency focus in upstream technology and the company's new technology and investments. As BP is the lead provider of methane in the US, LAPFF asked about the focus on methane emission control in the US and promoting methane management beyond the company's direct impact. The Forum also asked about the ambition and scale of the company's plans for Electric Vehicle charge points.

At a collaborative meeting with Simon Thomas, the Chair of **Rio Tinto**, LAPFF joined other members of the Institutional Investors Group on Climate Change (IIGCC) to follow up the Company's progress in disclosing more information subsequent to the shareholder resolution at this year's AGM on membership of trade bodies and lobbying practices. It was noted that Rio has sold all its coal operations, but still relies on coal as an energy source in Mongolia and South Africa.



In September, LAPFF continued its collaborative engagement with **Ford Motor Company** under the aegis of Climate Action 100+. The meeting sought to pursue existing dialogue on the company's position on public policy on vehicle greenhouse gas emission standards, in the context of the Climate Action 100+ requests on emission reduction and enhanced disclosure.

SOCIAL RISK

Employment Standards

Following strong investor concern over governance and employment practices at Sports Direct and Ryanair, the Forum attended both of the companies' AGMs in September. At the **Sports Direct** AGM, LAPFF spoke to the employee representative about the election process and inquired about some of the feedback from staff. The Forum also spoke to the newly elected Chair and the new female director. The Forum considers that the changes in leadership are likely to result in a more constructive discussion with the Company in the future.

LAPFF Vice Chair Cllr Paul Doughty attended the **Ryanair** AGM in Dublin. He inquired about alleged disciplinary actions against staff for not reaching sales targets and noted the issues around workers on Irish contracts. Cllr Doughty also asked about potential repayments for the delays and cancellations during industrial strikes.

Diversity

Through its membership of the 30% Club investor group, the Forum requested meetings with companies from the energy sector to discuss board governance processes around nominations and succession planning for both non-executives and executives and how diversity is considered in this process.

RELIABLE ACCOUNTS/CONSULTATION RESPONSES

LAPFF submitted its [response](#) to the Kingman Review, with the main recommendations being: disbanding the current FRC, creating a stand-alone UK Financial Accounting Standard Board, putting some audit oversight functions into a Companies Commission with the Insolvency Service, and creating a UK auditing oversight board. Disappointingly, the Kingman Review team have decided not to make the responses public. However, it is clear from those that have been published by the party making the submission, that the LAPFF position is widely shared.

These statements are from the response of fifth largest accounting firm BDO: 'It is our view that the FRC's reputation for regulation is poor...' '...the FRC's reputation for standard-setting has been, and will continue to be, undermined. For this reason alone, we believe that the two functions should be separated into different bodies.' and 'the FRC's failings are partly due to the conflict of interest engendered by its dual responsibilities for standard-setting and compliance, and partly through its "negative" impact on the audit market place.'

MEDIA COVERAGE

Ryanair

[Ryanair cancels flights after strike by pilots and cabin crew](#) – Financial Times, 28 September 2018

[UK public pension group call for ‘oppose’ votes at Ryanair AGM](#) – Business Insider, 14 September 2018

[UK public pension group to oppose Ryanair at AGM](#) – Reuters, 14 September 2018

[Local authority pension group seeks to oust Ryanair chair](#) – Local Government Chronicle, 14 September 2018

[UK pension fund will oppose Ryanair at annual meeting](#) – The Guardian, 14 September 2018

[Ryanair chairman David Bonderman facing turbulence](#) – The Times, 15 September 2018

[Michael O’Leary’s lockdown won’t keep Ryanair’s woes a secret](#) – The Guardian, 15 September 2018

[Ryanair says shareholder will back Bonderman at AGM](#) – Independent, 19 September 2018

[Ryanair CEO O’Leary admits he needs to improve his performance](#) – Bloomberg, 19 September 2018

[Ryanair investors Royal London to oppose re-election of airline’s chair at AGM](#) – City AM, 19 September 2018

[Ryanair faces growing backlash at annual shareholder meeting](#) – The Guardian, 19 September 2018

[Ryanair shareholders re-elect O’Leary and Bonderman](#) – RTE, 20 September 2018

[Ryanair chief survive shareholder revolt](#) – Travel Weekly, 20 September 2018

[Ryanair faces turbulent AGM](#) – The Times, 20 September 2018

[Ryanair boss Michael O’Leary may leave within five years](#) – BBC, 20 September 2018

[Ryanair reports 30% votes against re-election of chairman Bonderman](#) – Morningstar, 20 September 2018

[Ryanair chair survives shareholder revolt but investors want change](#) – The Guardian, 20 September 2018

[Council pension fund rebel at Ryanair meeting](#) – The MJ, 20 September 2018

[Ryanair chairman re-elected at AGM by narrower margin amid concerns about strikes](#) – Proactive Investors, 20 September 2018

[Ryanair board survives AGM intact but dissatisfaction evident](#) – The Irish Times, 20 September 2018



Sports Direct

[Debenhams comment by Sports Direct forces watchdog to intervene](#) – The Guardian, 12 September 2018

[Ashley turn on shareholder after shambolic week for Sports Direct](#) – Shropshire Star, 14 September 2018

Reliable Accounts

[Britain needs a companies commission](#) – Economia, 9 August 2018

[UK accountancy watchdog ‘too close’ to big four, say critics](#) – Financial Times, 20 August 2018

[Independent Review considers calls for UK audit regulator to be shut down](#) – IPE, 28 August 2018

[UK accounting watchdog to publish hospitality register](#) – Financial Times, 13 September 2018

[Accountancy can be made to work for investors](#) – Financial Times, 13 September

Climate

[Investor group opposes General Electric plans for Kenyan power plant](#) – Reuters, 19 July 2018

[UK pension fund forum urges greater climate action from 16 firms](#) – Environmental Finance, 10 August 2018

[Fracking investments by council pension funds ‘unlawful’](#) – BBC, 3 September 2018

Other

[How gender pay gap data is being used in investor engagement](#) – Professional Pensions, 28 August 2018

[Barnet pension scheme votes to join the LAPFF](#) – Pensions Expert, 9 July 2018

COMPANY PROGRESS REPORT

63 companies engaged over the quarter

Q3 2018 ENGAGEMENT DATA			
Company	Activity	Topic	Outcome
A3M Company	Letter	Campaign (Shareholder rights)	Dialogue
ABB Ltd	Letter	Campaign (Shareholder rights)	Dialogue
Abbott Laboratories	Letter	Campaign (Shareholder rights)	Dialogue
American Electric Power Company Inc	Letter	Campaign (Shareholder rights)	Dialogue
Barratt Development plc	Letter	Other (SDGs)	Dialogue
Berkeley Group Holdings plc	Letter	Other (SDGs)	Dialogue
Bovis Homes Group plc	Letter	Other (SDGs)	Dialogue
BP plc	Meeting	Climate Change	Substantial improvement
Bristol-Myers Squibb Company	Letter	Campaign (Shareholder rights)	Dialogue
Brown-Forman Corporation	Letter	Campaign (Shareholder rights)	Dialogue
Cairn Energy plc	Letter	Board composition	Dialogue
Caterpillar Inc	Letter	Campaign (Shareholder rights)	Dialogue
Conocophillips	Letter	Campaign (Shareholder rights)	Dialogue
Cummins Inc	Letter	Campaign (Shareholder rights)	Dialogue
Deere & Company	Letter	Campaign (Shareholder rights)	Dialogue
Devon Energy Corporation	Letter	Campaign (Shareholder rights)	Dialogue
Dow DuPont Company	Letter	Campaign (Shareholder rights)	Dialogue
Eli Lilly and Company	Letter	Campaign (Shareholder rights)	Dialogue
Emerson Electric Co	Letter	Campaign (Shareholder rights)	Dialogue
ExxonMobil Corporation	Letter	Campaign (Shareholder rights)	Dialogue
Fluor Corporation	Letter	Campaign (Shareholder rights)	Dialogue
Ford Motor Company	Meeting/Letter	Climate change/Campaign (Shareholder rights)	Small improvement
General Electric Company	Letter	Campaign (Shareholder rights)/ Climate change	Dialogue
Glencore plc	Letter	Audit practice	Dialogue
Go-Ahead Group plc	Letter	Other (SDG)	Dialogue
Intel Corporation	Letter	Campaign (Shareholder rights)	Dialogue
Johnson & Johnson	Letter	Campaign (Shareholder rights)	Dialogue
Johnson Controls Inc	Letter	Campaign (Shareholder rights)	Dialogue
Leggett & Platt Inc	Letter	Campaign (Shareholder rights)	Dialogue
Lockheed Martin Corporation	Letter	Campaign (Shareholder rights)	Dialogue
Marathon Petroleum Corporation	Letter	Campaign (Shareholder rights)	Dialogue
McCormick & Company Inc	Letter	Campaign (Shareholder rights)	Dialogue
Merck & Co Inc	Letter	Campaign (Shareholder rights)	Dialogue
Microsoft Corporation	Letter	Campaign (Shareholder rights)	Dialogue
National Grid plc	Letter	Climate change	Dialogue
Nestle SA	Letter	Other (SDG)	Dialogue
Nostrum Oil & Gas plc	Letter	Board composition	Dialogue
Novartis AG	Letter	Campaign (Shareholder rights)	Dialogue
Pearson plc	Meeting	Governance/Remuneration	Moderate improvement
Pennon Group plc	Letter	Other (SDG)	Dialogue
PepsiCo Inc	Letter	Other (SDG)	Dialogue
Persimmon plc	Letter	Other (SDG)	Dialogue
Pfizer Inc	Letter	Campaign (Shareholder rights)	Dialogue
PPG Industries Inc	Letter	Campaign (Shareholder rights)	Dialogue

Q3 2018 ENGAGEMENT DATA

Company	Activity	Topic	Outcome
Procter & Gamble Company	Letter	Campaign (Shareholder rights)	Dialogue
Rio Tinto Group (GBP)	Meeting	Climate change	Moderate improvement
Ryanair Holdings plc	Alert issued/AGM	Employment standards/Board composition	Change in process
Sainsbury (J) plc	Meeting	Governance (General)	Dialogue
Severn Trent	Letter	Other (SDG)	Dialogue
Southern Company	Letter	Climate Change/Campaign (Shareholder rights)	Dialogue
Sports Direct International plc	Alert issued/AGM/ Letter	Employment standards/Board composition	Dialogue
Stagecoach Group plc	Letter	Other (SDG)	Dialogue
Suez Environment	Letter	Other (SDG)	Dialogue
Taylor Wimpey plc	Letter	Other (SDG)	Dialogue
Textron Inc	Letter	Campaign (Shareholder rights)	Dialogue
The Boeing Company	Letter	Campaign (Shareholder rights)	Dialogue
The Coca-Cola Company	Letter	Other (SDG)	Dialogue
The Goodyear Tire & Rubber Company	Letter	Campaign (Shareholder rights)	Dialogue
Tullow Oil plc	Letter	Board composition	Dialogue
Unilever plc	Meeting	Environmental risk/Social risks/ Governance	Small improvement
United Technologies Corporation	Letter	Campaign (Shareholder rights)	Dialogue
United Utilities Group plc	Letter	Other (SDG)	Dialogue
Verizon Communications Inc	Letter	Campaign (Shareholder rights)	Dialogue

NETWORKS AND EVENTS

The following lists some of the events and meetings attended by or on behalf of LAPFF representatives during the quarter:



In July, the Forum organised an investor briefing to discuss governance and workforce issues at Ryanair, chaired by Cllr Ian Greenwood. The meeting heard from Ryanair cabin crew, representatives from the International Transport Workers Federation, an HSBC analyst and a partner at Charles Russell Speechlys.



The Local Government Pensions Minister, Rishi Sunak MP, spoke at the July meeting of the All Party-Parliamentary Group (APPG) on Local Authority Pension Funds. Chaired by Clive Betts MP, the meeting covered the importance of investing in infrastructure, pooling and revisited the topic of including Councillors as members of LGPS. Richard Murphy, Professor of Practice in International Political Economy and Director of Tax Research LLP also addressed the group on the lack of transparency within the big four accountancy firms – Deloitte, KPMG, Ernst & Young and PwC – and emphasised the importance of having strong accountancy standards. The minutes from the meeting can be accessed [here](#).



The Forum joined a new investor alliance to engage companies on plastic pollution, led by the As You Sow Initiative. The Plastic Solutions Investor Alliance are intending to primarily focus on plastic packaging and to initiate dialogue with four large international consumer goods companies: PepsiCo, Procter & Gamble, Nestle and Unilever.



Through its membership in the Principles for Responsible Investment (PRI) Investor Working Group on Sustainable Palm Oil, the Forum attended a webinar on the risks that banks associated with deforestation face and the importance of investor engagement. The Forum also attended a webinar on companies that allegedly buy illegal palm oil in Indonesia.



Attendance at the Global Climate Action Summit in San Francisco emphasised the central importance of investors in sending strong signals to government to step up action by 2020, when global emissions need to peak and then swiftly decline. Conference outcomes set out a 'call to action' for all parties to take advantage of the opportunities to transition to a low-carbon economy.



In September, LAPFF also attended the annual Climate Week in New York. The summit, which was launched by The Climate Group in 2009, gathers politicians, nongovernmental organisations, activist, policy makers and representatives from businesses to drive climate action forward.



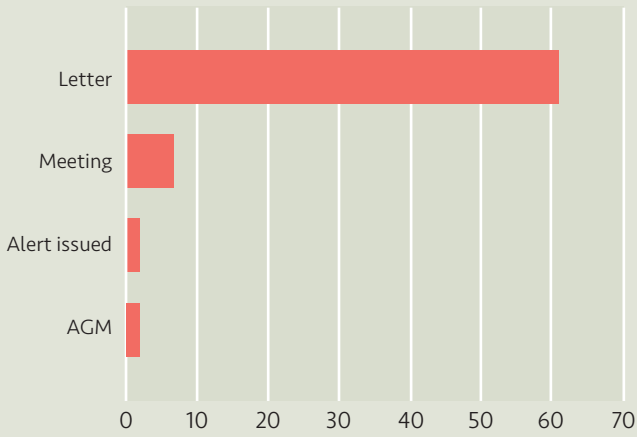
At a CEO Investor Forum organised by 'CECP: The CEO Force for Good,' the Forum heard from a range of CEOs including from NRG Energy, IBM and GSK. The event reviewed the positive impact of communicating long-term value creation with investors.



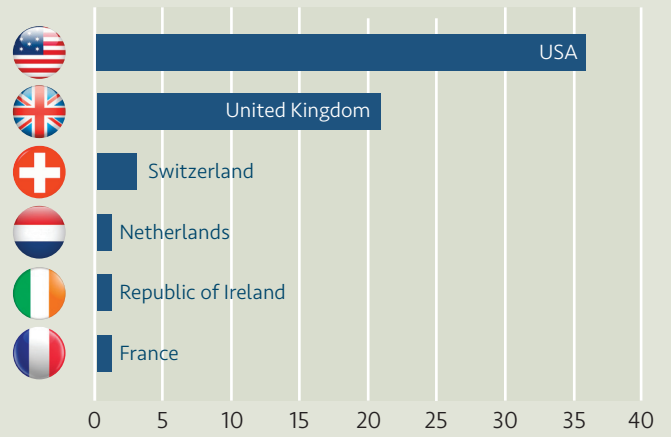
The Financial Reporting Council (FRC) has launched independent research into FTSE350 companies' diversity and inclusion reporting. The Forum attended an event organised by the FRC on current trends in reporting and related initiatives.

COMPANY ENGAGEMENT ACTIVITIES

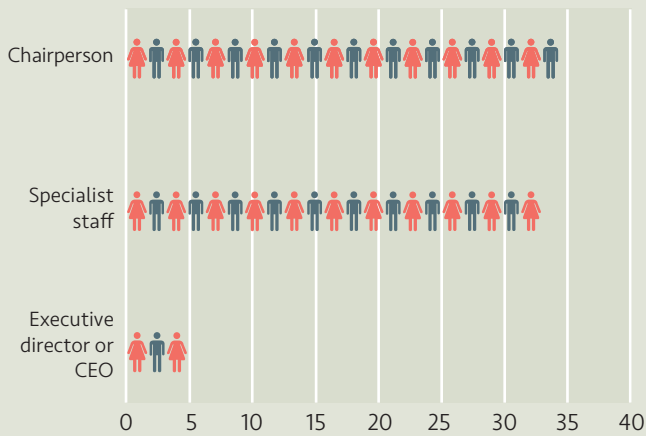
Company engagement activities



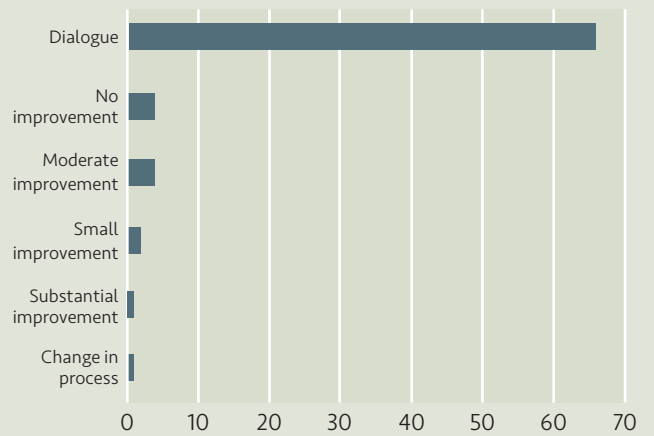
Company domiciles



Position engaged




Outcomes



LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

- Avon Pension Fund
- Barking and Dagenham LB
- Barnet LB
- Bedfordshire Pension Fund
- Border to Coast Pensions Partnership
- Cambridgeshire Pension Fund
- Camden LB
- Cardiff and Vale of Glamorgan Pension Fund
- Cheshire Pension Fund
- City and County of Swansea Pension Fund
- City of London Corporation
- Clwyd Pension Fund
- Cornwall Pension Fund
- Croydon LB
- Cumbria Pension Scheme
- Derbyshire CC
- Devon CC
- Dorset County Pension Fund
- Durham Pension Fund
- Dyfed Pension Fund
- Ealing LB
- East Riding Of Yorkshire Council
- East Sussex Pension Fund
- Enfield LB
- Environment Agency Pension Fund
- Falkirk Council
- Gloucestershire Pension Fund
- Greater Gwent Fund
- Greater Manchester Pension Fund
- Greenwich Pension Fund
- Gwynedd Pension Fund
- Hackney LB
- Hammersmith and Fulham LB
- Haringey LB
- Harrow LB
- Havering LB
- Hertfordshire County Council Pension Fund
- Hounslow LB
- Islington LB
- Lambeth LB
- Lancashire County Pension Fund
- Leicestershire Pension Fund
- Lewisham LB
- Lincolnshire CC
- London CIV
- London Pension Fund Authority
- Lothian Pension Fund
- Merseyside Pension Fund
- Merton LB
- Newham LB
- Norfolk Pension Fund
- North East Scotland Pension Fund
- North Yorkshire CC Pension Fund
- Northamptonshire CC
- Northern Pool
- Northumberland CC
- Nottinghamshire CC
- Oxfordshire Pension Fund
- Powys CC Pension Fund
- Redbridge LB
- Rhondda Cynon Taf
- Shropshire Council
- Somerset CC
- South Yorkshire Pension Authority
- Southwark LB
- Staffordshire Pension Fund
- Strathclyde Pension Fund
- Suffolk CC Pension Fund
- Surrey CC
- Sutton LB
- Teesside Pension Fund
- Tower Hamlets LB
- Tyne and Wear Pension Fund
- Wales Pension Partnership
- Waltham Forest LB
- Wandsworth LB
- Warwickshire Pension Fund
- West Midlands ITA Pension Fund
- West Midlands Pension Fund
- West Yorkshire Pension Fund
- Westminster LB
- Wiltshire CC
- Worcestershire CC

Non-Executive Report of the: PENSIONS BOARD 26 November 2018	 TOWER HAMLETS
Report of: Neville Murton, Acting Corporate Director Resources	Classification: Unrestricted
Local Pension Board General Remit and LBTH Pensions Board Draft Work Plan For 2019/20	

Originating Officer(s)	Bola Tobun, Investment and Treasury Manager
Wards affected	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 Acting 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 of 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 or amend 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 early days in terms of the establishment of Pension Boards in the Local Government Pension Scheme (LGPS), there has clearly been a range of approaches to 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
Administration & Governance	
Member training on specific and general issues	To provide training on specific issues based on identified need or emerging/ current issues. To provide ongoing training to members to enable them to challenge the advice received and equip them with the tools to enter into constructive dialogue with advisers.
Pensions Board to receive key performance indicators report on a quarterly basis.	To ensure scheme is run in accordance with agreed service standards; and compliance with regulations and to deal with and rectify any errors and complaints in a timely way.
Review the current pension administration strategy	To ensure scheme is run in accordance with the rules.
Review and refresh key policy documents; the 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.
Investment & Accounting	
Draft Pension Fund Annual Accounts approved by the Acting 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.

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:

'the Act'	The Public Service Pensions Act 2013.
'the Code'	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
'the Committee'	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).
'the Fund'	means the Fund managed and administered by the Administering Authority.
'the Guidance'	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.

'the Regulations'	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).
'Relevant legislation'	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.
'the Scheme'	means the Local Government Pension Scheme in England and Wales.

Statement of purpose

6. The purpose of the Board is to assist¹ 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 members².

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).

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

² 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 members³ or have capacity to represent scheme members of the Fund.

13. Member representatives should be able to demonstrate their capacity⁴ to attend and complete the necessary preparation for meetings and participate in training as required.

³ Active, deferred or pensioner members

⁴ 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 appointed⁵ 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 capacity⁶ 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 appointed⁷ 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.

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

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

⁷ 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 members⁸

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 Office⁹

⁸ 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 Fund¹⁰.
 - (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 interest¹¹

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

⁹ 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.

¹⁰ This includes active, deferred and pensioner members.

¹¹ 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)¹²

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] times¹³ 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.

¹² See section 6 of the Guidance for more information on Knowledge and Understanding.

¹³ 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 allowances¹⁴

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.*

¹⁴ 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 functions¹⁵

55. The first core function of the Board is to assist¹⁶ 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

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

¹⁶ 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.

Reporting¹⁷

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.

¹⁷ 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

Draft Work Plan

2019/20

Date of Meeting	Title of Report	In-line with PB Terms of Reference (no.)	Responsible Officer
July 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
	Review of The Pensions Regulator Code of Practice	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
	Review of Investment Strategy Statement	55d & 55i	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
	Review of the actuarial valuations process and results	56h	Investment & Treasury Manager
	Review of Funding Strategy Statement	55d & 55i	Investment & Treasury Manager
	Review of Governance Compliance Statement	55d, 55e & 56g	Investment & Treasury Manager
	Review Asset Voting, Engagement Processes & Compliance with the UK Stewardship Code	56j	Investment & Treasury Manager
	Review of The Pensions Regulator Code of Practice	55a-55e	Investment & Treasury Manager/Pensions 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
	Review of Communications Policy Statement	55e & 55i	Pensions Manager
	Review Asset Voting, Engagement Processes & Compliance with the UK Stewardship Code	56j	Investment & Treasury Manager
	Monitor Internal and External Audit Reports	56e & 55i	Investment & Treasury Manager
	Review the process of actuarial valuations	56h	Investment & Treasury Manager
	Other Ad-hoc items for consideration		Various
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
	Review of Customer Services Survey	56a	Pensions Manager
	Review Asset Voting, Engagement Processes & Compliance with the UK Stewardship Code	56j	Investment & Treasury Manager
	Review the Performance and Contracts of Service Providers to the Fund	56c	Investment & Treasury Manager
	Member Training - Training Needs Analysis	55j	Investment & Treasury Manager
	Pension Fund Work Plan 2020/21	55i & 55j	Investment & Treasury Manager
	Other Ad-hoc items for consideration		Various

This page is intentionally left blank

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 6.40 P.M. ON TUESDAY, 18 SEPTEMBER 2018

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

Members Present:

Councillor Muhammad Harun (Chair)
Councillor Ehtasham Haque (Vice-Chair)
Councillor Sabina Akhtar
Councillor Shad Chowdhury
Councillor Leema Qureshi
Councillor Andrew Wood
Councillor Rachel Blake

Union and Admitted Bodies, Non-Voting Members Present:

None –

Other Councillors Present:

None

Apologies:

Kehinde Akintunde

Others Present:

Colin Robertson	Independent Investment Advisor
John Jones	Chair - Pensions Board
David Stephen Thompson	Vice Chair – Pensions Board
Annette McKenna	Representing Admitted Bodies
	Employers – Pensions Board
Roger Jones	Representing Pension Fund
	Employers – Pensions Board
John Gray	Admitted Bodies Representative for
	Active Fund Members – Pensions
	Board
Douglas Green FFA	Hymans and Robertson
Barry Dodds FFA	Hymans and Robertson

Officers Present:

	(Senior Lawyer, Legal Services)
Amma Boateng	
Neville Murton	Divisional Director, Finance, Procurement and Audit)

Kevin Miles	(Chief Accountant, Resources)
Bola Tobun	(Investments and Treasury Manager, Resources)
Tim Dean	(Pensions Team Leader, Resources)
Georgina Wills	(Committee Officer, Resources)

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

None.

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes of the meeting held on 24 July 2018 were confirmed as a correct record subject to the following corrections.

Item 2 Declarations of Disclosable Pecuniary Interest

The Chair advised the Committee that Mr Andrew Schneider had visited his Surgery and had held discussions about the London Borough of Tower Hamlets commitment towards disinvestment in Fossil Fuels and requested that this be recorded in the minutes.

Item 4 Minutes of the Previous Meetings - Matters Arising / Items 6.1 Revised Investment Strategy Statement And Investment Options Considerations.

Councillor Wood commented that there was an inaccurate recording in the minutes. Councillor Wood advised the Committee that he had offered to assist with the interviews for the Independent Advisor but was unable to attend and confirmed that he did not take part in the process.

Matters Arising

Item 3 Petitions

Members noted that the Council had advocated its strong commitment to disinvesting in Fossil Fuels and questioned how this objective was to be monitored. Officers advised the meeting that a report will be brought to the next Committee and that it would contain information about the Fund's current level of exposure to Fossil Fuels and how it compares to contemporaries. The level of exposure will also be reviewed on an annual basis and future reports will provide information on available products with low carbon outputs and the Fund's position. The Committee will be requested to give a steer and make a decision about products

Item 6 Update On Equity Protection Provider Search

Officers advised the Committee that the Equity Protection Strategy had been implemented and also added onto the Committee's Work Programme.

3. PETITIONS

None received.

4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

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

The Pensions Board met on 18 September 2018 and raised concerns regarding voting at Investors Meetings. The Board has written to the London CIV and requested that Officers also make enquiries on a number of London wide issues. There were concerns raised with regards to Tesla's failure to engage with American Trade Unions and the Company Health and Safety practice. Presently Baillie Gifford has a large holding in the mentioned company.

The Board also held discussions about the Pensions Administration Team and had welcomed the Team's improving performance and proposal for maintaining its stability. There were also discussions held about 'Class Actions' and the importance of ensuring that the Fund is able to recover losses from management, agencies and contractors.

RESOLVED

To note the update.

5. PRESENTATION AND TRAINING FROM HYMANS

The Committee received a presentation from Douglas Green and Barry Dodds of Hymans Robertson LLP on Valuation. Members were reminded that the Fund had three major components, investment returns, Member contributions and Employer contributions. The objective of the Fund is to provide benefits to members and dependents. The Fund is determined by its investment strategy, manager performance and LGPS Regulation and must meet balance of cost over longer term. The 'Valuation' calculates the latter. The Committee noted the following.

- That there is a full actuarial valuation of all Fund Members' liabilities. This forms the baseline for all employer contributions and Fund calculations. These valuations are triennial and were last calculated on 31 March 2016. The next valuation will be on 31 March 2019.
- That the Pensions Administration Team provides data to the Actuaries, who will then review and make estimates on how much money is needed to pay the pensions. The data is also used to check the financial health of employers. The contribution rate for the next three years can then be set. These estimates are based on assumptions.
- That assumptions include looking at financial assumptions and demographic assumptions. The former looks at the economic outlook and expected investment returns on the actual scheme assets and historical pay growth and the latter population trends and past scheme mortality experience. The Investment returns are a critical component

in the evaluation. The Funding level is very dependent on the 'Discount Rate' assumed.

- The assumptions need to be realistic to ensure that a sensible plan is devised and the contribution rate is set correctly and is affordable. These decisions need to be timely and involve a wide range of parties. A miscalculation of the 'Discount Rate' would affect the contribution rate; in these instances, contribution rates might need to be increased. There are different school of thoughts on how to calculate the value of the liabilities.
- That there was increased attention towards the governance of funds and that external government bodies also needed to be satisfied with the solvency of all LGPS Funds.
- That it was aimed for the Council to stop subsidising schools deficit contributions through stabilised increases in total contribution rate. Members raised questions about schools transferring into Academies and noted that the contribution rate by these institutions was 33%.
- That previous valuations of the Fund and those made by the LGPS Scheme Advisory Board were on a par. The Assumptions are compared to past estimates and there are annual evaluations which take into consideration factors such as members who are due to retire, ill health retirements and deaths. Other factors which are reviewed are life expectancy (based on postcodes), gender, dates of birth and earnings.
- Members raised questions about 'improbable events' such as Brexit and queried whether these factors were taken into considerations when making valuations. The Committee was advised that it was expected that markets would move up and down and that returns from investments in the long term were more important. The Committee was reminded that the Fund could take 'a long term view' and that contributions in respect of active members could be expected to continue for many years.
- Members raised questions about support staff in schools and commented whether individuals were aware of their contribution rates and requested that information be provided on what percentage of the Fund was allocated to these beneficiaries.
- That the LBTH LGPS was performing well and that the Government did not set funding levels. The deficit has been reduced by £150m and the current funding level was around 90 % at March 2017. Members were reminded that 'Active Members' would continue to enter the Pensions Scheme and that the deficit would be funded over a twenty year period.

Mr Green and Mr Dodds were thanked for their presentation.

RESOLVED

1. To note the Presentation; and
2. That information be provided on what percentage of the Fund beneficiaries comprised of School Support Staff.

6. REPORTS FOR CONSIDERATION

6.1 London Collective Investment Vehicle (CIV) Update

Bola Tobun, Investment and Treasury Manager, presented a report which provided an update on the latest developments in respect to the London CIV. The LCIV has adopted a new governance framework and has disbanded the Pensions Joint Committee. A 'Disbanding Agreement' will be signed by all Local Authorities.

The LCIV employee pensions agreements are provided through the City of London Pension Fund and LCIV and City of London have been working together to formalise these arrangements. The LCIV has a Recharge Agreement and City of London required Guarantee Agreement for admitting LCIV into their Local Government Pensions Scheme. Members were advised that Legal Services and Finance will be reviewing the above agreements to ensure that terms and conditions are favourable to the LBTH Pensions Fund. The Committee noted that the City of London was expecting the LCIV to provide a Bond if the 'Guarantee Agreement' does not become effective. There were concerns about the former being unlimited.

Members noted the membership of the LCIV Shareholder Committee had been agreed and commented that the LBTH contribution to the LCIV was above 20% and stressed that the Local Authority should either have a Councillor or Officer on the Body. The LCIV is currently considering whether their Shareholder Committee membership should include a Trade Union Representative. The Committee was advised that the Pensions Board had raised various concerns over the governance arrangement at the LCIV in particular the lack of Independence between some committees.

The Committee held a brief discussion about disinvestment in fossil fuels and queried whether the LCIV could be requested to undertake the above and if they could remove funds if request was unmet. Officers reminded Members that LCIV was a 'Pooled Fund' and that they were legally obliged to be part of a Pool. The LCIV can be requested to look at 'sustainable Equities'; these products would need to be in demand and also available on the Market. At present there is not a wide choice on 'low carbon products'. Members requested that Officers approach the LCIV about 'low carbon investments' and provide feedback at the next Committee. Members were reminded that LCIV chose Fund Managers for each Asset Class and other Funds may desire alternative Products.

RESOLVED

1. To note the content of this report;
2. To approve the signing of the Notice of Dissolution of the Pensions CIV Joint Committee (PCSJC), issued by LCIV;
3. To delegate to the Corporate Director, Resources and the Monitoring Officer to review and agree suitable terms of conditions for Tower

Hamlets Pension Fund and the Council in regards to the LCIV Pension Cost Recharge Agreement and LCIV Pension Guarantee Agreement for the City of London;

4. To approve the agreements to be sign when recommendation c above has been achieved in consultation with the Chair and Vice Chair of the Committee;
5. That Officers make enquiries about the Council having a representative on the LCIV Shareholder Committee; and
6. That Officers approach LCIV about 'Low Carbon Products and provide feedback at the next Committee.

6.2 Independent Advisor Report on Market Outlook and Investment Managers Performance for Quarter Ending 30 June 2018

Colin Robertson, Independent Advisor, presented a report which detailed the performance of the markets and the Pensions Fund investment managers for the first quarter of 2018/19.

The Committee was advised that the Financial Markets regained their composure in the 3 months to 30 June 2018. The developed equities have recaptured their losses from the last quarter. The USA Market is performing well but Emerging Markets have underperformed significantly. The other Markets (Europe and Japan) are forecasted to have reasonable economic growth. There are still concerns over 'Trade Wars' and their effects on supply chains.

With regard to Emerging Markets, Turkey's political leadership and Argentina's high borrowing of dollars have contributed to the poor performance. Members held discussions on the poor performance of the Turkish Lira and noted that this was attributed to the economic policies pursued by the current government and that there had been a loss of confidence in the Country's Markets. Following questions from Members, Officers advised the Committee that it was unlikely that the United Kingdom would mirror the same economic policies as Turkey.

Despite strong corporate earnings, equities continued to remain expensive from an historical perspective. The Committee noted that they had purchased 'equity protection'. Members were advised that at this time the Fund should invest in 'assets' which were dependent on the skills of Fund Managers rather than being very sensitive to equity market levels. At present the Fund has a high exposure on equities, preferably this should be reduced.

Members were advised that inflation was being better controlled and that Central Banks were pleased that inflation in the major economies were converging on the widely held 2% inflation target. The Committee was advised that while a Central Bank has the option to raise and cut interest rates to regulate the economy, there were other measures which could be put in

place to help such as 'Quantitative Easing or Tightening' This had all led to gilt yields being fairly stable although US yields had risen.

The Baillie Gifford equity fund was noted to have performed well and had surpassed its Benchmark once again during the quarter, be it only marginally on this occasion. The relative performance of the LCIV Baillie Gifford and LCIV Ruffer DGF funds in the quarter to 31 March was reversed in the latest quarter. Absolute Return Bonds Funds underperformed and would require continual monitoring. The Schroders Real Estate Capital Partners Fund beat its benchmark by 0.2%.

Following questions from Members, the Committee was advised that they would be required to make decisive action if Funds were not being managed according to specification.

RESOLVED

That the contents of the report be noted.

6.3 Investment and Fund Managers Performance Review for Quarter Ending 30th June 2018

Bola Tobun, Investment and Treasury Manager presented a report which outlined the performance of the Pensions Fund and its investment managers for the first quarter of 2018/19. The Fund performed in line with its benchmark return of 2.95% for the quarter and the Fund value has increased by £40m during the last quarter.

During this quarter seven mandates matched or achieved returns above the set benchmark. Members were advised that two Managers had underperformed over both the quarter and the longer term and the Committee will be requested to make a decision on what course of action should be taken. Members were reminded that Fund Managers were employed to outperform set Benchmarks over a period of three years and they could be changed if performance was unsatisfactory. The Committee noted that 'Infrastructure' and 'Private Debt' were alternative investment products. Investment returns were important in helping to address funding gaps.

Members requested that the future Tables which detail Managers Investment Performance relative to benchmark be presented separately on an A4 Sheet. Officers also requested that the graphs which illustrate the portfolio value movements of each mandate for the Quarter also includes the transfers between Funds. This information should be depicted explicitly on the graph.

RESOLVED

1. To note the contents of the Report;
2. That the Table which details the Managers Investment Performance Relative to Benchmarks is displayed on an A4 Sheet; and

3. That the graphs which illustrate the portfolio value movements of each mandate for the Quarter includes transfers between Funds and this be depicted explicitly on graphs.

6.4 Pension Fund Annual Report For 2017/18

Kevin Miles, Chief Accountant, presented the final Pensions Fund Annual Report for 2017 / 2018. The Committee were reminded that their Draft Annual Report was presented at their meeting in July following the audit of KPMG. Members were informed that KPMG had no issues to respond.

RESOLVED

1. To note the contents of this report;
2. To approve the Pension Fund Statement of Accounts (Appendix 5 of Annex 1);
3. To approve the Pension Fund Annual Report and give delegated authority to s151 to finalise and publish this in order to meet the statutory publication deadline of 1 December 2018 (Annex 1); and
4. To approve publication and distribution to interested parties.

6.5 Pension Scheme Administration Update

Tim Dean, Pension Team Leader presented a report which covered the activities and performance of the Pensions Administration Team. The Committee was advised that Green Spring Academy had joined Mulberry Schools Trust from 1 September 2018 and that Accent Catering Services Limited had taken the contract for Mulberry Trust Schools and will be an Admitted Body. This is subject to contracts being agreed by Accent's Legal Advisors.

The Pensions Administration has identified 1200 deferred members who could potentially claim payment of benefits with immediate effect. The Team has made contact with over 100 of these members. A 'cash flow analysis' has been carried out and potential payments are not expected to affect the Funding Level.

A data quality review is to be scheduled and will be undertaken by Altair Pensions.

Members noted that vacancies within the Pensions Administration Team was affecting its performance and was advised that the new structure which was currently being put in place would help to improve the Teams Performance Indicators. The Pensions Administration Team is now located within the Finance Service Area; there are currently Secondments within the Team.

RESOLVED

To note the information provided in the report in respect of the scheme administration and the performance metrics.

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 are to inform Bola Tobun if they wish to attend any of the training events.

8. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

None.

9. DATE OF FUTURE MEETINGS

- 29 November 2018
- 13 March 2019.

The meeting ended at 8.20 p.m.

Chair, Councillor Muhammad Harun
Pensions Committee

This page is intentionally left blank