

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS BOARD

HELD AT 10.00 A.M. ON MONDAY, 31 JULY 2017

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

Members Present:

John Jones (Chair)	(Independent Chair)
David Stephen Thompson (Vice-Chair)	
John Gray (Member)	(Representing Active Admitted/Statutory Bodies Pension Fund Members)
Roger Jones (Substitute for Minesh Jani)	(Head of Revenues)

Officers Present:

Ngozi Adedeji	– (Team Leader Housing Services, Governance)
Suzanne Jones	– (Supporting the Divisional Director, Finance)
Kevin Miles	– (Chief Accountant, Resources)
George Bruce	– (Interim Pensions Manager – HR)
Bola Tobun	– (Investments and Treasury Manager, Resources)
Georgina Wills	– (Committee Services Officer)
Antonella Burgio	– (Democratic Services)

1. APOLOGIES

The Chair noted apologies from Minesh Jani, Councillor Dave Chesterton and Steve Stratton.

2. APPOINTMENT OF VICE - CHAIR

The Chair proposed that David Thompson be appointed as Vice-Chair for the rest of the Municipal Year. There being no other nominations it was

RESOLVED

That David Thomson is appointed as Vice-Chair for the remainder of the Municipal Year.

3. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

None.

VARY ORDER OF BUSINESS

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

4. UNRESTRICTED MINUTES**RESOLVED**

That the minutes of the meeting held on 13 March 2017 are approved as a correct record.

Matters Arising

Regarding Minute 8, Funding Strategy Statement Consultation/Comments: The Board noted that, at the last meeting, the Board had requested clarification on the inflation risk and ESG factors. It was requested that this information be provided at a future meeting.

Action by: B Tobun, Investment and Treasury Manager, Resources

5. SUBMISSIONS FROM FUND MEMBERS

There were none.

6. SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE

Nil items.

7. PENSION BOARD REPORTS FOR CONSIDERATION**7.1 Pensions Board, Membership, Quorum and Dates of Meetings**

The Chair introduced the report which detailed the Terms of Reference, Membership and Quorum of the Pensions Board.

The Board discussed:

- the contents of the report and requested that the Chair's correct surname be recorded at Appendix A, Pensions Board Membership 2017/2018.
- the schedule of meetings for the remainder of the year and noted that the meeting on 20 November may have to be rescheduled. Officers advised that Members will be canvassed for alternative meeting dates if required.

RESOLVED

1. That the report be noted.
2. That future meetings be held at 10.00am.
3. That the Chair's surname be amended in Appendix A - Pensions Board Membership 2017/2018.
4. That officers canvass amongst Board Members for a new meeting date if the scheduled meeting for 20 November 2017 is postponed.

7.2 Feedback from the Chair on CIPFA Pensions Board Seminar

The Chair reported to the Board the matters discussed at a recent CIPFA one day seminar to consider the progress of pensions boards since their inception.

The following matters of concern and interest were noted:

- Insurance for Board Members - it was noted that:
 - The legal position regarding board indemnity was unclear; however there should be indemnity for Board members when discharging the duties for which they were appointed. The Board noted that council insurances indemnified Pension Committee members but did not generally provide the same for Pensions Boards and suggested that a representation on this matter should be made to the Regulator and that the matter also be referred to the Council's Insurance Team. The Treasury and Investment Manager agreed that an enquiry would also be made with the Council's insurer. The LGPA made clear that there was a need for indemnification.
 - The Board discussed whether insurance could be provided via funds set aside for the work of the Pension Board and were advised that Boards were not permitted to self-insure.
 - The Divisional Director's Support Officer advised that it was necessary to clarify what areas the indemnifications covered. Clarification would be sought and a report back be made.
- Issues - Scheme Governance Survey
 - The Pensions Regulator presented an update on a number of issues which featured in the Scheme Governance Survey; these broadly related to record keeping and risk management. The Regulator recommended that Boards monitor these areas in particular. Having considered the matter, the Board agreed that this duty should be highlighted to the Pension Committee and to officers.
- DCLG – Scheme Advisory Board
 - An actuarial report on the Fair deal and Treasury cost cap was delayed until spring 2018.
- Governance of Pooled Investments (CIV)
 - There was concern around governance of these bodies and how Pension Boards could undertake this. The Chair advised that the Boards concerns on this matter should continue to be voiced. Additionally he advised that he has written to the Pension Committee in this regard and the Board will continue to monitor this matter until how governance would be delivered was made clear.
 - The Board noted
 - that a Government Review, of CIVs was imminent
 - the Board of the London CIV would comprise a nominated Councillor from each participating authority.. These appointments, once confirmed, would be communicated to the Board.
 - two authorities had withdrawn from the London CIV to conflict of interests

- the Treasury and Investment Manager would verify and inform the Board if work has started
- LGPS Complaints - the Regulator advised that the number of complaints upheld is very small in comparison to scale of LGPS. Complaints received have not at this time required referral onward to the ombudsman. It was noted that a stage one complaint was outstanding this time which would be externally checked.
- Cyber Security
 - A new regulation, GDPR, places responsibility on data controller and had legal consequences. The Pensions Administration Manager (G Bruce) was working on compliance presently and would report back to the Board.
 - Implications of the regulations also included more requirements on member consent (it may be necessary to change forms and update statements and consider information has been upheld).
- Cost Transparency Code for Asset Managers
 - The Chair of the Scheme Advisory Board advised that only seven managers had signed up to the code and asked that Pensions Boards should asking their Investment Committees to ensure that all asset managers have been asked to sign up. The TH Pension Board Chair recommended that the Board support this approach and ask for confirmation of whether or not the TH Pension Fund Asset Managers had signed the Code. The Board was informed that London CIV is leading in this area and has applied this principle to listed assets. Two managers have signed the Code, however it was noted that it might be difficult for Private Equity/ Infrastructure Managers to sign up. Notwithstanding the limitations, asset managers should be encouraged to support an ethical approach. The Board then agreed to monitor how this action progressed.
- Concurrent Pensions Board and Investment Committee cycles - it was noted that Tower Hamlets already operated such arrangements. These were important to ensure that there was balanced oversight of on administration and performance of funds.
- Future Seminars - The Chair noted that seminar had been well attended and should be open to all. He encourage all Board Members to attend the next seminar which would be held in London on 6th November 2017.

RESOLVED

That the presentation and actions requested be noted.

Action by: B Tobun, Investment and Treasury Manager, Resources

7.3 Discussion on the Regulators 2017 Governance Report

David Thompson, Vice Chair, tabled and presented a paper which set out the results of the Pensions Regulator's Public Service Governance and Administration Survey.

The Board held an in-depth discussion on the paper and the following were noted:

- The survey findings had a robust basis.
- There were three areas of concern:
 - Record Keeping – Officers were advised that Actuaries had judged London Tower Hamlets (LGPS) record keeping as good / high and that an annual data review was being undertaken. At present there were 700 deferred members whose home address was unknown. These were being traced through data matching.
 - Internal controls
 - Member communications
- At a recent conference the Regulator strongly endorsed compliance/governance and therefore it could be assumed that this would be a good basis for self-comparison exercises.
- The Regulator survey highlighted issues around record keeping in that 79% had reviewed data in the past year and of those that had it was found that 35% were not adequately monitoring data.
- Small Pension schemes have more difficulty around record keeping however at Tower Hamlets the data quality was high.
- There was no comparative information on how Tower Hamlets data quality compared with other local authorities but there was data on how the Council's Pension Scheme fulfilled the code.
- There would be an extended study on data to further improve quality by tracing members designated as 'gone away'.
- The regulators intervention in the matter of the Teachers' Pension Scheme was in the form of an improvement request and a fine.
- 2017 Annual statements were ready for circulation and systems/data had been checked to ensure that the errors in 2016 had been resolved.
- The TH Fund risks were incorporated into the Council's general risk register and it was debated whether this was sufficient or whether there should be a specific risk register for the Fund. A risk assessment would be completed by September 2017.
- The external study would take place in the weeks after the contract had been agreed/signed.
- The Terms of Reference will pick up the issues outlined by the Regulator.
- Admitted Bodies tended to have low staffing levels and this was an issue for the Council pension scheme. Mr Bruce noting the comment advised that it was easier to monitor if the Admitted Bodies' payroll was administered by the Council's payroll. Issues mainly occurred at start up/when the agreement is signed and the contribution rate is announced.
- There could be some risk that the Council was paying unnecessary pensions but efforts were being made to communicate with admitted bodies and trace fund members. GLT consultants had been engaged to carry out this task. The Mr Jones representing the Fund Employer suggested that Experian should also be used.

RESOLVED

That the tabled report and discussion be noted.

7.4 Report on Pension Fund Administration Update

Mr Bruce Interim Pensions Manager – HR, presented the report and the Board noted the following matters outlined in the report:

- Mr Dodia had retired. Mr Bruce also advised that he himself was soon to take up a new position in another authority.
- Since a decision on options for the Pensions Administration Service was pending, his role would be covered day to day by team managers and Sue Grinsted would provide management and mentoring on a part-time interim basis until a decision was reached.
- Performance of the administration service had improved and now stood at 82%
- An area requiring improvement was that of recovery of overpayments and it was noted that a proportion arose because of failures to notify the service of pensioner deaths. Methods of better tracing pensioner death and reducing overpayments were being explored.
- Information regarding the actuarial feedback on data quality deeming that it was fit for purpose.
- The member self-service portal structures were in place and the services would be launched after the benefits statements had been issued to fund members.
- The Board noted but did not comment on the admission of Mulberry Academy and Energy Kidz into the Fund.

Responding to Members' questions the Board was informed that:

- In regard to addressing the issue of overpayments:
 - A National Fraud Initiative data matching exercise was recently carried out.
 - Noting the information relating to Guaranteed Minimum Pension (GMP) at 3.37, the Board heard that it was necessary to ensure that data relating to this was accurate therefore the Fund and HMRC records were matched and revealed that 11 000 records agreed with the Revenue, 2000 have liability need to follow have been taking to an organisation £129 000 cost to identify. 87 000 check overpayment cost, October 2018 needs to be completed and this be put to tender as the matter needs to be concluded by December 2018 and the authority had been late in starting the reconciliation process.
 - Because of the impacts of members joining and leaving the scheme, it was not possible to estimate the value of overpayments but figures would be presented at a future meeting.
 - The NFI exercise, previously run biennially will now be run very six months.

- Norfolk CC was looking at establishment of arrangements for mortality screening for deaths in UK but for those retiring abroad, a death certificate would still be necessary.
- Overpayment recovery requires a death certificate and identification of and contact with the executor(s).
- Any irregularities around pension statements are covered by disclosure regulations.

RESOLVED

1. That the contents of the report and the Board's comments be noted.
and
2. That the Board's comments on the recommendation to approve the admission of Energy Kidz Ltd as an employer within the pension fund (para 3.10).

7.5 Report on Future Options for Pension Administration Services

Mr Bruce Interim Pensions Manager – HR, presented the report and the Board noted the following matters:

- Small schemes such as Tower Hamlets Pension Fund faced challenges of continuity and expertise.
- Only a small number of councils operate in house schemes.
- Alternatives to in-house provision are joint arrangements with other local authorities or out sourcing to a specialist provider.
- The latter scenario would provide a more stable arrangement.
- Officer were looking into a presentation from a small combined scheme from among those know to operate this arrangement.

The Board considered the implications of the options and noted:

- The number and range of bodies which operate combined or out sourced administration.
- That there would be implications on current staff.
- That there should be KPI assessments of the options presented to Pension Committee.
- The Pensions Committee is recommended to consider all options and the potential impacts of these on the service and the current staff.
- That Unit costs should be provided.

RESOLVED

1. That the report and discussion be noted.
and
2. That a report on progress be made at a future meeting.

7.6 LGPS Latest Development and Update

Ms Tobun Investments and Treasury Manager presented the report and the Board noted the following matters:

- New MiFID II rules will be in force January 2018 which will render local authorities as retail investment clients and have impacts on some financial instruments that they may wish to purchase. Additionally direct access to fund managers would be lost. However the LGA had lobbied FCA to consider fund trustees to comprise a collective of members and officers which administer pension funds to secure that these organisations may retain their professional status and so mitigate the detriment that would otherwise be imposed.
- A High Court judicial review of the section on boycotting foreign nations and the UK defence industry in the DCLG statutory guidance on preparing and maintaining an investment strategy statement published in September 2016 ruled it was unlawful.
- The update on the Investment Code of Transparency as presented in the report.
- Establishment of the London CIV was progressing on time. Two funds had been launched with two more expected to launch later in the year. Additionally a number of members of staff had been appointed.

The Board discussed the following:

- In regard to MiFID II, that there had been concerns around the adequacy of (Pensions Committee) member training and hear that CPfA was looking at ways of achieving appropriately trained members including requiring them to answer a set of questions.
- In regard to CIVs, that a review would be carried out in July 2017. A draft report would not be circulated to the Council for consultation and the Board noted that should the CIV wish to change style or plan. it would need to consult. The Chair asked that further information be reported to the Board at a future meeting.

RESOLVED

That the discussion covering the following matters be noted

1. FCA MiFID II Policy Statement on LGPS Classification;
2. Judicial review on DCLG statutory guidance;
3. LGPS Investment Code of Transparency and
4. London Collective Investment Vehicle (CIV).

7.7 Draft Pension Fund Annual Report and Accounts 2016/17

Mr Miles, Chief Accountant presented the report which was circulated as a supplement and informed the Board that:

- The value of the fund had increased by £200
- Once finalised the annual report would be presented to Pension Committee for approval at its meeting in November 2017.

RESOLVED

That the draft annual report and accounts be noted.

8. MINUTES OF PREVIOUS PENSION COMMITTEE

The Board reviewed the minutes of the Pension Committee held on 16 March 2017 and noted the following matters:

- There had been no contact from Tower Hamlets Digest, however this matter would be discussed at the next Pensions Committee meeting.
- The Chair and Investments and Treasury Manager were monitoring the Board workplan and a standing item would be added to the agenda of each Board meeting.

Action by: B Tobun, Investment and Treasury Manager, Resources

RESOLVED

That the discussion and action agreed be noted.

9. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING (31.07.17)

The Board noted the agenda for the meeting on 31 July 2017 and that the business reports for this meeting had been discussed as part of the Boards agenda.

The Board noted:

- The investment strategy review at agenda item 6.2 would take the form of a presentation.
- the report: Investment Performance Review for Quarter Ending 31 March 2017 and details of the investment strategy review would be discussed at the next Pension Board meeting.

Concerning performance of the Fund, the Board was informed that six of the eight investment managers mandated have performed at or above benchmark. The comparative data for Ruffer and Goldman Sachs in the quarter, 12 month and three-year periods was also noted.

RESOLVED

That the agenda and discussion be noted

10. DATE OF FUTURE MEETINGS

The Board heard that the Investments and Treasury Manager wished to review the date of the next meeting and to this end, Members of the Board would be canvassed for availability.

11. ANY OTHER BUSINESS

The Board noted that Andrew Crompton, representing employer admitted bodies had ceased to be a member and was informed that the process of recruitment to fill the vacant role would be initiated by Democratic Services.

The Board also noted that Mr Bruce was shortly to take up a position at another authority and thanked him for his work for the Board during his time at Tower Hamlets Council.

12. EXCLUSION OF THE PRESS AND PUBLIC

The Chair **moved** and it was

RESOLVED

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

12.1 Pension Fund Procurement Plans and Update 2017/18

This item was discussed in closed session.

The meeting ended at 12.00 p.m.

Chair, John Jones
Pensions Board