

Pensions Committee 29 November 2017

Report of the Independent Chair for LBTH Pension Board

1. There have been two Pension Board meetings since I last reported to the Committee. At the first of these on 16th October we received presentations from PIRC and Mercer's, and at the second meeting on 27th November an update from the London CIV. All presentations were well received with positive questions and responses from those presenting. It was agreed to invite the presenters to update the Board on progress at future meetings.

2. The investment strategy review from Mercers was welcomed. The Board supported the recommended approach to de risk from equities and, within that asset class, to move away from UK into global equities and also to introduce a low carbon mandate. The opportunities presented by other asset classes of high yield credit and long lease properties and particularly infrastructure was supported. However, investment in these asset classes requires an understanding of the risk/reward relationship and Member training and development is essential before decisions are taken. With the impending local elections in 2018 and the probable turnover of members on the Pensions Committee we would urge that wherever possible progress is made before May 2018. It is important that representations are made to the London CIV to speed up their efforts to make these asset classes available, particularly with infrastructure.

3. It was very helpful to receive PIRC's presentation on the performance of the Tower Hamlets Fund. We noted that the Fund has performed below its peers for the past 20 years. Concern was expressed over the level of deficit in the Fund (albeit that it has improved recently) and the potentially impact on employer contributions and hence the Council's Budget. The implementation of the new investment strategy will help to address this gap, but again the probable turnover of members on the Committee will require early decisions to be taken and a renewed training programme for new Committee members after May 2018.

4. The Board received an update on the Pensions Administration Service. I have raised concerns about this at previous meetings, and would re iterate the importance of data accuracy and the regular monitoring of performance indicators.

5. Three Board members attended a recent seminar on progress with Pension Boards at a closed session "Chatham House Rules "event. Whilst it is not possible comment on the details, it is very pleasing to report that the Tower Hamlets Board and the relationship with the Committee is working very effectively compared to other Boards. This is particularly so with the Chair being able to report openly and constructively to the Committee on issues that we identify in our meetings. The Pensions Regulator is taking an increasing interest in LGPS Pension Funds and I have suggested that they be invited to present to Members of both the Board and Committee next year on their role and future developments.

6. We received a very helpful update on progress with the London CIV at our meeting on Monday. It was noted that the LBTH Fund is the second highest contributor to the CIV amongst all the 33 Member Boroughs. However, the Board did raise concerns over aspects of governance of the CIV. This includes the absence of any employee representation and how external scrutiny of the CIV will operate effectively. There is also a lack of independence in the Remuneration and Audit committees of the CIV where Board members not only Chair these key meetings but also are the only members of the Audit Committee. This does not appear to provide effective governance and scrutiny. We asked the CIV representative to write to the Pensions Board Chair on these points. We would ask that the Pensions Committee also convey these concerns to the CIV as part of the Governance review that is now taking place.

7. The Board welcomed the report on the Risk Register and all the detailed work that had been put into its preparation. We held a full and constructive discussion on the document whilst accepting that it is still a document in development. A number of suggestions were made to be taken into account in preparing the further draft. These included: reference the t Pensions Board where appropriate; identifying mitigated and unmitigated risks; making actions stronger; the risks associated with change; engaging Committee members to enable decisions to be taken promptly.

Finally I am unable to attend the Committee in person to present this report on this occasion but trust that you find these comments helpful in your discussions.

John Jones
Independent Chair