

LONDON BOROUGH OF TOWER HAMLETS

**Administering Authority for
Tower Hamlets Pension Fund**

**PENSIONS BOARD
ANNUAL REPORT FOR 2016/17**

ANNUAL REPORT OF THE PENSIONS BOARD 2016-17

Purpose of the Report

To provide an update on the work undertaken by the Local Pensions Board during 2016-2017 and to meet the legislative requirement to produce an annual report.

Constitution, Representation Meetings and Attendance

The Board was constituted under the Public Service Pensions Act 2013 and held its first meeting on the 28 July 2015 before the recommended Scheme Advisory Board (SAB) deadline of 31 July 2015.

The board consists of three representatives of the scheme employers, three representing of the scheme members and an Independent Chair.

Membership

Tower Hamlets Pension Board Membership 2016 /17

Member Representatives	Designation	Employer Representatives	Designation
David Thompson	Pensioners Representative	Cllr. David Chesterton	Elected Member
John Gray	Admitted Bodies Representative	Minesh Jani	Administering Authority
Stephen Stratton	Active Members Representative	Andrew Crompton	Admitted Bodies

Andrew Crompton left Tower Hamlets Homes – 31st January 2017, the post of admitted body employer representative is currently vacant awaiting recruitment and selection process.

The Corporate Director, Resources wishes to thank the Board members for their work over the last year.

The Board met on four occasions during the year ending 31 March 2017.

- 1) 27 June 2016
- 2) 19 September 2016
- 3) 05 December 2016
- 4) 13 March 2017

Functions and Operation of the Board

The two primary functions of a Local Pension Board are to assist the Administering Authority to:

- Ensure effective and efficient governance and administration of the LGPS
- Ensure compliance with relevant laws and regulation

It therefore has a monitor/assist /review purpose, rather than being a decision making body. It could be seen as being a critical friend. As such, the general approach of the Board is to seek assurances with evidence from the Fund that it is meeting its objectives set out above.

The Board is not a Committee of the Council, but is established under the Public Service Pensions Act 2013. The Board operates under Terms of Reference which were approved at inception.

The Board recognises the need to prioritise and differentiates in its agenda between items for detailed discussion, and those for awareness or noting, and prioritises its time budget accordingly.

Costs

There is a financial budget for the Board of £12.5k. The costs of running the Board are borne by the Pension Fund as part of its overall budget. The costs have in fact minimal as forming and running the board have been incorporated within existing workloads.

Detailed Work of the Board by the Independent Chair:

This is my first annual report as Chair of the Tower Hamlets Pension Board since my appointment in January 2016. The Board was set up with effect from April 2015 under new arrangements for the governance of Local Authority Pension Funds.

The purpose of the Board is to assist Tower Hamlets Council (as the scheme manager) in the management of the Local Authority Pension Scheme (LGPS), and to provide oversight and challenge. The terms of reference for the Board were set out and agreed by Tower Hamlets Council prior to the establishment of the Board. These terms of reference are available on the Fund website.

The Board is comprised of 3 employee and 3 employer representatives together with an Independent Chair. This is in line with the regulations requiring equal employee and employer representation. Details of the members of the Board are shown in Appendix A to this report. The Board is not a decision making body and can only provide advice and comment on the management of the LGPS by Tower Hamlets Council. For this arrangement to be successful it is important that the Board carries out its responsibilities in a positive and constructive way.

At the end of March 2017, the Tower Hamlets Pension Fund had total assets of £1.367 billion and a membership of over 20,000 comprising pensioners, deferred pensioners and current contributors.

The Board met on 4 occasions during 2016/17 in June, September and December 2016 and March 2017. There have been full agendas for the meetings and the issues discussed during the year included:

- a) The development of an annual work plan for the Board.
- b) Briefings and discussion on the performance of the pension administration service
- c) Briefing and discussion on the Investment performance on the Fund
- d) Consideration of the Triennial Actuarial review of the Fund
- e) Review and discussion of the decisions of the Pensions Investment Committee
- f) Consideration of the Governments proposals for the consolidation of the LGPS and the setting up of asset pools, and the new Investment Regulations
- g) Audit and risk management issues affecting the Fund
- h) Consideration and discussion on the updated Investment Strategy and Funding Strategy Statements of the Fund.

I am pleased to report that attendance over the 3 meetings was very good at 86% showing a high degree of commitment by members to the work of the Board. The Board will continue to focus on the key issues affecting the Fund and its beneficiaries through the forward work plan to ensure that it best placed to support the Council in the delivery of the LGPS in Tower Hamlets.

In my role as Chair I have presented and reported on behalf of the Board to the Pensions Committee on Governance matters, and on issues arising from our consideration of policy and administration reports. This is a positive and welcome arrangement to ensure that the Board's views are considered by the Pensions Committee.

Pension Fund Investment and administration is becoming ever more complex so a structured programme of training and development is essential for individual members and the Board collectively to discharge its responsibilities. With this in mind, members of the Board have attended various training sessions over the past year. This has included:

- a) A presentation and discussion on the long term performance of the Tower Hamlets Pension Fund.
- b) A presentation from the London CIV on progress in implementing the new pooling arrangements.
- c) The case for divesting from investments in fossil fuels.
- d) The role of the Local Authority Pension Fund Forum (LAPFF) in promoting high standards of corporate governance and corporate responsibility.

Regular training sessions will continue to be arranged and also incorporated as part of Board meetings.

The LGPS nationally is currently going through major change and upheaval with the setting up of asset pools. Central Government have taken the view that a small number of asset pools are best placed to reduce costs and provide the scale to access illiquid asset classes to help diversification and improve investment returns. The London collective investment vehicle (CIV) has been established for this purpose. In future the assets of the Tower Hamlets Fund will be invested through this pool rather than directly as is the case at present. There will be a period of transition as assets are moved into the CIV. The Pension Board have been updated on developments at each meeting, and will continue to take a close interest in this process and work alongside the Council in delivering the best outcome for the Fund and its beneficiaries.

John Jones
Independent Chair
August 2017