

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS BOARD

HELD AT 10.05 A.M. ON THURSDAY, 19 JULY 2018

COMMITTEE ROOM ONE - TOWN HALL MULBERRY PLACE

Members Present:

John Jones (Chair)	(Independent Chair)
David Stephen Thompson (Vice Chair)	(Retired/Deferred Pension Fund Members)
Councillor Puru Miah (Member)	(Representing Pensions Fund Employers)
John Gray (Member)	(Representing Active Admitted/Statutory Bodies Pension Fund Members)

Others Present

Kevin Cullen	Client Relations Director (London CIV)
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Officers Present:

Ngozi Adedeji	(Senior Lawyer, Legal Services)
Neville Murton	(Divisional Director, Finance, Procurement and Audit)
Kevin Miles	(Chief Accountant, Resources)
Bola Tobun	(Investments and Treasury Manager, Resources)
Tim Dean	(Pension Team Leader)
Georgina Wills	(Committee Services Officer)

1. APOLOGIES

The Chair noted apologies from Steve Hill, Roger Jones and Stephen Stratton.

The Chair advised the Board that Steve Stratton had resigned from the Pensions Board and this was due to personal reasons. The Chair requested that Mr Stratton be formally thanked for his hard work and contribution to the Pensions Board over the past three years and that this be recorded in the minutes.

2. APPOINTMENT OF VICE-CHAIR

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

RESOLVED

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

3. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS

John Gray, Admitted Bodies Representative Active Fund, declared an interest on Item 9, *Minutes of the Previous Pensions Committee – item 6.2 Pensions Scheme Administration Report / One Housing's withdrawal from the LBTH Pensions Fund*. This was on the basis that he had met with the Chair of One Housing.

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

The minutes of the meeting held on 12 March 2018 were agreed and approved as a correct record subject to the below amendments.

Item 11 *Pensions Committee Agenda for the forthcoming Meeting. (6.1 Revised Investment Strategy Statement and Investment Options Considerations)*

Sentence which reads '*The Fund's current funding level is at 90% and this equates to £150million*' be amended to '*The Fund's deficit level is at 90% and this deficit equates to £150million*'.

Matters Arising

- Item 4 *Unrestricted Minutes: Matters Arising*

Members requested that the LCIV be asked to provide an update on what actions had been undertaken in relations to Tesla refusal to engage with Trade Unions.

- Item 7 *Discussion And Presentation From the Pensions Regulator (TPR)*

Members were advised that an assessment on data quality was to be undertaken later in the month.

- Item 11 *Pensions Committee Agenda for the forthcoming Meeting.*

Item 6.2 - Pensions Scheme Administration Update) Pensions Administration / Finance Restructure

Neville Murtion, Divisional Director, Finance, Procurement and Audit briefed members about the Finance Service Area restructure. The Board was advised that consultation with staff members in the respective areas had been undertaken. The final proposals are currently being drafted and there are ongoing discussions on which 'job titles' should be assimilated. Members

were advised that staff members had advocated for the Pensions Team and Pension Payroll Team to remain as two separate teams.

The Board was advised that a Pensions and Pensions Investment Team was to be created and that a Team Manager would oversee two senior level posts. These Posts will be graded as P04. Members were advised that the grades had been revaluated and the posts were now in parity with similar senior roles in other service areas. One of the post hold will focus on Accountancy and Investment. There have been no changes in the number of Scale 6 and SO2 posts. A 'career grade pathway' has now been created for both administrators and officers.

Members held discussions about the restructure and stressed the importance of the service areas responsible for the Pensions Administrations and Investments being adequately resourced and staffed. The Board noted that the administration of Pensions Schemes was becoming more complicated and commented that the Financial Regulators were increasingly monitoring this area and stressed the importance of officers having the requisite 'skills sets' to undertake the above role.

Following questions from Members, Officers advised that under the new structure, the Senior Officers roles will focus on Pensions and Strategy. These post holders will be graded at LPO9 and LPO7 and be expertise in their fields.

Officers advised that the proposed restructure would ensure that the Service Area is resilience and led to an increase focus on the Pensions Fund. Senior Officers will also be provided with more support.

- Item 6.4 - *Update on Pensions Fund Procurement Plans 2017/2018*

Officers advised the Board that a meeting was to be held with State Street in the forthcoming weeks and that 'Class Action Reports' were to be discussed. The Board agreed that it was prudent to ensure that they are compensated for any negligence and losses.

RESOLVED:

That Officers request feedback from the LCIV about actions taken in relation to Tesla non-engagement with Trade Unions.

5. SUBMISSIONS FROM FUND MEMBERS

None

6. SUBMISSIONS / RESPONSES FROM PENSIONS COMMITTEE

The Chair commented on the reciprocal relationship between the Pensions Board and Pensions Committee and stressed that this continues. The Board noted that the above relationship was not always replicated in other LGS Funds.

7. PRESENTATION LONDON CIV - GOVERNANCE ARRANGEMENT UPDATE

Kevin Cullen, Client Relations Director, London CIV gave a presentation which detailed the works of the London CIV since November 2017. The Board was reminded that Mr Cullen had attended their meeting in November. The following was noted during a question and answer session.

- The LCIV has £16bn AUM and this total includes passive assets. A total of £7bn is based on the ACS Platform and is insulated; £9bn is with passive Managers (LGIM, Blackrock etc.). The Board was advised that beneficial rates were obtained and that the large Investment life vehicles were prevented from being part of the ACS due to legal reasons.
- That 30 London Boroughs (LBs) had pooled and an additional LB was to join at the end of July and that the City of London was to make their first Investment.
- At present over 40% of London's assets are now pooled and that the London Boroughs of Merton, Hackney, Waltham Forest and Croydon had agreed to pool for the first time. The Board was advised that it would be beneficial for the Fund if all the London Boroughs pooled.
- Three new sub fund were launched in 2018 and this included Equity Fund Strategy and MAC. The First Fixed Income Fund was launched on 1 June 2018. Members were advised that a Working Group was set up before the Fund was launched and that the Group was used to gauge the views of Fund Members on what type of products were preferred.
- LCIV was currently considering their future targets and were viewing markets and vehicles. There will be meetings to ensure that the rights products are chosen. Infrastructure is currently being reviewed.
- That the cost of administrating the LCIV was lower than the gains derived from the AUM and that an increase in the latter would help to further reduce levies.
- That LCIV was seeking to obtain inflation protection for investments. The Board queried whether the above should also be undertaken for ESGs and were advised that this was dependent on the requirements and that it would involve reviewing funding strategies.
- Members noted that they had expressed concerns over the governance arrangement of LCIV in particular with the lack of independence of the Remuneration Committee and the Audit Committee and questioned whether this issue had been raised. Mr Cullen advised that the LCIV will be approached about the above topic and that the Board will be advised of the response.
- The LCIV was undergoing a staff restructure and that there had been a number of appointments made. It was anticipated that current vacancies will be filled in the autumn. The Board noted that the Chief Investment Officer Post remained vacant and was advised that this work area was currently being covered by the Chief Executive. A permanent appointment to the Chief Executive post will be made after autumn.

- Members raised concerns over the lack of BME representation on the Shareholders Committee and commented that the Body should be reflective of the community that they serve and asked that this be communicated to the LCIV.
- That the Shareholders Committee membership included a Trade Union Observer and that the individual had 'spoken rights'. The Board commented that it would be preferential if this committee member was given a more active role on the Committee.
- That Fund Managers were required to provide reasons for not following the LAPF Guidelines on Voting. The Board commented that the Guidelines should be widely circulated and requested they be provided a copy of the procedure
- That Share Action was currently working on the Workforce Disclosure Initiative' and the scheme aim was to encourage Large Investors Companies to disclose their 'work-chains and their 'workforce practises'. The Board noted that Individual Managers could be approached on the above topic.
- Members noted that Ruffer was underperforming and asked that the recovery measures to address the above be disclosed at a future Board. The Board was advised that quarterly meetings are held with each Fund Managers and reports are placed on the Client Portal. There is also constant tracking and monitoring of performances. The Funding Pools determines how Fund Managers should be managed.
- That the LCIV had devised a Responsible Investment Policy and the protocol was to be ratified at the Shareholder meeting. A copy of the draft Policy will be circulated to the Board.
- The LCIV has become an UN PRI signatory.
- That the LBTH Pensions Fund was committed to reducing their 'carbon footprint' and disinvesting in companies who have a high carbon output. This has led to disinvestment from £30m to £15m in such companies. Members commented whether they could completely disinvest from such companies and was advised that this would affect their passive funds. The Board requested that they receive a presentation on the disinvestments at a future meeting and commented that the same policy should also be extended to companies that have poor labour practise in developing countries.

Members thanked Mr Cullen for his presentation. Mr Cullen advised the Board that he will share the recommendations made by Members to the LCIV.

RESOLVED

1. The LCIV is approached about their Governance arrangements in particular with the lack of independence and representation on the Remuneration Committee and the Compliance/ Audit/ Risk Committees.
2. The LCIV is requested to ensure that the Shareholders Committee members are reflective of the community that they serve and that it is proposed that the Trade Union Observer on the Committee is given a more active role.

3. That the LAPF Guidelines on Voting be circulated to Pensions Board Members.
4. That the LCIV Responsible Investment Policy be circulated to Pensions Board Members and.
5. That the Pensions Board receives a presentation on TH LGPS Carbon footprint and its disinvestment in companies who have a high carbon output.

8. REPORTS FOR CONSIDERATION

8.1 Pensions Board Membership Quorum and Dates of Meetings

The Committee Officer presented a report which set out the Terms of Reference, Membership and Quorum of the Pensions Board for the Municipal Year 2018/2019. The report also listed the scheduled meeting dates for the remainder of the year. Following discussions, the Board confirmed that 10am continued to be their preferred start time for scheduled meetings

The Committee Officer advised that a recruitment drive had been started and it was anticipated that the vacancies on the Pensions Board will be filled in the forthcoming months.

RESOLVED

1. That the Report be noted and.
2. That scheduled meetings continue to be held at 10am.

8.2 Training & Development Plans For Pension Committee and Board Members

REASON FOR URGENCY

The report was unavailable within the standard timescales set out in the Authority's Constitution, because of continuing work to finalise the training and development plan for the new Board and Committee Members.

Member training is a key requirement in ensuring Members of the Board and Committee discharging their responsibilities; therefore it is important that the training and development plan is considered as part of the first post-election meeting.

Bola Tobun, Investment and Treasury Manager presented a report which outlined the needs for a training and development programme for Pensions Board Members. The Board was reminded that there were requirements for the LGPS Pensions Committee Members, Pensions Board Members and

officers to have appropriate level of knowledge and skills. The Chartered Institute of Public Finance and Accountancy (CIPFA) have provided a 'knowledge and Skills Framework (2010). The CIPA Framework provides a framework for the training and development of members/observers, the aim of the framework is to improve knowledge and skills in all relevant areas of the activity of a Pensions Board.

Members were reminded that a 'Training Analysis' had been circulated to the Board. The Chair requested that Members complete the Training Analysis and forward suggestions on the Work Plan. Officers requested that Members complete training Modules 1 and 2 before their next meeting, and that Modules 3 and 4 are undertaken before November 2018 and the remaining two Modules (5 & 6) by March 2019. The Board was requested to advise Officers of any training needs.

Members held further discussions about their Training and Development Work Plan and suggested that the previous year training timetable be replicated. The Pensions Regulator (TPR) Modules were noted as being a good tool for undertaking self-assessments.

Members suggested that a joint training be arranged for members of the Pensions Board and Pensions Committee. An evening training session was preferred; it was envisaged that the session would be a good opportunity for members of the Pensions Board and Pensions Committee to meet each other.

RESOLVED

1. To note the assessment and training resources provided by the Pensions Regulator (paragraph 3.21 – 3.24);
2. To note the adoption of the CIPFA Local Pensions Boards Technical Knowledge and Skills framework (paragraph 3.25 – 3.32), including the self-assessment matrix (attached as Appendix 2);
3. To agree the training framework and programme for 2018/19 set out within the report (para 3.33 and 3.35)
4. To agree the Work Plan for 2018/19 attached as Appendix 3
5. That Members provide comments on the Work Plan and advice Officers of their training needs.
6. That the 2017-2018 Training and Development Work Plan schedule is replicated during the municipal year
7. That a joint training for Pensions Board and Pensions Committee be arranged for October and takes place in the evening. Officers should canvass both Pensions Board and Pensions Committee members about training dates and.

8. That Members complete training modules in the agreed set timeframes.

8.3 Update of LBTH TPR Compliance

REASONS FOR URGENCY

The report was unavailable within the standard timescales set out in the Authority's Constitution, because of continuing work to review and update the Pensions Regulator's Compliance Checklist.

The Checklist contains a number of items that are subject to continuous review and it is important that the council current level of compliance is accurately reported to Members of the Board and Committee.

Tim Dean, Pensions Team Leader presented a report which provided an update on the Compliance Checklist for the London Borough of Tower Hamlets Pension Fund. The Pensions Regulator (TPR) has put in place a Code of Practice for Public Service Pension's Scheme. The code covers a number of areas which relate to the management of schemes. Since 1 April 2015, all Pension Schemes must now consider whether they comply with the Code.

Members were advised that LBTH Pensions Scheme was compliant in more areas of the Code. This includes the Internal Dispute Resolution (IDRP) notes and application forms; these documents have now been updated. Members were advised that Aviva, the Additional Voluntary Contributions (AVC) providers were DBS compliant. These documents are jointly managed by the Pensions Administration Manager and Investment and Treasury Manager.

Members were informed that a review of the contents of the Annual Benefits Statement was to be undertaken. The above will be carried out before the documents are issued. All Annual Benefits Statements must be issued by August 2018.

RESOLVED

To note the Code of Compliance Checklist and the further work which is required and being undertaken.

8.4 Procurement and Insurance

Neville Murton, Divisional Director, Finance, Procurement and Audit provided an update on Procurements. Members were advised that Indemnity for Pensions Board was to be put in place and that Colin Robertson had been appointed as the Independent Advisor. The appointment was made in June 2018.

Members agreed that Mr Robertson should be invited to their meeting in November 2018 and be requested to give a briefing about their investment strategy.

Members were advised that the Pensions Committee had appointed CQS as their MAC Manager; the portfolio will be managed by the LCIV.

RESOLVED

1. To note the update and
2. That the Independent Advisor be invited to attend the Pensions Board in November and be requested to provide a brief about the LBTH Pensions Fund Investments Strategy.

9. MINUTES OF THE PREVIOUS PENSIONS COMMITTEE

The Board reviewed the minutes of the Pensions Committee held on 14 March 2018 and noted the contents.

Matter Arising

Item 6.2 Pensions Scheme Administration Update / One Housing

John Grey advised that there had been poor consultation regarding One Housing proposal to withdraw from the LBTH Pensions Fund. To date there has been no assessment or evaluation undertaken. The Actuaries are currently liaising with Judicators. At present One Housing continues to remain as a Fund Member.

10. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

The Board noted the Agenda for the meeting which was to be held on 24 July 2018.

Item 7.2 Draft Pensions Fund Annual Report and Accounts 2017/18

Members commented about the Pensions Committee Attendance record for the 2017 / 18 Municipal Year and requested that officers provide feedback on attendance.

Members noted that the Equity Protection for the LBTH Pensions Fund would cost £250,000 and that the scheme was in place for a period of 18 months. The meeting was advised that scheme provides protection for losses up to 30%. Outside participation is 10%; if there is any further participation cost will be incurred.

The Equity market has depreciated and this has left Fund Managers such as Ruffer in a volatile position. There has been a devalue of £38m. Absolute Returns Bond Management have also not performed well.

Members raised questions about deficits and future contributions and were advised that Fund had a surplus at the end of March 2018 and that the

Council contribution rates to maintain the solvency of the Fund amounted to 19.9% and this equated to around £50m.

Members commented about the Universal Fund Programme and commended the performance of the LBTH Pension Fund. The Board noted that the Fund's value had increase by £113m and the last valuation was in March 2016. Since the last valuation the funding level has increased by 5.4% to 88.2%. The funding level is the highest recorded. Members agreed a presentation on the above topic should be made in the future.

Officers advised the Board that the Draft LBTH Pensions Fund Annual Report and Annual Accounts had been approved by the Audit Committee and that no concerns had been raised by the latter.

11. DATE OF FUTURE MEETINGS

- 13 September 2018
- 22 November 2018
- 7 March 2019

12. ANY OTHER BUSINESS

None.

The meeting ended at 11.50 a.m.

Chair, John Jones
Pensions Board