

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS BOARD

HELD AT 9.30 A.M. ON THURSDAY, 1 OCTOBER 2015

**ROOM C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON E14 2BG**

Board Members Present:

Minesh Jani (Chair) (Head of Audit and Risk Management,
Resources)
Councillor Dave Chesterton (Member)
David Thompson (Member)

Officers Present:

Anant Dodia – (Pensions Manager)
Kevin Miles – (Chief Accountant, Resources)
Bola Tobun – (Investments and Treasury Manager, Resources)

1. APPOINTMENT OF CHAIR FOR THE DURATION OF THE MEETING

Councillor Dave Chesterton proposed and Mr David Thompson seconded that Minesh Jani be appointed Chair for the duration of the meeting. There being no other nominations, it was

AGREED

that Minesh Jani be appointed Chair of the duration of the meeting.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Andrew Crompton.

Unfilled Appointments

It was noted that the following Pensions Board positions had yet to be appointed:

- Independent Chair,
- Board Member Representing Active Pension Fund Members,
- Board Member Representing Active Admitted Bodies Representatives of the Fund

3. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No declarations of disclosable pecuniary interests were made.

4. MINUTES OF THE PREVIOUS MEETING

The notes of the meeting held on 28 July 2015 were considered by the Board. It was noted that, because the meeting was inquorate, the proceedings had been discharged on an informal basis.

Having considered the informal notes, Members

AGREED

1. that the notes of the meeting held on 28 July 2015 be approved as an accurate record of proceedings and
2. that the recommendations of the informal meeting be formally ratified.

Matters Arising:

Board Members noted the following:

- The Board's preferred meeting time for all future meetings was 10.00 am
- That the Board's Terms of Reference be reprinted and circulated with each agenda
- That the Council's initial £50,000 contribution towards London CIV was to ensure that Tower Hamlets LGPS could participate and receive VFM returns.

5. PETITIONS

No requests to submit petitions to the Board were received

Discussion of Submissions and Requests from Fund Members

The Board discussed and came to a view that it was desirable that Fund members and stakeholders should be able to raise any issues of concern with Board Members. The Board then requested that:

- this agenda item be retitled 'Submissions' and
- that Fund members and stakeholders be informed that they may send their written submissions to the clerk at any time before 5.00 pm on the day prior to the date of the meeting.
- that the facility be suitably advertised to fund members and stakeholders via internet mechanisms such as the Council's intranet website and other bodies' intranet websites.

Ms Tobun, Investments and Treasury Manager informed the Board that a Pension Fund micro-site was being developed in conjunction with the Council's IT service. Other suitable mechanisms would also be sought to notify fund members of this amenity.

6. REPORTS FOR CONSIDERATION

6.1 Pensions Committee Meeting Papers 17 September 2015

The Board considered the agenda and papers that had been presented to the Pensions Committee on 17 September 2015 and discussed the following matters:

Pensions Committee Minutes 24 February 2015:

The Board:

- Requested (Concerning minute 4.1) that the gains of the Fund be confirmed
- Requested that a summary of the Fund's performance be provided to the Board annually, to contain a high-level overview of performance
- Requested (Concerning minute 4.2) that information be provided relating to what measures were being taken to ensure accountability in relation to payments made to London CIV. Ms Tobun advised that the £50,000 requested by London CIV from all authorities participating in the scheme was towards setting up costs and for the recruitment of financial experts. The Board was concerned that the CIV should be accountable and Members were informed that the London CIV had established an advisory panel which would help the decision making of the CIV. Additionally:
 - LBTH Councillor Harrison was a member of this body.
 - London CIV have employed some professionals (Eversheds) to monitor contributions to the fund and transparency. Mr Thompson noted that the board should also monitor the processes of the CIV as it would be receiving monies from LBTH pension fund. Mr Miles, Chief Accountant informed the Board that regular reports on the progress of London CIV were being made to the Pensions Committee. However because of the nature of this organisation and the numbers of local authorities participating in the London CIV. a degree of trust concerning its function would have to be exercised.
- Enquired whether there a paper setting out how the CIV will operate was available and asked whether such a paper had been made available to the Pension Committee? Ms Tobun informed the Board that she was presently preparing a briefing for Pensions Committee on this matter. The Board asked that a copy of this paper be made available at its next meeting:

Action by: B Tobun, Investments and Treasury Manager

- Cautioned against duplicating the work of the Pensions Committee.
- Was concerned that the resolution at minute 4.2 did not address the key concerns raised regarding the CIV Joint Committee relating to accountability. The Board was informed that Ms Tobun would circulate the private minute relating to this item to the Pensions Board

Action by: B Tobun, Investments and Treasury Manager

- Asked for assurances that the concerns around accountability had been addressed as there was no evidence to indicate this in the minute. Ms Tobun informed the Board that the concerns referred to related to the CIV Joint Committee and not to the Council's own Pensions Committee.
- Notwithstanding Councillor Chesterton asked that these concerns be reported back to the Pensions Committee asking the Pensions Committee to ensure that their minutes are properly concluded, addressing all matters discussed in the agenda item.

Action by: B Tobun, Investments and Treasury Manager

- Noted (Concerning minute 4.5) that it was important that the Board was able to view the KPIs listed. It was also important that Pension Committee monitored the KPIs.

Pensions Committee Minutes 23 July 2015:

The Board:

- Noted (concerning minute 5.3) that the minutes did not resolve the underperformance reported. Councillor Chesterton requested that the following recommendation be made to the Pensions Committee:
 - that it review the underperforming investment managers.Ms Tobun clarified that the item concerned an annual review of the pension fund performance presented by WM Company and the reported figures were relative and set in the context of other local authorities for whom WM Company provided services. Councillor Chesterton noted the explanation and asked that the minutes be written such that they might be scrutinised more easily.

Pensions Committee 17 September 2015 - Item 4.1:

Mr Dodia, Pensions Manager introduced the report.

He:

- advised that it was the first of a new monitoring themes which would provide quarterly information on the performance of the pensions administration service, based on key performance indicators. Two further KPI's "death benefit/Administration benefit statements" and "new joiners" later would be introduced and reported from quarter two.
- noted that since the introduction of the new LGPS, pension funds were required to issue benefits statements annually by August. This is had proved difficult for most local authorities to achieve and therefore the Local Government Association had made representations to the Regulator. A response was presently awaited.

In response to Board Members' questions the following information was provided:

- eight of the 12 KPIs were presently being reported and the remainder would be introduced incrementally by April 2016 quarter 4.

- KPIs were set by officers on the basis of regulations and best practice amongst local authorities.
- Because it was obligatory to comply with the regulator's requirements deadlines must be observed. This was especially at the end of year two of the new pension scheme.

The Board noted its discussion of this item and recommended that the Pension Committee should receive an action plan as part of its regular reporting to ensure that the risk of a non-compliance in year two was monitored and mitigating measures implemented in a timely manner should they be necessary.

Action by: A Dodia Pensions Manager

Pensions Committee 17 September 2015 - Item 4.2:

The Board considered the pension fund investment performance review for quarter ending 30 June 2015.

The Board:

- noted the underperformance of Schroders
- contrasted the role of the Pensions Committee which was to monitor the performance of managers and note under/poor performance where necessary with the function of the Pensions Board which was to monitor how the Committee discharged its role.
- further noted, that although Board Members were able to examine Pensions Committee, they were not able to view what actions the Committee had taken regarding matters presented to them.
- considered what mechanisms could be implemented in order to rectify the above matter and decided that its schedule of meetings should be revised to enable Board Members not only to review the papers of previous Pensions Committees meeting but also the accompanying minutes.

The Board noted its discussion of this item and recommended that the schedule of Pension Board meetings be amended to enable Pensions Committee Reports and Committee's responses to be monitored.

Pensions Committee 17 September 2015 - Item 4.3:

The Board considered the training and development for Members report

The Board:

- noted that the Pensions Committee had adopted the training policy.

In response to Board Members' questions the following information was provided:

- concerning how many hours the training to an appropriate level would comprise, the Board was informed that there had been challenges in delivering the required training because of a lack of member availability. However, 40 minute training sessions had been

incorporated into each of the Pensions Committee's standard meetings.

The Board noted its discussion of this item and recommended that officers take all necessary steps to ensure that training of Pensions Committee members was fit the purpose.

Action by: B Tobun, Investments and Treasury Manager

This concluded the business of the Pensions Committee on 17 September 2015.

RESOLVED

1. That the discussion and review of the minutes of the Pensions Committee meetings held on 24 February 2015 and 23rd of July 2015 be noted
2. That the discussions and review of the Pensions Committee agenda for the meeting held on 17 September 2015 be noted
3. That the actions arising from the review of minutes and agenda items be undertaken and carried out appropriately by the support officer.

6.2 Training and Development For Members

The Investment and Treasury Manager introduced the report which set out requirements and proposals for a training and development programme of members of the Pensions Board

The Board noted:

- that training was a requirement in order to fulfil its remit. Members enquired which of the criteria had been fulfilled via the training delivered in September and Ms Tobun advised that the Board had received a general spectrum legislative and governance framework training but no in-depth matters had been covered.
- it was not necessary to complete all competencies during the course of a year. She requested feedback on the training delivered to enable tailored training to be delivered which would meet competency requirements.
- that it was necessary to focus on the degree to which Pensions Committee Members had been trained and asked for a report on the training completed by these members in the last two years
- its own training expectations and for a report on what training should be undertaken and a timetable for this.

RESOLVED

1. That the training and development framework for members of the Pensions Board be approved as set out in the report.

2. That a report be brought on training completed by Pensions Committee members in the last two years.
3. That a report be brought on a programme of Pensions Board member training and a timetable.

6.3 Pensions Board Work Plan for 2015/16

The Investment and Treasury Manager introduced the report which outlined an indicative work plan for the Board to pursue for the remainder of the municipal year.

The Board reviewed the proposed topics and the following matters were raised:

- It was necessary that Pensions Committee receive reports and information around risk management of the Fund.
- The Board requested that their reports/papers be presented in an alternative style/format to that used by Council's committees to emphasise the independence of the Board from the Council.
- The Board agreed to revise its schedule of dates:

RESOLVED

1. That the work plan 2015/16 be approved
2. That reports to the Board be presented in an alternative style to Council papers
3. That the dates of the remaining meetings in the municipal cycle be amended to the following:
 - 20th of November 2015 at 10.00am
 - 4th March 2016 at 10.00am

7. ANY OTHER ITEM THE CHAIR CONSIDERS TO BE URGENT

7.1 WM League Table - the Fund and Managers' Positions

A copy of "Local Authority Quarterly League Tables March - June 2016" were tabled.

Members inspected the league tables were informed by the Chief Accountant that the report indicated active managers had outperformed tracking managers which went against the views of some commentators who advocated tracing managers above active managers. He cautioned that these performance tables could be mislead committees as asset allocation is the most significant factor for the investment strategy (i.e. how much should be in equities, property, etc). A fund manager who is performing above their peers in an investment type showing no growth will not be as good for the fund than a manager slightly below the benchmark in an asset category increasing in value. He recommended caution in taking an simplistic approach to manager monitoring.

The Board requested a report be brought to the next meeting addressing the topic of performance league table and strategies for investment manager monitoring.

7.2 Pensions Board Independent Chair

The position of independent chair of the Pensions Board had yet to be appointed. The Board heard that an approach had been made to the Director of Resources to place advertisement for the role and this had been supported.

A member enquired whether a Chair would be in post by the next meeting and was informed that the enquiry would be referred to the Corporate Director Resources.

The Board was informed that, since its first meeting, the terms of reference had been revised in connection to the recruitment to this position to ensure that a person with expertise can be properly recruited.

The meeting ended at 11.00 a.m.

In the Chair, Minesh Jani
Pensions Board