

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 7.05 P.M. ON WEDNESDAY, 25 NOVEMBER 2015

**ROOM MP701, 7TH FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON E14 2BG**

Members Present:

Councillor Andrew Cregan (Chair)
Councillor Clare Harrisson (Vice-Chair)
Councillor Abdul Mukit MBE
Councillor Candida Ronald

Admitted Bodies, Non-Voting Members Present:

Kehinde Akintunde – Unions Representative

Apologies:

Tony Childs
Councillor Suluk Ahmed
Councillor Harun Miah
Councillor Mohammed Mufti Miah

Others Present:

Raymond Haines – Independent Investment Adviser

Officers Present:

Kevin Miles – (Chief Accountant, Resources)
Bola Tobun – (Investments and Treasury Manager,
Resources)
Ngozi Adedeji – (Team Leader Housing Services,
Legal Services, Law Probity &
Governance)
Anant Dodia – (Pensions Manager)
Antonella Burgio – (Democratic Services)

The Chair welcomed Tony Childs and Kehinde Akintunde, newly appointed co-optees to the Pensions Committee representing admitted bodies and the Council's recognised unions respectively.

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No declarations of disclosable pecuniary interests were made.

2. MINUTES OF THE PREVIOUS MEETING(S)

The Pensions Committee minutes of 17 September were approved as a correct record of proceedings.

Matters Arising

An update on memberships of the Council's LGPS bodies was given informing the Committee of the that the following appointments had been made:

- Mr John Gray had been appointed to the Pensions Board as Admitted Bodies Representative for Active Fund Members.
- Mr Steve Stratton had been appointed to the Pension Board as Representative for Council employees who were Active Fund Members.
- A Chair of Pension Board had yet to be appointed, however the post had been advertised and applications would close on 27 November 2015. Interviews would take place on 7 December 2015.
- Tony Childs had been appointed as co-optee to the Pension Committee representing Admitted Bodies.
- Kehinde Akintunde, had been appointed as co-optee to the Pensions Committee representing the Council's recognised Unions.

3. PETITIONS

No petitions were received relating to matters which the Committee is responsible.

4. TRAINING - OVERVIEW OF THE PENSIONS REGULATOR CODE OF PRACTICE FOR PUBLIC SECTOR PENSIONS

Mr Haines, Investment Adviser to the Committee delivered a training session concerned with the Pensions Regulator Code of Practice for Public Sector Pensions. The matters covered were:

- the role of the pensions regulator under the new LGPS framework
- knowledge and understanding required by pensions committees
- the requirements placed on pensions boards and pensions committees,
- conflicts of interest and
- reporting breaches.

Concerning whether the requirement to disclose personal and prejudicial interests and potential conflicts of interests was applicable to matters relating to the Pension Fund, the Board was informed that both pensions committee and pensions board members were required to comply with the Nolan Principles in public life. It was suggested that an item entitled "Potential

Conflicts of Interest” should be added to the agenda of the first meeting of each municipal year.

Action by: - Democratic Services

Board Members were recommended to familiarise themselves with the Pensions Regulator Trustees Toolkit.

5. REPORTS FOR CONSIDERATION

5.1 The Pensions Regulator Code of Practice for Public Sector Pensions

Ms Tobun, Investment and Treasury Manager presented the report informing Members that the Regulator Code of Practice incorporated:

- scope of the code,
- governance of the scheme
- managing risks,
- aspects of administration and
- resolving issues.

The Code was aimed at scheme managers and members of pension boards. It placed certain duties on each of these which were described at paragraph 12 of the code of practice.

The Committee enquired whether the management of Tower Hamlets Pension Fund complied with the Regulator's requirements. A checklist was being prepared to verify the elements that would be required and an update report would be brought to the next meeting.

RESOLVED

That the report be noted.

5.2 Knowledge and Skills Audit

Ms Tobun, Investment and Treasury Manager presented the report and tabled a questionnaire which she asked Members to complete. The purpose of the audit was to identify skills and any gaps in knowledge so that training could be tailored appropriately. She requested that completed forms should be returned to her in the addressed envelopes by the New Year.

RESOLVED

1. That the report be noted
2. That completed audit forms be returned to the Investment and Treasury Manager by the New Year.

5.3 Quarterly Report - Key Pension Administration Performance Indicators: July 2015 to September 2015

Mr Dodia, Pensions Manager, presented the report which informed Members of the performance of the pensions administration service relating to key performance indicators in the period July to September 2015. Members noted the data reported and did not wish to make any comments.

RESOLVED

That the report be noted

5.4 LGPS - Current Developments and Update (Pooling, MiFID II, Fossil Fuel and Scheme Advisory Board Work)

Ms Tobun, Investment and Treasury Manager presented the report which informed Members of developments relating to the following matters:

Pooling of investments

The Committee noted:

- The Treasury viewed the development of London Collective Investment Vehicle (CIV) positively
- While the CIV enabled the Fund have a wider portfolio of properties and investments it was important to note that its purpose remained to ensure that the interests and needs of the Fund were met.
- Safeguards against undesired exposure to volatile projects could be exercised by timing the decision to invest in such portfolios so that the risks and returns would be commensurate with the volatility at the time of investment. To control its exposure to risk, Pensions Committee would be able to determine the point it wished to invest supported by the CIV.
- The Government was consulting on pooled funds and a response to this consultation would be provided by London CIV on behalf of London Councils by February 2016.

Markets in financial instruments directive II (EU) (MIFID),

The Committee noted:

- Under this EU regulation, financial services firms would be required to treat local government pension funds as 'retail clients' and would therefore be able to have access to a reduced spectrum of investments. It might be possible for pension funds to opt up to professional status however it was incumbent on local government pension schemes to prove that they could meet the criteria for acceptance under professional status (these had yet to be determined).
- The London CIV response to the government consultation would also address concerns around MIFID II.

Fossil fuel divestments,

The Committee noted:

- The LAPFF policy was not to divest from this type of investment but do to promote renewables because of its fiduciary duty to its members.
- Tower Hamlets Pension Fund was a member of LAPFF.

Scheme Advisory Board (SAB) work on separation of pension funds

The Committee noted:

- The National LGPS Scheme Advisory Board was established formally on 1 April 2015.
- It is tasked to encourage best practice, increased transparency and coordinate technical and standards issues.
- It will affect local government pension schemes by policing all administering authorities with pension funds.
- SAB is looking to restructure the 'administering authority' role as most of these do not undertake their own investing and some funds are not local government pension schemes
- SAB is looking to set up specific regulating structures for LGPSs and KPMG was doing analysis in this area

RESOLVED

That the updates be noted

5.5 Collaboration Work Update - (London CIV and National LGPS Framework)

Ms Tobun, Investment and Treasury Manager presented the report which provided Committee with an update on the progress of the London CIV for local government pension funds in London in collaboration with London Councils.

The committee noted:

- London CIV had been approved to operate as a Fund and an authority by FCA
- The CIV currently had eight investment managers, two of these were also held by Tower Hamlets Council.
- Three of the Tower Hamlets investment mandates would be eligible to go forward into the London CIV.
- London CIV expected assets of £6 billion to transferred to them by end of phase 1.
- London CIV was looking into ethical and social engagement monitoring. The Council's Fund was looking for some engagement with London CIV in this regard.

RESOLVED

That the update be noted

5.6 2014/15 Pension Fund Annual Report and Audit Report (ISA 260 Report)

Mr Miles, Chief Accountant, presented the report concerned with:

- the Pension Fund annual report and statement of accounts 2014 - 15 and
- the Pension Fund ISA260 report 2014 - 15 prepared by the Council's external auditors KPMG.

He advised that:

- the statement of accounts and annual report had been appropriately prepared and
- were being presented for approval subject to satisfactory consideration by the Committee. Members were asked to note the unqualified auditors opinion provided in the ISA260 report.

The Chair congratulated Mr Miles and Officers on their work and asked that deputy members of the Pension Committee in that period should also be listed in the report. Subject to this amendment, the Committee was pleased to endorse the recommendations at paragraph 2.

RESOLVED

That subject to the above amendment,

1. the Pension Fund statement of accounts be approved
2. The Pension Fund annual report be approved and signed
3. The ISA260 report and external auditor's unqualified opinion be noted

5.7 Market and Economic Outlook

Mr Haines, Investment Adviser to the Pensions Committee presented the verbal report giving a summary of market conditions in the current period.

The Committee noted:

- markets had almost recovered all of the outputs lost during the summer.
- markets were presently flat

Recent notable events were:

- Falling commodity prices
- A strengthening US economic recovery. This would likely lead to interest rate rises and would have implications on identified risks on the Fund.
- The Chancellor's Autumn statement had included generous provisions arising from Government expectations of the sources of tax revenues over the next five years.
- Markets presently did not offer opportunities for great gains

Mr Haines recommended the Committee adopt a 'steady as you go' approach to its investments.

RESOLVED

that the verbal update be noted.

5.8 Pension Fund Investment Performance Review for Quarter End 30 September 2015

Ms Tobun, Investment and Treasury Manager presented the report which informed Members of the performance of the Fund and its investments for the quarter 30 June to 30 September 2015.

The Committee noted the following:

- The Fund's overall value had reduced by £44 m in the period and currently stood at £1.6 million.
- The Fund in total underperformed benchmark by 1% returning a performance of -0.4% in the period
- The Fund was performing in line with benchmark at the four, at five-year periods and outperforming benchmark at the three year mark.
- Three of the Fund's eight mandates had performed at benchmark in the period
- Those that had performed below benchmark were Ruffer, Baillie Gifford Diversified Growth Fund, Schroeder and Invest Tech.
- Diversified growth funds had not performed well in the quarter
- The Baillie Gifford mandate would be transferred to the London CIV
- Historically GMO performance lagged the market but once it rallied, value performance showed to be very strong.
- Overall the Fund continues to meet its strategic performance aims.

RESOLVED

That the report be noted

6. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

Nil items.

7. EXCLUSION OF THE PRESS AND PUBLIC

The Chair **moved** and

It was resolved that press and public be excluded from the remainder of the meeting in that under the provisions of section 100 of the Local Government Act 1972 as amended by the Local Government (Access to Information) Act 1985 the press and public should be excluded the remainder of the meeting for the consideration of Section Two business on the grounds that it contains information defined as exempt in Part One, Paragraph 3, of Schedule 12 A to

the Local Government Act 1972, which relates to information relating to the financial or business affairs of any particular person including the authority holding the information.

7.1 Update on Fixed Income Investment - Exempt Report

This report was considered in closed session since the matters discussed were considered commercially and financially restricted.

The meeting ended at 8.50 p.m.

Chair, Councillor Andrew Cregan
Pensions Committee