

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT TIME NOT SPECIFIED ON THURSDAY, 22 SEPTEMBER 2016

**MP702, 7TH FLOOR TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT,
LONDON E14 2BG**

Members Present:

Councillor Andrew Cregan (Chair)
Councillor Clare Harrison (Vice-Chair)
Councillor Gulam Kibria Choudhury
Councillor Abdul Mukit MBE
Councillor Candida Ronald
Councillor Andrew Wood

Union and Admitted Bodies, Non-Voting Members Present:

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Other Councillors Present:

Apologies:

Kehinde Akintunde
Councillor Md. Maium Miah

Others Present:

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Officers Present:

Ngozi Adedeji	– (Team Leader Housing Services, Legal Services, Law Probity & Governance)
Kevin Miles	– (Chief Accountant, Resources)
Bola Tobun	– (Investments and Treasury Manager, Resources)
Nishaat Ismail	–

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

None declared.

2. MINUTES OF THE PREVIOUS MEETING(S)

The Pensions Committee minutes of the 30th June 2016 were approved as a correct record of proceedings with the following amendments;

- Ngozi Adedeji, requested the minutes of the Pensions Committee on the 30th June be amended to reflect her attendance.

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3. PETITIONS

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

4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

An update was given informing the Committee of referrals made by the Pensions Board. The Committee heard that;

- The Pensions Board received a presentation from London CIV
- The Board Members noted the absence of employee representation in the London CIV.
- Misgivings around ESG engagement
- Committee members requested to receive pensions board meeting feedback of John Jones by email before the Pensions Committee meeting.

5. REPORTS FOR CONSIDERATION

6. ACTUARIAL VALUATION UPDATE - PRESENTATION FROM HYMANS ROBERTSON

The Committee received a presentation from Hymans and were given an update on the Actuarial valuation. The main points highlighted were;

- The deficit has gone down by £120 million
- At the last valuation it was at 73.4%
- At the last valuation there was a slightly bigger risk premium
- Assets have grown by almost £200 million and performance has been stronger.
- £45 million has been profited on assets with reduced liabilities.
- Deficit contributions were around 15% last time and gone down to 9½%

It was

RESOLVED

That the contents of the presentation be noted.

7. PRESENTATION FROM LONDON COLLECTIVE INVESTMENT VEHICLE (CIV)

Jill Davy's from London CIV delivered a presentation to the Members of the Pensions Committee and the main points highlighted were;

- The London CIV Board is part of the decision making process
- On a local level the Fund still has a considerable amount of responsibility.
- To ensure the delivery of value for money as more people move to pooling, the Committee were told by Ms Davy's the level of asset management will have to be increased with the Fund.
- At the moment London CIV do not have in house expertise or resources to employ their own Fund Managers.

It was

RESOLVED

That Members of the Committee note the content of the presentation.

8. REVIEW OF PENSION FUND INVESTMENT STRATEGY

The Investment and Treasury Manager presented this report to the Committee which provided a summary of the need to review the current investment strategy following the 2016 Triennial Actuarial Valuation outcome and other relevant issues such as the current investment climate.

The Committee heard that the review will encompass an asset liability study which assesses the suitability of alternative investment strategies for the Pension Fund's liability profile.

The Committee were told that no alternatives have been considered at this stage. The Committee could decide to continue with its existing strategy however, it would be considered best practice to at least carry out an assessment of the Fund's position following the triennial valuation, even if the conclusion was to remain with the current strategy thereafter.

It was

RESOLVED

That the contents of the report be noted.

9. ACADEMY CONVERSION- MULBERRY SCHOOL AND IAN MIKARDO HIGH SCHOOL, PENSION CONTRIBUTION RATES

The Committee heard from the Investment and Treasury Manager that Mulberry School for Girls and Ian Mikardo High School (IMHS), within the London Borough of Tower Hamlets (LBTH) have received an Academy Order from the Secretary of State for Education and plan to convert to academy status by 1st November 2016.

The Committee were told that the final Pension contribution rate for IMHS is 51% and for Mulberry School for Girls the total contribution rate is 40.1%. The Committee were told that these figures were based on 2013 valuation to be consistent with schools that had already converted as academies and is just for the four month period November 2016 to March 2017 and they will be revised from 1st April 2017 based on the March 2016 Valuation.

In response to Members questions, the Committee heard that;

- A 20 year recovery period is common but the reason why the Council took 14 year period is due to the risk faced by local authorities.
- Cllr Harrisson requested for data to be provided at the next Committee regarding the conversion of St Pauls Way Trust School.
- Payroll for IMHS is approximately £330,000 and Mulberry School for Girl's payroll is £1.3 million
- As they are scheduled bodies, the authority is required to admit new academies into the Scheme.

It was

RESOLVED

- That the Committee confirm in line with the Pensions Committee resolution at its meeting of 17 November 2011 (and subsequent decisions on individual Academy conversions) that there should be a recovery period of 14 years to determine the amount of Pension deficit attributable to Mulberry School for Girls and Ian Mikardo High School
- And the final contribution rate for each school mentioned above be noted.

10. MARKET UPDATE

Mr Raymond Haines, the Independent Investment Advisor updated the Committee on recent market activities. Members heard;

- There are other factors impacting the market aside from Brexit
- Equity markets would benefit from currency move, providing portfolio is unhedged.
- Bonds were looking to be incredibly expensive and there is no reason to expect for it to become cheaper.
- Money was continuing to go into equities
- After a meeting with 4 Fund Managers, the Committee were told that there were negative returns from US equities.
- The Committee were told that a period of uncertainty would last for a while post Brexit but our portfolio is predominantly based in non-domestic equities.

It was

RESOLVED

That Members note the verbal market update report.

11. PENSION FUND MANAGERS INVESTMENT PERFORMANCE REVIEW FOR QUARTER END 30 JUNE 2016

The Investment Treasury Manager presented the report on the Investment Performance Review for Quarter End 30 June 2016.

This report informed Members of the performance of the Fund and its investment managers for the quarter ending 30th June 2016.

The Committee heard that for this quarter the Fund underperformed the benchmark by 0.4% delivering a positive absolute return of 4.8% against benchmark return of 5.2%

The Committee also heard that for this quarter end, four out of eight mandates matched or achieved returns above the benchmark. The Fund performance lagged behind the benchmark over the quarter due to poor returns from LCIV (Baillie Gifford) Global Equity and LCIV (Baillie Gifford) Diversified Growth Fund and GMO.

It was

RESOLVED

That the contents of the report be noted.

12. PENSION FUND ANNUAL REPORT 2015/16 AND REVIEW OF FUND MANAGERS INTERNAL CONTROLS (TO FOLLOW)

The Investment and Treasury Manager tabled the report at the meeting and presented it to the Committee. This report presented the Pension Fund Annual Report and Statement of Accounts for 2015/16 and 2015/16 Pension Fund Audit Report (ISA 260 Report) following the audit by KPMG.

The Committee heard that the review of fund managers SAS70/SSAE16 reports has identified no significant changes in the internal control environment from last year. The Fund managers' internal control reports have been audited and approved by external auditors and they are satisfied that adequate controls are in place for managing and reporting of the Fund's assets.

The committee delegated the approval of the Pension Fund Annual Report and Statement of Accounts for 2015/16 to the chair and the vice chair once they received the audit letter and the final version of the annual report via email.

It was

RESOLVED

- That the contents of the report be noted
- The Pension Fund Statement of Accounts be approved
- And the Pension Fund Annual Report be approved by Members of the Committee.

13. PENSION FUND PROCUREMENT PLANS 2016/17

The Investment Treasury Manager presented the Pension Fund Procurement Plans 2016/17

The Committee were told about the procurement plans covering the fund's independent consultant, global custodian and actuarial services.

The Committee heard that the contracts in place for all the above mentioned service providers have been in place for over ten years or do not exist formally and they are therefore long overdue for formal review.

The Committee heard that the Council has an overarching responsibility to maintain the Pension Fund. It is essential that the Council has a Global Custodian, Investment Consultant, Independent Advisor and a Scheme Actuary to assist in the proper management of the Fund. The responsibility for the strategic oversight of all aspects of the Pension Fund is worth the Pensions Committee.

It was

RESOLVED

That the contents of the report be noted.

14. TRAINING EVENTS

None.

15. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

It was agreed that the next Pensions Committee to be held on December 7th be moved to 6:00 P.M. and the location of the meeting be changed to the Idea Store Canary Wharf.

The Committee Clerk (Nishaat Ismail) to check availability of a meeting room at Idea Store Canary Wharf.

16. EXCLUSION OF THE PRESS AND PUBLIC

17. RESTRICTED MINUTES

The restricted minutes of the Pensions Committee held on 30th June 2016 were approved as a correct record of proceedings.

The meeting ended at 21:28

Chair, Councillor Andrew Cregan
Pensions Committee